Category Vision Unleashed

Boost growth with assortment optimization and shelf excellence

A&M Webinar - International Markets

September 19, 2023

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Meet today's presenters and panelists

Bennett Cox

Commercial Director,
Advanced Analytics,
NielsenIQ

Jonas Parmhed

Commercial Business
Lead Nordics,
NielsenIQ

Sergio Cedeño

Commercial Champion
Assortment & Space
Latin America,
NielsenIQ

Jonathan Craven

Commercial Lead,
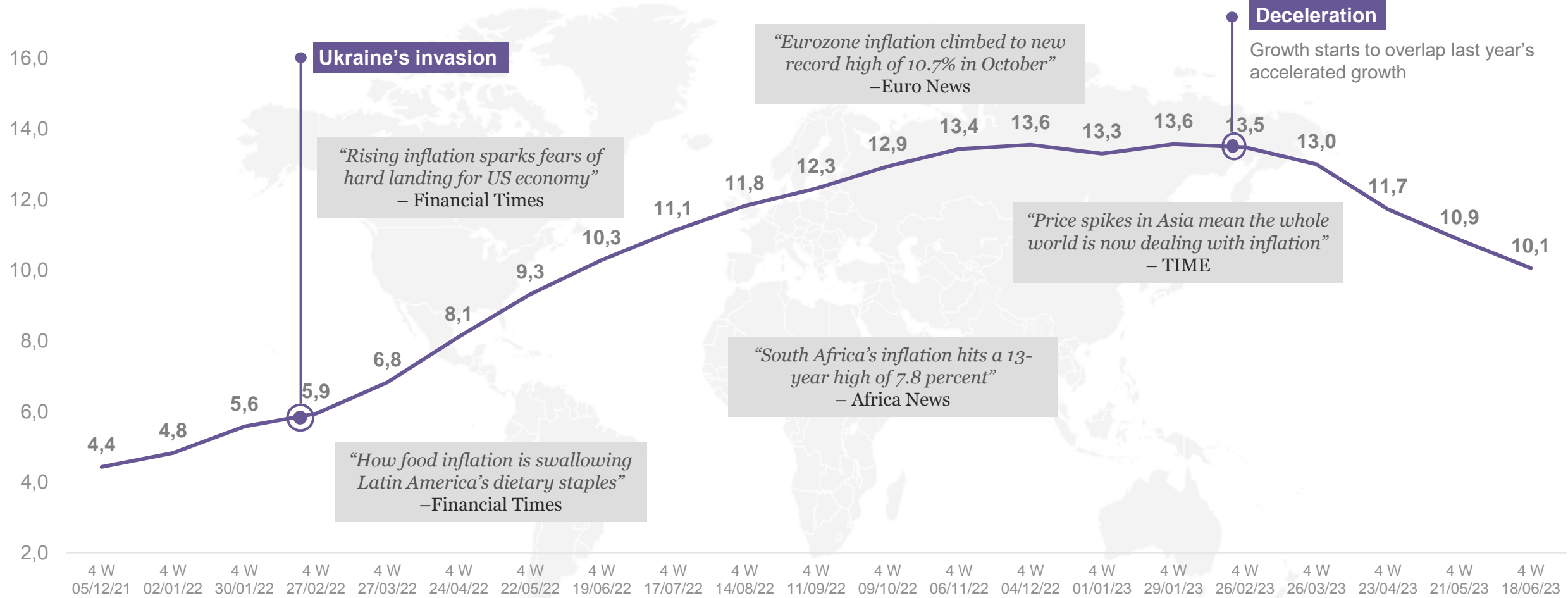Assortment & Space UK,
NielsenIQ

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Our agenda for today

1 Industry challenges impacting assortment complexity

2 Perfect Portfolio to fuel your growth

3 Perfect Shelf to simplify range for retailers

4 Picture of Success - Panel discussion

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Industry challenges **are impacting assortment complexity**

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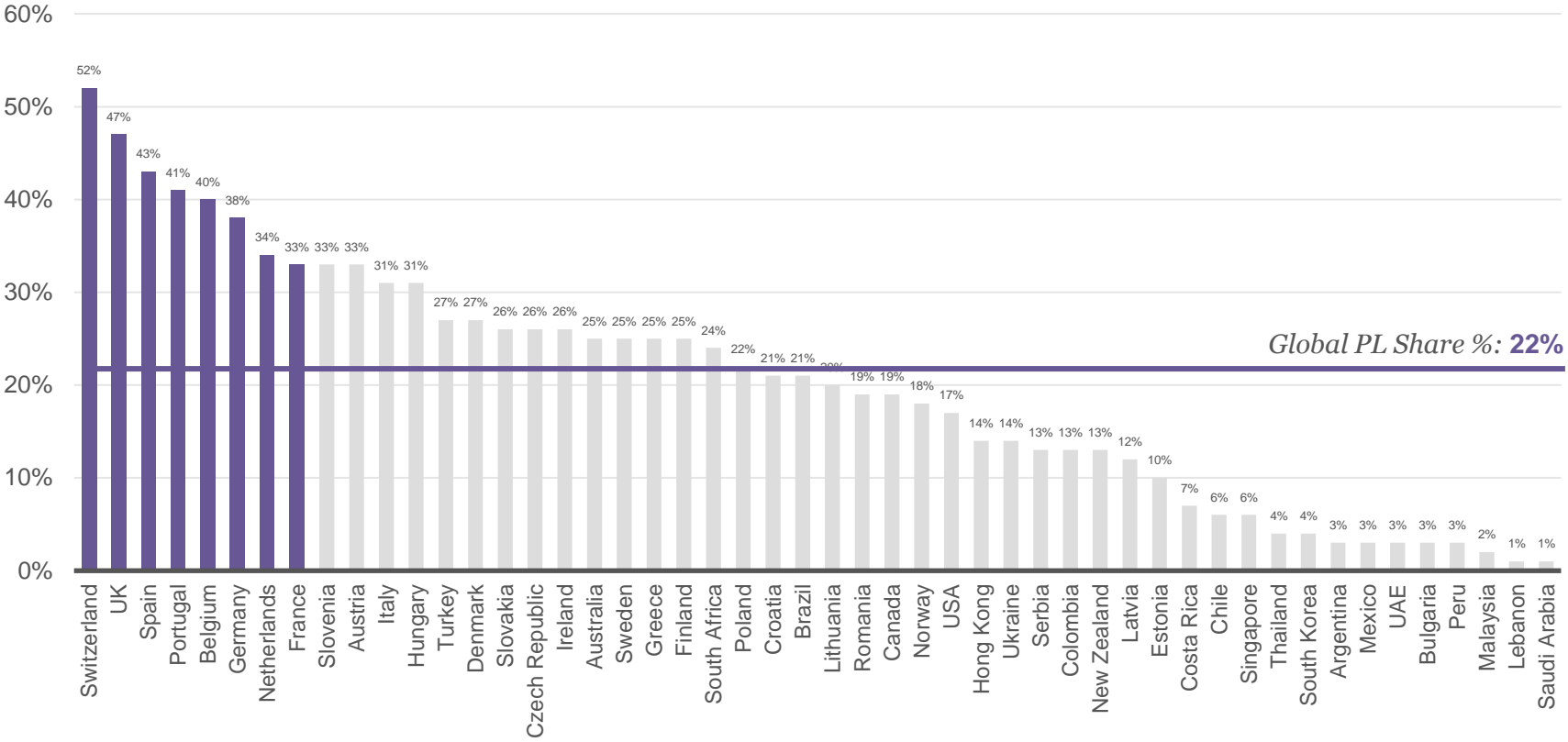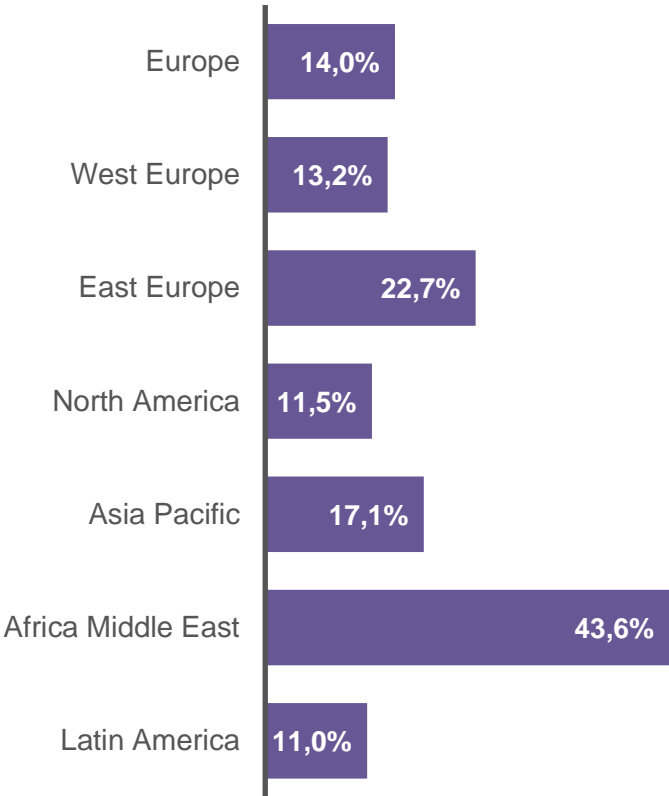# Price inflation growth slowing but real prices are still climbing

