The Ultimate Guide to Merchandising & Assortment

A welcome *from Jonas Parmhed*

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Six years ago, the Consumer Packaged Goods (CPG) and Consumer Tech & Durable Goods (T&D) industries faced an unprecedented disruption. Pandemic-driven challenges reshaped supply chains, assortment strategies, and shopper expectations almost overnight. Those experiences taught us resilience—but **today, the pace of change is even greater**.

We've entered a new era defined by intelligent automation and data-driven decision-making. Artificial intelligence (AI) is no longer a concept on the horizon; it's here, and it has transformed how manufacturers and retailers plan, execute, and grow. Decisions that once relied on historical trends now draw on predictive insights. The ability to anticipate demand, optimize assortments, and personalize experiences has become table stakes.

This shift isn't just about technology—it's about agility. Retailers and manufacturers must collaborate more closely than ever to navigate shrinking shelf space, evolving consumer behaviors, and the continued evolution of omnichannel shopping. Success will come to those who embrace innovation and act with confidence, guided by timely, actionable insights.

The proof is clear: Companies that lean into data are unlocking growth even in competitive environments. Across categories, we're seeing brands secure new shelf space, defend distribution, and accelerate innovation by demonstrating value through analytics. These stories signal what's possible when strategy meets intelligence.

Most importantly, you are not alone. Our industry thrives on partnership, and together we can turn complexity into clarity. The challenges ahead are real—but so are the opportunities. Let's move forward with confidence and shape the future of merchandising and assortment (M&A).

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Introduction

80%

of volume is driven by product being on shelf

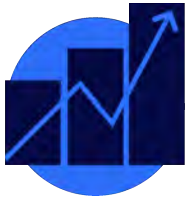
Source: NIQ proprietary data

Six seconds. That's how long retailers have to make a sale in-store for a given product. Such short customer attention spans demand efficient merchandising at shelf coupled with the right assortment to drive shopper conversion to purchase.

Unfortunately, attention spans are only one of the challenges in this rapidly evolving omnichannel retail environment. Even though inflation cooled considerably in 2025, years of cautious spending have reshaped how consumers think about which brands they're willing to spend on. The advancement of online algorithms blends customer relationship management (CRM), browsing, and purchase data to provide hyper-personalized shopping occasions for consumers. Perhaps the most pressing issue in today's retail environment is shrinking shelf space, with large-format store closures and aggressive assortment cuts from manufacturers raising the stakes considerably in the battle for the consumer dollar.

While SKU rationalization and shelf simplification are global trends, they're most extensively documented in the United States. In fact, from January through Q3 2025, US retailers closed an estimated 127 million square feet of store space. Net absorption—a measure of how much retail space is occupied, versus vacated—has remained negative, at 13.1 million square feet, putting the market on track for the first year of negative demand since 2020.

But the squeeze doesn't stop there. Within stores that remain open, **shelves are being resculpted**. Major retailers and manufacturers are actively simplifying assortments to boost margin and efficiency, prioritizing proven performers and private labels. This dual pressure—less physical space and tighter assortments—underscores the need for smarter, data-driven strategies to secure and defend shelf presence.



The bottom line is that less shelf space means stiffer competition to get and maintain product placement—especially at a time when private label brands continue to grow and put pressure on pricing and brand loyalty. **More than ever, manufacturers need to demonstrate to retailers the value and relevance of their products**.

> *Manufacturers and retailers are facing new challenges at and away from the shelf. Innovative merchandising and assortment strategies can help them navigate "business as usual" disruptions.*

Data's role *in optimizing merchandising and assortment*

Historically, the retail shelf supported retail traffic, feature promotions, and additional inventory for displays. Today, the shelf supports several additional functions, which are constantly changing:

Micro-fulfillment evolution:

The growth of e-commerce has led to retailers treating their stores as micro-fulfillment centers, both for in-house "buy online, pick up in-store" (BOPIS) and third-party shopping and delivery options (e.g., Instacart, DoorDash).

