The 2016 P-O-P Trends Survey

*CPG merchandising executives weigh in on P-O-P spending patterns, program management, tech innovation and in-store merchandising’s future*

Written by the Institute in collaboration with MENASHA

**EXECUTIVE SUMMARY**

- One in four respondents report that current and predicted P-O-P spending levels will increase; half say they’ll stay the same.
- If one needs a rule of thumb, respondents said P-O-P spending could be allocated this way: 2/3 temporary, 1/3 permanent.
- If no secondary display opportunity is available in-store, most respondents will turn to digital path to purchase or e-commerce initiatives.
- When asked for the typical sales increase from a P-O-P initiative, respondents estimated 19% for permanent and 24% for temporary.
- Nearly 85% of respondents measure P-O-P effectiveness in some way, with half saying they track sales specifically by chain or region.
- Almost one out of five respondents say they’d prefer to work with one “turnkey” P-O-P vendor.
- Perceptions of the most effective store zones have shifted; some traditionally desirable spaces – store entrances, lobbies and center-store promo areas – are now considered less valuable.
- One in five respondents say they’re experimenting with some form of digital shopper-content delivery that’s integrated with in-store displays. Two-thirds say these experiments have been “very effective.”
When *P-O-P Times* magazine conducted its first Trends Report back in 1993, most marketers couldn’t be bothered to measure display performance, material costs were their biggest headaches, and stores were packed with floorstands full of VHS tapes. To say that in-store marketing has changed a lot over the past 23 years is beyond an understatement.

As the charts on the following pages testify, P-O-P practitioners face a world of changing technologies and shifting performance expectations. To add a qualitative aspect to our quantitative survey work, we assembled a "virtual roundtable" of veteran CPG merchandising executives and posed some of the survey’s questions directly to them.

One truism remains: In-store marketing still commands a central position within the path to purchase.

**Over the past year, how did your company’s P-O-P budget change?**

- **Increased**: 24.4%
- **Decreased**: 14.6%
- **No change**: 61.0%

**How do you predict your company’s P-O-P budget will change for 2017?**

- **Will increase**: 26.2%
- **Will decrease**: 14.3%
- **Won’t change**: 59.5%

**How is your company’s P-O-P budget changing relative to the money it spends on digital?**

- **Increasing relative to digital**: 30.0%
- **Decreasing relative to digital**: 32.5%
- **Staying the same**: 37.5%

**How is your company’s P-O-P budget changing relative to the money it spends on traditional advertising?**

- **Increasing relative to advertising**: 12.2%
- **Decreasing relative to advertising**: 24.4%
- **Staying the same**: 63.4%

**Has your company’s P-O-P budgeting changed in recent years?**

**STEVEN HECHT:** I concentrate on permanent and semi-permanent merchandising where I have not seen any restrictions on spend. If the ROI is there, the spend is validated. I give our marketing people options and they decide how many they are executing.

Very often suppliers will ask me if I have a budget, and sometimes I don’t. But I know from experience how much things should cost.

**BOB MYERS:** Budgets have continued to go up for us year-over-year. They’re primarily going up because we continue to go after different markets: e-commerce, natural and organic, drug or discount, for example. We’ll look at our toolbox and pull out a new capability that we can use to go in and sell them. We are increasing our budget again this year to support some of those strategy changes around the tactics of merchandising in-store.

**MAUREEN MARRONE:** Our P-O-P budget is getting larger because we’re trying to gain more control over how our selling environment looks in the retail store.

We are putting more money into digital than we ever have before. Not a ton, but it definitely has increased and it gets incorporated into our merchandising budget as we try to figure out what’s best. Although sometimes I think that digital may be a little bit overrated for what we sell.

**INSTITUTE ANALYSIS:** While much has changed over our 23 years of industry survey work, P-O-P spending patterns have not. Except for recession years, one in four merchandising executives typically report that both current and predicted P-O-P spending levels will increase while approximately half report that they’ll stay the same.

Probably more notable is the indication that significant in-store display budget dollars are being redirected toward digital. That is in line with the observation that many leading-edge P-O-P practitioners are beginning to integrate digital into their display work.