% FMCG Global Inflation evolution

Ukraine's invasion

Deceleration
Growth starts to overlap last year's accelerated growth

"Rising inflation sparks fears of hard landing for US economy" – Financial Times

"Eurozone inflation climbed to new record high of 10.7% in October" –Euro News

"Price spikes in Asia mean the whole world is now dealing with inflation" – TIME

"South Africa's inflation hits a 13-year high of 7.8 percent" – Africa News

"How food inflation is swallowing Latin America's dietary staples" –Financial Times

Data points: 4,4 | 4,8 | 5,6 | 5,9 | 6,8 | 8,1 | 9,3 | 10,3 | 11,1 | 11,8 | 12,3 | 12,9 | 13,4 | 13,6 | 13,3 | 13,6 | 13,5 | 13,0 | 11,7 | 10,9 | 10,1

X-axis: 4 W 05/12/21 | 4 W 02/01/22 | 4 W 30/01/22 | 4 W 27/02/22 | 4 W 27/03/22 | 4 W 24/04/22 | 4 W 22/05/22 | 4 W 19/06/22 | 4 W 17/07/22 | 4 W 14/08/22 | 4 W 11/09/22 | 4 W 09/10/22 | 4 W 06/11/22 | 4 W 04/12/22 | 4 W 01/01/23 | 4 W 29/01/23 | 4 W 26/02/23 | 4 W 26/03/23 | 4 W 23/04/23 | 4 W 21/05/23 | 4 W 18/06/23

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Private Label growth has accelerated as shoppers remain squeezed by inflationary pressures

Private Label
Value % growth vs YA

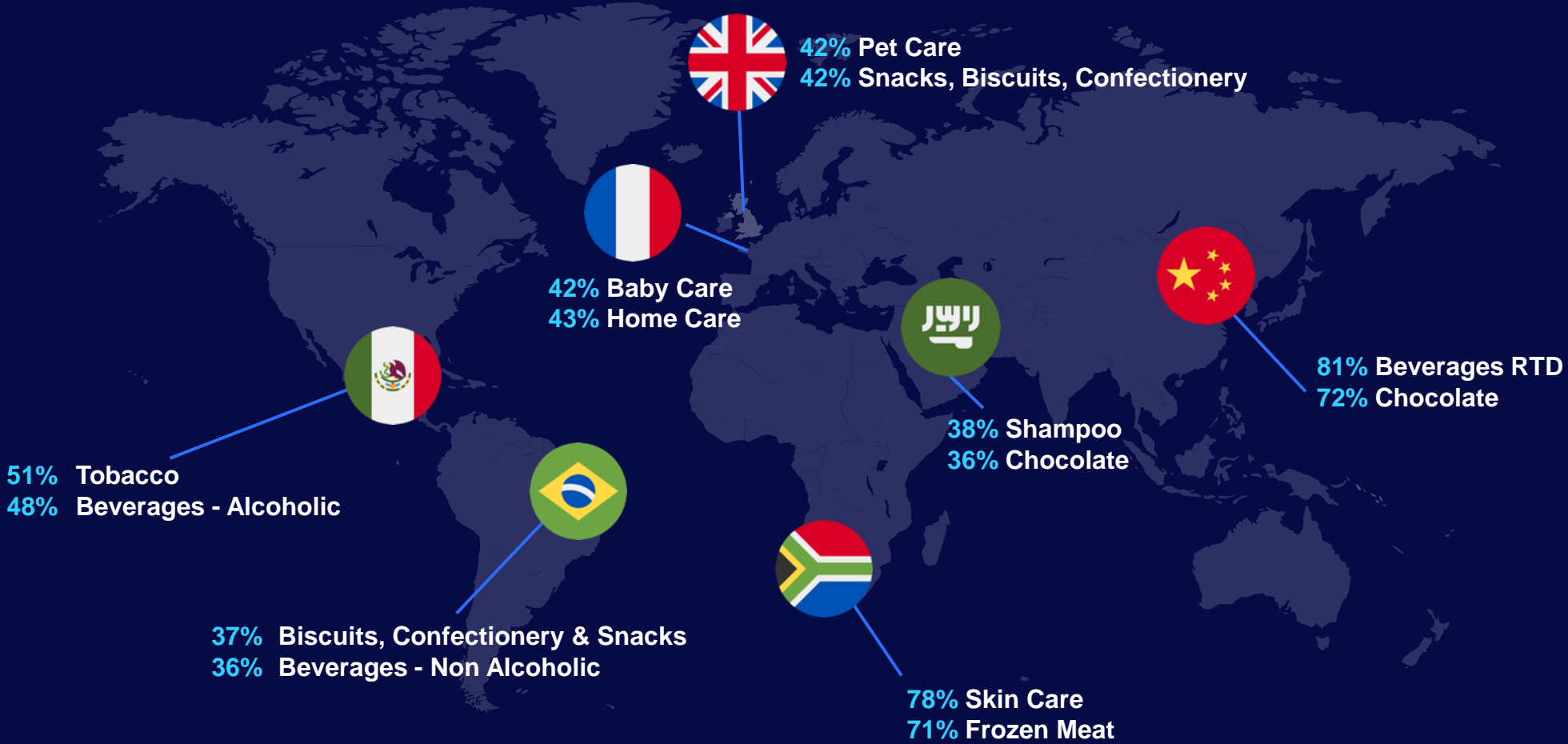| Region	Value % growth vs YA
Europe	14,0%
West Europe	13,2%
East Europe	22,7%
North America	11,5%
Asia Pacific	17,1%
Africa Middle East	43,6%
Latin America	11,0%

