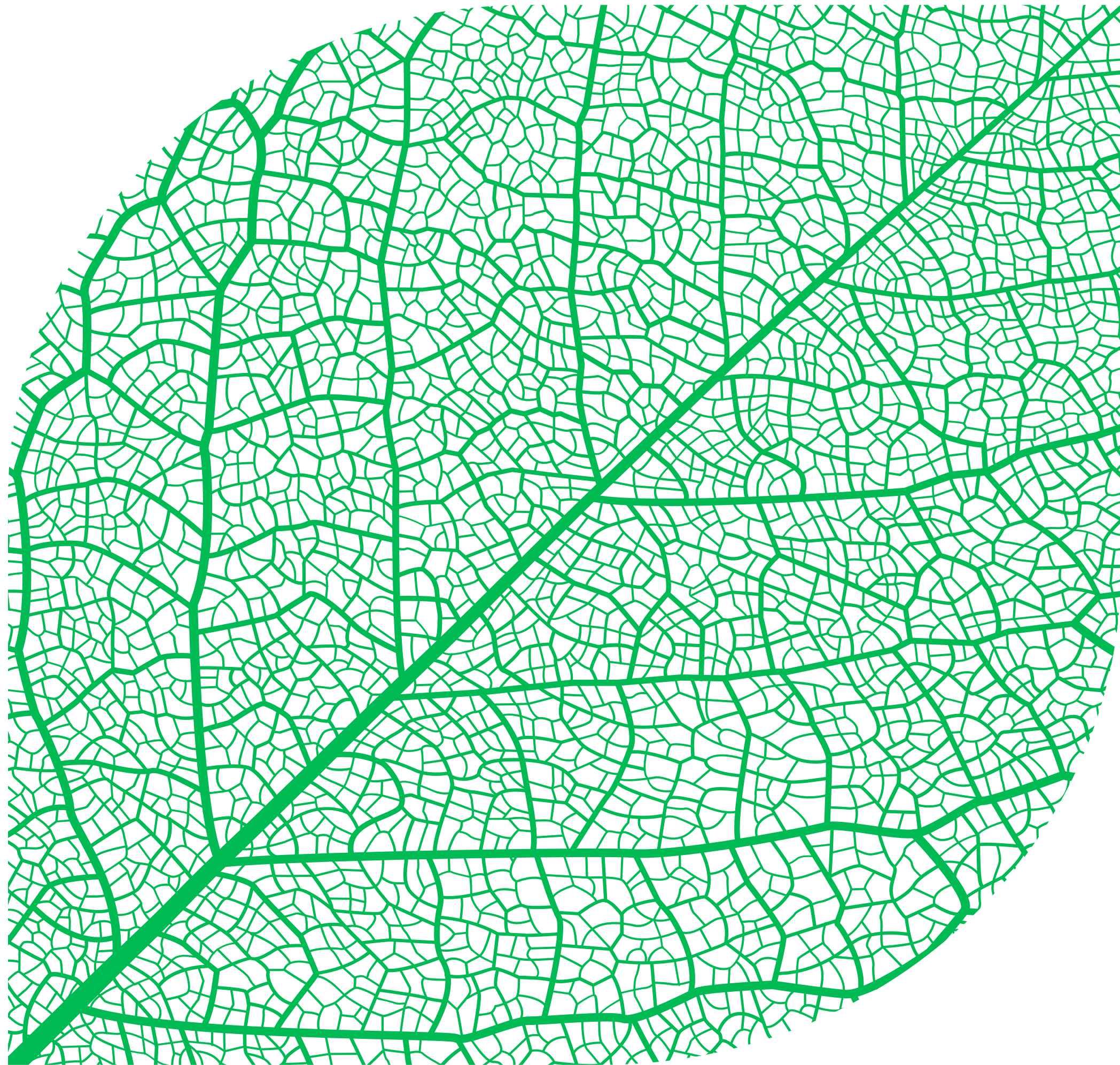


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# Merchandise Display KPIs

**A retailer's checklist.**

Proper product display setup allows merchandisers to attract a customer's attention and to increase sales.

