Bridging The Gap Between Merchandise Space Planning & Execution

RSR Executive Perspectives

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In Partnership with:

A 19th Century military strategist famously said that "no plan survives contact with reality!"[1] Nowhere is that truer than in corporate retailing. While centralized merchandise management can forecast demand, plan assortments, product placement, prices, and promotions for the selling channels (principally the stores), realities on the ground often impede the successful execution of those plans.

In the past, the store management team was the party most responsible turning merchandise plans into reality in the store, often having to make impromptu decisions about product placement, product substitutions, and replenishment orders, based on real time conditions on the sales floor. Corporate planners had little visibility into those actions and would only see the results after-the-fact.

But in today's highly competitive environment, retailers can't afford manage by hindsight. They must be able to act quickly to take corrective actions at the store level in something approaching real time to maximize sales and profitability. That requires visibility into the selling environment.

Fortunately for the whole industry, new solutions are available that enable that kind of visibility and make it possible for merchandize planners to respond quickly to real time conditions in the stores, either to get the store back on track to plan or to correct the plan to more accurately reflect real world realities.

The purpose of this RSR Executive Perspectives article is to discuss the challenges and opportunities associated with empowering the last few feet of merchandise planning and execution with information and technology.

The Challenge: You Can't Manage What You Can't See

It's axiomatic in the data network world that "*you can't manage what you can't see*." The same thing can be said of far-flung networks of people who are responsible for executing according to even the most well thought out plan. But visibility alone doesn't drive results - *execution* does. Retailers must be able to act on what they see, resolving exceptions and enforcing compliance in real time. In retail, this challenge can be particularly vexing for enterprises that favor top-down planning for physical store floor layouts, merchandise assortments, how products should be placed on shelves or displays, product allocations and replenishments, promotion plans, and pricing.

The reason that retailers adopted that top-down planning model was to help achieve economies of scale on the supply side of the business that in turn resulted in lower retail prices to consumers, albeit with more standardized assortments for shoppers to choose from.

But even with standardized assortments, shelf sets, prices and promotions, central planners depend on store-level employees following through. The store management team has traditionally been the point of control – they are the eyes and ears for central planners and operations management.

There are several operational challenges with that management model:

[1] Helmuth von Moltke, German general [1800–1891]

- First, **it is dependent on the management team themselves being experienced and executing with precision**.

- Secondly, **how well the store team executes is reported after-the-fact in item movement and sales tracking reports**. It is often far too late to affect the outcome of a planning period (days, weeks) when the real-world realities of the selling environment conflict with the plan. This is especially true during resets and refreshes, when planogram execution gaps can undermine weeks of planning in a matter of days.

- Third, **local variations are often not accounted for in the central merchandise plan.** To make allowances for local variations, whether they are differences in the physical layout of the store (for example, differences in the shelf space available for products), or locally featured products (often locally managed "key value items"- products with special pricing and displays), store merchants will often go "off system" and manage those products manually.

- Fourth (particularly in the case of retailers that feature large assortments of highly replenishable items that move very quickly), **vendor partners often manage sometimes whole categories of merchandise**, using their own processes and systems to do so.

As a result, centrally managed retail chains frequently must compensate for "blind spots" in their far-flung operations, and that can affect sales & profitability or operating cash flows- or both. If retailers want to ensure high levels of product availability to consumers, they may choose to over-inventory the stores (this affects operating cash flows). If on the other hand they exert pressure on the store team to strictly comply with central plans, they may miss local sales opportunities that build shopper loyalty. Finally, if they allow too much freedom to store merchants, they lose control.

RSR Research has seen the real-world effects of this challenge in our benchmark data. In our most recent merchandise planning report[2] and benchmark on the state of location analytics in retail[3], we learned that:

- 58% of the retailers surveyed agree with the statement, "We don't have sufficiently accurate and rich data about our operations". That number increases to 68% for "Retail Winners" (according to RSR, those retailers that over-perform compared to their competition).

- 87% agree with the statement, "it takes too long to see the outcomes from our decisions."

- 33% of those surveyed (and 36% of "retail Winners") cite "inability in executing localization strategies for assortments" as a top-3 operational challenge.

- 40% identify "getting an accurate picture of our current inventory position" as a top-3 operational challenge.

- 34% of retailers surveyed agreed that "planograms are imprecise, affecting allocations and replenishments" is another top-3 operational challenge.