Retail media activation:

Shelf space is no longer just physical—it's a data-rich advertising asset. Shelf space doubles as an ad channel, with digital tags and planogram-linked media monetization.

Dynamic inventory buffers:

Staffing continues to strain retailers. To make up for the labor shortage, many stores are maintaining higher inventory levels on the shelf for high-sales-velocity items. More product allows stores to meet fluctuating demand and reduce the need for frequent restocking.

These shifts have transformed the shelf from a static display to a dynamic, multifunctional asset. For manufacturers, that evolution raises the stakes: Success now depends on understanding not just what the shelf looks like, but also how its changing role impacts assortment and merchandising decisions.

This is where data becomes indispensable.

Data helps manufacturers compete by answering the critical questions that matter most:

- What products should be on the shelf?
- How do we make those products succeed once they're there?

More specifically, data is the common thread that connects assortment strategy and merchandising execution. It doesn't just tell you *what* products belong on the shelf—it informs *how to make those products win* once they're there.

In a retail environment defined by shrinking shelf space, SKU rationalization, and price pressure, data is the lever that drives growth. Put another way, data can help:

- **Identify whitespace opportunities**: Insightful category analysis can surface new areas for growth within manufacturer portfolios. This data is especially critical when shelf space in existing categories is limited.
- **Predict product obsolescence**: Real-time data helps manufacturers understand market dynamics so they can anticipate a product's decline. By forecasting product timelines, brands can pivot quickly with a new offering.

T&D implications

Obsolescence is a critical factor in the T&D sector, where product innovations create shorter product lifecycles than are seen in most CPG categories.

T&D manufacturers also care deeply about after-sales service, product durability, and product warranties. This is where data analytics can really shine, assisting in predicting failure rates, optimizing service logistics, and enhancing customer satisfaction with personalized support.

The power of partnerships in the omnichannel era

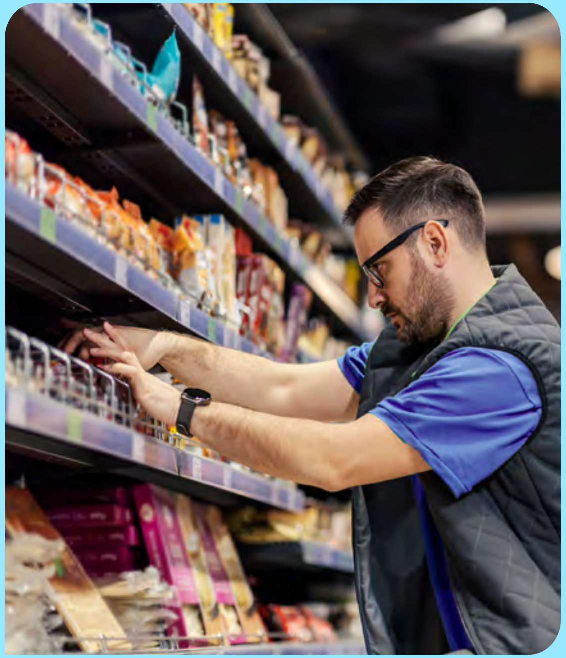
While a brand's in-store and online retail merchandising strategies are bound to differ, the omnichannel marketplace demands that they work in parallel. E-commerce plays a significant role in overall sales for many retailers, accounting for 16.3% of total US sales as of Aug. 19, 2025. With this share expected to keep rising, manufacturers must adopt an omnichannel approach that not only meets retailer needs across platforms but also leverages predictive insights to anticipate what's next.

Manufacturers have the best chance of success when they foster open communication with retailers. By collaborating closely and sharing data, both parties can fuel innovation and enhance the overall shopper experience.

