
Issue 24, 2015

in-store insights

Compliance Report

Dedicated to enhancing
the total shopper
experience



IN-STORE IMPLEMENTATION

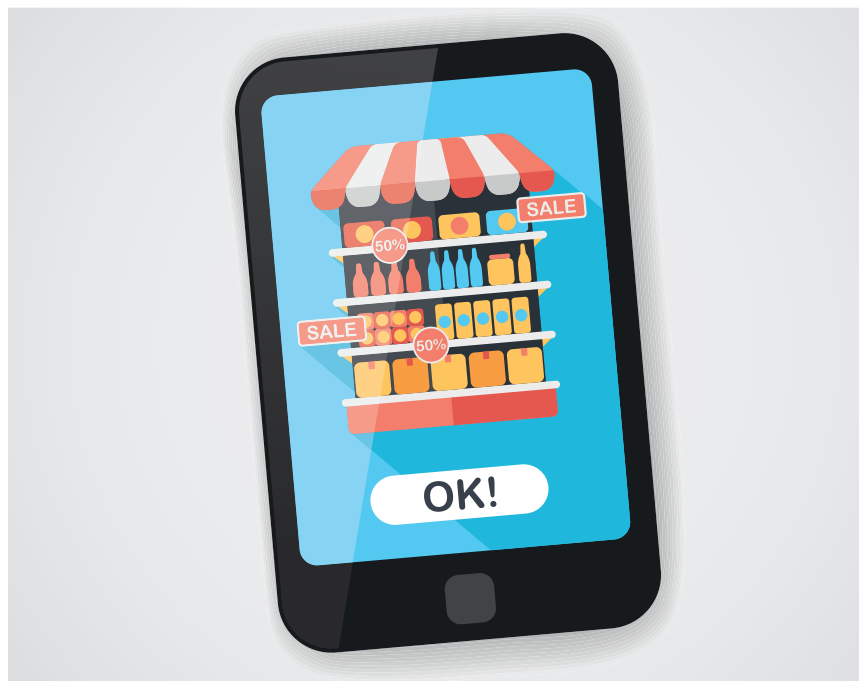
Put simply, compliance is about getting the basics right: correct promotional implementation of in-store display, visibility and product availability. Brand owners and retailers are acutely aware of the negative impact that poor compliance standards can have on brand delivery and product sales. As a result, modern P-O-P implementation is big business and a critical function in any successful in-store campaign.

According to the most recent POPAI UK & Ireland industry study¹, around 20% of P-O-P budget is currently allocated to campaign implementation, double the figure that brands spend on design.

In an effort to grab the attention of shoppers, display units are increasingly becoming more elaborate and expensive. As the complexities of installation have increased, so too has the challenge of compliance.

At a glance: top 5 reasons for poor compliance

- > Vague and ambiguous implementation instructions
- > Display designs not fit for purpose or in a way that aids compliance
- > Fragile components that break
- > Overly complex planograms
- > Failure to check compliance after installation



Not surprisingly, it is the larger and more complicated display categories that require the services of specialist P-O-P installation companies. Conversely, simpler P-O-P, such as alcohol glorifiers for the on-trade and impulse food, is more likely to be installed by brand field teams or retail staff.

'The factors for non-compliance haven't changed much, although the appetite for brands and retailers to achieve higher compliance across their estate has increased.'

Momentum In-store

When it comes to compliance, every retail category presents its own unique challenges. As a specific example, any P-O-P display unit that houses smaller 'fiddly' items like stationery or health and beauty products, often presents a tougher challenge to keep compliance levels high. Also, simply keeping on top of compliant merchandising and ongoing maintenance is most demanding in retail units with heavily-shopped items, due to high levels of footfall and general wear and tear.

Potential vs reality

Most retailers and stores believe they execute better than they actually do. Brands report that nearly all their display equipment finds its way to store either through retailers' own distribution systems or via installation companies. In other words little, if any, remains in storage, never to be used.

Compliance figures of 90% and higher are often quoted around projects, although research shows the true figure is significantly below this. According to one study, the average percentage of in-store campaigns that achieve full compliance in some developed retail markets can often be as low as 29%². Furthermore, only 21%² of retailers independently monitor campaign compliance, and 79%² just 'assume' in-store displays are being executed. Factors such as a lack of monitoring, lack of responsibility, and over-complexity in the retail merchandising process contribute to this.

