Webinar 3

Assortment strategies in crisis

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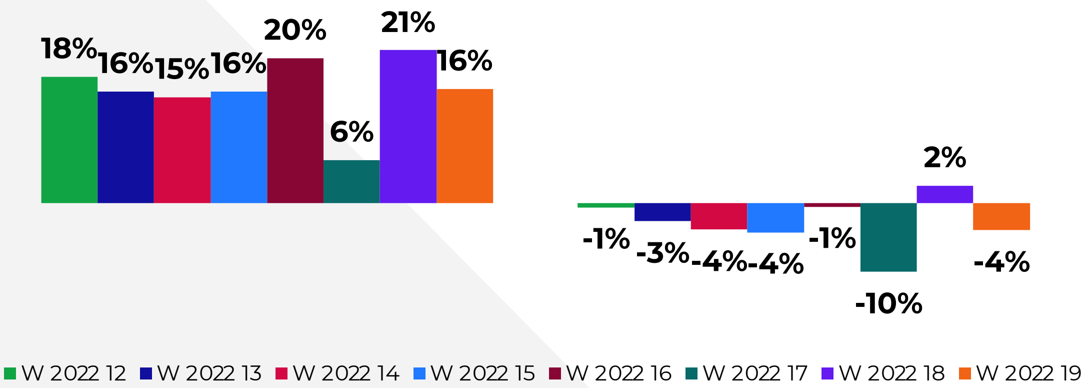
New FMCG trends

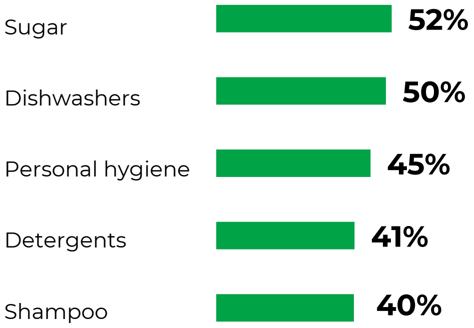
Inflation and weak demand is a new FMCG reality

Value sales change,
rubles

Volume sales change,
items



Average price change
per 1 l/kg/item, 19 week vs. December 2021

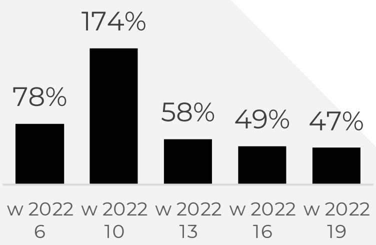


21% is average price growth per package on week 19 2022 in Russia

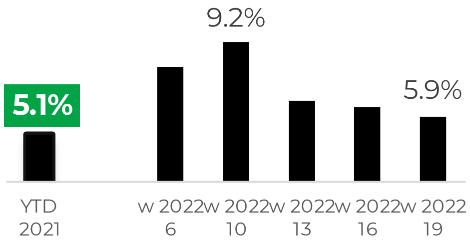
Source: NielsenIQ Total Store Read, NielsenIQ Retail Measurements

FMCG landscape in Russia is undergoing fundamental changes

Value sales change online,
rubles

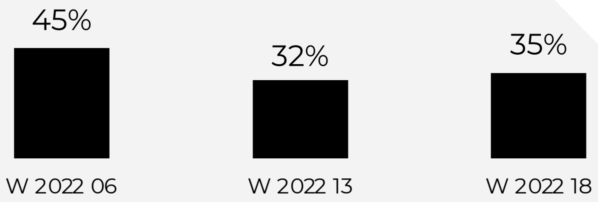


E-commerce value share,
rubles



value share of e-commerce has decreased **to 5,9%** after reaching its peak of 9,2%,