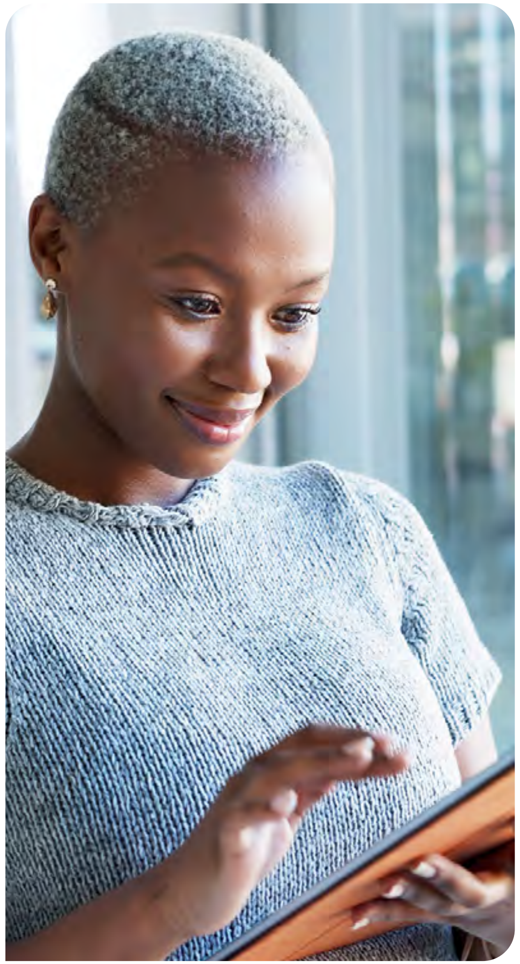
Spotlight on micro-to-macro space orchestration

Winning shelf strategies demand precise micro-space planning and store-specific execution, connected to macro layout decisions. As a manufacturer, optimizing assortments and merchandising decisions requires more than historical data; it demands predictive intelligence and always-on analytics.

Total Store Assortment operationalizes localized, store-specific planograms across categories to narrow your focus. NielsenIQ Shelf Architect delivers an end-to-end assortment and merchandising platform designed to help you plan smarter, act faster, and grow confidently. NielsenIQ Spaceman Automation centralizes products, planograms, and stores in one database, synchronizing attributes and enabling list/delist/substitute actions across sets, then publishes bundles to the right stores/contacts for faster compliance.

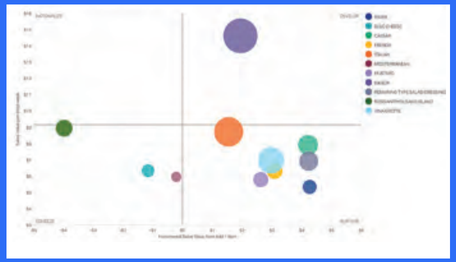


With NielsenIQ solutions, you can:

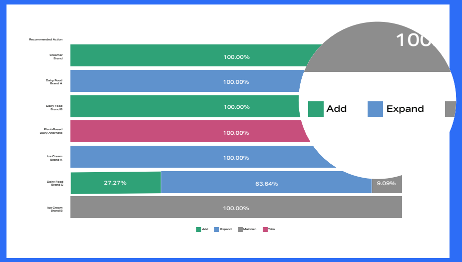


1 Identify where in the aisle or category you should focus

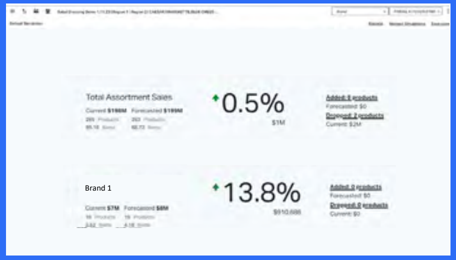
2 Identify pockets of growth for the category and areas of risk



3 Identify assortment opportunities and compare them to competitors



4 Simulate hypotheses to quantify growth recommendations



5 Ensure facings match consumer demand with auto-generated planogram visuals

6 Generate automatic planograms at the cluster or store level

NIQ solutions provide the insights you need to answer the questions that:

Grow your category and brand

- How can I demonstrate a best-in-category approach during a line review?
- Which of my items creates the most incremental volume for my brand and category?
- Where does the competition have strong incrementality that I don't, as a potential innovation opportunity?
- Which of my items not currently in this retailer can I introduce to generate more growth?
- How can I target competitor items?

