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NO MORE SITTING ON THE FENCE

THE RIGHT SHELF SPACE BALANCE FOR MULTINATIONAL PRODUCT RANGES

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Thomas Rodenhausen

BACKGROUND AND BUSINESS OBJECTIVES

Sara Lee Corporation is a worldwide operating manufacturer and marketer of branded consumer products active in 200 nations. Sara Lee has secured a leading position in many markets for body care products with strong local brands.

For both FMCG manufacturers and retailers, shelf space is a scarce resource. Non performing SKUs cut into profits of both parties. For the manufacturers the cost of listing new products is high, the necessity of delisting non-performers not a rare case unfortunately. On the other hand, optimal line-ups moderate the negative impact of out-of-stock situations because they offer the shopper an acceptable substitute without driving him or her to another brand, ultimately supporting brand loyalty.

From an international perspective multinational companies such as Sara Lee face the extra challenge of optimizing the allocation of available shelf space in retail within a product category across different countries. This involves both streamlining the portfolio by achieving as much harmonization as possible in order to exploit economies of scale in production and at the same time respecting individual country differences.

Starting from a very diverse shelving situation in the European shower gel markets with only minimal overlap of Sara Lee's country-specific portfolios, Sara Lee and MediaTransfer AG NR&C conducted a multinational line optimization test in UK, France, Italy and Germany. The test was conducted online.

Sara Lee structures the shower gel market into four need states or segments. Certain product sub-ranges are targeting each of these segments. In the four countries with the leading brands Duschdas, Radox, Badedas and Monsavon and a total of 25 shower gel variants, initially only two shower gel variants were equal in all four countries. Four variants were available in three countries, ten variants in two countries and nine variants were national specific. In each segment, some variants were defined as "untouchables", i.e. to be maintained as part of the portfolio, whereas others were free for exchange.

To make optimal use of the shelf space available, only strong variants working jointly in their line-up should be on shelf. The aim was thus to optimize the portfolio across all four countries through replacement of weak variants with new promising variants per segment, preferably with as much harmonization across countries as possible.

However, the best allocation of shelf space involves maximizing the performance of the total portfolio rather than just combining the individual variants with best individual performance. Beyond mere evaluation of individual concept propositions, the research design therefore was expected to give insights into the interactions with the competitive in-store environment as well as with the current product portfolio across the countries involved.

An additional challenge was the fact that the new concepts were not available physically. The production of mock-ups would have been time-consuming and expensive.

STUDY DESIGN

Together with Sara Lee, MediaTransfer Netresearch & Consulting developed a quantitative research design to address the complexity and multinational scope of the business question. The methodology combines: 1) interaction with virtual shelves within the competitive environment; 2) more conventional concept testing elements; and 3) MediaTransfer’s proprietary line optimization tool (LOT). (See figure 1.)

The reason for this particular combination of elements is the difficulty of predicting the performance of new products or product variants in reality, i.e. at the point of sale. Testing isolated concepts by asking for the *intention* to purchase a new product will not reflect the dynamics and complexity of dozens or hundreds of products competing for shoppers’ awareness on restricted shelf space, particularly if products are organized in line-ups producing an internal dynamic of cannibalization and brand loyalty. Therefore, the ultimate test will be the

shopper’s behavior facing the choice between new and existing products. However, setting up real shelf tests, producing physical mock-ups of hitherto non-existing products in a central location test situation is a big challenge. Expanding the research question to four countries and several consumer segments will result in a nightmare, likely to end in a waste of time and research budget.

The solution to this is a virtual shelf test (first component of the test), where respondents face an interactive 3D supermarket shelf including current Sara Lee variants, possible new Sara Lee variants and competitors’ products, thus replicating in-store reality as closely as possible. The shelves included variants of all shower gel segments arranged in segment-specific shelf areas. The segments are called *caring, for men, fresh / fruity* and *wellness*. For each country a specific virtual shelf was set up. The virtual shelf included the current and the new concepts of the Sara Lee shower brands and their locally strongest competitors. (See figure 2.)

