Granularity & out of stock rates

Showcasing the critical need for granular OOS tracking

PART 1

Impact on online performance and other digital shelf indicators

The need for accuracy

OOS rates are an essential part of the CPG data analytics toolkit.
With this information, a manufacturer can prevent decreases in availability, and react to high OOS rates quickly.

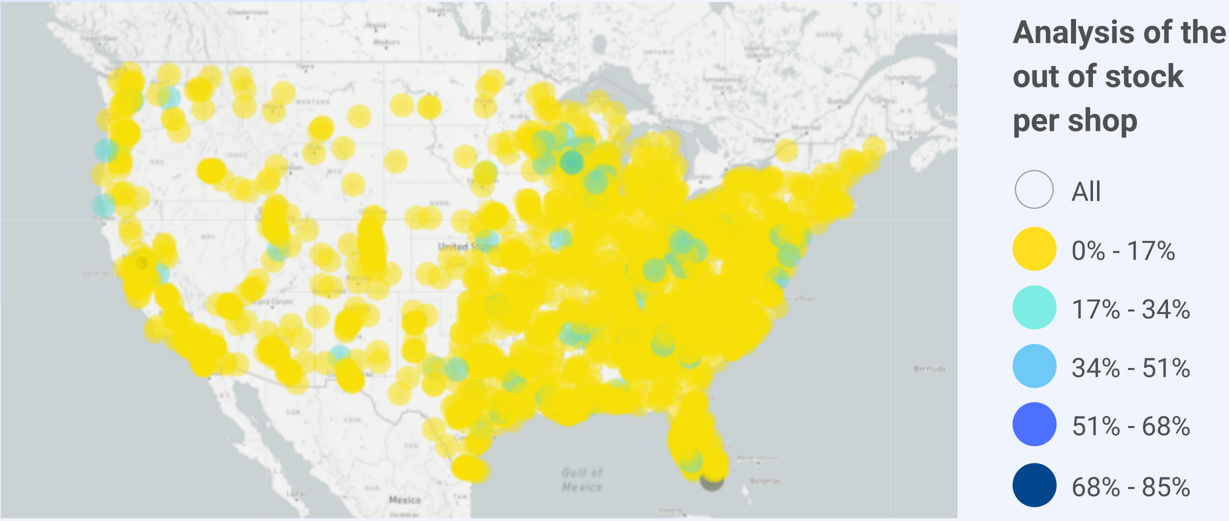
However, this is only possible if the data is accurate and granular. Only accurate and granular data is actionable because it gives complete visibility on actual performance by store, which can help identify opportunities, localize issues and address gaps in availability.

One key reason location-based, granular data is crucial for monitoring OOS is that rates can vary dramatically from store to store.

Changing OOS rates by estore is something brands absolutely need to be aware of over time. An automatic dashboard alert is an efficient way to be notified when rates increase.

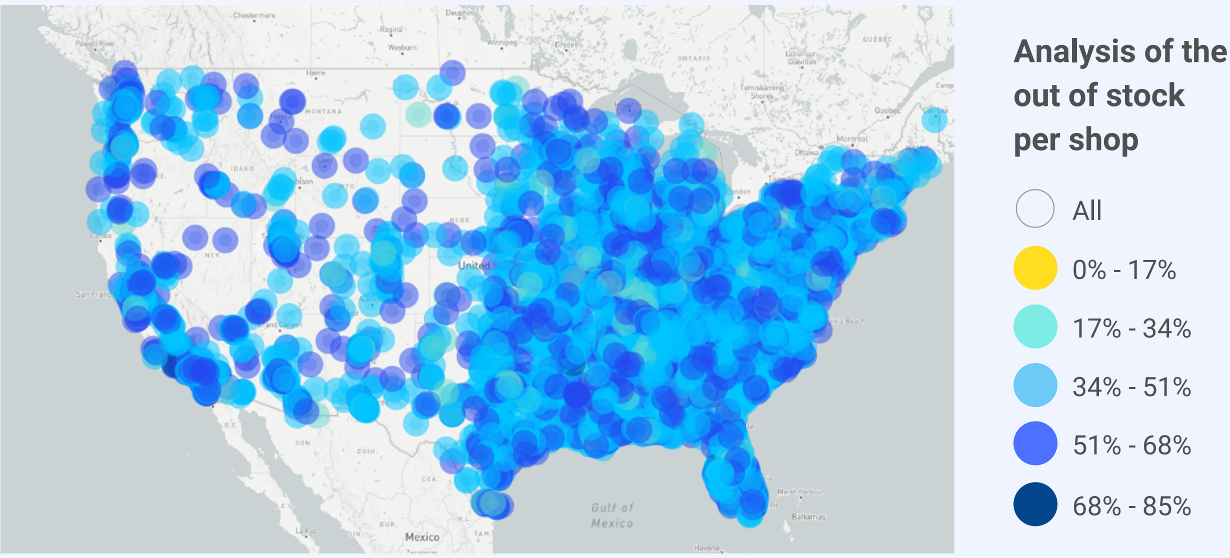
The following graph shows how a cheese brand has varying rates among stores at Walmart Pickup in the US.

OOS rates per store, Walmart Pickup, cheese brand, Week 51, 2021



Three weeks later, at the same retailer, these OOS rates differ significantly from store to store. Granularity has a temporal aspect, as well as geographic.

OOS rates per store, Walmart Pickup, cheese brand, Week 2, 2022



Sample-based vs. location-based analytics

Many digital shelf providers track only a sample of stores to calculate OOS rates for CPG brands. Sample-based analysis is usually inaccurate, offers a limited market read and does not allow brands to localize issues and take action. A non-granular analysis will not provide an accurate view of your true performance since their view is limited to a sample of stores.

