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Space planning 'C' change

Customer-centric retail space planning

Consumer behaviors and market conditions are evolving faster than ever, requiring retailers to quickly anticipate and execute on store layout design and visual merchandising. Tomorrow's leaders will be leveraging the latest technology, while those without tools to enable quick and efficient data-driven decisions will struggle to build and sustain meaningful store layouts.

Building and sustaining an impactful store layout strategy requires integrated capabilities

Best-in-class retailers have invested in technology, advanced analytics, and operating constructs that drive intelligent, holistic space decisions with speed and precision. These assets are designed and streamlined to drive macro to micro space decisions considering current and future consumer needs. The latest technologies, including 3D augmented reality/virtual reality (AR/VR), allow rapidly prototyping, testing, and management of retail store plans to deliver consumer-oriented layouts down to a granular level while replicating efficiently at scale.

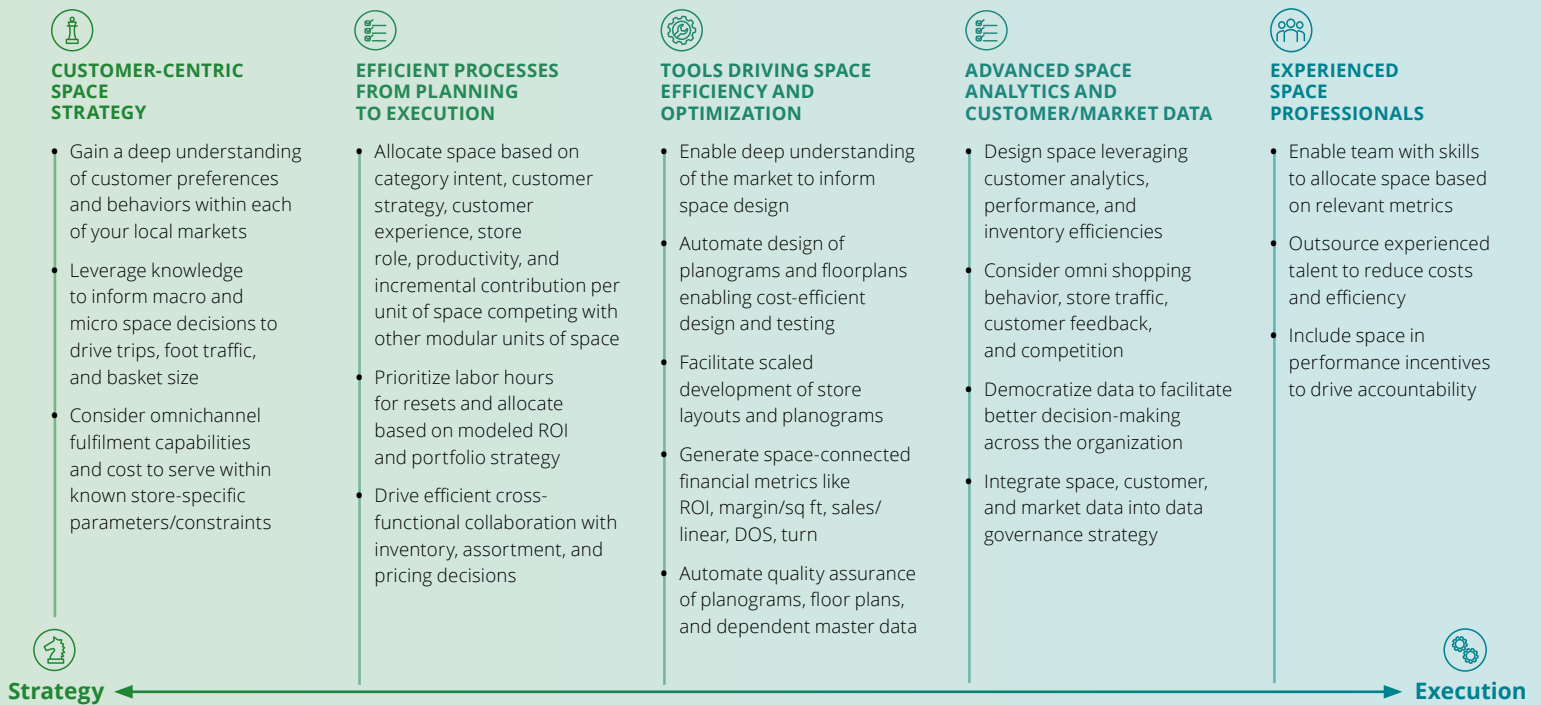> Retailers who effectively pull all available retail space planning levers will outperform their competitors.

Advances in retail space planning technology also allow for more localization and personalization in store layout design and visual merchandising, as well as new ways of working to execute these decisions. Retailers can now manage retail space planning strategic decisions centrally and leverage outsourced talent pools to scale these decisions to micro store and planogram levels. This enables cost-efficiency and supports internal operations' focus on more strategic decisions. Retailers who effectively pull all available retail space planning levers will outperform their competitors.

Where do you stand?