Global PL Share %: **22%**

Country	%
Switzerland	52%
UK	47%
Spain	43%
Portugal	41%
Belgium	40%
Germany	38%
Netherlands	34%
France	33%
Slovenia	33%
Austria	33%
Italy	31%
Hungary	31%
Turkey	27%
Denmark	27%
Slovakia	26%
Czech Republic	26%
Ireland	26%
Australia	25%
Sweden	25%
Greece	25%
Finland	25%
South Africa	24%
Poland	22%
Croatia	21%
Brazil	21%
Lithuania	20%
Romania	19%
Canada	19%
Norway	18%
USA	17%
Hong Kong	14%
Ukraine	14%
Serbia	13%
Colombia	13%
New Zealand	13%
Latvia	12%
Estonia	10%
Costa Rica	7%
Chile	6%
Singapore	6%
Thailand	4%
South Korea	4%
Argentina	3%
Mexico	3%
UAE	3%
Bulgaria	3%
Peru	3%
Malaysia	2%
Lebanon	1%
Saudi Arabia	1%

The long tail challenge

Percentage of SKUs that contribute to less than 2% of overall category sales

42% Pet Care
42% Snacks, Biscuits, Confectionery

42% Baby Care
43% Home Care

81% Beverages RTD
72% Chocolate

38% Shampoo
36% Chocolate

51% Tobacco
48% Beverages - Alcoholic

37% Biscuits, Confectionery & Snacks
36% Beverages - Non Alcoholic

78% Skin Care
71% Frozen Meat

Source: NIQ RMS 2022.

There is no correlation between increasing *Assortment* vs. increasing *Sales*

Assortment Change % vs Sales Value change%
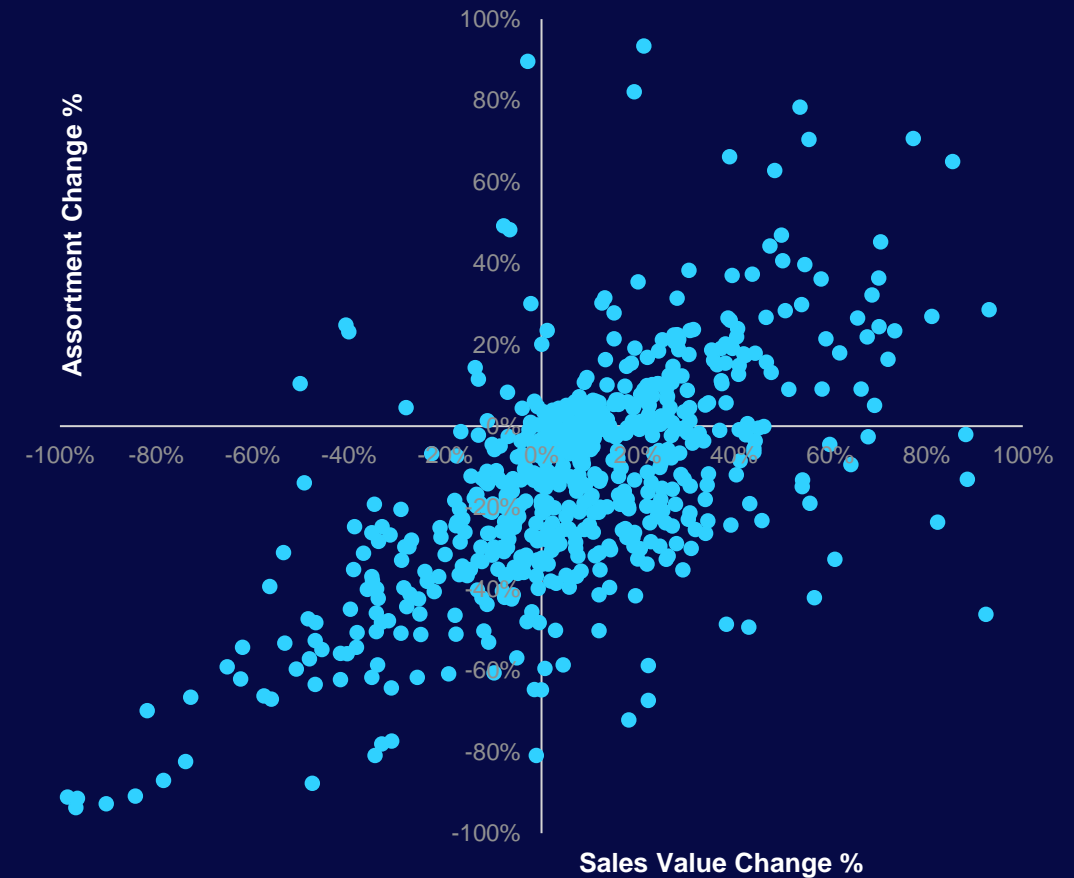
Portfolio fragmentation index = Share of Assortment/ Share of Value

Decision fatigue: paradox of too many choices

Shoppers react negatively to a complex shelf set

*Too many **choices***

*Too many similar products with **similar claims***

***Messy shelf** is hard to navigate*

Surviving these challenges, FMCG brands must be able to win against the odds, delivering value and volume growth.

Create the
Perfect Portfolio
to fuel your growth

Current approach falls short of justifying reset costs

Each category contains a long tail of ineffective SKU's taking up space and attention away from the important SKU's

Time and cost of production limit the ability to hit the target price points, thus lowering margins

Eliminating low performing SKUs can **deliver substantial cost benefits** for both CPG and retailers

Validate how removing unprofitable items can **help reshape the portfolio**

85%

of cost savings are achievable with the right approach

Growth can be defined in a variety of ways, but incrementality is almost always the top KPI

Top metrics used by our clients to assess launch performance

Metric	%
Generated incremental brand growth	81%
Met volume objectives	74%
Brought new users to the brand	49%
Stole share from competitors	36%
Experienced high velocities	34%
Stayed on shelf longer than 2 years	23%
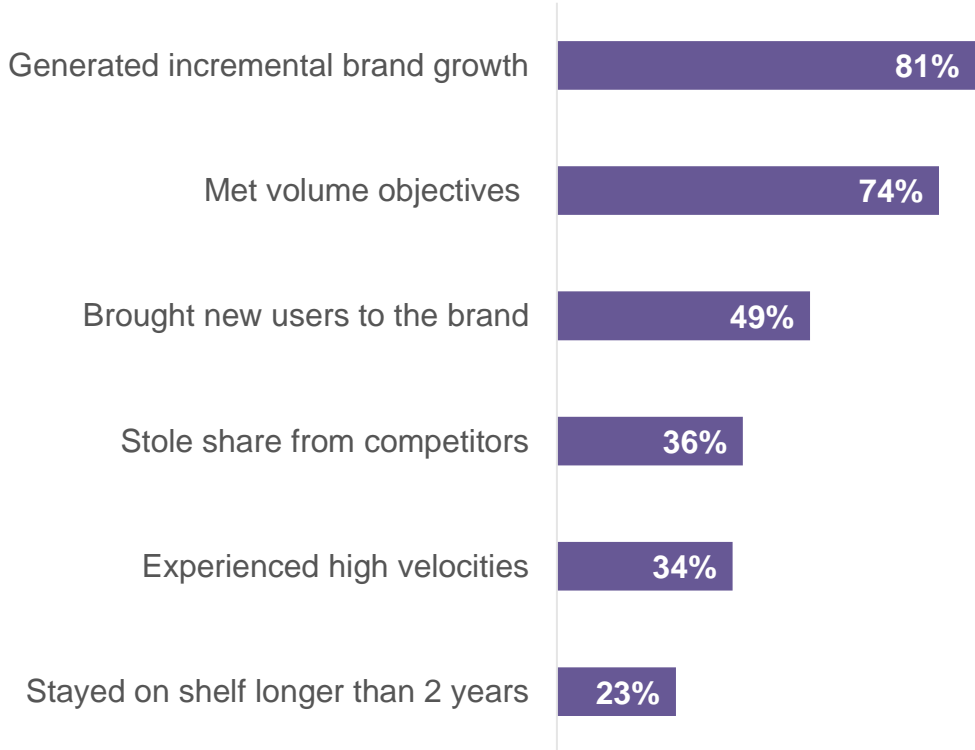
Mass **Potential**

