# Category Management for Healthy Profits

A major study offers advice on shelf sets, TPRs and more.

You'll get the best profits from ice cream temporary price reductions (TPRs) in the range of 20 to 40 percent. Less than 20 percent doesn't always move the needle, and above 40 percent can run down profits.

You'll make more money if you group "healthy" ice cream products together instead of displaying them by brand block or package size. In fact, sales per linear foot may jump in the range of 24 percent for the entire ice cream category.

Even though "healthy" is where the action is in terms of growth, many retailers carry too many

SKUs and allocate too much space for these products, driving down overall category productivity.

These are among the findings of a major study of the ice cream and snack/novelty categories completed by Dechert-Hampe & Co., Northbrook, Illinois. The research, commissioned by M&M/Mars, Hackettstown, N.J., and Friendly Ice Cream Corp., Wilbraham, Mass., is the basis for a category management program called ICE, or "Insights into Category Excellence."

In addition to extensive consumer research done for M&M/Mars and Friendly's, the study draws on syndicated data from A. C. Nielsen and Information Resources, Inc., and research and analysis of category profitability and productivity of 16 major retailers representing 15 percent of the ACV in the United States.

Ray Jones, managing director of Dechert-Hampe, says the study includes "best practices" recommendations retailers can use to maximize icecream profitability in their stores. Here are some highlights from the study:

— Consumers, M&M/Mars research says, perceive novelties as having four distinct segments: children's products (such as Disney items); family snacks (Snickers, Eskimo Pie); "better-for-you" low-fat and yogurt items; and super-premiums, such as Dove bars and Haagen-Dazs.

"We found that breaking these segments out and blocking them together on the shelf significantly improved sales," Jones notes. "Putting Dove bars beside super premium Haagen-Dazs items helped them both."

The same principle applied for "healthy" snacks/novelties—sales per linear foot of these items were 31.5 percent higher in stores when they were segmented. Not only that, the entire snacks/novelty category saw sales per foot rise by 23.8 percent. "This doesn't mean every retailer will get the same results," Jones cautions. "And in fact, stores that segmented also tended to promote more. We also found that the more successful retailers tended to stock and promote more premium ice cream."

— Packaged ice cream also benefits significantly from segmentation, especially for "healthy" items, the ICE study says. Sales per linear foot rose by 18 percent, and gross profit rose by 24 percent when these items were segmented in the stores studied, Jones notes. Unit movement per linear foot per week was 10.8 in stores where segment blocking was used, vs. 9.2 where it was not.

— SKU over proliferation is hitting "healthy" segments. Growth is fine, even if a little of it is the result of cannibalization. But when the cannibals get out of hand, watch out!

Stores studied had an average of about 16 doors devoted to ice cream and snacks/novelties, Jones says. But the number of facings varied.

"We found that stores with 26-35 facings of better-for-you snacks/novelties did best," he notes. In these stores, sales per linear foot per week averaged $40.41, with a gross profit per foot of $13.41.

When facings exceeded 35, sales per foot dropped by 55 percent and gross profit per foot fell by 53 percent.

And when there were fewer than 26 facings, sales per foot dipped 28 percent and gross profit by 20 percent.

— "Healthy" products—both packaged ice cream and snacks/novelties— don't register anywhere near the promotion lift of regular products. Jones says this is largely because the market for regular products has much higher penetration, so comparatively more people respond to promotions. Besides, he notes, "it's just hard to promote someone away from an indulgent product and into a healthy one."

*For more information on the study, call Dechert-Hampe at 847-559-0490.*