Thankfully, in the UK the figure is much lower. Installation companies say they are asked to check compliance at least some of the time on 88% of projects¹. However, the latest POPAI Industry Study also highlighted that as much as 30% of all P-O-P activity is still never or rarely measured¹. When campaigns are measured for compliance, it is unlikely that it will always involve a full audit of the entire installation. It is far more likely that only the stores with the highest product turnover will be audited, probably in the region of 20%¹ of all those who receive display. Alternatively, periodic checks may be made every three to six months to assess current trends, and smaller brands may be limited to head office staff and account managers checking local stores.

Beyond price

Specialists in the sector report that the most important determining factor when considering installation and compliance activity, by far, is price. One installation company summed up the market requirements as 'how cheaply can you do a lot of things and how quickly?' But some believe that price and service are cyclical and that after several years of reduced quality and service in the pursuit of lowering costs, clients are now starting to realise the benefit of paying a little extra – although there is the potential for this to be eroded again if pressure on budgets were to return.

Beyond 'launch and leave'

While many may laud the precious time, effort and money that has been spent on launching the latest new in-store campaign, it is all too easy to fall into the 'launch and leave' trap – failing to support it adequately in the post-implementation stage. The commercial impact of such neglect should not be ignored, with campaigns often requiring sustained, ongoing investment. Failure to do so will ensure they never fulfil their true ROI potential – it's as simple as that. Success therefore is not about just getting it right in a few stores. Instead, promotional campaigns must be rolled out repeatedly and consistently, sometimes across hundreds of stores and often within a very short time frame.

Out of stocks

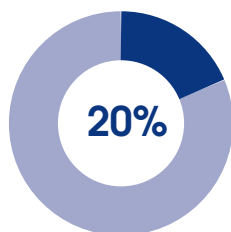
Stocking displays correctly against planograms, in a timely manner, is an important element of in-store compliance that is often overlooked. Past industry studies have found that shoppers feel let down by poor availability on promotions. According to some analysts, those who don't carry enough promotional stock risk 'destroying faith in stores and brands' and 'damaging the bottom line'.

More than three quarters of shoppers who make a special trip to a supermarket to buy an advertised promotion find an empty shelf, according to The Institute of Promotional Marketing. And where does the blame lie for this, in the eyes of the shopper? With the retailer, say many shoppers (64%), whilst one in seven blamed the brand manufacturer³.

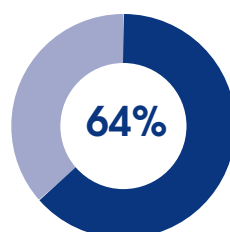
Despite the belief that the rise of discounters has negatively impacted brand loyalty, the promiscuous shopper is not a new phenomenon – especially when it comes to the fallout resulting from poor compliance. As far back as 2009, a study commissioned by SCALA Consulting found that half of shoppers questioned said they would simply buy an alternative,



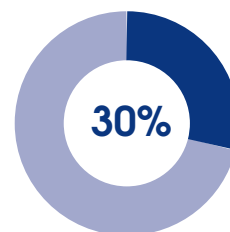
P-O-P budget currently allocated to campaign implementation



Shoppers blame retailers for poor promotional compliance



P-O-P activity is still never or rarely measured



POPai Industry Study, 2013, POPai UK & Ireland © POPai UK & Ireland

if their favourite brand could not be found in-store³. Of greater concern perhaps was the report's finding that a third of retailers did not have on-shelf availability as a key business objective.

