



## The CEO's view on Retail Space Optimization

Retail is a cut throat world, yet every retailer relies on the identical product: "space". How they use that "space" determines their success.

A new tool, Retail Space Optimization (RSO), is available to help retailers optimize the way they use their space. RSO provides a merchandised floor plan (usually a CAD drawing) that shows the exact locations of the fixtures with the product categories on them and an analytic capability to measure any number of variables, including revenue, contribution, shrink, turns or any other variable relevant to a particular store type. These variables can be illustrated as heat maps on a CAD drawing and then be compared across an entire chain or any subset of stores to measure the impact of space allocation, in-store location, adjacencies or proximity.

Even though Category Management as a discipline theoretically covers both the macro (product category level) and the micro (item level within product category) space in a retail store, it has focused mainly in the micro space. RSO addresses the missing link: the macro space.

Retailers view the macro space as "real estate" that needs to return a given profit per square foot and there is a continuous effort to optimize product category space allocation. As competition in the retail space grows, optimization at the micro space (mainly driven by major consumer product manufacturers) is no longer sufficient.

Most major retailers recognize that Planogram compliance is low and diminishing, and that they do not really know where products are in their individual stores. The two critical inputs to space optimization, are adjacencies and facings, with Planogram degradation decisions rely on guess work and sampling with widespread recognition of the inherent errors.

Most retailers have monthly or quarterly meetings to discuss allocation of space. Decisions are based on sales by product category per store. Occasionally they have a sample of stores to increase the shared knowledge, but these samples tend to highlight the variability between stores rather than provide a statistical correction factor. Space allocation decisions are generally based on shared assumptions, gut feeling and who can yell louder!

The only rational solution is to find a cost effective way to update store layout and macro and micro space "reality". RGIS, the largest inventory service in the world, has been providing inventory measurement services to most of the world's leading retailers for 50 years and they have developed a new capability to update Planograms and CAD drawing for every store in a chain. They also offer the analytic tools to allow retailers and CPG manufacturers to produce accurate visual schematics of every store in the chain. These can be analyzed individually, in total, or in any selected subset. Retailers will be able to update this CAD / Planogram as frequently as desired. As part of the regular inventory cycle RGIS can update every Planogram in every store in which they take inventories for a small additional cost. An annual update would typically add 10-20 % to the inventory cost.

Retail Space Optimization will allow retailers to take the next leap in using their space to generate optimal returns. RSO has 2 main deliverables: a merchandised floor plan (usually a CAD drawing) that shows the exact locations of the fixtures with the product categories on them and a query enabled database with all the adjacency and square footage information to be able to answer the complex questions that retailers and manufacturers constantly debate about.

Retail Space Optimization will help retailers increase profits by optimizing the use of store space.



**For more information about  
Retail Space Optimization, please call**

**1-800-551-9130**

[www.rgis.com](http://www.rgis.com)