



# IRI Macroview **THE BIG QUESTION**

## What impact has range rationalisation had on NPD?

IRI NPD study May 2017



IRI MACROVIEW  
**THE BIG QUESTION**

# Agenda



**1** Share the extent to which ranges have been reduced in the last 12 months



**2** Review findings from IRI NPD Study



**3** Conclude the impact that range reduction has had



**4** Share best practice that we are seeing across the industry

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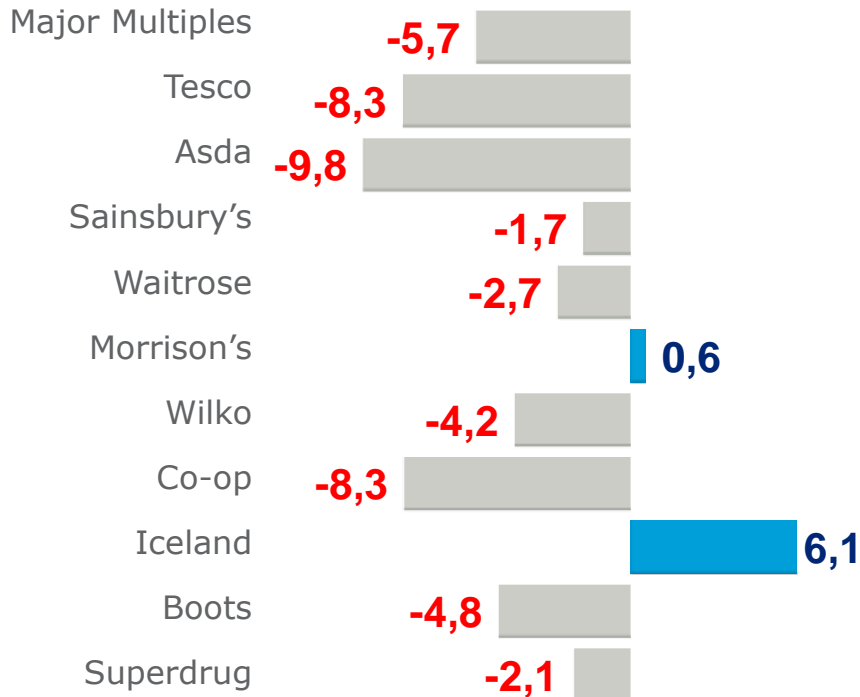
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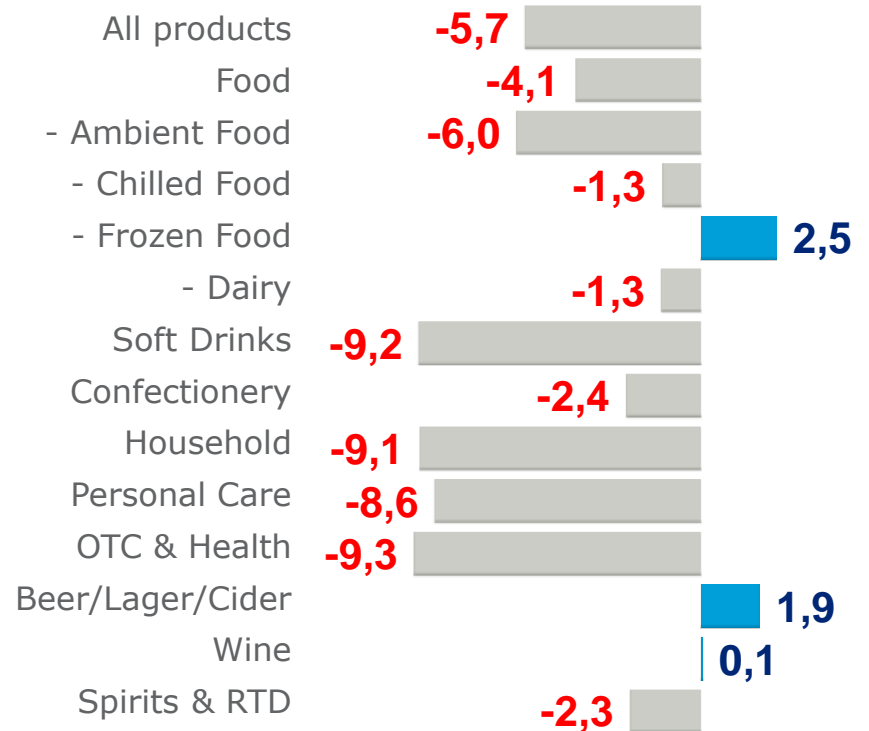


Range has declined by 5.7% in the past year following a decline of 5.1% the previous year – a two-year decline of 10.5%.