Amplifying the problem

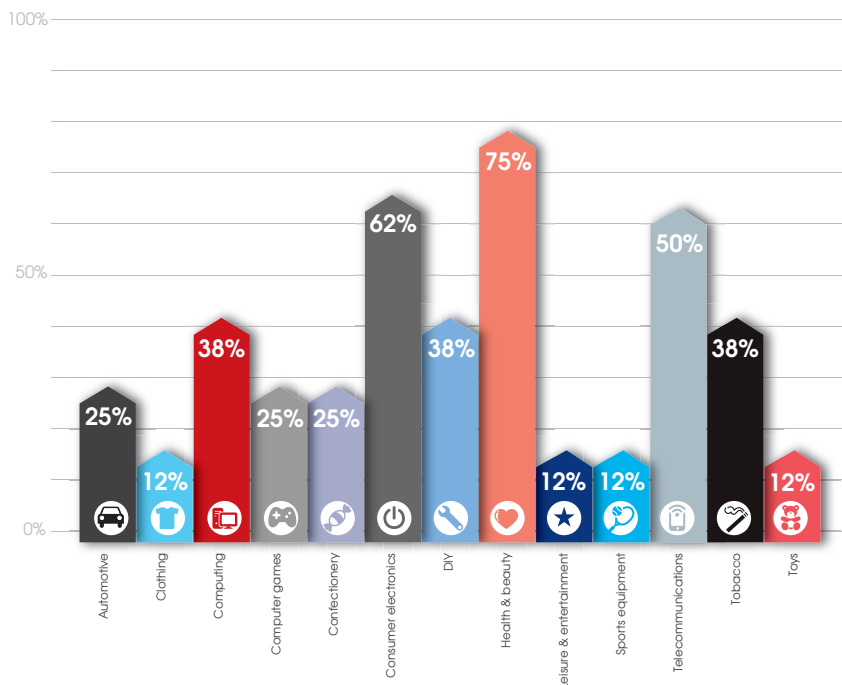
Getting in-store compliance wrong always has the potential to leave retailers and brands red-faced, usually in terms of explaining why an in-store promotion has performed worse than expected. But a recent case, which saw a leading grocery retailer come under fire on social media for its management of a Ramadan promotion, perhaps illustrates better than any other how quickly problems can be amplified by poor compliance and the avoidable interventions of potentially

well-intentioned but ill-informed retail teams. The decision by store staff, albeit in a single store location, to display Smokey Bacon Pringles on a promotional display for Ramadan attracted scorn on social media and forced the retailer into a very public apology – potentially damaging for customer relationships, its media profile, and the bottom line.

Technology-driven

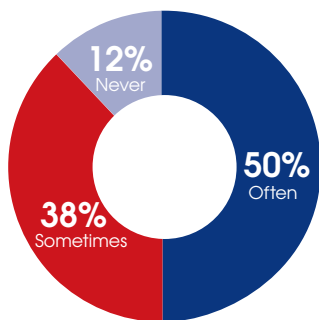
Historically, not having a detailed overview of fixturation that exists within retail store estates has been a common issue for retailers and brands alike, and has had a negative impact on their ability to plan pre-store development activity with any great precision. However, innovations in technology are now

Percentage of installation companies engaged by category



POP AI Industry Study, 2013, POP AI UK & Ireland © POP AI UK & Ireland

How often installers are asked to monitor compliance post installation



POP AI Industry Study, 2013, POP AI UK & Ireland
© POP AI UK & Ireland

enabling store development programmes to be 'completed' within microscopic tolerances, long before the physical work in-store actually begins. Innovation is delivering valuable savings too.

Traditional methods of collecting store data to support development programmes were not only costly in terms of the financial investment and human resources needed, but also the time required to complete such tasks. Store data can now be captured through real-time on-site surveys, providing in-depth retail critiques that give clarity on key issues and maximise effective decision-making, from greater visibility of fixture assets, to operational constraints and informing P-O-P ordering.

But it doesn't stop there. It's not only grocery retailers that now operate 24/7. Advances in real-time reporting are enabling a growing number of marketers to access live updates on progress in-store, from the comfort of their office, or at home out of hours. As well as the host of off-the-shelf reporting packages that are now available to installation specialists, those pushing the boundaries within the industry are now investing in their own IT infrastructure and innovative reporting apps to digitally monitor compliance to meet individual client needs. The result is authoritative and trusted feedback on what is happening in-store, complete with live statistics, photography and benchmarking of retail standards. Being able to cascade information on in-store campaigns quickly and effectively across an organisation has never been easier.

Resurrection of semi-permanent P-O-P

Card has become more popular for semi-permanent display over the last five years. But the reduction in oil prices is, once again, bringing plastic into consideration for brands evaluating P-O-P tools, and could see some switching from temporary cardboard displays to more semi-permanent solutions. Recently, some FMCG brands have said that plans to increase the volume of more semi-permanent P-O-P display used within grocery retail may

have a knock-on effect on installation requirements. The argument is that one permanent display can take the place of many temporary displays; however promotion changes are difficult to manage, which will surely place a greater emphasis on the need for expert third party support.

A new definition of compliance?

In the quest for a more connected shopper experience, there is one noticeable absence from many current discussions around compliance. Continued investment in digital in-store communication often remains outside the remit of established campaign implementation specialists. Indeed, there are some within the industry who believe that centrally-controlled digital content eliminates non-compliance. It doesn't. There are many examples of poor digital compliance that can be seen when out shopping – from error messages and frozen content, to screens that are not even switched on. The reality is that retail teams do not have the knowledge and skills to attempt to rectify the problem, but they can report it. The maintenance support and service level agreements that the retailer or brand has in place to respond to such reports then becomes key – ensuring issues are solved efficiently and effectively, before they begin to impact negatively upon the customer experience.