Optimize distribution

- What is the right mix of items and facings in-store?
- How do I remix my portfolio through distribution to create more opportunity?
- How can I demonstrate how swapping items will create more sales opportunities?
- How can I defend my portfolio from delisting?
- How can I capitalize on weaker competitive items to grow my presence?

Generate cluster or store-level planograms with NielsenIQ Spaceman Automation

- Build data-driven planograms based on facts
- Convert the optimized assortment into actionable planograms
- Optimize facings based on Incrementality facts
- Make it possible to generate cluster or store-level planograms to meet localized customer demand
- Simulate different shelf layouts across multiple clusters or stores with a few clicks

Other *considerations*

Assortment optimization ensures the right mix of products, pack sizes, and innovations to meet shopper needs. Merchandising precision maximizes visibility and conversion through placement, pricing, and promotions. Together, these strategies transform data into action—helping brands secure space and win at the shelf.

With this foundation in place, **the next step is to explore how data informs product innovation, launch and pack size strategies, and collaboration opportunities**—even in a market under pressure from private label growth.

Setting the structure

Market Structure studies are often the starting point for defining both assortment and space strategies. By analyzing how shoppers navigate a category, these studies reveal which attributes matter most and in what order they should appear on the shelf. This insight ensures that assortment decisions and shelf layouts reflect shopper priorities, driving conversion and category growth.

Product innovation

Product innovation can drive growth and create meaningful customer engagement. Data analytics should inform research and development as you explore new product types and categories. It can identify gaps in the market, uncover what customers value most, and predict upcoming trends.

These findings can help you better align new products to the market's needs.

Launch strategies

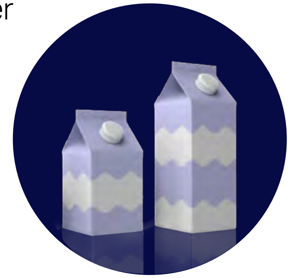
Just as data helps refine product development, it can help create effective launch strategies. From timing to marketing and distribution, data is vital for the successful introduction of new products into the market.

A good data set includes consumer feedback and market trends so that manufacturers can adjust as they go. As we'll see in the next chapter, the right data can back up the messaging needed to overcome retailer hesitation and create a path forward to mass adoption of new innovations.

Pack size strategies

Data-driven insights are essential when it comes to determining the most effective pack sizes based on consumer preferences, cost considerations, and market trends. Any pack size evaluation must also triangulate a brand's position, the features and benefits of the product, and key competitor pack sizes.

Keep in mind that consumers are looking for a pack size with enough product to fulfill the primary use for the product. At the same time, they need to see that there is a financial benefit to buying larger packs. This requires alignment between customer value and profitability.



1 *Map pack sizes to consumer usage occasions*

Do buyers consume your product in large groups at social events *and* as individuals? If yes, create different pack sizes to address these different usages.

2 *Consider heavy size anchoring within the category*

Are customers used to set sizes in the category? If so, introducing something new may be more difficult. It's crucial to include consumer frame of reference in the decision-making process.

3 *Look for size gaps in your portfolio*

Consider demand trends and consumer preferences that could influence future size requirements.

4 *Identify sizes that open new distribution opportunities*

Would offering a new pack size allow you to move into a new channel (e.g., convenience stores, clubs)? Strategically introducing relevant pack sizes for each channel opens up avenues for growth.

5 *Think about the impact of trade promotions*

Will category and portfolio promotions disrupt the go-to-market plans? Do your pack sizes align with retailer promotional plans and have the right profit margins for long-term profitability?