Across the majority of Retailers...:



...and Categories:



% change in items stocked 4 week to Feb 25 2017 vs. Feb 2016

An average 930 actual item reduction for an average sized multiple store in the last year and 1,820 over two years.

Looking across Food categories you can see the trend is consistently down

% change in number of items/store

# of actual lines lost/store



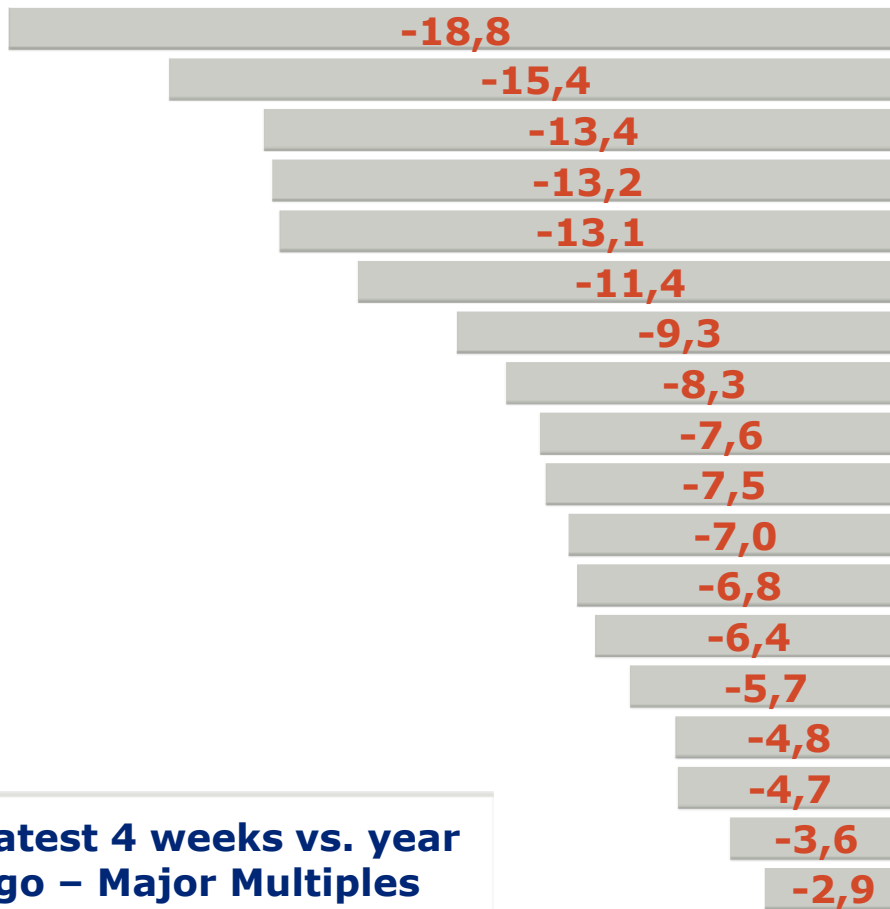
Latest 4 weeks vs. year ago – Major Multiples

IRI InfoScan

With a similar picture across Non-Food sectors...some seeing significant double digit reductions

% change in number of items/store

# of actual lines lost/store



Category	# of actual lines lost/store
OTC SKIN TREATMENTS	-15
PERSONAL WASH	-51
COUGH COLD SORE THROAT	-16
PAIN RELIEF	-16
HOUSEHOLD FRESHENING	-41
OTHER OTC	-7
HOUSEHOLD PAPER	-9
PERSONAL CARE GIFTS	-4
CLEANING PRODUCTS	-25
GASTRO INTESTINAL	-5
OTHER HEALTH	-8
VITAMINS AND MINERALS	-19
ORAL CARE	-18
LAUNDRY PRODUCTS	-14
PERSONAL HYGIENE PAPER	-6
SKIN CARE (exc. MED & DRY)	-41
SHAVING	-7
MEDICATED & DRY SKIN CARE	-3

Latest 4 weeks vs. year ago – Major Multiples

IRI InfoScan





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The NEW IRI NPD study shows that the number of NPD brand launches fell by 8.4% in the past 12 months

▶ **-8.4%**

- The fall in the number of NPD launches in the IRI Study.
- **Branded** SKUs launched in the last year are down **-12%**, with own label down by only **-2%**.