Share of promoted sales,
rubles, %



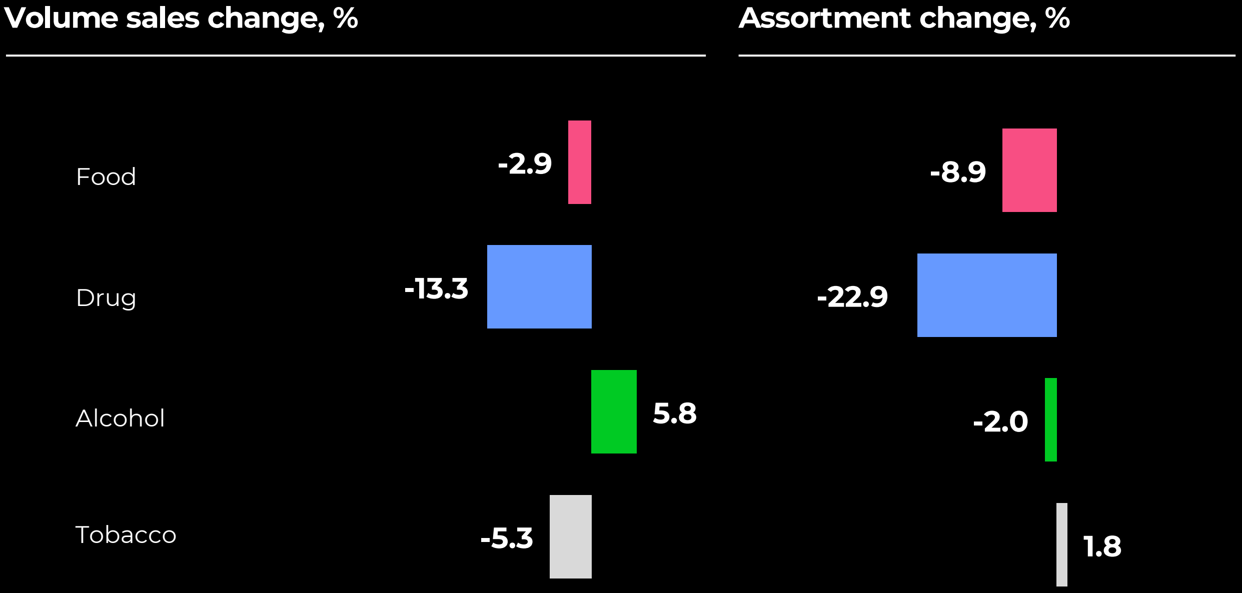
32%

after reaching record low levels on 13th week, share of promoted sales gets back to growth

Source: NielsenIQ Total Store Read, NielsenIQ Retail Measurements

Assortment changes are uneven across industries

12 – 17 weeks 2022 versus last year



Key drivers of assortment change

Food:
- Juice
- Tea
- Yoghurts
- Baby food

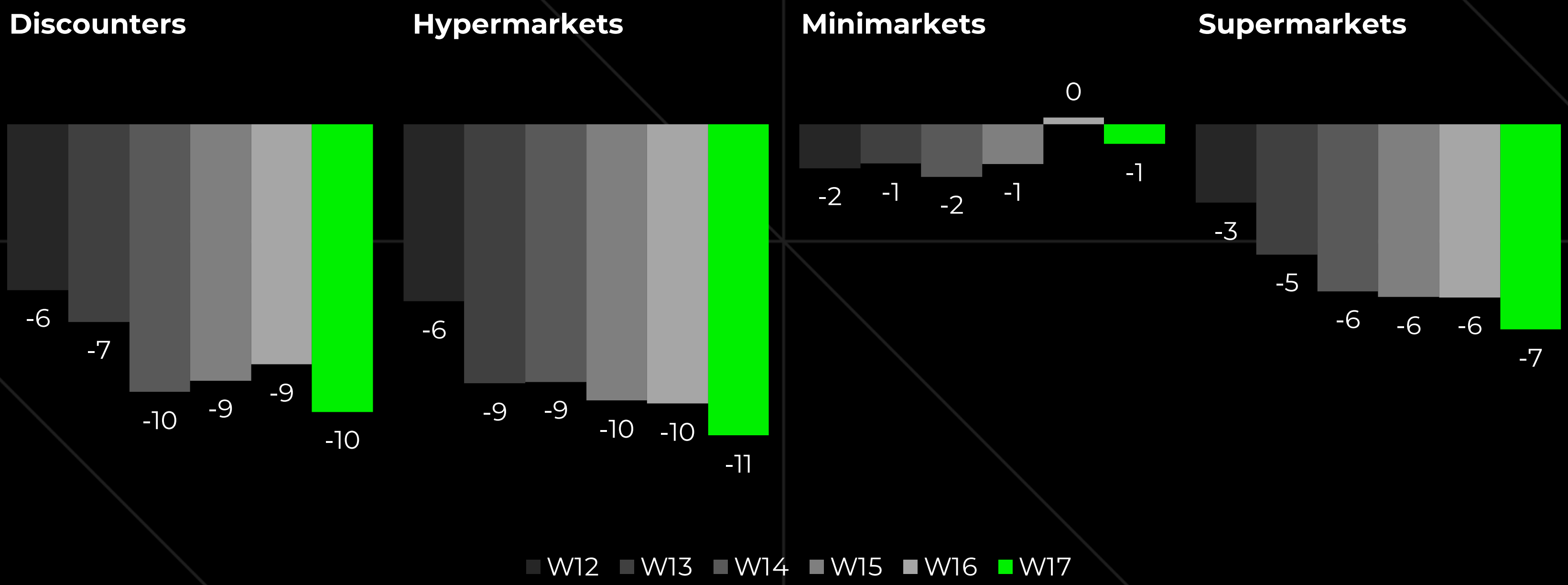
Drug:
- Detergents
- Personal hygiene
- Shampoo
- Toothpaste

Alcohol:
- Beer
- Brandy
- Whiskey
- Sparkling wine

152 categories of FMCG index, *Change of cumulative numeric distribution
Source: NielsenIQ Scantrack