Key space-planning tools and techniques

- **Macro space analytics:** Analysis of the broader store layout to optimize and plan space allocated at the category level, placement of departments, traffic flow, and adjacencies

- **Micro space analytics:** Analysis of product data and sales to plan the positioning of products on the shelves of planograms

- **Oriented localization:** Process of curating products based on the preferences of customers in a defined geographical location (e.g., a city, a district, a state)

- **Earned space strategy:** Designing product assortment and allocation based on the ability of a product or vendor to meet certain business metric goals

- **Store clustering tools:** Used to group stores with similar demand patterns, customer preferences, and other performance dimensions (e.g., sales and basket metrics, customer profiles)

- **Optimization capabilities:** Process of allocating the optimal amount of space of departments, categories, and products to stores based on customer demand and store performance

- **Space automation:** Software that utilizes automation and/or artificial intelligence to create and organize space into planograms or floor plans

- **3D AR/VR:** Enables digital re-creation of store and shelf layouts virtually in three dimensions

- **Space as a service:** Having space planning, floor planning, and assortment planning services conducted and managed by a third party

- **Supporting data services:** Leveraging outsourced and syndicated data services to support space application and analytics foundational data (e.g., product attributes, customer demo, space-ready images)

Today's leaders apply the fundamentals of best-in-class space planning

CUSTOMER-CENTRIC SPACE STRATEGY

- Gain a deep understanding of customer preferences and behaviors within each of your local markets
- Leverage knowledge to inform macro and micro space decisions to drive trips, foot traffic, and basket size
- Consider omnichannel fulfilment capabilities and cost to serve within known store-specific parameters/constraints

EFFICIENT PROCESSES FROM PLANNING TO EXECUTION

- Allocate space based on category intent, customer strategy, customer experience, store role, productivity, and incremental contribution per unit of space competing with other modular units of space
- Prioritize labor hours for resets and allocate based on modeled ROI and portfolio strategy
- Drive efficient cross-functional collaboration with inventory, assortment, and pricing decisions

TOOLS DRIVING SPACE EFFICIENCY AND OPTIMIZATION

- Enable deep understanding of the market to inform space design
- Automate design of planograms and floorplans enabling cost-efficient design and testing
- Facilitate scaled development of store layouts and planograms
- Generate space-connected financial metrics like ROI, margin/sq ft, sales/linear, DOS, turn
- Automate quality assurance of planograms, floor plans, and dependent master data

ADVANCED SPACE ANALYTICS AND CUSTOMER/MARKET DATA

- Design space leveraging customer analytics, performance, and inventory efficiencies
- Consider omni shopping behavior, store traffic, customer feedback, and competition
- Democratize data to facilitate better decision-making across the organization
- Integrate space, customer, and market data into data governance strategy

EXPERIENCED SPACE PROFESSIONALS

- Enable team with skills to allocate space based on relevant metrics
- Outsource experienced talent to reduce costs and efficiency
- Include space in performance incentives to drive accountability

Strategy ←———————————————————————————————————→ **Execution**

Retailers must evolve to remain competitive

You know you need to improve your retail space planning capabilities, but how do you select the appropriate degree of investment? Here's a look at three options—standard, advanced, and leading—that can be pursued in alignment with your business, budget, and desired outcomes.

STANDARD

- Logical and profitable merchandising of products and streamlined communication with stores
- Space planning software supporting mass production and maintenance of planograms
- Integrated solutions enabling space-oriented analytics to optimize space productivity
- Accurate product and fixture dimensions driving product/shelf capacity and execution

ADVANCED

- Demand-driven category and assortment management plans reinforcing category roles
- Macro space planning, including optimization of detailed, store-specific floor plans
- Automation of planogram variation development, prototypes, localized assortments, and quality assurance validations
- Advanced software to automate sizing of floor variations and localized assortments
- 3D floor plans used to create virtual walk-through of store and planograms

LEADING

- Space allocated to categories based on balance of category intent, customer strategy, customer experience, store role, productivity, and incremental contribution
- Digital store renderings used to ensure accuracy of space allocation and prototype management
- Space planning systems integrated directly with assortment eligibility/status, demand forecasting, price and promotion, and inventory management
- Robust, tightly governed process for informing stores how to execute/enforce compliance
- Reset labor hours prioritized and allocated based on return on investment and portfolio strategy
- Space metrics are included in incentive plans of decision-makers to drive accountability

Take our quiz below to learn your retail
space planning current status and see what
you'll need to do to reach your goals.

Where do you stand today versus where would you like to be?

☐ I understand who my most profitable customers and stores are and why

☐ I build recommended assortments based on how customers shop in stores, online, across competition, and outside of my retail sector

☐ I regularly refresh planograms on an annual basis according to customer preferences and trends

☐ I can generate a mass bulk of unique planograms and floor plans based off an initial template

☐ I localize store assortments based on the specific customers that shop there

☐ I can provide accurate shelf/aisle locations for any item in my store

☐ I can track what areas of my store are most profitable, have the highest foot traffic and dwell time

☐ My store layout includes strategic adjacencies to maximize cross sales

☐ My store layout considers destination category placement to maximize flow and exposure to full assortment

☐ All store layouts and planograms are integrated and digitized to enable planning, replenishment, and omnichannel services

☐ I digitally test new layout and planogram concepts with my customers through virtual means

☐ I plan store space according to products or services that most influence basket size and trip frequency by customer type

☐ Category managers have space metrics as a part of their incentive plans

☐ I have a role in quality assurance checks focused on planogram and floor plan compliance

☐ My merchandising, marketing, supply chain, and retail operations teams collaborate to execute against a specific customer growth strategy

KEY	**0-5** In danger of staying relevant	**6-10** You're on your way, but more work to do	**11-15** You are executing thoughtful space planning

What's next?

Efficient, customer-centric, and intelligent macro and micro space planning is not a new concept, but the complexity of the transition has prevented many retailers from doing it well. A clear playbook defining your current and future state, including people, processes, technology, and data, is essential to assess the magnitude of the transition and its value to the business. We recommend starting with a plan.

Deloitte has one of the largest merchandising consulting practices in the United States. Our work includes long-term business transformations, change management and upskilling, technology modernization, and insights and operation services. We've developed a wide range of assets and resources to support transformation success and sustainability. These can be leveraged as a starting point to accelerate system architecture, business process, and operations. These can be further customized to the unique aspects of your business, competitive landscape, and budget. How can we help you achieve your customer-centric space planning goals?

To learn more, please contact:

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