

THE FOUR P'S OF MERCHANDISING: PRODUCT, PLACEMENT, PRICING, AND PROMOTION

PART 2: A DEEP DIVE INTO PRODUCT PLACEMENT

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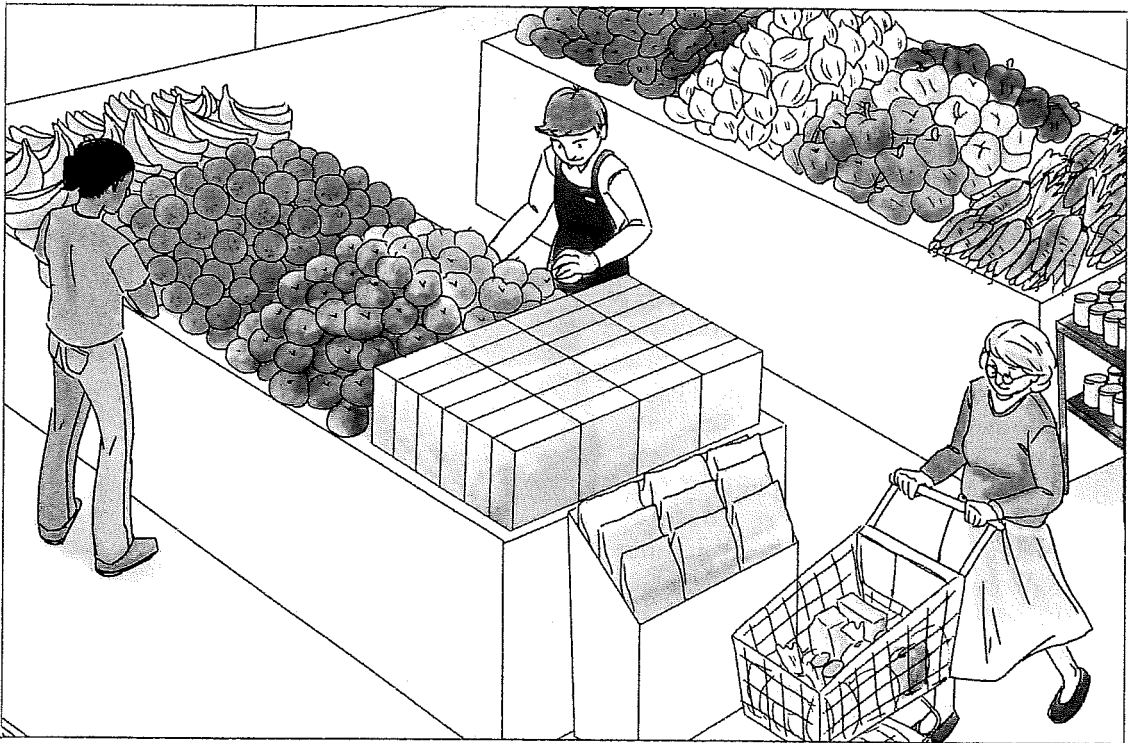


ILLUSTRATION BY EMILY MCLAIN

Last month I talked about the importance of product assortment in the overall merchandising strategy of a retailer. This month I am going to talk about placement. It's the one "P" of merchandising that I believe goes hand-in-hand with product. As important as product assortment is, a great assortment can lose its effectiveness if customers cannot find it, or it is not merchandised in the proper vehicle. This is where placement comes in. Like choosing the assortment itself, there are several factors to consider when developing a placement plan.

In produce, the first thing to consider is whether the product needs to be refrigerated. If it does, does it need to remain hydrated? There are normally set locations in a grocery store for each of these product groupings. Although, you do not need to spend a lot of time touring produce departments before you see tomatoes in the wet case or romaine lettuce on an ambient table. These are both examples of merchandising in the wrong vehicle and should be avoided. Beyond temperature and hydration, things start to get interesting. There are many tactics that can be used to influence when and in what quantities products are purchased. This is where all the fun begins.

A basic concept at the root of placement strategy is: *not all sales are created equal*. Whaaaaat...wait a second, what does that mean? A sale, is a sale, is a sale, right? Not exactly. Some sales come at a higher profit margin; others improve a store's price, quality, or freshness perception; others still drive loyalty to the store. The overarching purpose of placement strategy is to influence product pickup in order to drive one of the previously mentioned priorities. This can be done using one or more of several tactics.

The first tactic is to build displays in high-traffic areas using either endcaps or off-shelf displays. For a customer to purchase a product, they need to see it, and since many customers do not spend the time going down every aisle, many, if not most products, are skipped. By creating a secondary display in a main thoroughfare, product visibility is increased dramatically, followed usually by increased sales. Displays in high-traffic areas such as these are popular for flyer items and in-store features. For a discount operator, this is a prime strategy to enhance price impression.

A planogram is another placement tactic used to influence sales. It is essentially a two-dimensional visual representation of how the assortment is to be displayed. It is most frequently used to arrange value-added products displayed in a multi-deck merchandiser. However, the value of planograms is increasing in a modern produce department. We are more often seeing planograms used for in-line tables to maintain variety, manage inventory, and sustain a consistent look. The real power of planograms is that they dictate where a product is going to be. To influence the sales of a high profit item, it could be planogrammed first in flow, at eye level, or even next to a staple product guaranteeing consistent traffic flow.

Planograms are also used to dictate the amount of product on the sales floor. By allowing for a set amount of linear feet for each item, operators can control display size, minimizing

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shortages while also reducing shrink. Many mass merchants will use planograms to maintain consistent inventory levels ensuring in stock positions and reducing the burden of replenishment.

Suppliers, too, are finding the benefits of maintaining planograms for their product categories. As many suppliers strive to increase their value to retailers, visual representations of their products have proven to be very helpful when retailers open stores, switch suppliers or complete category reviews.

Lastly, cross-merchandising is another powerful tactic to influence sales. Displaying lemons in the seafood department is an age-old example of cross-merchandising. Anything that takes a product outside of its normal display space for selling, in conjunction with another product (like lemons in the seafood department) is cross-merchandising. There are many opportunities for produce items inside and outside the produce department. For example, this can be seen with basil next to tomatoes, jarred salad dressing next to the lettuce, or portobello

mushrooms next to the fresh beef patties. The intention is to inspire customers to purchase complete meal ideas and put one more product in the basket. Full-service grocery operators often use cross-merchandising to enhance their image as a food authority.

Placement strategy can be a powerful way to influence customer purchase patterns and is very effective at enhancing profitability and improving (or establishing) a wide range of positive customer perceptions. One final note, the tactics discussed are universal to all retailers. Although it makes sense to say a discount retailer uses endcaps to drive price perception, full-service retailers also use this tactic for the same reason, sometimes to an even greater effect. Likewise, mass merchants will use cross-merchandising to drive sales and improve their 'foodie' image. Placement is an important, yet often forgotten piece to the merchandising puzzle. Assortment without placement is like a car without gas. It has the necessary mechanics—but not the fuel to get you where you need to go. 🍌