Targeted Potential

Brand **Incrementality**

Category **Distinction**

Endurance

Analyze the macro view – how shoppers make purchases decisions in the category

Which are the segments contributing to true category growth?
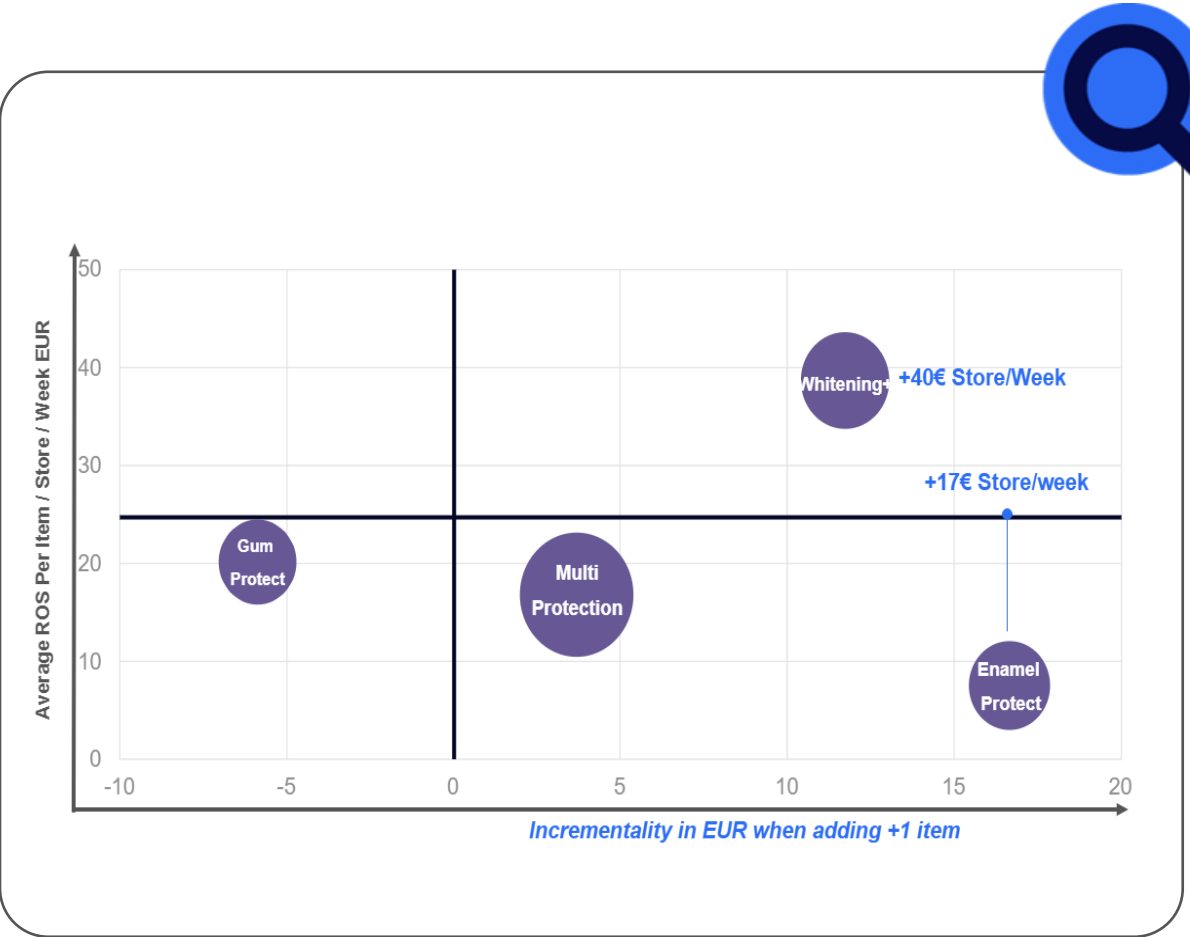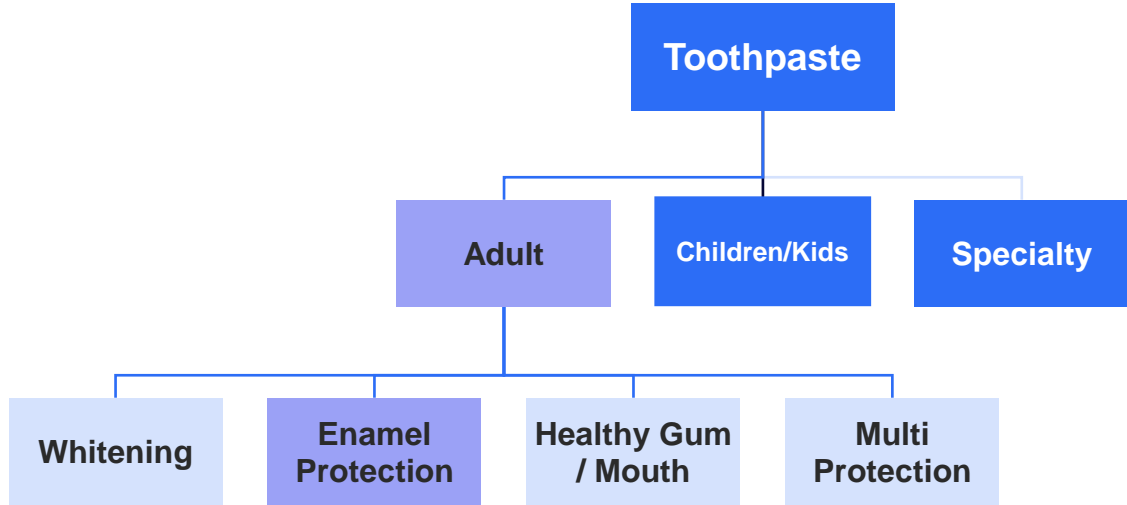
Check each segment's relevance and importance to category incrementality

Analyze the micro view – how shoppers make purchases decisions in the segment

Which are the items contributing to true segment growth?