[2] ***The Case For AI-Enabled Merchandise Planning 2025***, February 2025

[3] ***Location Intelligence In 2025: Motion In Motion,*** September 2025

These challenges all go back to one fundamental truth: **"*you can't manage what you can't see*."**

No Store Is The Same

Many retailers have tried to bridge the gap between the theoretical selling environment as characterized in merchandise space plans and the actual physical environment, with visualizations of the selling space, most commonly with ***planograms*** (or "POGs"). Even without visualizations, retailers often define product information space attributes within their inventory management systems (for example, the number of shelf facings, recommended product depth, minimum on-hand quantity, and minimum re-order quantity), to be used by product replenishment processes.

Planograms have been used by many retailers since the 1970s, when U.S.-based KMART produced paper-based representations of shelf and product layouts. The objective was and is to maximize sales and profitability by strategically placing products on shelves to create a visually appealing shelf set while also improving inventory management. While 3D visualizations of physical shelf spaces are common today, there are still big operational challenges in the stores, including:

- **Local Adjustments**: Stores make incremental fixture changes that may not match CAD or planogram data.
- **Reporting Manipulation**: Stores may overreport facings to drive replenishment; leads to stockroom backups, cluttered shelves, and "gorilla displays."
- **Lack of Training:** Employees may not understand the layout or why specific placements matter.
- **Execution Fatigue:** Frequent resets can overwhelm staff, leading them to cut corners.
- **Fixture Mismatches**: Stores don't report inconsistencies between planogram size and actual fixture size, causing inventory and replenishment issues.

Central planners are also beset with challenges associated with antiquated space planning processes, including:

- **Limitations to the number of Planogram Variants**: When not enough versions of planograms are built to account for store fixture differences, stores improvise.
- **Incorrect Store Data**: Provided by category captains or outdated CAD information.
- **Regional Plan Errors**: Stores remove old planograms before new sets are ready, leading to missed setups.
- **Uncoordinated Fixture Changes**: New fixtures, theft deterrents, or adjustments not updated in CAD or planogram systems.

Enabling The Power To See With Next-Gen Solutions

Planogram systems have been in place for decades at some companies, and planners and operations management have learned to work around the challenges described above. *The fundamental issue with legacy systems is that they don't enable retailers to see in anything approaching real time*. Store operations management must periodically compare physical shelf sets to planograms and make changes to either correct the planogram or enhance planogram compliance. Either of those tasks are labor intensive.

But new solutions that use new data and analytical algorithms are available today promise to enable greater visibility without more human effort. New solutions can enable more agile responses to real time conditions in the store and should help retailers to optimize shelf space utilization *on a per-store basis*. New solutions use software tools with modern features like AI optimization and cloud access for creating, analyzing, and deploying detailed visual blueprints that should help boost sales, improve process efficiency and compliance, and create a better customer experience.

New generation technologies offer a plethora of improvements that promise to support a digital transformation across the enterprise, maximize sales and profitability, as well as enable much greater levels of store localization (both space and assortment).

Retailers should look for the following capabilities (Table 1):

Table 1: Core Capabilities For Next-Gen Merchandise Execution & Compliance

Capabilities	Features/Principles	Details/Benefits
Execution Coordination	Coordinated management of resets, rollouts, remodels, and merchandising initiatives	On-time rollouts
Plan-to-Store Communication	Centralized plans, documents, images, and execution notes	Clear direction
Store-Level Task Management	Store-specific tasks with owners, due dates, and execution instructions	Clear accountability
Floorplan & Planogram Access	Broad visibility to floorplan and planogram information for execution teams	Improved Shared Resources
Localization Support	Store-specific adjustments for fixtures, assortments, and timing	Local flexibility
Execution Visibility & Compliance	Progress and POG compliance tracking by store, region, and initiative	Consistent execution
Improve Issue Management	Identification of fixture mismatches, missing materials, and delayed tasks	Faster issue resolution
Mobile Field Enablement	Mobile/tablet access(including digital planograms) for store and field teams	Easier accessibility
Vendor Collaboration	Shared work status visibility with vendor/CPG partners	Better coordination
Non-Merchandise Ordering	Centralized ordering for fixtures, signage, supplies, and other non-merch items	Simplified ordering, visibility
Execution Analytics	Reporting on completion rates, cycle times, compliance, and recurring issues	Performance insights
Feedback Loop to Planning	Capture of store-level issues and execution learnings	Continuous improvement

Scalability & Governance	Standardized processes, permissions, and auditability across large store networks	Enterprise control

Planogramming In The Context Of Retailer/Vendor Collaboration

In some retailer environments, vendor partners play a significant role in managing store inventories. In such collaborative environments, planogramming features should focus on shared data, automated updates, performance analytics, and localized adjustments. This would allow suppliers and retailers to co-create shelf layouts that boost sales for both parties by ensuring optimal product visibility, efficient stock management, and better alignment with shopper behavior. Planograms move beyond simple visual guides to data-driven strategic tools for growth.