6 *Strategize around generational buying behaviors*

Parents may be willing to buy in larger quantities to save both money and an extra shopping trip that month. In contrast, retirees may have limited budgets and no space to store a bulk product.

Close the loop on execution

Effective resets depend on fast store feedback and compliance tracking. NielsenIQ Spaceman gives stores instant access to published content, enables two-way communication with headquarters, and captures real-time implementation status. At scale, Planogram Solutions aligns publishing with planogram status and archiving, creating governance that protects quality and speeds of approval.

In-store performance optimization: Questions to ask

Do you understand the store?

Manufacturers need a deep understanding of in-store performance to optimize shelf placement and enhance product visibility. Going beyond conventional retail measurement is particularly important in the current environment, where retailers are trying to bring prices down. Without the pricing lever, brands must look for other levers of growth.

Can you adapt fast enough?

Dynamic in-store merchandising strategies based on real-time data can help brands adapt to changing consumer preferences. T&D brands also have to keep a steady pulse on emerging trends and seasonality, which affect T&D more than CPG. Manufacturers need the relevant data to adapt in both the short- and longer term. For instance, if a product goes viral unexpectedly thanks to social media influencers, a brand can meet the surge in demand with additional shelf space. Or, if a new health and wellness trend emerges, manufacturers can introduce products that capitalize on growing consumer interest.

Where should your products go?

Deciding where to feature products within a retail store requires a deep understanding of shopper behavior, traffic flow, and store design. Data analytics can help pinpoint prime locations within retail spaces to increase visibility and sales.

Product placement is an area where strong relationships with retailers can have enormous benefits. Strategic collaboration between manufacturers and retailers ultimately creates the best shopping experience for consumers. Equipped with data, you can advocate for prime placement by modeling the impact on sales and profitability.

How should you price and promote?

While global inflation has slowed, consumers have grown numb to volatility. Shoppers have adapted to constant shocks, which makes them feel more confident even though their financial realities haven't changed. Inflation, everyday expenses, and borrowing costs still squeeze wallets, making volatility a semi-permanent condition leaders must plan around.

Data-driven pricing and promotion strategies enable manufacturers to stay competitive while maximizing profitability. Naturally, there will be some variation in strategy between CPG and T&D categories. Brand loyalty and promotional activities play a role in pricing dynamics for CPG, whereas T&D customers are often more sensitive to price for perceived value—especially for premium offerings.

When planning promotions, historical performance data can inform effective marketing campaigns that resonate with the right audiences. With more shoppers now pre-shopping with lists, circulars, and retailer websites, multimedia out-of-store promotions are also playing an essential role in an overall strategy.

We've found that success comes when brands tie pricing more closely to promotions. Achieving this requires critical decision-makers on the manufacturer and retail sides to work together. To understand what that collaborative relationship should look like and what strategies are working today, see The Ultimate Guide to Pricing and Promotion.

Shopper-centric assortment planning

Getting the right product to the right channel is table stakes for sales success. With evolving market demands, manufacturers must turn to data to keep up. Data on consumer preferences and buying patterns can help tailor product assortments to align with market demand. Leveraging data can also help you achieve specific goals like attracting new shoppers, converting existing shoppers, driving greater market penetration, and boosting sales at the store level.

Personalized assortment strategies can take things a step further—*if* you have the right data. The omnichannel shopper experience is growing among retailers and paves the way for digital personalization that goes beyond just past purchases. Insights into individual shopper preferences, wish lists, browsing behaviors, demographics, and contextual cues like location and time of day allow for hyper-personalization. This approach aims to anticipate shopper needs and deliver a cohesive experience across all channels, including store websites and apps, social media, and physical stores.