The merchandise display is a tool that influences the attractive presentation of groups of goods, customers' convenience, as well as their purchasing decisions. If a store uses all the merchandising tools and evaluates how effective the display is, the chances of a customer leaving without buying are close to zero.

## According to the conducted research:

**76%** of purchase decisions are made directly in the store.

Source: 2012 Popai-shopper engagement study;

**90%** of buyers will make a purchase if the product is visible.

Source: Price search in the retail grocery market — Urbany, Dickson and Kalapurakal;

**9%** buy nothing if the product that they look for is not available.

Source: Gruen, Corsten, Bharadwaj. 2002.

Would you like to make your product display more effective and make your customers notice the shelves more often? Would you like to have a clear understanding of your turnover and stock and find out how effective your retail planogram is?

Answer the following questions. Is your display now:

- Presentable, comfortable, spacious, and understandable for the shopper?
- Is it efficient and easily managed by the company?
- Does it generate revenue and increase profitability as desired?

If one of your answers is “NO”, this checklist will help you assess the current situation and make a further action plan to improve it.

You will benefit from this checklist if you are:

- Retail Chain General Manager
- Retail Chain Sales Director
- Head of Merchandising Department
- Category Manager
- Purchasing Manager



# MERCHANDISE DISPLAY KPIS

What are they and how can you benefit from them?



## 01

# MANAGEABILITY

When starting to analyze and evaluate the display, you should understand:



- whether all the products from the range are presented in the display area
- whether they are placed in their proper place
- the proportion of goods that we manage in the planogram
- the proportion of goods outside of the planogram

# HOW DO YOU GET IT?

Manageability indicator

=

Revenue from the products  
placed in the planogram

---

Total revenue

The higher the value obtained, the higher the manageability score.  
Ideally, you should aim for 100%.

Manageability indicator

=

Quantity of placed items

---

Total quantity

The resulting share will show the revenue of the products in the planogram that are sold in the store, as well as indicate the percentage of the goods that the office manages or those that it does not.



# 02 PRODUCT RANGE DENSITY INDICATORS

## 02.1 Average facing will help:

- estimate the range density to determine its value in pieces
- display the average number of faces that each SKU of the product category can occupy

How do you get it?

The indicator depends on the category and format of the store. Exceeding the average face value of Mark 1 indicates the potential for adding an additional product to the range.

Product range density indicator

=

Number of product facings

Number of SKUs

# 02 PRODUCT RANGE DENSITY INDICATORS

## 02.2 Average width will help to:

- measure every position on the shelf
- measure the total category of goods
- present the density of the product range
- determine the amount of space in the display area for each category when developing a plan for a new store with the existing product range policy

How do you get it?

$$\text{Average width} = \frac{\text{Linear layout width of the entire category}}{\text{Number of product facings}}$$



# 02 PRODUCT RANGE DENSITY INDICATORS

## 02.3 ABC analysis will help:

- evaluate the effectiveness and completeness of the product range
- manage the product range effectively
- to create assortment groups according to their merchantability

You could easily analyze planograms in the store.



# 03 INDICATORS OF CAPACITY

## 03.1 Money stock equivalent helps to:

- estimate the cost of the display
- calculate the display stock in the context of manufacturers

How do you get it?

$$\begin{array}{c} \text{Inventories (money)} \\ = \\ \text{Shelf Inventories (money)} \\ \times \\ \text{Price} \end{array}$$

# 03 INDICATORS OF CAPACITY

## 03.2 The stock in days will help:

- estimate the stock in the context of days
- properly distribute the stock of goods until the day of delivery
- calculate the number of times the staff replenishes the shelf

### How do you get it?

If the product has a stock in days that exceeds the average stock by category, you need to adjust the amount of space and stock on the shelf.

$$\begin{array}{c} \text{Inventories (days)} \\ = \\ \frac{\text{Shelf inventories (pcs)}}{\text{Average daily sales (pcs)}} \end{array}$$