Sustainability

Despite the focus on sustainability and recycling in recent years, industry figures suggest that installation specialists are asked to recycle existing display equipment on only 33%¹ of occasions. It is in the cosmetics category that the highest rate of recycling and reuse occurs. Companies report that this is becoming far more frequent and includes removing and recycling existing equipment irrespective of whether it is a different brand to that which they are about to replace it with or whether they originally installed it. Temporary display, being predominately card, is usually easy to recycle. Permanent equipment can be more time-consuming and costly. Usually this is because otherwise recyclable materials have been joined in such a way that it is difficult to separate them, preventing them going into a particular recycling stream. The situation is improving, but still occurs. Rather than being recycled, P-O-P is increasingly being returned to the manufacturer to be reused. This has been the norm for components for quite some time, i.e. faulty parts are removed and returned for repair and reuse. Recently though it has been the entire units which are being returned for reconditioning – examples being cosmetics displays and newspaper stands.

Expert's view

Tim Ellis,
head of business development
Momentum Instore

Top 5 challenges to achieving compliance



Secret of success

Effective in-store implementation is about making displays easy to implement, and that process starts right at the beginning of P-O-P concept development. A fantastic concept can fail if poorly executed, so it is important to work closely with all stakeholders involved to help effect placement, compliance and effective engagement at store level, to ensure continuous improvement of the design and implementation processes. It's easy to agree promotions and off-shelf presence at head office level – but success won't happen if we don't have proper buy-in to activity amongst store managers. 'All decision-makers need to be taken on the journey, not just the commercial teams at head office.' Those were the words of one brand marketer interviewed by *In-Store Insights* back in 2014. Often, people are guilty of assuming that if they provide information, it will be used and people

will automatically understand it. This isn't the case. Managing every new campaign rollout places huge demands on project teams, and specialist and ongoing support is needed to make it work. Compliance is also not just about installing P-O-P correctly – it's about making sure that the right items are displayed and the wrong ones aren't even produced in the first place, saving time and unnecessary financial cost.

Images:

1 The AkzoNobel Dulux Mix Lab installation by Momentum Instore won Silver at the 2015 POPAI Awards - Image: © Momentum Instore/POPAI UK & Ireland

2 The Boots Instore Christmas project by CJ Retail Solutions won Gold at the 2015 POPAI Awards - Image: © CJ Retail Solutions/POPAI UK & Ireland

3 As much as 30% of all P-O-P activity is still never or rarely measured - Image: © CJ Retail Solutions/POPAI UK & Ireland

Expert's view

Mike Houghton,
group marketing director
CJ Retail Solutions

Following the journey from the designer's drawing board to store, there are five key areas that must all be aligned in order to achieve great compliance. Firstly, getting P-O-P installation experts involved early on in the process will help to ensure that the design is fit for the retail environment in which the product or promotion will be placed. Having the right knowledge and skills involved from the outset to provide recommendations to designers in terms of construction methods and size of displays is an essential part of making sure the installation process is as smooth as possible. It's obvious that the logistics of moving goods from warehouse to retail unit will always play a huge role in achieving a high compliance rate. Retail displays themselves can consist of a multitude of different elements, all of which are often delivered separately to stores for construction. By utilising just one central hub for each installation, every part of the display can be delivered in one go and walked into store, reducing the risk of parts going missing on location. Leaving the task to the retailer's shop floor team is a sure-fire way of missing your compliance target. Correctly trained teams and real-time reporting allows brands to instantly see installed units and feed back on any issues. Once installed correctly, the merchandising team takes over. Following all of the time and effort that goes into ensuring the previous stages are correct, you don't want to fall down at the final hurdle. Once designed, delivered, constructed and merchandised correctly, it is important not to forget that display units can stay within a store for an extended period of time. Compliance doesn't end on launch day. Creating and adhering to a robust maintenance schedule will keep displays looking their best week after week.

Sources:

¹ POPAI Industry Study, POPAI UK & Ireland, 2013

² Phillips, Foster & Boucher, POPAI Compliance Initiative Study, 2013

³ Shoppertomics: How to Shorten and Focus the Shoppers' Routes to Purchase, 2014, Harper and Mullin.