The data shown for spending relative to traditional advertising should be taken with a grain of salt as many respondents said they do not have access to their company’s above-the-line spending data.
BILL SMITH: It’s more about how it’s being spent as opposed to the total dollars. Everybody’s cost per display has gone up because everybody is having to spend more on customization than they did before.

What’s the single most important reason for using P-O-P in your category?

RANDALL RODRIGUEZ: To bring our brands to life in store; we want to match the “mental availability” we create through advertising with physical availability. We want a world-class in-store experience that breaks down the barriers of “Don’t think of your product” or “Can’t find your product.”

RICK STRINGER: For us, it’s introducing the consumer to a new product and driving conversion. Creating aisle ambience through semi-perm and perm to help with

OUR VIRTUAL ROUNDTABLE

- **Steve Hecht**, Senior Manager of Visual Merchandising Design, Johnson & Johnson Consumer
- **Bob Myers**, Director, In-Store Design Team, General Mills
- **Maureen Marrone**, Director of Visual Merchandising, Hunter-Douglas
- **Bill Smith**, Principal, Display Coach LLC / 1996 Hall Of Fame Inductee With P&G
- **Randall Rodriguez**, Senior Merchandising Manager, Mars Chocolate North America
- **Rick Stringer**, Vice President of Customer Solutions, Crayola
- **Jill Andersen**, Director of Marketing, Menasha

**SURVEY METHODOLOGY**

In June 2016, several hundred U.S.-based CPG merchandising executives were emailed a questionnaire to be completed online.

The names were drawn from Shopper Marketing magazine subscription and Path to Purchase Institute membership lists, with an emphasis on those with director, manager and vice president titles.

From those emails, 63 CPG marketing executives submitted full or partially completed surveys. Each respondent was entered into a drawing for an Amazon Echo device.

The data was compiled and cross-tabulated by Irwin Broh & Associates, Des Plaines, IL.
wayfinding and navigation is pretty important as well. In a multi-segmented category, P-O-P can be very helpful in improving shoppability.

Another area where P-O-P is really impactful is with co-branding and co-promotion where you can make merchandising assets work harder. You may have two brands that may not turn enough to warrant an entire endcap on their own, but together can provide a shopper solution and work economically for the retailer. That’s really powerful. No one wants to exit a merchandising event with heavy inventory.

MARRONE: To communicate the breadth of our product line. We have 26 different products and each one has myriad options, fabrics, colors, etc.

MYERS: Shopper connectivity and building our brands.

Has your rationale for using P-O-P changed in recent years, and where do you see things heading?

STRINGER: The rationale hasn’t changed but the approach has probably become more simplified, both from a costing standpoint but also in trying to simplify the messaging to the shopper. There’s so much to engage shoppers in terms of what they see in the store and what they’re looking at on their screens. Sometimes just a bigger, bolder message is easier to drive that capture. So P-O-P is still a big focus of what we’re doing.

HECHT: I’ve been doing more permanent executions than corrugated, and I see it heading toward more of a holistic approach that incorporates technology and media. We’re trying to do 360° executions where everything links together – a smartphone interacting with displays, for example. That sort of a thing.

MARRONE: We do mostly permanent, and the rationale behind that has not changed. But for signage and non-permanent P-O-P, our rationale lately is less is more. We want to create things that are more substantial and sophisticated. We don’t want to overload the store with tchotchkes.

MYERS: Our rationale has not changed. Displays are not a strategy; displays are a tactic by which we support our in-store objectives to deliver against an overarching strategy of a brand or a go-to-market.
When we were trying to grow distribution in c-stores, it wasn't about merchandising; it was about using the units to get the items into the c-store. We'd build a baseline of sell and basket ring for the retailer, move less-profitable SKUs off the shelf, and put General Mills items on the shelf. Merchandising was the mechanism.

**SMITH:** People are becoming more aware that shoppers have a lot of ways to engage with the things they want to buy, whether on the phone, on the internet or in-store. With all of these triggers, the need to have a consistent message across the board is more critical than ever.

But you need to get things right on the primary shelf first. That doesn't mean you can't boost sales with a display, but your primary area is where people are going to be buying 80-90% of the time.