Target Group	Avg# of items change	Sales value change
Whitening	**2.1**	**1.4M**
Enamel Protect	**1.4**	**1.7M**
Gum Protect / Healthy Mouth	**-0.8**	**-0.5M**
Multi-protection	**-0.6**	**-0.2M**
Total	**2.1**	**2.4M**

Key Item category incremental growth potential within Enamel protect

Item	Product Z	Manufacturer Incrementality	.2M€
Current ND	86%	% Manufacturer Incrementality	96%
Current Sales Rate	17€ per store/week	Category Incrementality	.5M€
Current Sales Value	1.5M€	% Category Incrementality	92%

Check each segment's relevance and importance to category incrementality
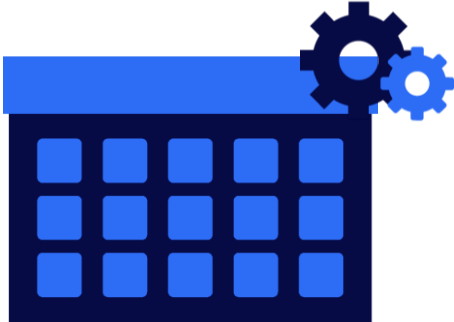
Perfect portfolio success requires localized plans

Adapted to the shopper profiles and needs in each unique store cluster

Retailer - Group A	
Current Avg. # of SKU per store	**Optimal # of SKU per store**
16	**19**

Retailer - Group B	
Current Avg. # of SKU per store	**Optimal # of SKU per store**
15	**12**

Bubble Size: Avg. # of items listed per store, on average, per week

Rate of Sales

RTDT (NonSugar)

Rationalize

Compress

Develop

Nurture

Incremental Sales

Rate of Sales

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Win-Win-Win category growth story

Shopper Perspective
Increased shopper satisfaction

Brand Perspective
Build brand equity and relevance

Retailers/Trade Perspective
Free space to fulfill new customer
needs and fuel more growth

Create the *Perfect Shelf* to simplify range for retailers

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Due to the assortment changes and the shopper preferences, the shelf is changing

The right pricing, promotion, assortment and marketing strategy can't have impact if a product is not *on the shelf*

The purpose of the shelf and the store is changing

- Brick and mortar stores are now also fulfillment centers for online purchases
- The shelf needs to support more frequent shopping events

Shelf space is under pressure

- Assortments (avg # items) are shrinking, continuing the trend started during COVID
- Private label products are growing
- Stores are smaller

Labor shortages are adding to the challenge

- The increase in online sales limits growth in the number of physical retail stores and reduces demand for retail sales workers
- 75.8% retail labor turnover in 2022
- Retailers struggle to keep shelves stocked

Shelf supports more frequent shopping events and evolves to match digital age vs. 1x-2x/year

Since assortment management no longer evolves seasonally across the store

Online & Planned In-store

Online for Curbside

Online for In-store

Personal Shoppers

Feature Support

Display Support

Everyday In-store Purchases

Pre-pandemic

Post-pandemic

Current state

You really need to combine Category Management strategies, decisions and rules, to bring the plan to life

Tracking & Evaluation

Strategy

Data Integration

Execution

Planning
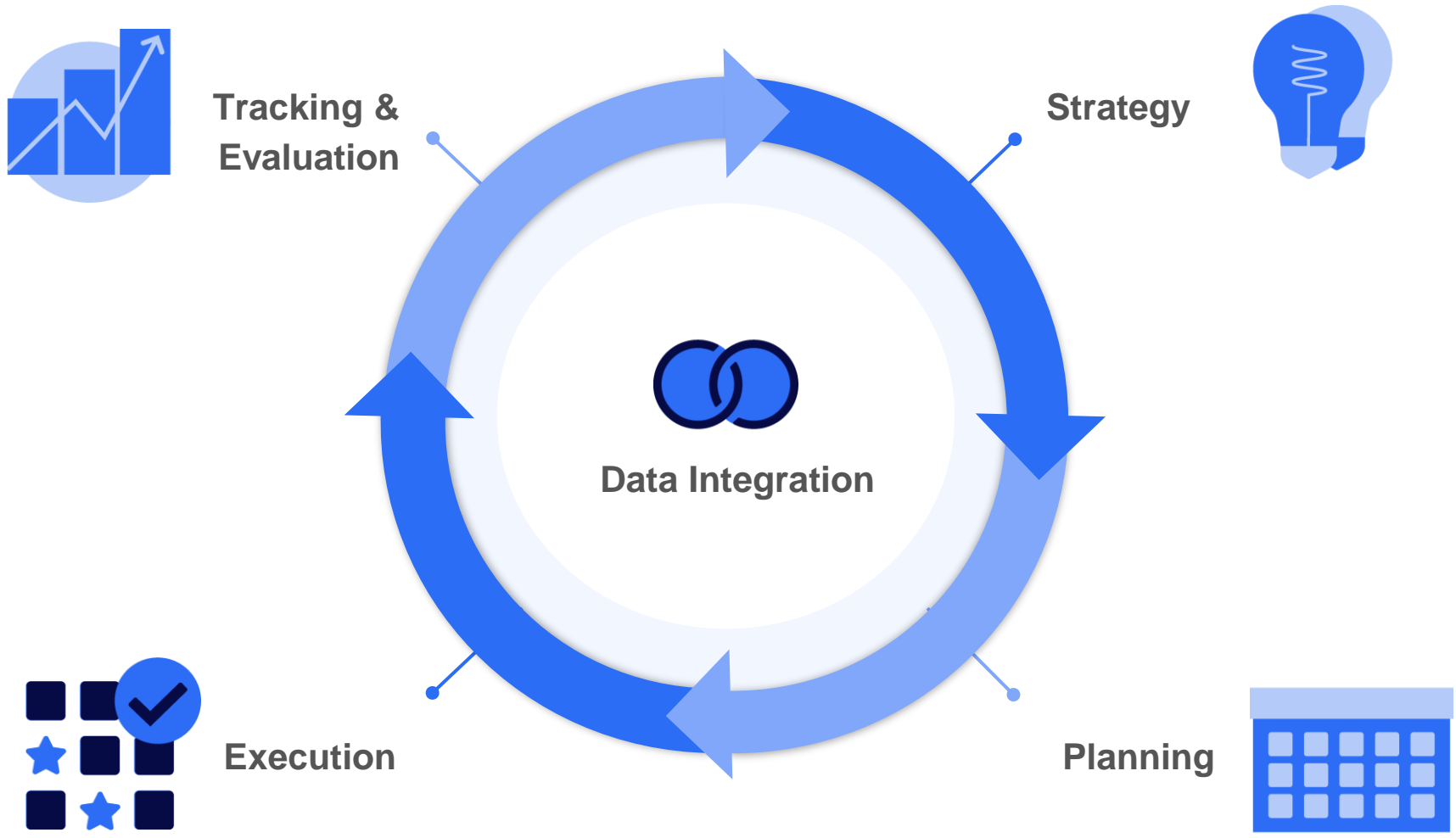
The need for a smart shelf becomes evident, especially since we must work and adapt at a granular level

Following the optimum portfolio per store type and cluster, **the shelf follows every store's different shopper behavior.**

Traffic Flow

Faster and more flexible shelf planning capabilities meet the demands of hyper-intensive planogramming, since trade offs are needed in merchandising

The Shopper

- Category layouts must be easy for the shopper to find what he is looking for
- They need to enhance the shopper experience
- They need to push him towards more profitable products

The Operations

- Store and category layouts need to fit boxes and cases
- Product placement must help the retailer eliminate the trips from the shelf to the backroom

✓ *Category layouts* have to maximize traffic, create transaction building, x-selling and profit building

✓ Increase *shopper satisfaction*

Can you follow up all the changes in assortment? Do you have the time to implement everything in real time?