Assortment changes are observed across all offline channels

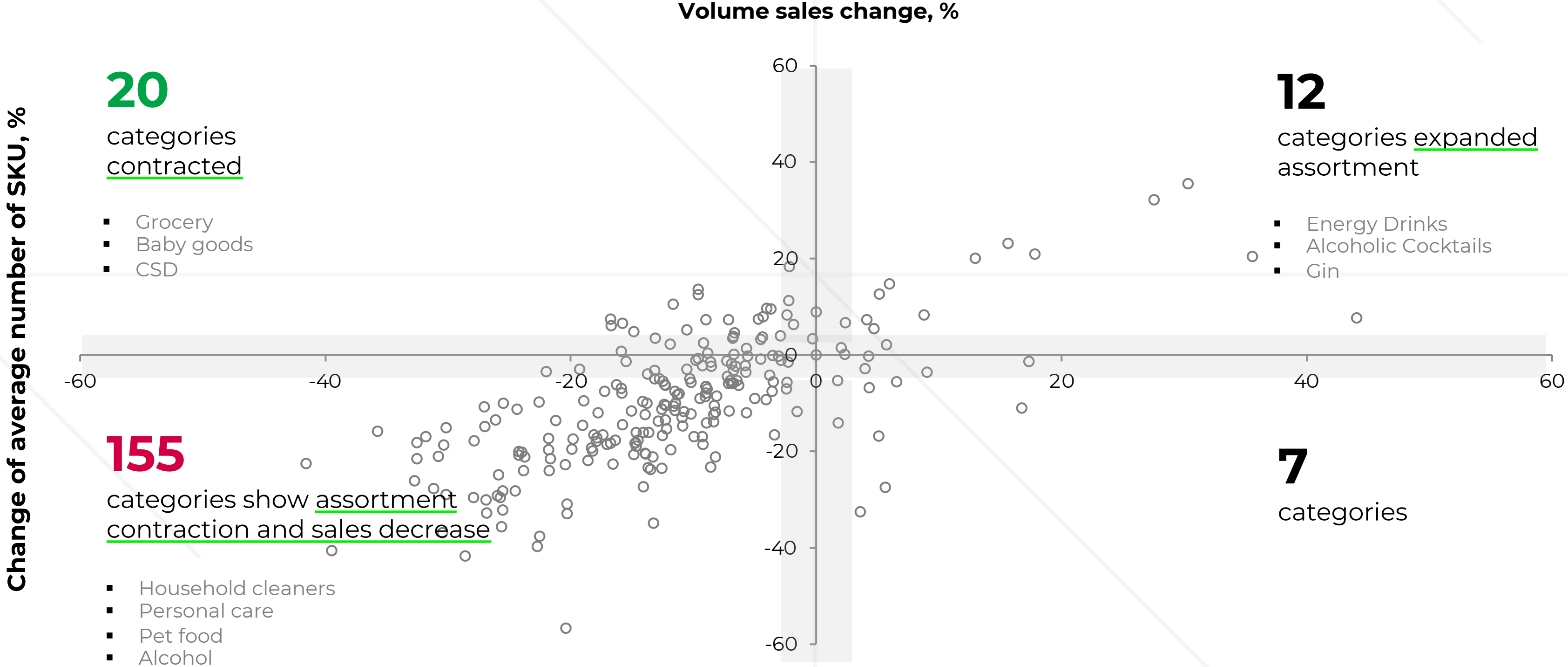
The biggest decrease is found in hypermarkets



Source: NielsenIQ Retail Measurement Service, 152 categories of FMCG Index

Assortment decrease happens in the majority of categories

Average number of SKU is down in 3 out of 4 FMCG categories



20

categories contracted

- Grocery
- Baby goods
- CSD

12

categories expanded assortment

- Energy Drinks
- Alcoholic Cocktails
- Gin

155

categories show assortment contraction and sales decrease

- Household cleaners
- Personal care
- Pet food
- Alcohol

7

categories

Source: NielsenIQ Scantrack. Period: weeks 12-17, 2022

Durable goods demonstrate the most serious assortment contraction

Drug

	Assortment change, %	Volume sales change, %
Detergents	-32.7	-26.1
Personal hygiene	-31.8	-17.0
Dishwashers	-31.2	-27.7
Fabric softeners	-30.4	-36.8
Hair conditioners	-26.9	-30.1
Face care	-25.9	-24.8
Shampoo	-25.5	-28.2
Household cleaners	-24.2	-20.0
Toothpaste	-23.8	-23.9
Deodorants	-22.5	-37.6
Air refreshers	-21.8	-19.6
Shower gels	-21.7	-24.0
Soap	-18.9	-9.5
Sponges	-14.7	-18.9
Toilet paper	-13.9	-12.4