**Which qualities do you find to be most important in a P-O-P producer?**

**MYERS:** There are three pillars that we and our partners focus on: speed, cost and innovation. We're willing to pay more if it's innovative and will drive business. But we're also looking at speed-to-market. You can bring us a great item, but if it takes three months to make, it falls outside our framework of 7, 14 and 21 days. Speed-to-market, cost and innovation.

**JILL ANDERSEN:** While it's nice that we're on a lot of retailers' "approved vendor" lists, you still have to earn it every day. And that comes down to a team that understands internal processes and can manage a project all the way through a retailer’s system to speed development, approvals and execution.

**HECHT:** Being honest and responsive. Cost is always a big consideration because we’re a big company, and when

**“Things might change with smart displays, but you’ll still need the P-O-P vehicle there. I can’t imagine it’s ever going to go away.”**

*Steve Hecht, Senior Manager of Visual Merchandising Design, Johnson & Johnson Consumer*

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**What factors do you use to select a full-service P-O-P producer?**

1: “Producer offers best design/quality”

2: “We have an existing relationship with P-O-P producer”

3: “Producer offers lowest cost”

4: “Producer offers fastest service”

5: “Producer is suggested by retailer”

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**INSTITUTE ANALYSIS:** The answers to our “How do you Pick Vendors” questions have always varied greatly; it all depends on which side of the table is being asked.

CPG marketers usually opt for “Design/Quality” (as seen in the chart, above, left). Had we asked P-O-P producers, however, it’s likely they would’ve claimed that “Lowest Cost” is a much bigger factor than their clients are willing to admit.

The factor “Suggested by a Retailer” trailed the other four options by a fairly significant margin, indicating that chains today don’t exactly have a mandate in this area.

If the chart (above, left) is to be believed, familiarity may actually breed loyalty. “An Existing Relationship” was the second-highest-rated factor in vendor selection.

Turning to the vendor preference chart (above, right) we see that most merchandising executives prefer to work off of a short list of two or three vendors or rely on one turnkey supplier. This is a far cry from 20 years ago when it was almost customary to see every project start with a dozen or more vendors thrown into a brutal price shootout run by the purchasing department. That’s because typically, the first things shot in a shootout were design flair and engineering quality.
Perceptions of the most effective store zones (top, left) have shifted significantly over the past 10-15 years. This is probably due to advances in technology (cart tracking, etc.) and increased use of research methods such as shopalongs. What’s most notable here is how low-rated some traditionally desirable spaces – store entrances, lobbies and center-store promotional areas – have become.

Another break from past practice is that it is becoming almost routine (top, middle) for CPG marketers to conduct some kind of compliance auditing. The compliance percentages (“actually set up”) reported in the chart (top, right) may be more aspirational than actual, however. According to some recent research conducted by POPAI, “properly” executed levels may be closer to the 40%-60% range.
we’re quoting out things it does comes down to cost. But when I personally am working, I want folks who do not make me keep hounding them to see if they’ve gotten my emails. That’s the most annoying thing.

I’ve had to have talks with people’s bosses: they get the initial order, and then they disappear and I can’t get a response!

**MARRONE:** The qualities I find very important are honesty, good turnaround and the latest in packaging technology and manufacturing processes. Cost is not the most important thing.

**STRINGER:** We deal with vendors that help us with design work. We also purchase our corrugate from them: they cut it, stack it and ship it to us; we then build it, and do the pack-out and shipping pretty much all in-house.

We want a vendor to take the time to understand the objectives we’re trying to achieve from a shelf-back or shopper standpoint, as well as the way we and our cross-functional partners operate. That type of intimate knowledge is absolutely critical. And all of that then flows into the design work, which is the biggest thing. That’s a big, big deal.

**What do you think of working with just one turnkey P-O-P supplier?**

**RODRIGUEZ:** The advantage of working with one turnkey supplier is consistency in quality and value delivered. This allows you to have a partner rather than a supplier, and one that is invested in your mutual success.

**MARRONE:** When you work with one turnkey vendor, they get to know you, there’s little learning curve and account management is expedited more efficiently. Basically, they react to requests and issues more quickly.