A solution could be to send planogram content when it is "fresh". The value lies with the frequent follow- up and changes

What about publishing automatically? Communicate in Real time?

The benefits for manufacturers and retailers:

Store-level planograms, reports and other descriptive files need to be shared and printed automatically	✓
Even in planning stages, files need to be sent to retailers and manufacturers	✓
Planograms could be sent **directly to the stores** for fast implementation	✓
As a result, **leverage** existing **investments**	✓

The pitfalls of the must-stock list

Products out of sight, products out of mind

In National Large Supermarkets there were
395 different active SKUs sold throughout study period.

However, an average store had a *shelf with 103 items* listings.
(not all the products have 100% distribution)

Is the current assortment share optimal?

What is the perfect assortment set?

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Automation

Take your planograms to the *next level*

Help your retailer/partner to go for store-specific planograms.
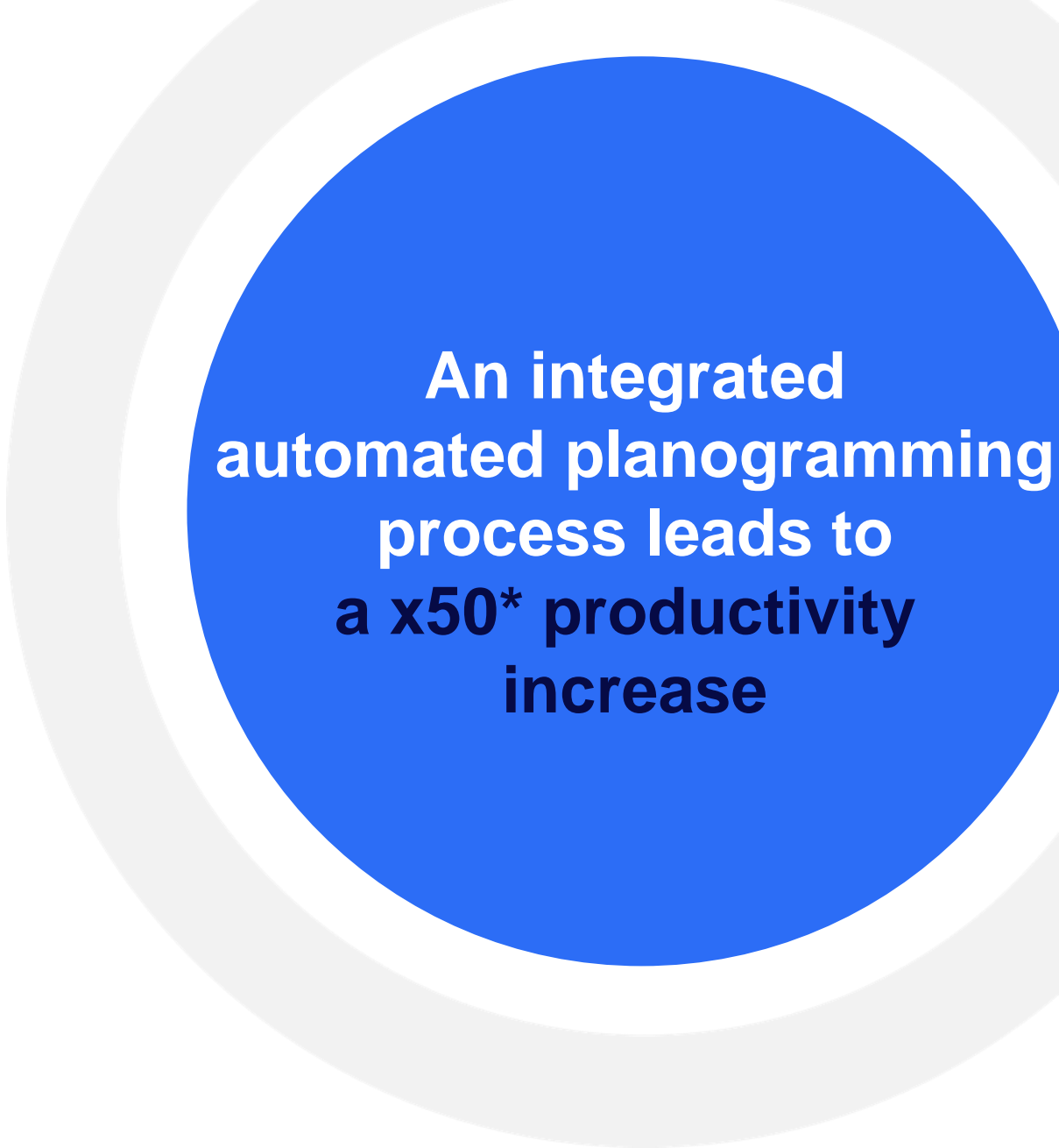
Time reduction when updating your layouts

Change your store to convenience channel/sector without increasing your resources

Granular scope enables you to get more channels

Ability to customize planograms based on local/region preferences

Automatically allocate products to blocks according to the decision tree

An integrated automated planogramming process leads to a x50* productivity increase

*Data based in analytis of projects carried out by NIQ ASO Team with clients from different countries.

Speed is king in planogram creation, roll out and implementation!

The example of a retailer in Latin America with automation tools

The challenges:

- Assortment and merchandising strategies' adaptation to every store
- Sales Growth
- Manual intervention minimization

The client achieved:

- Efficiency in store-specific planogram creation
- Significant reduction in manual tasks and time used
- Improvement in sales performance
- Daily control of out-of-stocks
- Easy replenishment on the shelf
- Increase in the frequency of the category updates

Category Growth
10-35%
category sales increase
(10-week period comparison vs non-automated categories)

Increased Efficiency
40%
increase in number of category updates

Stock Control
10%
reduction in out-of-stocks on shelf**

More balanced assortment
10-30%
improvement in average of days of supply across stores

