

Retailers Can Improve Shelf Profitability by Asking the Right Questions of Manufacturer's Reps

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Product assortment plays an important role in bringing the customers into the store. However, some of those “must have” items may not be the most profitable. So how do retailers make the most out of the shelf space in each category without spending a lot of money on studies and programs?

Using market research information is one key to making sure that what stores have on the shelf is contributing to the store's profitability. In many cases, the type of information outlined below is readily available from manufacturer sales reps when doing reviews of their category.

First, ask them if the category is grow-

ing or declining? Perhaps it's a must-have category that's just not showing much growth. What is the trend of the category? Are the right products getting stocked at the right time?

Chart A shows a category that definitely has peak times when it may require more shelf space. It is also showing slow but steady growth.

We can also ask about the types of product available within this same category. For instance, if you were looking at the drills category, the first type may be whether or not it's a corded vs. cordless drill. Within cordless drills, you may want to look at voltage. What are the top-selling types or voltages? What is the trend? What is the seasonality?

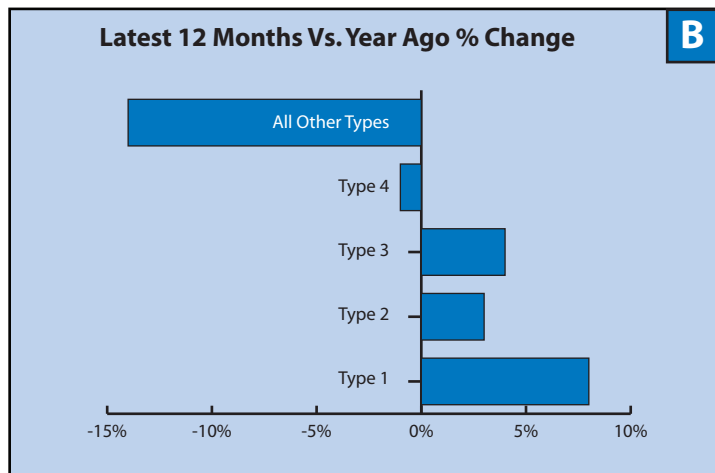
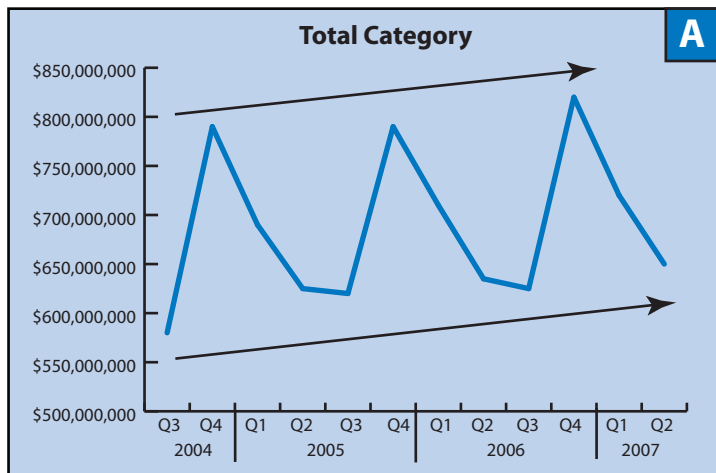
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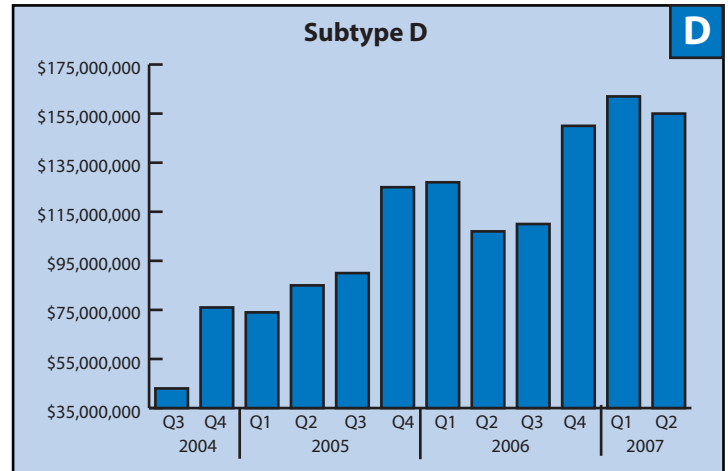
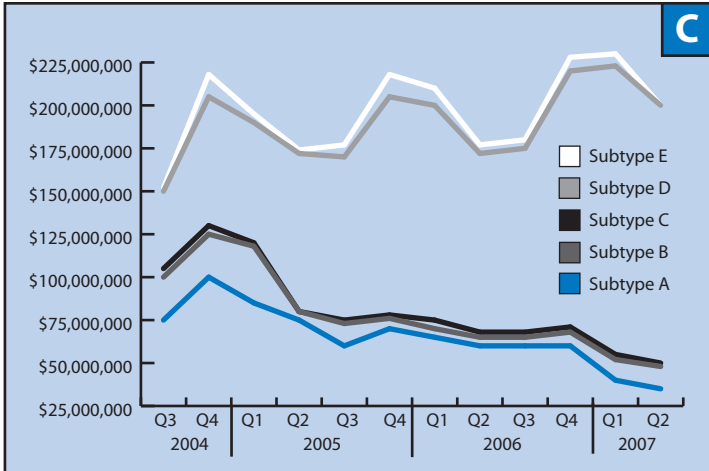
category with five major types available. How do these types or segments stack up within the category? Type 1 has the largest percentage of sales within the category at 70 percent. In order to reflect the market, more shelf space should be allocated to this particular type of product. Type 2 represents 18 percent of sales in this category, etc.