Food

	Assortment change, %	Volume sales change, %
Preserved mushrooms	-22.0	-3.5
Oil	-19.1	-14.5
Yoghurts	-14.9	-20.6
Drinks for kids	-14.7	-18.2
Chips	-13.9	-20.4
Soluble coffee	-13.8	-9.9
Tea	-13.6	-16.1
Baby food	-13.2	-34.8
Sauces	-13.2	-5.0
Drinkable yoghurts	-12.9	-13.7
Juices	-12.4	-10.2
Pasta	-12.3	-6.1
Sweet biscuits	-9.6	-0.7
CSD	-6.6	4.6
Mineral water	-6.6	-2.3

Top-categories in terms of the most noticeable absolute numeric distribution contraction versus same period in 2021
Source: NielsenIQ Scantrack, 12-17 weeks, 2022

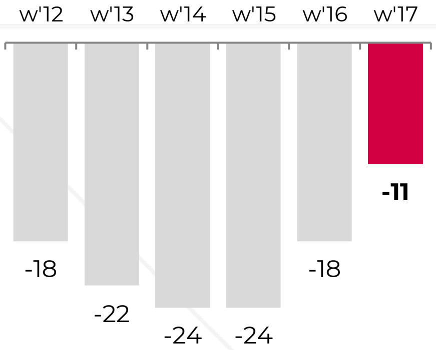
In some categories negative changes are slowing down

Large packs are less influenced by assortment contraction

Shower gels

77 SKU → 61 SKU*

Change of number of SKU**

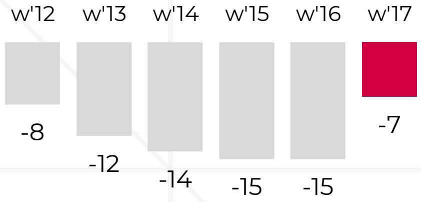


TA

Unisex gels

Share: 65%

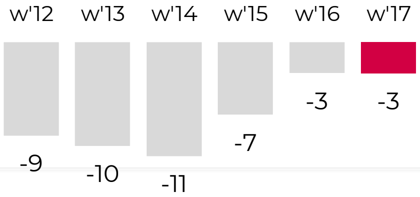
44 SKU → 35 SKU



Gels for men

Share: 29%

29 SKU → 22 SKU

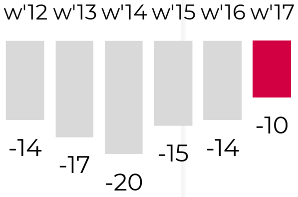


Size

250 ml

Share: 38%

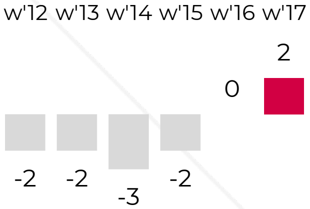
52 SKU → 41 SKU



400-749 ml

Share: 22%

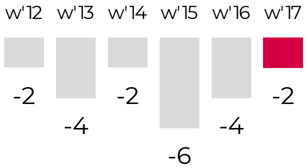
10 SKU → 8 SKU



750 ml

Share: 31%

13 SKU → 10 SKU



*Number of SKU with average numeric distributions >=2% on weeks 12-17 2021 → 2022 (private label not included) ** Change of number of SKU with numeric distribution >=2% (private label not included) in 2022 versus LY. ***Volume share without private label Source: NielsenIQ Scantrack, 12-17 weeks, 2022

Large packs are less influenced by assortment contraction

Change of assortment by segments,
number of SKU

Stable / growing
Contracting

	Unisex gels (65%)			Gels for men (29%)		
Price segment	Low	Mainstream	Premium	Low	Mainstream	Premium
250 ML (38%)	-	22(-7)	9(-5)	-	10(0)	14(-8)
400-749 ML (22%)	-	5(1)	-	-	5(2)	3(0)
750 ML (31%)	2(0)	8(-3)	-	-	3(-1)	-
Volume share	12%	46%	7%		16%	13%

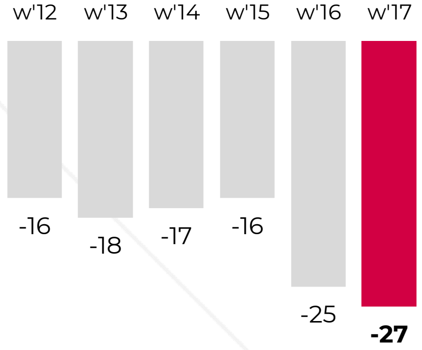
Price segments based on price index on SKU level: Value <70, Mainstream 70-130, Premium >130 *Number of SKU with average numeric distributions >=2% on weeks 12-17 2021 → 2022 (private label not included)
Source: NielsenIQ Scantrack, 12-17 weeks, 2022