**FIGURE 1
FLOW OF QUESTIONNAIRE**

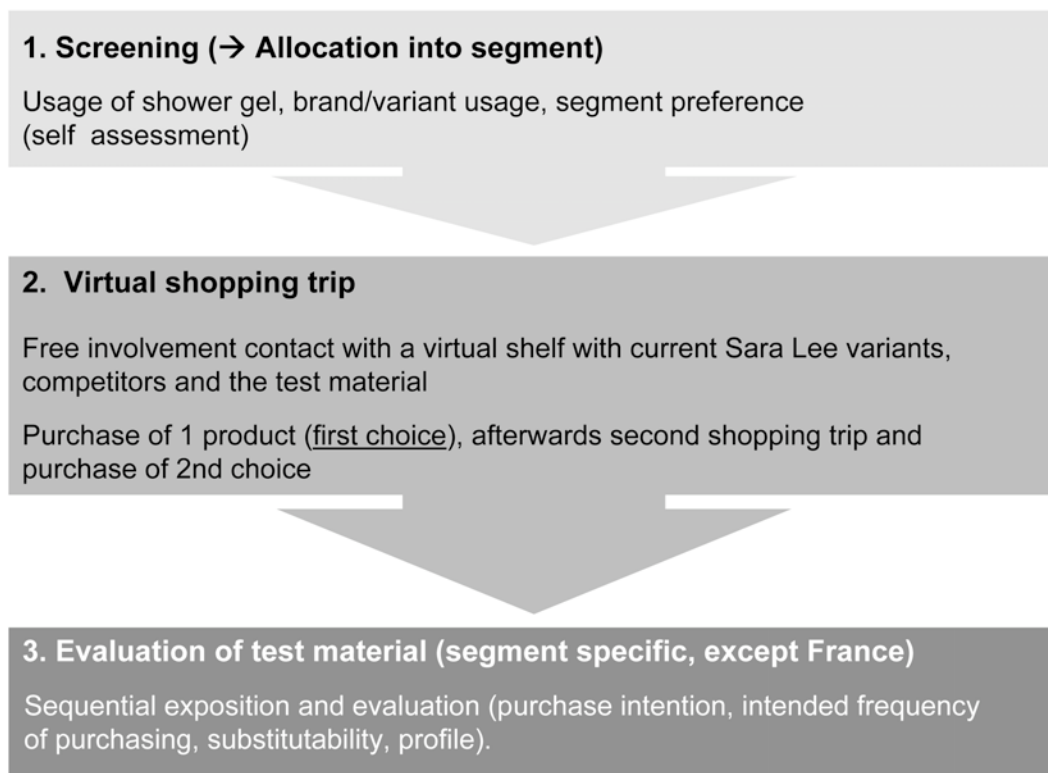
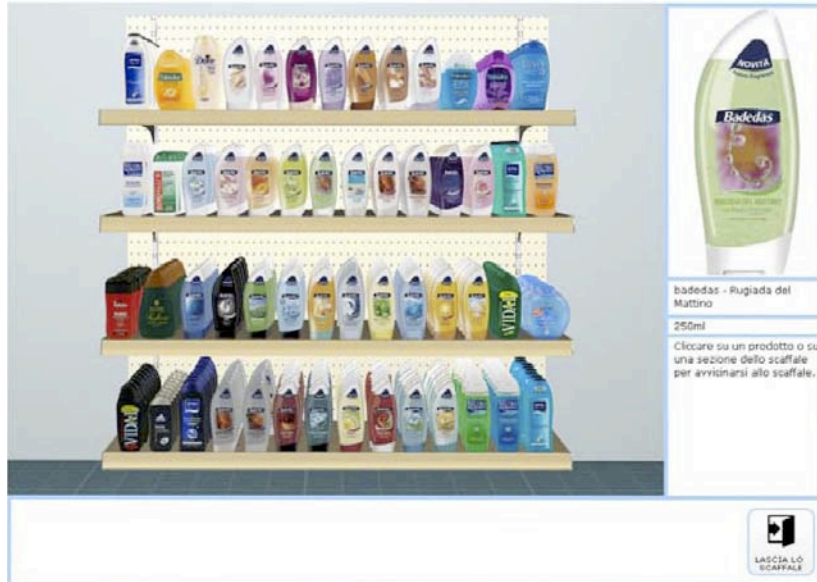