The disadvantage to that is that things can become complacent, and you’re affected by their internal issues. If they go out of business or fall out with their freight company and can’t ship your stuff, you’re at risk. I don’t believe in putting all my eggs in one basket.

**The more traditional way is to manage a stable of P-O-P vendors – what are your views on that?**

**STRINGER:** We don’t have a large stable of providers, but we have a couple. We like that model because you have contingencies, but you’re also getting fresh thinking and as conversation starters with your team members to see if there are any problem areas to be addressed or opportunities being missed.

The “receptivity” chart (below, right) is a good example: Albertsons may indeed be more open to “new or unusual” ideas as its management has been shifting in recent years; this rating may also just reflect the fact that Albertsons tends to accept a lot of displays in general.

### INSTITUTE ANALYSIS: A caveat is in order here. The charts gauging how well individual chains do or don’t perform on certain tasks (opposite page and below, left & right) are included here merely as “indicator” research. Our survey respondents don’t always have comprehensive, chain-by-chain knowledge, some may answer based on a perception, and sometimes the most knowledgeable respondents shy away from answering altogether. We’d suggest using these charts

#### How well do these chains perform in terms of chain-wide execution of programs they accept at corporate?

<table>
<thead>
<tr>
<th>Chain</th>
<th>Excellent/Good</th>
<th>Average</th>
<th>Poor/Awful</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costco</td>
<td>70%</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Sam’s Club</td>
<td>66.7%</td>
<td>33.3%</td>
<td></td>
</tr>
<tr>
<td>Kroger</td>
<td>44.4%</td>
<td>55.6%</td>
<td></td>
</tr>
<tr>
<td>Target</td>
<td>42.9%</td>
<td>42.9%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Meijer</td>
<td>41.7%</td>
<td>50%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Walgreens</td>
<td>33.3%</td>
<td>44.4%</td>
<td>22.2%</td>
</tr>
<tr>
<td>CVS</td>
<td>33.3%</td>
<td>44.4%</td>
<td>22.2%</td>
</tr>
<tr>
<td>Walmart</td>
<td>23.5%</td>
<td>64.7%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Albertsons</td>
<td>14.3%</td>
<td>71.4%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Ahold</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### How receptive are the following chains to new or unusual P-O-P ideas?

<table>
<thead>
<tr>
<th>Chain</th>
<th>Very Receptive</th>
<th>Not Receptive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albertsons</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Kroger</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>Target</td>
<td>62.5%</td>
<td>37.5%</td>
</tr>
<tr>
<td>Meijer</td>
<td>61.5%</td>
<td>38.5%</td>
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<tr>
<td>Costco</td>
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<tr>
<td>Walgreens</td>
<td>44.4%</td>
<td>55.6%</td>
</tr>
<tr>
<td>CVS</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Walmart</td>
<td>36.8%</td>
<td>63.2%</td>
</tr>
<tr>
<td>Sam’s Club</td>
<td>23.1%</td>
<td>76.9%</td>
</tr>
</tbody>
</table>
For semi-perm and perm, I use competitive pricing. We design it internally, so we own the IP, and then send it out for pricing and prototyping. I can then compare and they all know they are competing so the prices tend to be competitive. It keeps everyone on their best game and I also learn, over time, who is good with what types of execution.

SMITH: Personally, I felt it was always helpful to have a stable of vendors. The balance we always tried to achieve [at P&G] was to find enough single-sourcing for a campaign. Give each vendor three or four campaigns each, because displays might have different qualities and different vendors are better suited for different things.

There were big launches when we’d give two or three guys a chance because we were talking $2 million-plus campaigns. But I didn’t like to bid stuff out to save $10,000 on a $50,000 project because you really wouldn’t save that much.

Look, the P-O-P business isn’t rocket science, but it becomes difficult because we have to please shoppers, retailers and a lot of marketing, sales, finance and purchasing people. It’s the number of people involved that makes it so hard.

If you could change one thing about P-O-P producers, what would it be?

HECHT: Get out of the 1980s sales mode. That’s the worst. Older guys who come out with a big sales talk and no substance to it. We joke about it, and sometimes I just cringe when I get those calls: “We’ll take care of it all!” I get the same presentation every time – it’s horrible.