Assortment of tea — example of serious contraction

Tea

226 SKU → 204 SKU*

Change of number of SKU**

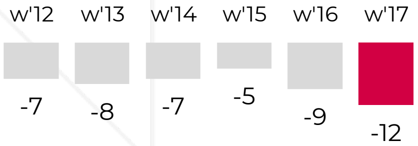


Color

Black

Share: 86%

159 SKU → 152 SKU



Green

Share: 9%

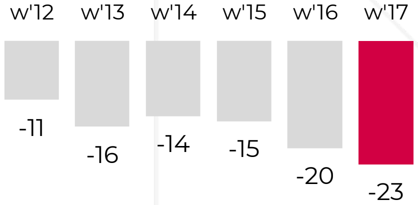
38 SKU → 33 SKU

Type

Tea bags

Share: 69%

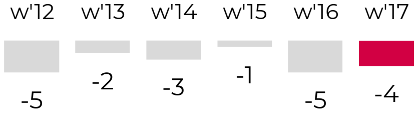
164 SKU → 147 SKU



Loose leaf tea

Share: 31%

61 SKU → 56 SKU



*Number of SKU with average numeric distributions >=5% on weeks 12-17 2021 → 2022 (private label not included) ** Change of number of SKU with numeric distribution >=5% (private label not included) in 2022 versus LY. ***Volume share without private label Source: NielsenIQ Scantrack, 12-17 weeks, 2022

Assortment changes do not follow a single patterns

Cheaper items of bag tea are less influenced by contraction, whereas in the segment of loose leaf tea — mainstream segment

Stable / growing
Contracting

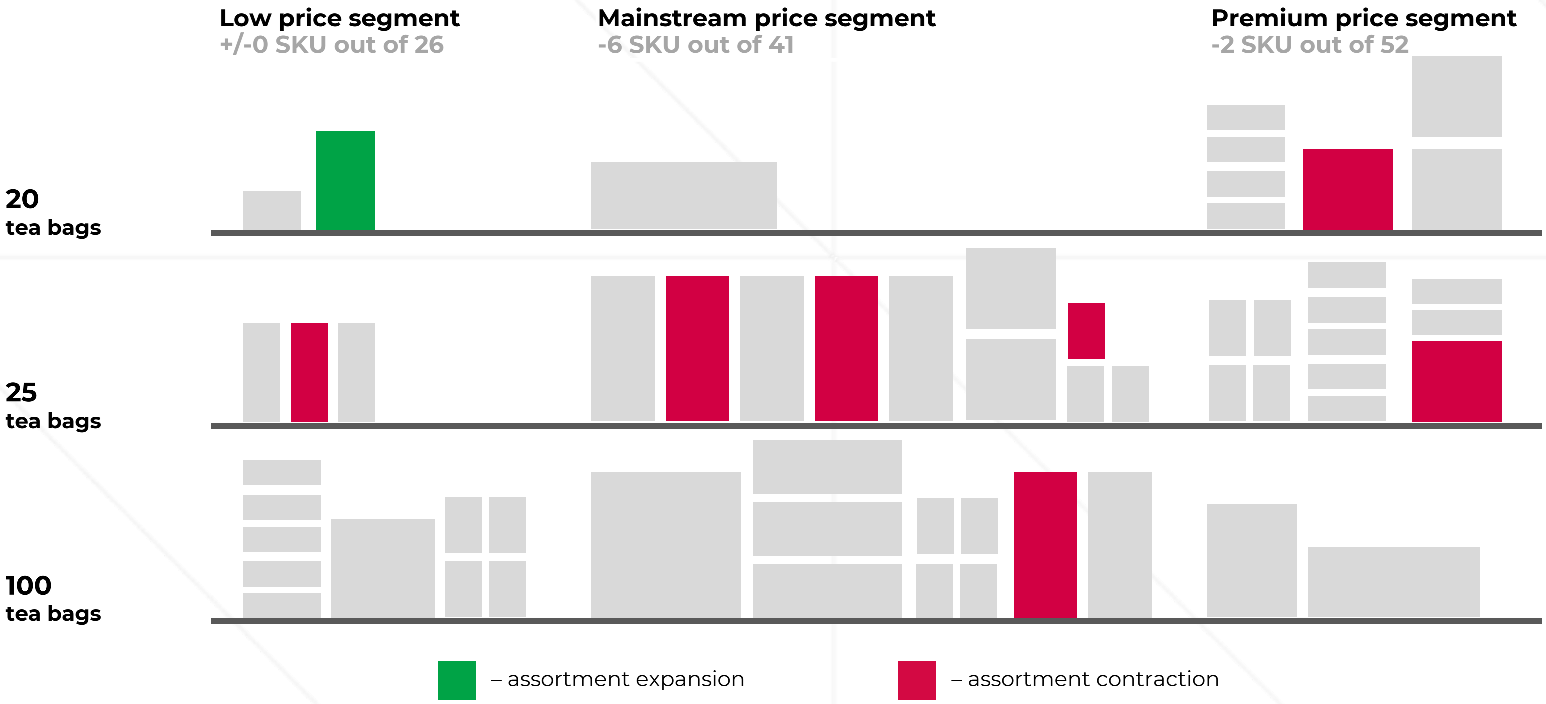
Change of assortment by segments, number of SKU