Are sales growing or declining within each major type? In Chart B below, due to declining sales, “All Other Types” may include items that are “must have” but should be given a small amount of space on the shelf. Type 1 is not only the largest portion of sales in the category; sales in this Type are also growing at a higher rate.

Looking deeper into

Latest 4 Quarter Share	
Total Category100%
Type 170.1%
Type 218.1%
Type 30.6%
Type 410.0%
All Other Types1.2%





Type 1, ask if there are any subtypes that can give you a better idea of where that growth is coming from.

Within Type 1, Chart C shows that Subtype D and E are where most of that sales growth is. Retailers would most certainly want to devote more shelf space to these two product types and perhaps decrease their assortment of types A, B, and C. (For instance if you were looking at drills, Subtype D might be 12 Volt Cordless Drills and Subtype E might be 9.6 Volt).

Looking further at Subtype D, Chart D might alert the retailer to try devoting a few more facings to this particular product type from October through March where sales seem to increase. Perhaps endcap placement for a few months? Whether it's by pack size, color, voltage, etc., this type of information can be valuable in making sure the products getting stocked are paying for the allotment of space they have on the shelves.

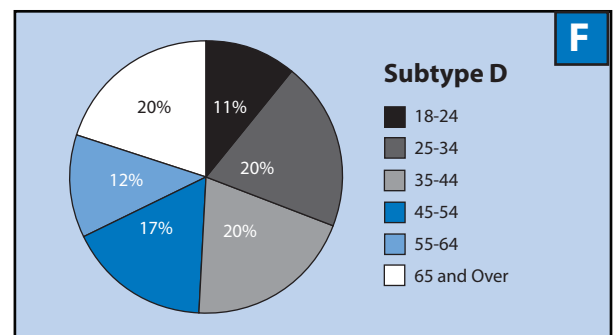
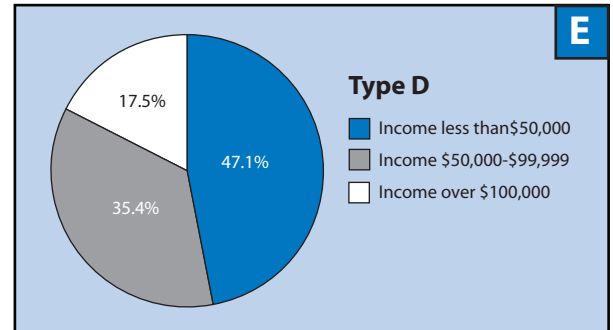
Another cut of the information that manufacturers could provide would be the demographic makeup of the category. Chart E takes a look at the Income Level sales comparisons for Subtype D.

Those with an income of under \$100,000 tend to be the main purchasers of this type of product. It is important to know the income range in the specific trade area.

What is the age demographic of the purchasers of this type of product? Chart F shows that the majority of purchasers of subtype D are those consumers between the ages of 25 and 54.

Manufacturer sales reps may be able to supply retailers with this type of analysis for not only their products but those of their competitors, so stores can have a true picture of what's going on in the marketplace and make the most out of the limited space they have. For a manufacturer sales rep, supplying your customers with this type of information can solidify your relationship with the retailers.

Understanding category trends and demographics are an important part of



making sure there are profitable shelf placements in a store whether you are a manufacturer or a retailer.

For more information on Vista Information Services, contact us at 847-253-6063 or visit our web site at <http://www.vistainfoservices.com>.