Further, sample-based analytics don't allow brands to take action to improve overall availability, since visibility is limited to a sample of stores. Brands can't know what their OOS rates are for individual stores and can't know if their products are available across all stores for shoppers to buy. In addition, by aggregating performance across a sample set of stores, the misleading indicators will lead to inappropriate actions being taken.

The danger of sample-based analytics

This table showcases the lack of effectiveness of sample-based analytics as opposed to the total coverage the Data Impact platform provides.

This example shows the accuracy rates of different sample sizes for a dominant soda brand at online Tesco stores.

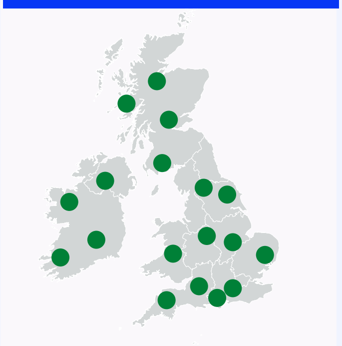
Sample size	10	50	100	200	300
Probability of sample falling within the range of true OOS value	3.13%	15.63%	31.25%	62.50%	93.75%

Source: Data Impact by NielsenIQ

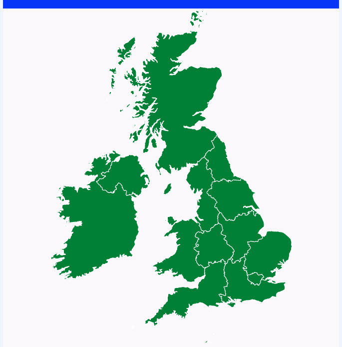
Note: Results are based on analysing OOS rates for a soda brand across 10,000 samples of random store combinations from February 8 - 14 2021 at online Tesco stores.

Only total coverage of estores generates actionable data.

Conventional sample size method



dataimpact by NielsenIQ



Data Impact's out of stock KPI is calculated with data from all online stores and has an accuracy rate of:

100%

Source: Data Impact by NielsenIQ

Note: Results are based on analysing OOS rates for a soda brand across 10,000 samples of random store combinations from February 8 - 14 2021 at online Tesco stores.

OOS rates that rise above a certain threshold can trigger a domino effect of negative results.

The need for accurate OOS measurement

In the following example, since the leading brand has such a high OOS rate, it risks losing customers to other brands because they may be in stock. The leading brand's OOS is far above the benchmark. During the pandemic, smaller, agile brands have been able to maintain a low OOS rate and collectively account for a large share of the category shelf.

Hence, these brands pose a threat to leading brands. Smaller brands also benefited from the high OOS issues that larger brands faced during the pandemic and were able to gain share and shoppers due to higher product availability.

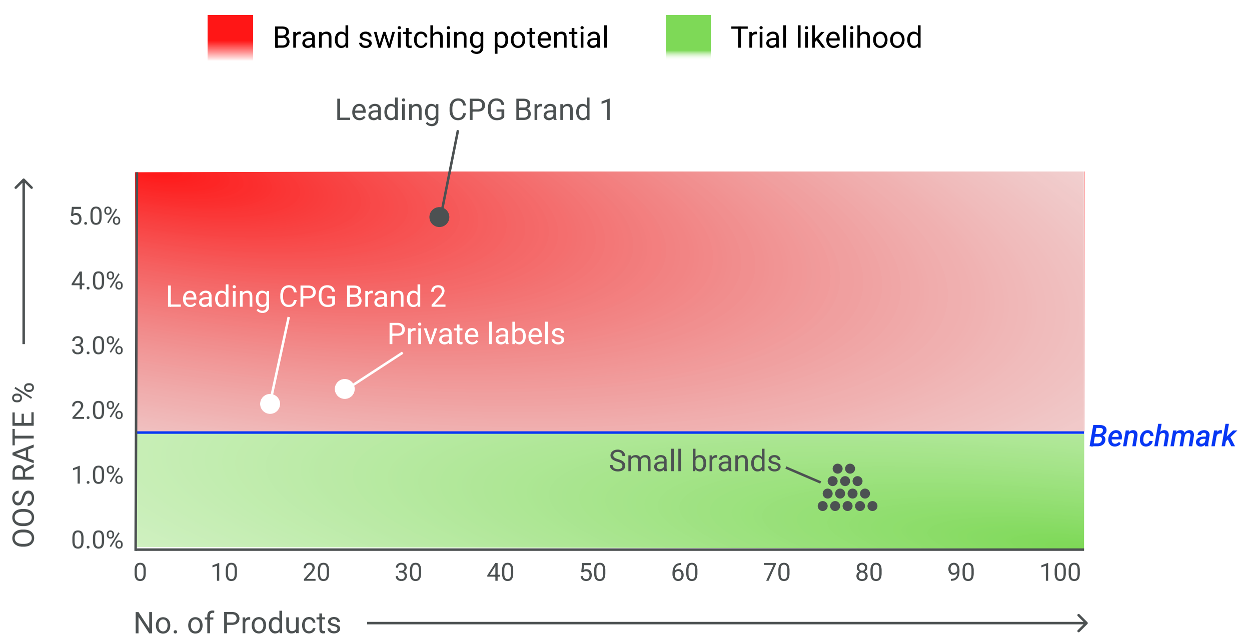
Manufacturers need to know when and where availability decreases.

It's critical for CPG brands to benchmark their availability with key competitors to assess if the issue is company-specific or category related.

Shoppers switching products is a risk brands need to be aware of when their products aren't available and their competitor's are.

The potential of losing market share as a result of high OOS rates

Shaving category, Walmart Pickup, US. Week 50, 2021.



Source: Data Impact by NielsenIQ

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