## 04

## COMPLIANCE INDICATOR

## 04.1 Return rate will help:

- display the correspondence of the occupied space of the product category to its share in sales, revenue or profit
- identify which of the “squeezed ” categories have the potential to increase in revenue and profit
- depending on the saleability of the product, place it on the appropriate shelf

## How do you get it?

The retail space is used most effectively when the share in the layout of each category corresponds to its share in sales, i.e. the indicator should aim at the mark of 1.

$$\begin{array}{c} \text{Return rate} \\ = \\ \text{Sales share} \\ \hline \text{Linear layout share} \end{array}$$

## 04

## COMPLIANCE INDICATOR

## 04.2 Correct ABC facing helps to:

- display the effectiveness of the distribution of product facings in the context of planograms

How do you get it?

The deviation of the planned indicator of the share of the number of facings from the fact indicates the accuracy of the use of facings. Minimizing this deviation leads to an increase in the profitability of the calculation.

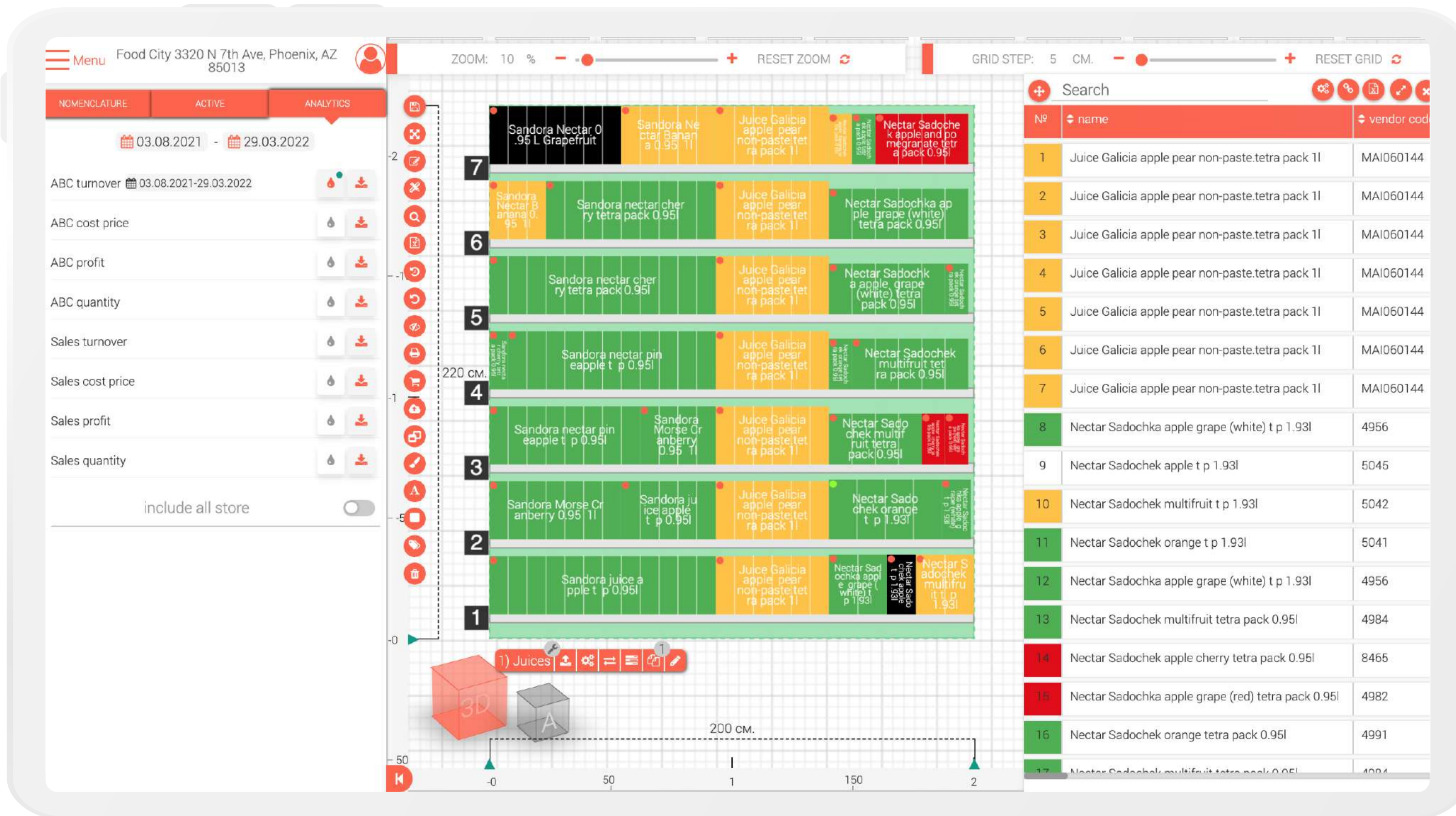
**ABCD compliance**

$$\begin{array}{ccc} \text{Number of facings of category} & = & \text{Number of facings of category} \\ \text{A/B/C/D (Planned)} & - & \text{A/B/C/D (Factual)} \end{array}$$

## 04

## COMPLIANCE INDICATOR

## 04.2 Correct ABC facing helps :



To create a display with correct ABC facing, you can use the Autofacing function in the LEAFIO Shelf Efficiency solution.



# 05 PROFITABILITY INDICATOR

Not sure how effective your layout is? Then these metrics are a must have for you! They are the kind of indicators that help to track how much profit the goods placed in the display area bring, their turnover, etc.

## 05.1 The correct profitability indicator helps to:

- display the effectiveness of the use of retail space per meter
- display the profit from each meter of the layout and evaluate the performance of a category
- evaluate the performance of a category

How do you get it?

Sales per meter

=

Gross profit

Linear layout, m



## 05

## 05.2 Face profit helps to:

display the amount of profit from each face in the category

How do you get it?

$$\frac{\text{Profit per facing}}{\text{Gross profit}} = \text{Number of facings}$$

## 05.3 Stock profitability helps to:

show the profit from each inventory unit