	Tea bags			Loose leaf tea			
Price segment	Low	Mainstream	Premium	Low	Mainstream	Premium	
Black (60%)	26(0)	41(-6)	52(-2)	22(-1)	27(4)	1(-1)	Black (27%)
20	1(+1)	1(0)	15(-1)	9(+1)	15(+3)		100-124GR
25	5 (-1)	20(-5)	33(-2)	4(-2)	7(0)		200-249GR
100	20(0)	20(0)	3(0)	5(+1)	1(0)		250-299GR
Volume share	25%	25%	10%	14%	11%	1%	
Green (6%)		7(0)	22(-2)	3(0)	4(-1)	3(0)	Green (3%)
20			7(-2)		3(0)		100-124GR
25		5(0)	14(+2)				200-249GR
100		2(0)	1(0)				250-299GR
Volume share	-	2%	4%	1%	1%	1%	

Price segments based on price index on SKU level: Value <70, Mainstream 70-130, Premium >130 *Number of SKU with average numeric distributions >=2% on weeks 12-17 2021 → 2022 (private label not included)
Source: NielsenIQ Scantrack, 12-17 weeks, 2022

Assortment changes do not follow a single pattern

Store shelf is influenced by product type, size, price segment and many other factors



How to compensate contracting assortment?

New import

Organize import of new products

Existing new products

Select more promising products launched recently

Distribution optimization

Define products for distribution expansion

How to compensate contracting assortment?

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Organize import of new products

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Select more promising products launched recently

Distribution optimization

Define products for distribution expansion

10 000

over ten thousand new products were launched in Russia in January–April 2022

New launches still happen

Number of new products in the category of black tea-bags,
by volume and price segment, 2022

# of tea-bags	Value	Mainstream	Premium
20			**3**
25		1	4
100	1	2	1

	Rating of sales rubles, April	**Value sales change,** Apr./March	**Weighted distribut.,** Apr. %	**Sales per 1 point of distribution,** k rub. per week
Benchmark	**10**	**-14%**	**16**	**58**
Dilmah mango	12	**+5%**	10	**89**
Dilmah passion fruit	13	**+14%**	11	**78**
Lipton strawberry-citrus	60	**+907%**	**1**	**101**
Total segment	106 SKU	-20%		

– worse than benchmark – better than benchmark

Source: NielsenIQ Scantrack; new SKU with sales >0 and distribution >1% in April 2022

How to compensate contracting assortment?