Automation is also about cooperation

Assist the retailer, give suggestions

Help the retailers setting up the rules > Focus on what you want to achieve > Take into consideration the shoppers' missions > Sales > Profit > Or both
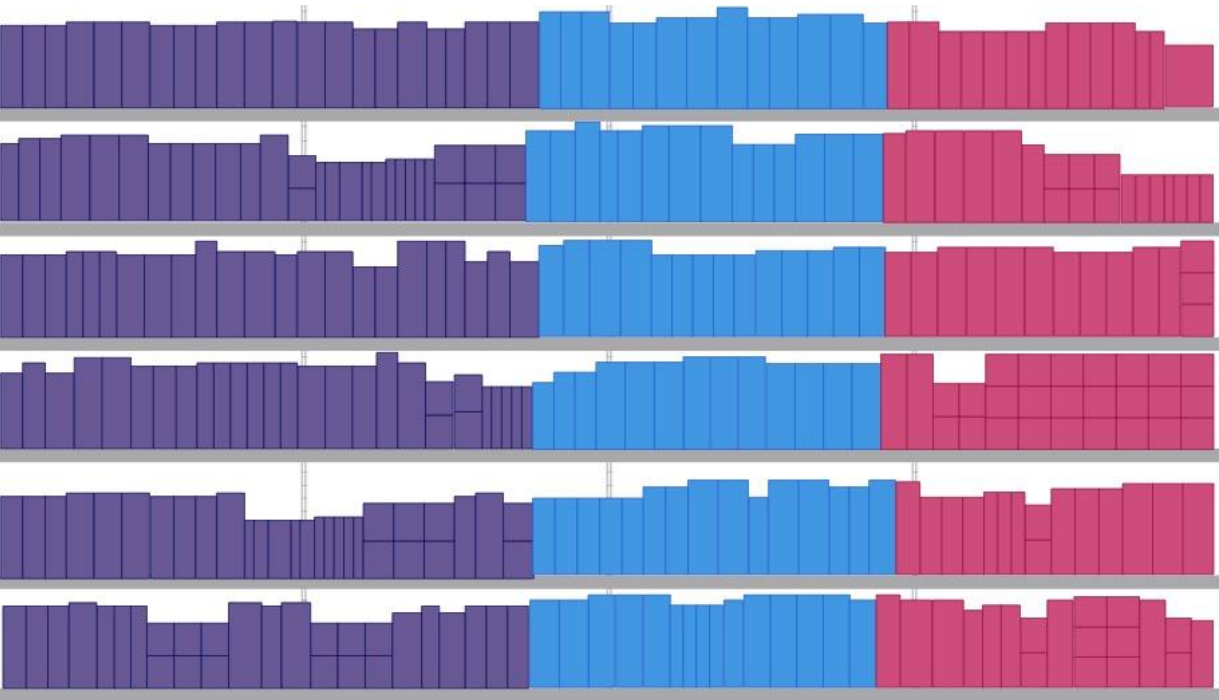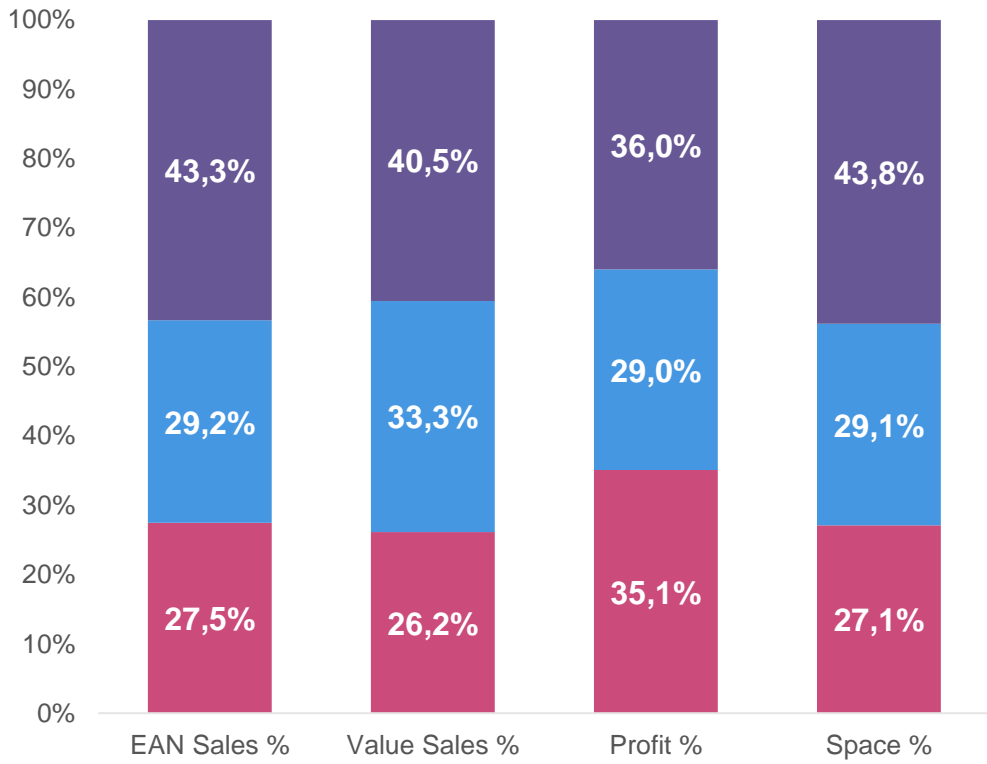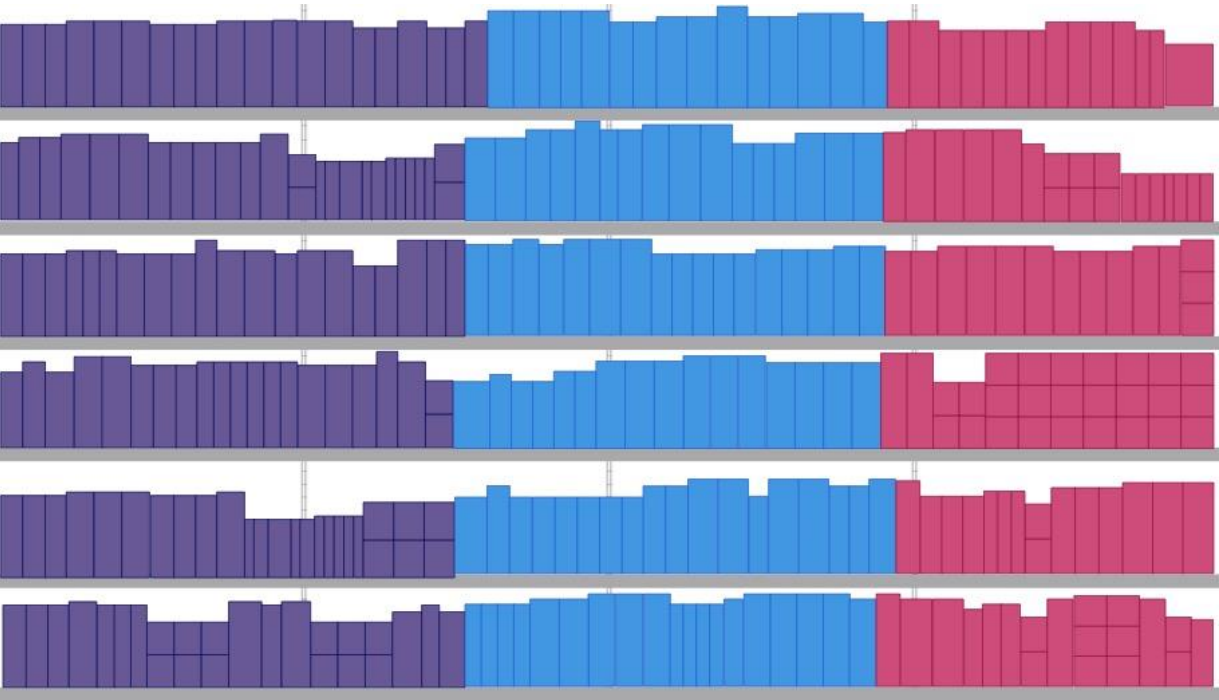

● Segment A   ● Segment B   ● Segment C

	EAN Sales %	Value Sales %	Profit %	Space %
Segment A	43,3%	40,5%	36,0%	43,8%
Segment B	29,2%	33,3%	29,0%	29,1%
Segment C	27,5%	26,2%	35,1%	27,1%