y/e Feb  
2017  
vs.  
y/e Feb  
2016

▶ **Branded NPD  
absolute £ sales are  
down**

**-6.5%**

▶ **Branded NPD  
contribution to overall  
sales also fell from**

 **2.0%** **to**  **1.9%**

▶ **Value of Branded  
NPD sales lost from  
market**

 **£99.6m\***

Grocery including Beer & Sprints

\* Before adjusting for effect of total market decline



# Our analysis shows some of the key drivers behind the lost £99.6m of NPD sales in the latest year

Grocery only : based on averages over 3 years to Feb '17

## Distribution



- Only **1 in 26** new products achieve **75%** multiples distribution in their first 12 weeks and only **1 in 7** ever get there. **WAS... 1 in 20**
- Only **50%** of all new products ever achieve more than **33%** multiples distribution. **WAS... 50% get 39%**
- Achieving good distribution is getting harder to do. Average maximum distribution levels are down by **9 percentage points** since 2011. **WAS... 49%, now 40%**

## Delistings

- 7%** of all NPD is delisted within a year of launch. **WAS... 10%**
- 34 weeks** is their average length of listing. **WAS... 32 weeks**
- 15%** of products which survive one year are delisted in years 2/3 – surviving 79 weeks. **WAS... 21%, lasting 85 weeks**

## Sales Rate Index



- Only **20%** of new products achieve a long term SRI above the average in their sector. **WAS... 22%**
- New products that underperform based on SRI start to lose distribution after **11 months**. **WAS... 9 months**
- The highest rate of success based on SRI is seen in the Personal Care & Health sectors and is lowest in Food, Pet Food and Soft Drinks. **No change**

## Trade Promotion



- Continues to be vital for NPD... **Down 3 % points**
- but retailers are promoting less... **Down 4 % points**
- and switching away from multibuys.

## Price Premium



- First 4 weeks of launch the average new product has a **45%** price premium compared with its category. **WAS... 60%**
- This will decline by **12%** points by the end of year 1. **WAS... 10%**

# And gives us some clear total market benchmarks as to how NPD is performing

## Summary of analysis based on Grocery NPD first 24 weeks after launch

NPD Metric	y/e Feb '16	y/e Feb '17	Latest Change	Conclusion
Average 24 week % distribution	<b>29.8</b>	<b>28.8</b>	<b>-1.0 pts</b>	Decline in maximum distribution achieved during launch.
Cumulative distribution over 24 week launch period*	<b>148 pts</b>	<b>140 pts</b>	<b>-8 pts</b>	Sharply declining ability to gain distribution during launch period.
% Price premium to category average	<b>126.9</b>	<b>126.4</b>	<b>-0.5 pts</b>	Little difference to price premium.
% Volume on deal.	<b>44.9</b>	<b>41.3</b>	<b>-3.6 pts</b>	Promoting of NPD has peaked and declined in line with market.
% of Volume on Multibuy	<b>10.3</b>	<b>6.6</b>	<b>-3.7 pts</b>	Multibuys have declined in use, in line with market.
% deal depth	<b>18.5</b>	<b>18.1</b>	<b>-0.4 pts</b>	Deal depth now falling in line with market.
Sales Rate Index	<b>73.1</b>	<b>73.8</b>	<b>+0.9%</b>	Performance level of individual NPDs is essentially flat.
% change in # of NPD launches **	<b>1,550</b>	<b>1,420</b>	<b>-8.4%</b>	Follows a 10% decline in the previous year.

\* Distribution based on All Outlets – sum of 6 quadweeks CWD

\*\* Based on brands & sub brand level in study (inc. Beer & Spirits)



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## THE BIG QUESTION

Retailer range reductions have clearly impacted NPD sales... but this is not the sole driver of the £99.6m decline with manufacturers also releasing less NPD into the market