New import

Organize import of new products

Existing new products

Select more promising products launched recently

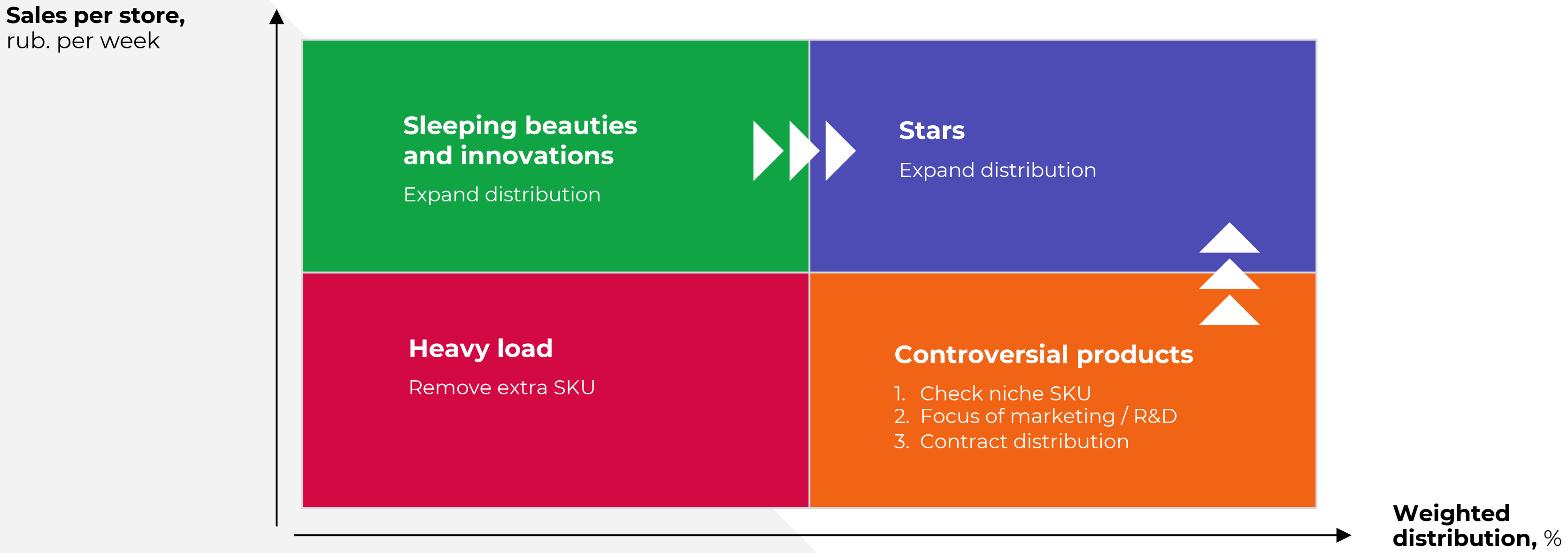
Distribution optimization

Define products for distribution expansion

Product quadrant analysis can direct possible paths of assortment optimization

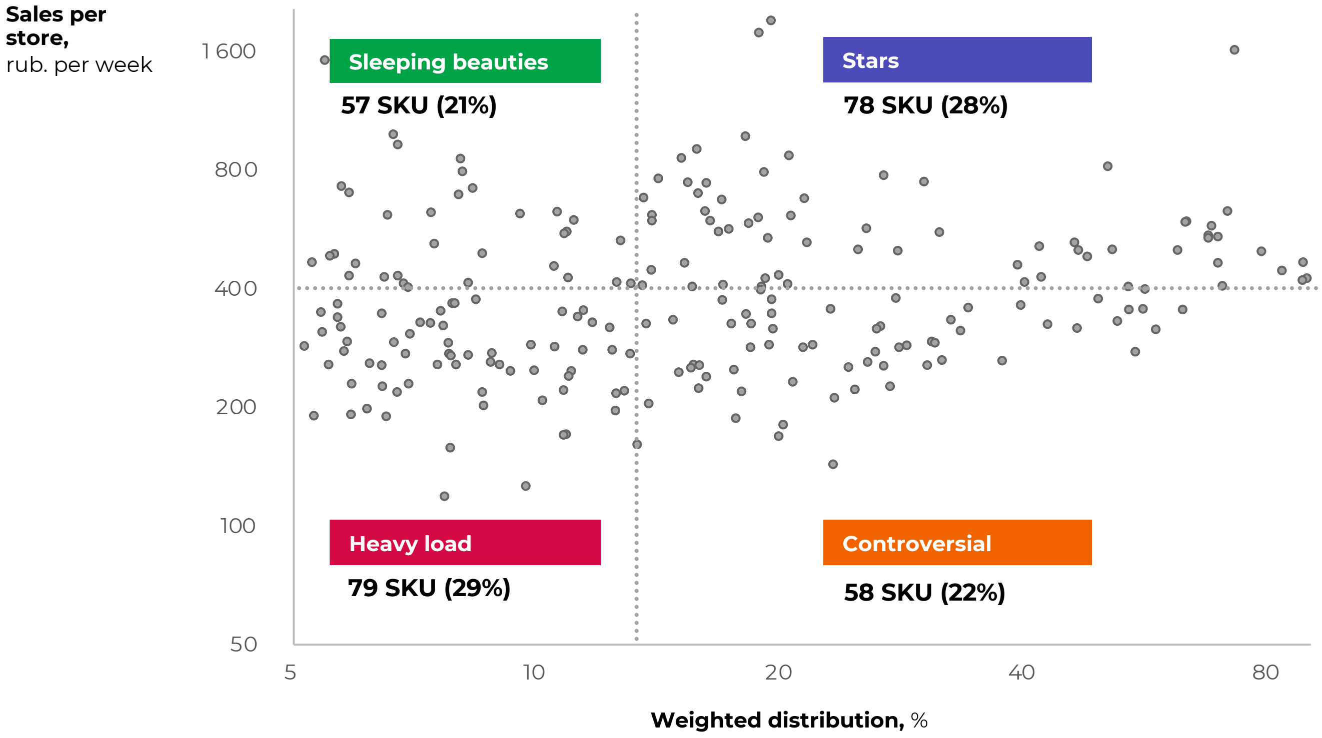
On which SKU to focus, and which to deprioritize?

Product segments and management strategies



Where to find clues on how to manage assortment?

Example: sweet biscuits packed



1 out of 2 SKU of sweet biscuits **sells better than category** on average.

But **20% of all products** do not reach necessary distribution levels.

Source: NielsenIQ Scantrack; Sweet biscuits packed, with distribution over 5%. February – April 2022

Majority of products by manufacturer “X” fall into the “stars” quadrant

At the same time “sleeping beauties” have a lot of potential and their distribution can be improved

Product segments and management strategies

Sales per store, rub. per week

1 600

800

400

200

100

50

Sleeping beauties

	Manuf. ‘X’	Category
#SKU	5 (10%)	57 (21%)
Turnover, rub	3%	8%

Expand distribution

Stars

	Manuf. ‘X’	Category
#SKU	29 (59%)	78 (28%)
Turnover, rub	85%	72%

Expand distribution

Heavy load

	Manuf. ‘X’	Category
#SKU	6 (12%)	79 (29%)
Turnover, rub	3%	4%

Remove extra SKU

Controversial

	Manuf. ‘X’	Category
#SKU	9 (18%)	58 (21%)
Turnover, rub	10%	15%

1. **Check niche SKU**
2. **Focus of marketing / R&D**
3. **Contract distribution**

5 10 20 40 80

Weighted distribution, %

Source: NielsenIQ Scantrack; Sweet biscuits packed, with distribution over 5%. February – April 2022

How to optimize product lines of manufacturer "X"?