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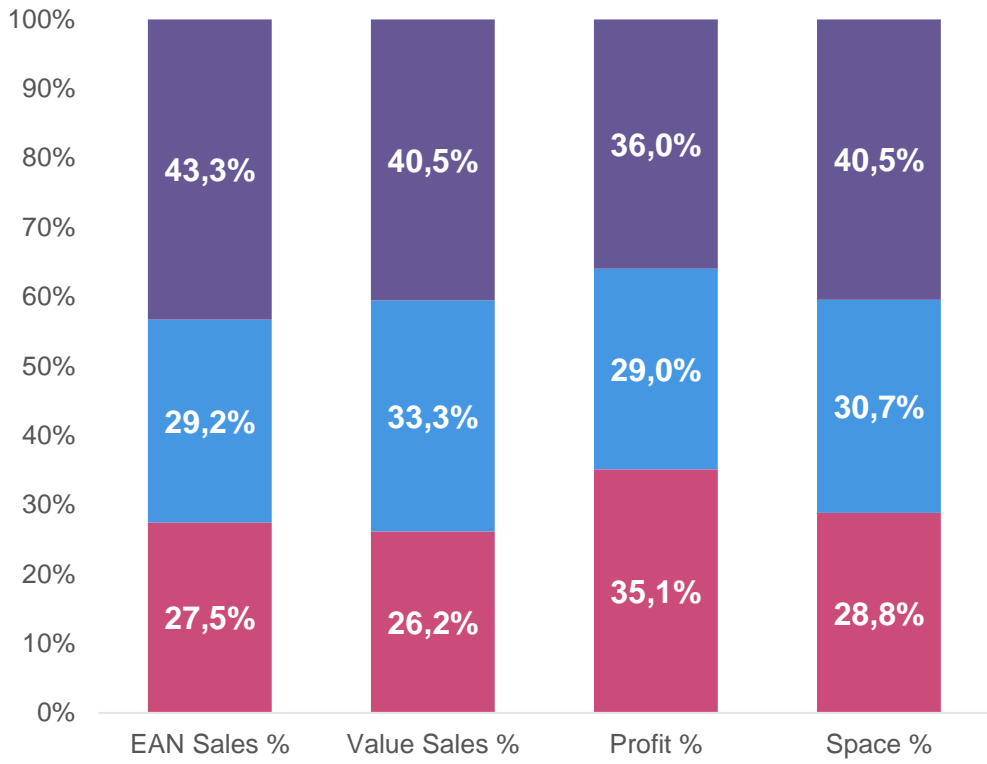

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" Strategy is 10% *Execution* is 90% of the success "

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Execution and compliance
Why they are so important?

In-store execution
Ensure planogram implementation and reduce any operational inefficiencies

Track and sustain
Monitor planogram maintenance and implementation quality; audit and fix in real time

Impact of non-compliance
Leads to disturbed supply chain, in-store inefficiency , thus more labor in store and unhappy customers

The actual cost of poor execution is *lost sales!*

Make the difference and grow in Sales, with…

Quick and easy user interfaces that increase adoption and usage.

Focus on planogram implementation allowing at the same time customization
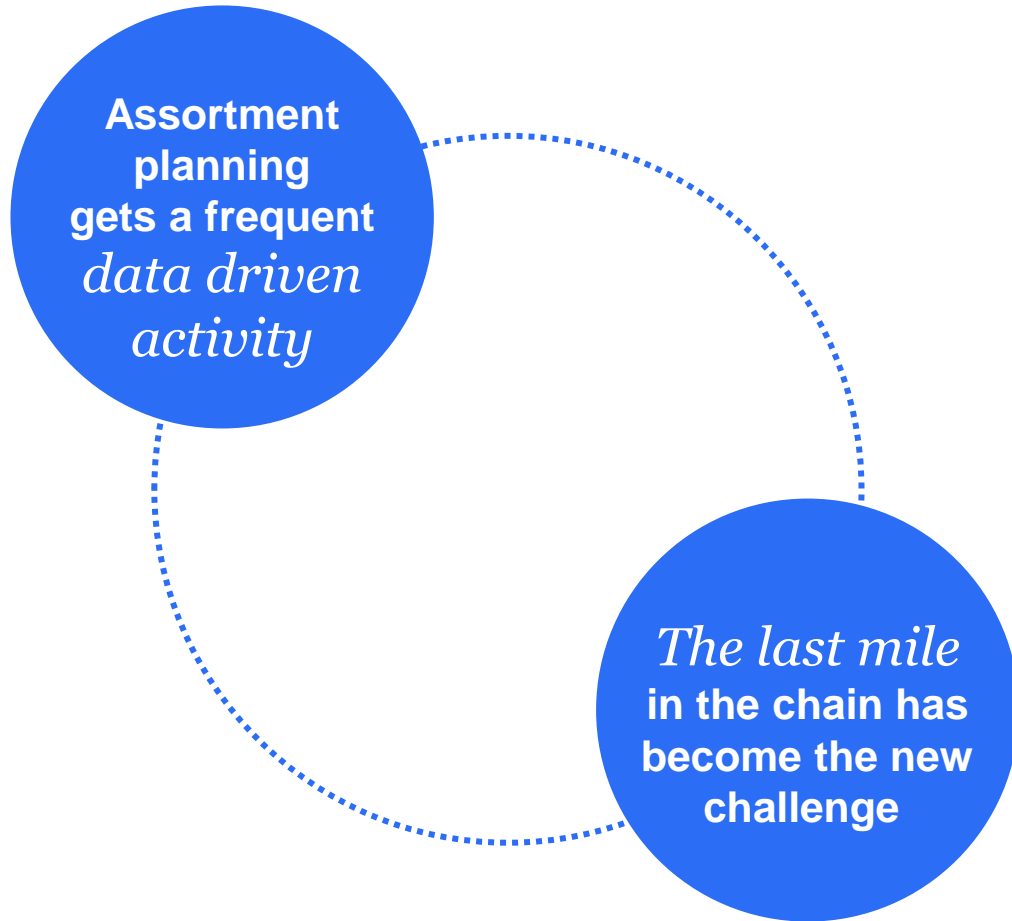
Integration with any existing in-store systems and devices.

Communication with any existing space management system in the headquarters.

Keeping your shelf compliant can *make a difference*

Assortment simplification and optimization is everyday

Assortment planning gets a frequent *data driven activity*

The last mile **in the chain has become the new challenge**

But it is not enough on its own

✓ *Planograms* **can guarantee** any assortment **strategies and decisions.**

✓ **Mobile** solutions get **mandatory**

✓ **Real time** data analytics

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Placement at retail is a "pay to play" sport, therefore you need to…

Know the retailer's strategy and the shopper they aspire to have

Know the shopper you are bringing in the door and their worth in profit and across the store

Know the retailer's processes cold

Incrementality. Add variety with a data- based approach

Automate your planograms even at a granular level

Monitor compliance! We cannot buy what we cannot see, can we?

Thank You

Get in touch with our
Advanced Analytics team
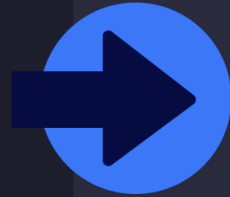
About NIQ

NIQ, the world's leading consumer intelligence company, reveals new pathways to growth for retailers and consumer goods manufacturers. With operations in more than 100 countries, NIQ delivers the most complete and clear understanding of consumer buying behavior through an advanced business intelligence platform with integrated predictive analytics. NIQ delivers the Full View.

NIQ was founded in 1923 and is an Advent International portfolio company. For more information, visit NIQ.com