**5.7%** less range

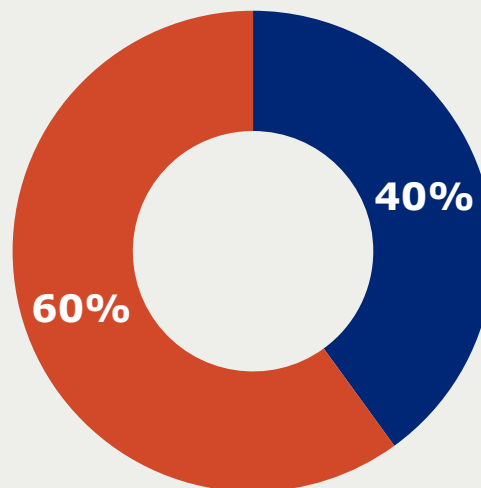


**8.4%** less NPD



£**99.6**m of NPD sales fallen out of market

**A major driver of the reduced contribution of NPD is poorer distribution**



- Reduced distribution given to NPD
- Reduced NPD launched by manufacturers

Year ending Feb '17 vs. year ending Feb '16



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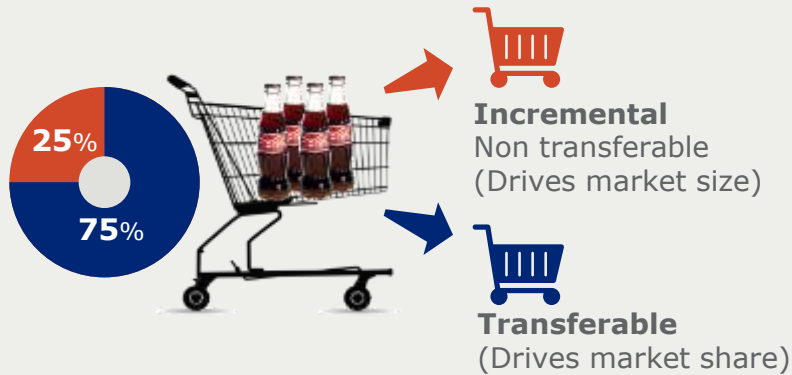


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With reduced ranges here to stay, we are seeing a new approach to category management

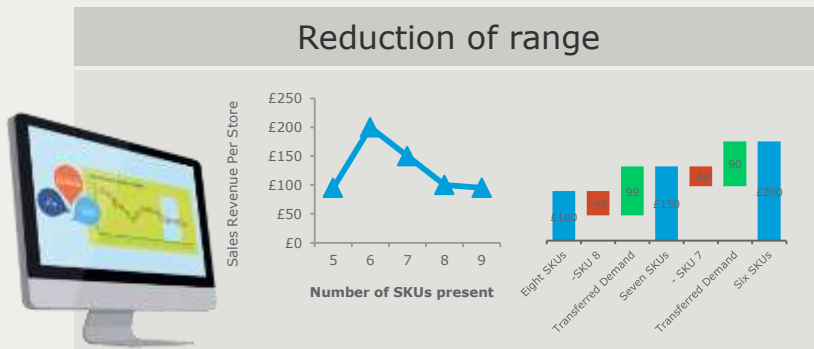
**1. The ability to rank the true incrementality of each sku within a range:**



**3. Understanding why shoppers may choose your competitor's products over your own:**



**2. The ability to isolate the category £ impact of making optimum changes to a range:**



**4. Leading the retailer discussion with evidenced optimum ranging recco's:**



We have developed a solution that is successfully supporting manufacturers, through some compelling capabilities



- 1. Incrementality:** Quantification of the incremental value and volume that each product adds to the category
- 2. Dynamic Switching:** Evaluation of the switching impact of each product on every other product (within the context of the range you are analysing)
- 3. Category View:** Simulate the impact of assortment changes on every single product
- 4. Forward Looking:** Ability to run your own assortment scenarios and report impact on value and units across the category
- 5. NPDP:** Identification of white space for new SKUs and the forecasting of launches
- 6. Adaptable:** to different retailers, categories and countries with results available on product, segment, category and retailer level



# IRI Macroview

## THE BIG QUESTION

## Appendix: Glossary

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IRI NPD study May 2017







## 2017 New Product Study - Parameters

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- Products launched from March `14 to Feb `17, minimum 24 weeks of sales.
- Branded products only; no own label included
- The smallest new launches have been excluded:
  - Those with maximum CWD less than 5%
  - Those with average 4 weekly value sales less than £10k
- Product level has been chosen by category to represent, 'where NPD is being launched'. New sizes are not new products, new formats, scents and flavours could be but not exclusively.
- Long term trends are based on extrapolations of the first 24 weeks where there is always a complete data set.
- 'Success' based on average 4 weekly value SRI >80. An SRI of 80 represents the mid-point across all branded products in a category.
- Main CWD groups are above and below 33%, thereby splitting the new products analysed into 2 equal groups.
- The total number of new products forming the benchmarks is 3511.

Source data: IRI Infoscan



## 2017 New Product Study - Measures

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- **Range:** Number of items (barcodes) stocked per store.
- **Contribution:** First year's sales only, are counted as new.
- **Price premium:** New product volume price indexed against category or sector volume price, as appropriate.
- **Sales rate index:** Sales per item per point of distribution indexed against same for category or sector as appropriate.
- **Cumulative points of distribution:** sum of CWD points over time.
- **Promotion measures:** 4 weekly data averaged over time.

Source data : IRI Infoscan