+13%

of value sales of category when product line is optimized

	Sales per 1 store	Weighted distrib, %	Quadrant	Recommendation	Potential sales per year
Benchmark	407	12			
SKU 1	882	51	stars	expand distribution	**+ 547 mln. rub**
SKU 2	505	39	stars	expand distribution	**+ 407 mln. rub**
SKU 3	859	12	sleeping	expand distribution	**+ 1046 mln. rub**
SKU 4	540	11	sleeping	expand distribution	**+ 645 mln. rub**
SKU 5	398	22	controversial	check	-
SKU 6	391	37	controversial	check	-
SKU 7	401	11	heavy load	**remove**	- 565 mln. rub
SKU 8	275	10	heavy load	**remove**	- 360 mln. rub
..	..	..	..	..	..

Source: NielsenIQ Scantrack; Value sales per 1 store per week. Period: February– April 2022; Potential sales when distribution level is 80%

How effectively am I covering the market?

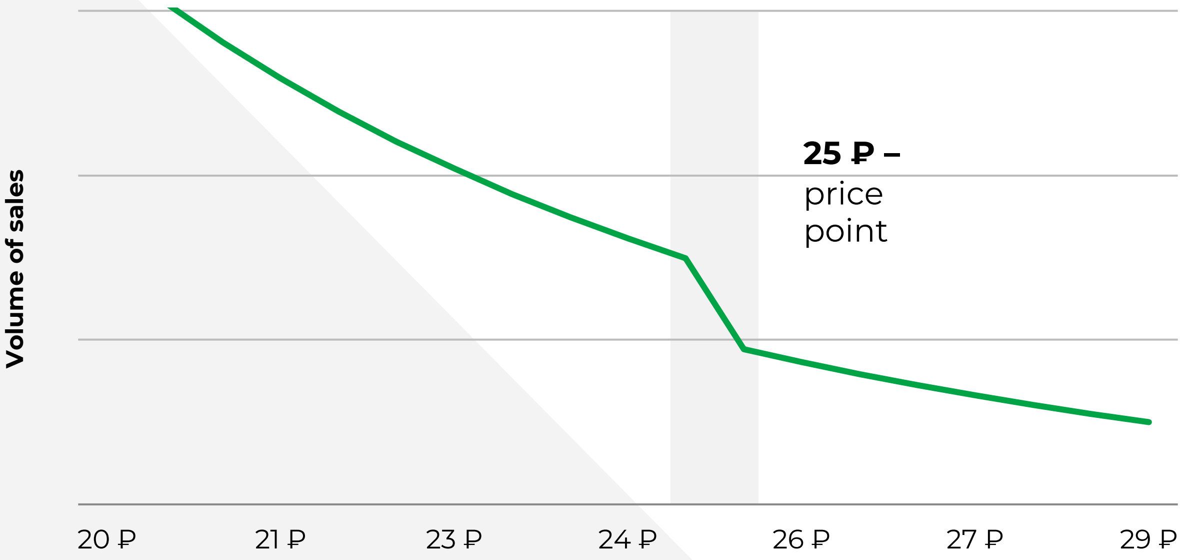
Share of category turnover varies significantly even when the same amount of stores is covered

	SKU 1	SKU 2	Maximum
Number of stores	19 813	19 813	23 561
«Quality of stores» = share of category turnover, %	45.3	58.7	80

Source: NielsenIQ RMS

Price points: what do they actually mean?

There can be several psychological price points



When the price point of 25 ₽ is crossed, sales change exceeds levels related to price elasticity

Price points: analysis

Price*	SKU	Price point
61 rub.	Fanta 0.5L	64, 79
105 rub.	Coca Cola Zero 1.5L	95, 99, 139
94 rub.	Pepsi Cola 1.5L	89, 100, 104, 125
111 rub.	Pepsi Cola 2L	99, 119

Tested price range

64 Price point with an **average** impact on volume sales

64 Price point with an **strong** impact on volume sales

Power of impact:

From -22% to -40%

From -41%

Source: NielsenIQ RMS. *Average price during the period from 1 to 15 week, 2022

7 out of 10

FMCG categories witnessed **assortment contraction** by over 5%

Adjust distribution of existing products

Expand presence of best-sellers and other promising. Activate stores with bigger turnover.

Analyze new launches

Study performance of products launched recently. Select the most successful of them for listing.

Set prices based on psychological barriers

Update price thresholds

How NielsenIQ can help your business?

We used these NielsenIQ products to create this presentation:

- Weekly sales data Total Store Read
- Retail measurements Scantrack
- E-commerce data

- Promo analytics
- Report «Best new launches»

- Product quadrant analysis of assortment
- Distribution optimization solutions
- Price points analysis

Assortment strategies in crisis

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