FIGURE 2
IMPRESSION 1 OF VIRTUAL SHOPPING TRIP



During the free involvement contact with the virtual shelf, respondents were instructed to shop for two shower gels, exploring the products offered by browsing through the shelf, looking more closely at interesting packages and, ultimately, putting a product into the shopping cart. Movements and behavior of respondents were tracked and recorded.

The second component of the test is a sequential concept test, focusing exclusively on Sara Lee shower gels. Current and potential future variants, grouped into the four segments, were part of the test. Respondents had initially been assigned to one of four segments. Each respondent was exposed to his/her segment-specific concepts, asking for purchase intent, purchase frequency and substitution (alternative purchase if this product would not be available). The results of the sequential exposition were also the basis for the line-up optimization.

Finally, each respondent had to answer an item battery with diagnostic questions for each concept variant.

Fieldwork was conducted online using Media Transfer's IDOP®, online access panels, providing homogenous

sample quality across all four countries. Online research allowed efficient and synchronous realization of the study in four countries as well as the presentation of high resolution multi-media test material. The overall sample size amounts to 3,234 interviews in 14 legs (four in each of UK, Germany, and Italy, and two in France), with a boost of Sara Lee brand users and more than 200 evaluations for each tested shower gel proposition.

ANALYSIS

The analysis was twofold: First, for each existing product and each new concept an overall performance score was calculated individually and across countries. Second, the interaction of products within a range was evaluated. Both analyses will be explained subsequently.

The performance score was built using the “shelf impact” of the shower gel variants as well as the purchase intention scores. Key data elements for the shelf impact measure are: 1) attention (longer or closer look at a specific shower gel without zooming in); 2) consideration (click on a shower gel to zoom in); and 3) purchase. (See figure 3.)

FIGURE 3
IMPRESSION 2OF VIRTUAL SHOPPING TRIP



The shelf impact is a measure for the strength of a product in its competitive environment. Validation tests of the shelf impact showed that this measure combined with external awareness and distribution data correlates highly with in-market data. The purchase intention from the sequential exposition adds the persuasiveness of a concept when showcased by itself to the overall performance score.

National performance scores were combined to an overall score. Country specific differences in the concept performance were integrated by weighting for country relevance. As a result, an overall ranking of propositions for each segment across countries was obtained, holding both a behavioral component from the virtual shelf part and an attitudinal component of the single concept expositions in the concept test part.

As the second part of the analysis, the impact of line-extensions on the line-up were modeled in order to reveal effects on the existing line-up in each of the shower gel segments. Line Optimization Test (LOT), a proprietary MediaTransfer Netresearch & Consulting tool, identifies optimal portfolios by maximizing “Net

Buyer Reach”. Net Buyer Reach is defined as the percentage of consumers with a top box purchase intent for at least one of the products in the range. The algorithm enables the setting of constraints, e.g. “untouchables”, existing products can be added to a range unconditionally. This feature was used for the local heroes in each country.

As a secondary measure the “depth” of a line-up is given. The depth is defined as the average number of products the consumers would buy from a line-up. A high depth of a line-up shows that it is inure to out-of-stock situations. The consumers would find a substitute to their preferred product within the range. (See figure 4.)

CONSEQUENCES

Based on these analyses, a strategy for optimizing the Sara Lee shower gel portfolio in the four countries was developed, providing both high standardization and efficiency in terms of allocation of shelf space across all countries and localization whenever economically reasonable.

