

## **On retail shelves, silent salesmen are on the job**

'Weekend Shopping' is now a common urban activity, with families starting Sundays by pushing multi-colored trolleys down the aisles of mammoth retail stores. Sales drivers also include retail shelves, which are no longer merely product holders. They are steadily turning into so-called "silent salesmen". Tags like "I am New", "Take Me Home", "Eat Organic" etc. are not just innovations to attract customers, but retailers are increasingly devoting time and investment to store-planning and shelf management as these have become major differentiating factors.

From the manufacturer's perspective, both new and repeat launches need to be accepted by consumers and retail shelves are the first point of contact. Product innovations, viz. low fat, fully organic, sugar-free, etc. also need to be properly communicated to customers. Retail shelves and dedicated spaces are thus becoming an important media preferred by companies for this purpose.

Today, in a retail store, even the shelves are on sale. Retailers are leveraging this additional revenue stream and getting additional perks by reserving shelves (at mostly eye-height) or footfall-dominating areas for specific brands. This is a win-win situation for retailers, who fetch additional revenues, as well as companies, who get more consumer interaction.

Retail shelf management is a hybrid of art and science and is directly correlated to floor operations. This includes such basic specifications as length, breadth and depth of shelves. Retailers need to first fix a category matrix, which sees categories placed at various locations across aisles, bays and gondolas. This matrix is highly dependent on the store's catchment, size and category mix.

After deciding on a category matrix, the retailer can fix the length, breadth and depth of shelves. Multiplying these helps determine the Maximum Bay Quantity (MBQ) of a product's Stock-Keeping Units (SKUs), which depends on sales performance, lead time and shelf life. It also helps retailers fine-tune product facing on the basis of sales and/or margins. For a specific facing length, the desired MBQ can be achieved by adjusting height and depth. Height can be a challenge in products with irregular packing.

Shelf management also extends to product placement and information tags. Keeping fast-moving SKUs at an eye level, heavy product packs on lower shelves and marking prices properly is essential to shelf planning. Companies prefer to pay upfront for lower footfall stores, but pamper high performance stores with better margins and ensured supply.

Within the Indian retail scenario, the consumer, who has a choice of retailers from whom to purchase daily needs, has an upper hand. Brick-and-mortar retailers will face stiffer competition and also higher real estate prices, but have few differentiating tactics with which to maintain profitability. Store layout management and shelf innovations will thus be key.

For manufacturers, the challenges arise from consumers being aware of product and brand choices. With each product category involving several competitive brands, manufacturers need to adopt newer communication methods. Shelf management and hoarding innovations offer such new models. However, innovations in hoarding are novel in India, leaving retailers to focus on shelf management.

**Authored By:**

Aneesh Saraiya – Senior Consultant (Food services & Agriculture)