MARRONE: My biggest request for any P-O-P producer would be to have one person on their end manage my account: design, production, inventory, shipping, issues that come up, maintenance problems, repairs and ongoing maintenance.

Be proactive. Come up with new ways to do the same old thing. If you have one person dedicated to you – and I’ve experienced both – it works so much better.

STRINGER: I’ve had really good experiences. We do most of this stuff in-house, and I work with a lot of the creatives upstream. It’s very thought-provoking. I guess the key is truly understanding what works for the [retailer] customer and how they’re all different. It’s important to understand the different aesthetics that play in different customers.

SMITH: I used to tell our suppliers, “If I know more than you do, we have a big problem.” I may not need them to understand the sophistication...
of the shopper as much – that requires CPG marketing research – but they'd better be very familiar with the requirements at Walmart, Target and Walgreens... and then go from there.

**We’re hearing that brands seem to be encountering more damage to their P-O-P displays than in years past? Is that your experience?**

MARRONE: We’ve always experienced it, but I have not seen a recent increase. Since they are permanent displays, some go on a dedicated truck and are handled with kid gloves – almost like furniture. But with other systems we have, we’ll go with a common carrier, and if I had to guess, I would think it happens in transit. Generally, if it arrives at the retailer in good shape, it stays in good shape.

ANDERSEN: It means that design teams have to be extra thoughtful these days and account for factors such as duration, level of customer interaction, floor maintenance, heat/humidity and intended uses. We were asked recently to design a Walgreens wine & spirits program around a corrugate display that could support the weight of the product for four months. Engineering came up with a unique clip structure to handle that kind of sustained load; design elevated the bottom of the display and specified a special coating so that floor maintenance wouldn’t impact the integrity of the display. Details matter.

MYERS: We’re not experiencing that, but a lot of it is built upon our excellent supply chain capabilities. We have end-to-end touches that ensure we’ll have good quality on the front end and all the way until it hits the retail floor.

RODRIGUEZ: We have not experienced that, but we do constantly look to reinforce packaging materials to ensure we minimize in-transit damages.

STRINGER: No, I haven’t and we track that. We’ve done a lot of work around continuous improvement as it makes its way through the supply chain, from our truck to the customer’s DC and to the store. It’s one area where I think Crayola has done a pretty good job.

SMITH: There could be an issue because as retailers have had to cut back on labor, there’s a lot of turnover in that area. You have to be clever in your designs and account for...
that; never assume that things will be handled correctly. And let’s face it: when CPG purchasing people are under pressure to lower costs, sometimes they put pressure on suppliers to see if they can get by with lower-weight materials. That’s always penny-wise, pound-foolish.

**Does damage seem to more of an issue in any particular channels?**

SMITH: If I am worried about damage, I’d look first at the drug, convenience and dollar channels simply because they turn fewer units. In these channels, they don’t have loading docks, they can’t move things in-store on pallets because of floor space, and they have weight limitations, so sometimes you have to ship two or three things together. From a handling standpoint, when you ship things out in smaller numbers, they are putting up things in individual pieces as opposed to a whole case. The more individual handling that’s involved means more potential for damage.

**Are there any in-store display technologies that you find provocative?**

ANDERSEN: The greatest benefit identified by our retail and CPG partners has been the ability to track the presence of their displays throughout the promotional supply chain. Now they not only have the ability to see exactly when their display hits the store floor, they can also measure its performance. They also come to understand the size of the lost opportunity when a display is not timed properly with promotional campaign media.

RODRIGUEZ: I’m intrigued by solutions that place a camera on your display to measure how and for how long shoppers interact with your displays while safeguarding privacy concerns. These are potentially game changing.

HECHT: Targeted marketing by gender recognition. Changing your message to target the consumer, depending on who’s approaching the display. That’s the only thing that I can think of that would be game changing.

STRINGER: Probably the most impactful will be geo-targeting via smartphones and understanding where shoppers are in-store to understand behavior patterns and then communicating with them. I think we’re going to get there sooner than we think; maybe the next five to 10 years.