Key capabilities for improved retailer/vendor collaboration include the following:

- **Shared Platforms & Data Integration**: Cloud-based systems give retailers and vendors access the same real-time planogram data, sales figures, and inventory levels.
- **Automated Updates & Compliance**: Vendors can push new product introductions or promotional changes directly into planograms, ensuring stores update quickly and accurately.
- **Performance Analytics**: Real-time tracking of how planogram changes impact sales, stock-outs, and customer engagement, with shared insights.
- **Localized Customization**: Tools to adjust national plans for specific store demographics, traffic patterns, or shelf constraints, incorporating local vendor knowledge.
- **Space Management Tools**: Collaborative tools to optimize shelf space allocation, ensuring high-demand items get prime placement (facing) and reducing overstock/understock.
- **Visual Merchandising Integration**: Seamless integration with 3D visualizers to see how new displays look before implementation, reducing execution errors.
- **Supply Chain Alignment**: Connecting planogram data with inventory management to predict needs and streamline replenishment, minimizing stockouts.

Next Steps

Whereas in the past, it was the store management team's responsibility to synchronize what was dictated by central planners with the physical realities of the store, in a data-and-analytics enabled world, "digital twins" of physical things (in this case, products and physical space) can be analyzed just like any other data in something approaching real time. The result is a new ability to bridge the gap between merchandising planning and execution in stores.

The retailers who win will be those who move beyond seeing problems to solving them: orchestrating execution, managing issues in real time, and ensuring that what's planned is what actually happens on the shelf.

To get to that new world of capabilities, we recommend the following actions:

Implement Advanced Visibility Tools

- Adopt new solutions that utilize AI, cloud-enabled platforms, and real-time data analytics to gain better insight into store operations and merchandise placement.
- Use these tools to monitor actual shelf conditions, inventory levels, and local store variations to quickly identify operational issues.

Enhance Space Planning And Reconfiguration Capabilities

- Transition to next-gen space planning technologies that support detailed, data-driven planograms, including 3D visualization and drag-and-drop design tools.
- Automate and streamline shelf space optimization for individual stores, ensuring high-demand and high-margin products are placed effectively.

Strengthen Store-Level Data Collection And Reporting

- Train staff to accurately report fixture sizes, facings, and shelf conditions; implement systems to minimize reporting manipulation.
- Establish routines for periodic physical shelf audits using digital tools to identify mismatches and deviations from planograms.

Foster Collaborative Planning

- Use cloud-based, shared platforms for real-time data sharing and planogram adjustments between retail and vendor teams.
- Enable vendors to push updates and promotional changes seamlessly, with performance analytics to measure impact.

Learn To Respond Quickly To Market Dynamics

- Use real-time insights and AI algorithms to dynamically update merchandise layouts and replenish stock based on current store conditions.
- Quickly adapt shelf layouts for seasonal changes and new product launches using flexible planning tools.

Monitor And Improve Compliance

- Regularly review planogram execution against set standards using analytics dashboards.

Plan For Flexible And Agile Layouts

- Maintain the ability to efficiently update store layouts for seasonal changes, promotional campaigns, or new product introductions.

Implementing these steps will help bridge the gap between merchandise planning and execution, leading to improved sales performance, better inventory management, and enhanced customer experiences.

Appendix A: About The Sponsor



For more than 20 years, MerchLogix has helped retailers and CPGs get merchandising plans to the shelf to maximize return on inventory investment. Most merchandising software stops at planning. MerchLogix closes the gap, giving capital, category management and store operations teams the confidence to execute at every store.

Trusted by some of the biggest names in retail, our solutions are cloud-based with no per-user fees. By improving how plans are communicated and executed in stores, MerchLogix helps retailers enhance category performance, improve compliance, and make better use of limited labor.

Appendix B: About RSR Research



Retail Systems Research ("RSR") is the only research company run by retailers for the retail industry. RSR provides insight into business and technology challenges facing the extended retail industry, providing thought leadership and advice on navigating these challenges for specific companies and the industry at large. We do this by:

- Identifying information that helps retailers and their trading partners to build more efficient and profitable businesses;
- Identifying industry issues that solutions providers must address to be relevant in the extended retail industry;
- Providing insight and analysis about a broad spectrum of issues and trends in the Extended Retail Industry.

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