How do you get it?

$$\frac{\text{Stock profitability}}{\text{Profit (Money)}} = \text{Inventories (Money)}$$

# WHAT ABOUT THE EFFECTIVENESS OF THE PLANOGRAM?

Comparing these indicators for the reporting periods, the company gets a detailed picture of the efficiency of the use of retail space at all levels:

- deviations of the display efficiency in individual stores from the average efficiency across the network
- compare the effectiveness of the category layout for each of the stores
- compare the effectiveness of the layout of categories within a single store (department, planogram), etc.

Changing the planograms with the help of such an analysis significantly increases the efficiency of the retail space, since these indicators are based on the profitability of each product.

# WHAT ABOUT THE EFFECTIVENESS OF THE PLANOGRAM?

The LEAFIO planogram optimization solution will simplify the creation of a layout based on KPI, as well as provide all the tools to increase the profit of the retail chain, increase turnover, and optimize stocks.

With the LEAFIO Shelf Efficiency you will be able to build manageable merchandising process, namely by:

- creating a layout and auto-layout based on the analytical data
- reducing time for effective planograms building
- optimizing the existing retail space based on hot and cold zones data
- setting and monitoring employees' performance
- analyzing sales figures following the changes implemented in stores/layouts



## ... AND FINALLY

While you are looking for a perfect layout, remember the basic rules of product display:

- a product must always be facing a shopper
- a product cannot cover another product
- a product must always have an up-to-date price tag

Evaluating the performance of your layout and identifying your strengths and weaknesses will allow you to create the perfect display in the retail space and significantly increase its efficiency and profitability.



TO LEARN MORE ABOUT LEAFIO  
SOLUTIONS FOR MERCHANDISING  
AND INVENTORY, FOLLOW THE  
LINK [LEAFIO.AI](https://leafio.ai)

- Read more about merchandising analysis in store and how to boost sales in [3 steps](#)
- If you have any questions regarding the solution or want to get a LEAFIO demo, be sure to leave your request [here](#). We will contact you as soon as possible.