What’ll be interesting is where the shoppers go and who do they trust? Do they build it through a retailer like Target has done with Cartwheel? Do they have other third-party sources they trust?

SMITH: You’re going to see a lot more digital content and solutions simply because retailers are trying to manage their costs. Labor is two-thirds of operating cost.

MYERS: The dynamics of our markets and our customers are changing, so it’s really all about being agile and supplying something that goes beyond the standard toolbox of offerings. Take brick-and-mortar and e-commerce, for example. Can you tie it all together with solutions in-store and with connectivity to the shopper whether at home, pre-store or in-store?

There are now multiple things that will help us do that. It’s how do you print-on-demand, for example, and regionalize things all the way down to the customer. Most CPGs have a requirement with customers about taking a minimum of 50 shippers. Well, the model really should be about giving them 50 shippers, but five of them will be customized in Spanish for the Miami market, which has a high population of Hispanics, another five in a different market, and so on throughout the country.

**Are the chains asking you to experiment this way?**

MYERS: No, the retailers aren’t making us do this; it’s a capability we’re offering them. Yes, it’s driving incremental sales, but here’s what it’s really doing: We all talk about the importance of connecting the perimeter of the

"P-O-P is really impactful with co-promotion to make assets work harder. No one wants to exit a merchandising event with heavy inventory."

Rick Stringer, Vice President of Customer Solutions, Crayola
store to the center store, but we have no mechanisms to help the retailer accomplish that. So by drilling down to store-level customization, you’re able to tap into their community and/or regional strategy of merchandising. You’re able to overlay and build a stronger plan for them.

Have you experimented with smart displays and in-store sensors that deliver digital content to shoppers while they’re in purchase mode?

RODRIGUEZ: Yes. It allows consumers to interact with our products in a way that truly captures the essence of our brands.

STRINGER: Not yet. The closest we’ve come is through Cartwheel. That has been a good experience. It just helps us drive a trip to the aisle.

HECHT: None as of yet. We do skin analysis for sun care, but that’s not really a “smart” display. I’ve worked on LCD touchscreens, but that doesn’t really qualify, does it? I’ve seen demos on that kind of stuff, but we haven’t incorporated it yet.

Where’s the market headed in 2017?

MYERS: We know that footprints are shrinking in-store and we need to bring them different solutions. We keep talking about challenges in the center store but have not done anything as radical as what pet food has done in their category. Bread did it; coffee and the beverage industry have done it too, but it’s been stagnant within primary foods categories. I think that’s our new green field site. That’s where we can build something very different and tie it into the total store.

RODRIGUEZ: As we look ahead, we hope to create additional points of disruption and connections to brand experiences that leverage digital content and social media.

HECHT: Nothing but sky! Even when Walmart tried their clean store, they had to bring merchandising back eventually. It’s nice to have it somewhat clean in the aisles, but P-O-P will not go away. Things might change with smart displays, but you’ll still need the P-O-P vehicle there. I can’t imagine it’s ever going to go away.
About Menasha
Menasha is North America’s largest independent packaging and merchandising company focused on optimizing the retail supply chain. As market leaders within the in-store merchandising industry, Menasha combines an unmatched understanding of the retail sector with a proven methodology for developing efficient, sustainable offerings to meet customer specific goals.

With a network of over 50 locations that include design centers, manufacturing plants, contract packaging and pack-out and fulfillment service centers, it is our mission to integrate the merchandising strategies of retailers & CPGs. Our solutions are backed by an experienced team of 100+ designers, over 70 project managers, and dedicated account directors who utilize our proprietary merchandising model, retail audit and promotional planning tools to provide innovative solutions that allow our customers to win on and off the shelf.

Menasha continuously invests in the most efficient technologies and capabilities to ensure we are providing the best solution the industry has to offer.

The Path to Purchase Institute is a global association serving the needs of brands, retailers, agencies and the entire ecosystem of solution providers along the path to purchase. The Institute focuses on the forward-looking challenges and issues confronting our members and the shopper marketing industry at large. We facilitate industry interaction and foster best practices and a deeper understanding of all marketing efforts and touchpoints that influence and culminate in purchase decisions in-store, online or anywhere along the path to purchase.