FIGURE 4
SHOWER GEL RANGE AND TESTED VARIANTS

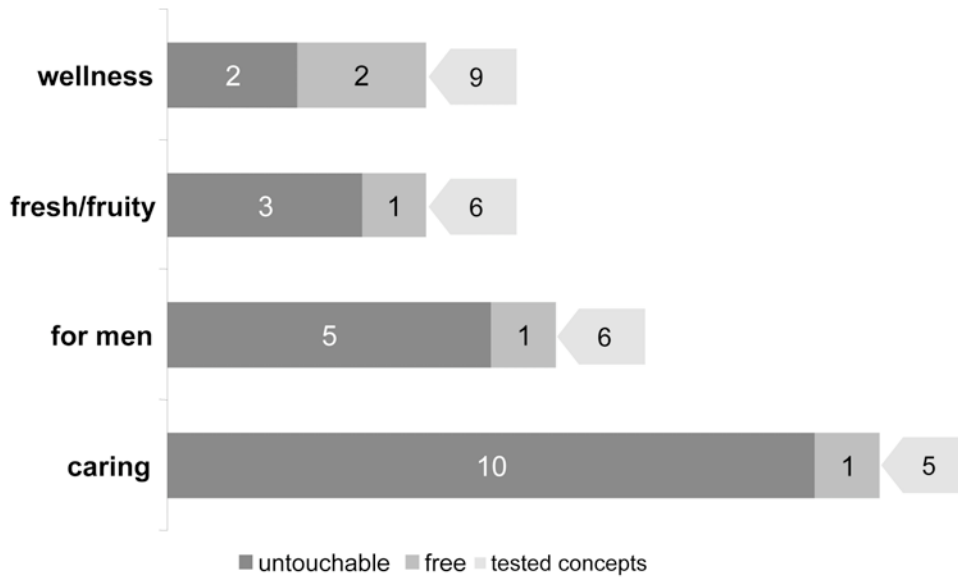
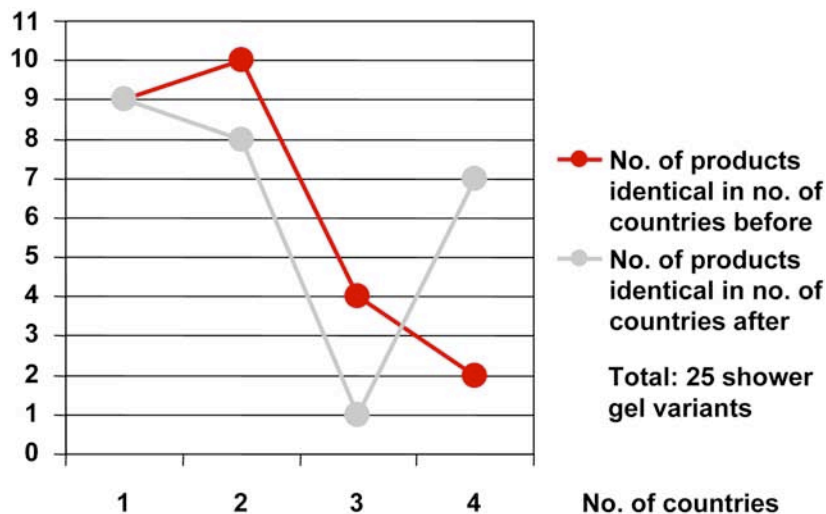


FIGURE 5
SHOWER GEL RANGE AFTER LINE OPTIMIZATION



Seven variants are available in all four countries after reformation compared to the initial two variants. One variant is available in three countries, eight variants in two countries and nine remain national. Again, the total of variants adds up to 25. The new variants fulfill three requirements: they were evaluated highly in a classic concept test setting, had sufficient shelf impact

in comparison to competitors, and advance the whole product range. (See figure 5.)

The results show that streamlining a product range across Europe can be done efficiently via innovative research techniques as the one presented in this paper. In-market data after restructuring of the Sara Lee

Corporation shower gel portfolio are positive and support the validity of the approach.

Due to the success of this project, similar research designs have been implemented for other body care product categories.

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