While Generation Z expects hyper-personalization, individuals in this group don't have the same spending power as those in older generations like Gen X and Boomers, who are one of the largest and wealthiest generations. However, many Boomers are now retired and living on fixed incomes. For retailers putting smaller-format stores in suburban areas, assortments might reflect Boomer needs with more frozen and canned foods that don't go to waste as quickly. In higher-income areas, Boomer spending may be more driven by lifestyle (e.g., convenience, ethics). **Taking into account these generational behaviors will help you create a successful assortment plan**.

Private labels: From competition to collaboration

Private label products have narrowed the gap in perceived quality and strengthened their value proposition, while global brands are regaining momentum as consumer confidence improves. Although private label share has grown, its pace is slowing, and leading brands are outpacing that growth. These shifts reflect evolving financial stability and spending flexibility among consumers.

Retailers continue to expand private label lines to differentiate and boost margins, often introducing innovations aligned with trends like health and wellness. At the same time, national brands maintain an advantage in consistency and taste across retailers, which private labels can't always match.

Not all categories feel the same pressure—CPG faces more private label competition than Tech & Durables, while Pharmacy sees significant private label penetration.

The most productive path forward is collaboration. By sharing data and insights, manufacturers and retailers can grow categories rather than compete for share. Analytics can guide pricing, assortment, and innovation strategies to meet shopper needs and create win-win outcomes—turning shelf rivalry into joint growth opportunities.

53%

of global respondents say they're likely buying more private label products than ever before

Source: NIQ 2025 Private Label & Branded Products report global survey

58%

of global respondents say they're buying more brands, across more categories, than ever before

Source: NIQ 2025 Private Label & Branded Products report global survey

Engage retailers *with confidence*

Alongside incrementality modeling, brands can strengthen the retail story with store-level planograms, cross-planogram analytics, and compliant execution—showing retailers how assortment changes translate to shelf reality and sales impact.

Let's now look at how one of NIQ's clients used data to overcome shelf barriers.

Strong consumer demand doesn't always guarantee more space at retail. When you hesitate to expand your footprint, data becomes your most powerful tool. It helps you uncover category dynamics, identify whitespace, and demonstrate the incremental value your brand brings.

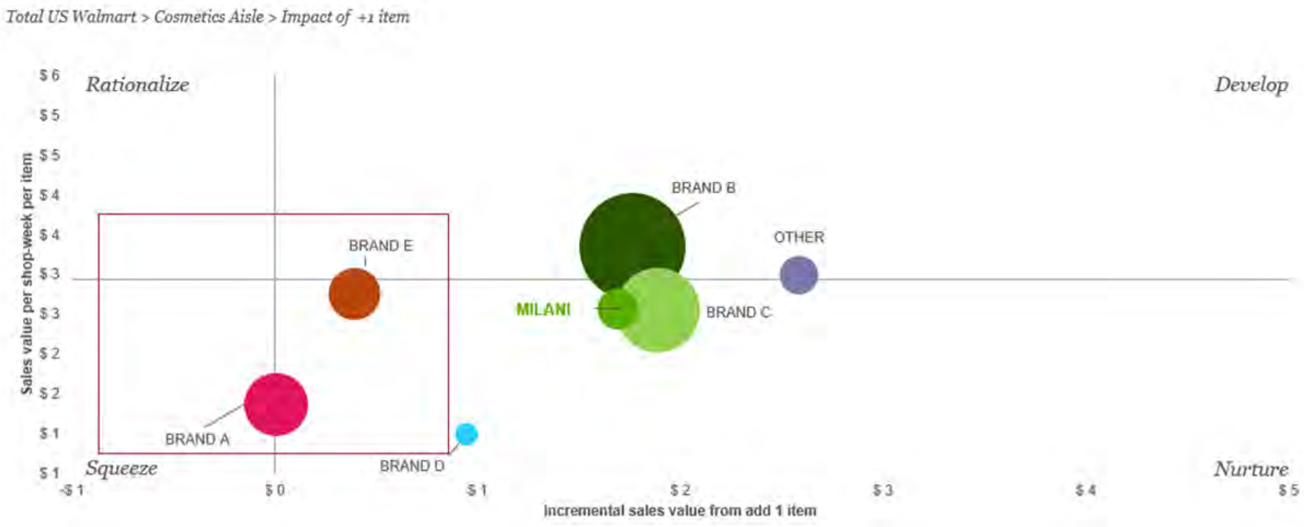
The following example from the Beauty industry shows why these principles apply across the fast-moving consumer goods (FMCG) industry. By partnering with us, our client answered critical questions like:

- Which brands in the category are underperforming and creating inefficiencies?
- How can brands overcome complexities and potential investments associated with increasing shelf space?
- What is the optimal mix of products to meet diverse shopper needs?
- How can assortment changes improve category productivity without cannibalization?

Beauty brand breaks through shelf barriers—*and what FMCG can learn*

Milani Cosmetics is a fast-growing independent beauty brand that offers professional-grade, inclusive makeup at drugstore prices. As the only non-conglomerate among the top 10 US mass-market makeup brands, Milani operates without the safety net of a large corporate portfolio. This independence gives the brand agility and authenticity but also means it has far less leeway to make merchandising missteps. Despite consistent growth and a loyal consumer base, retailers were reluctant to expand Milani's footprint, often favoring new entrants over proven performers. They needed a way to show retailers that giving Milani more space would grow the entire category.

That's where NIQ came in. Using NielsenIQ Shelf Architect, Milani built a data-driven story that retailers couldn't ignore. The analysis quantified the incremental dollars Milani could deliver with additional facings, identified underperforming brands ripe for space reallocation, and simulated the impact of different assortment scenarios. These insights gave Milani the confidence—and the proof—to advocate for expansion.



Source: NielsenIQ Shelf Architect, Color 52 weeks ending on 11/30/2024

The results were transformative:

Milani doubled its shelf space at key retailers, including Walmart and Target, **and saw a 22% sales lift** in Walmart Supercenters following the reset.

In some stores, the brand's footprint jumped from 2 feet to 4 feet or more. Beyond the numbers, Milani shifted the conversation with retailers from tactical, year-to-year assortment reviews to strategic, long-term growth planning.

Why does this matter for FMCG? Because the principles are universal. Whether you're selling cosmetics or packaged foods, success today depends on data-driven incrementality, predictive simulations, and retailer-specific storytelling. **Milani's journey proves that when brands combine insight with action, they can overcome space constraints—even in categories under pressure from SKU rationalization and private label growth**.

"The partnership with NIQ was unique because they understood the nuances of our category and helped us design a study that showed the retailers the incrementality of the brand and the dollars we could bring to them. NIQ's data-driven recommendations allowed us to optimize our shelf space and improve our inventory management, leading to increased sales and efficiency."

—Jeremy Lowenstein, Chief Marketing Officer,
Milani Cosmetics

To learn more, see the full Milani Cosmetics case study here.

MILANI

Conclusion

The evolution of retail presents unique challenges for manufacturers. Retailers are one of their greatest assets in navigating this new environment. Your combined data has the power to provide better forecasts and inform strategic pivots to meet changing consumer habits and demands.

Innovation is often born out of necessity. And the innovations that resonate the most tend to originate from meeting customer needs. Data allows manufacturers to identify those needs and address them in a way that also maximizes profit. When both manufacturer and retailer are able to keep the customer front and center in decision-making, the best possible outcomes are within reach.

Three benefits of investing in data

Get products on the shelf

The right product assortment is the way to win on the shelf as competition for limited space heats up.

Optimize value and profitability

Only 12% of respondents said they were willing to "stick to my regular brands, regardless of price" in our latest Consumer Outlook survey, so understanding what defines value for these shoppers becomes critically important. By looking at price, pack size, and consumer preferences, brands can deliver the right value for shoppers.

Make merchandising a win-win-win

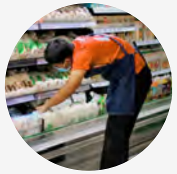
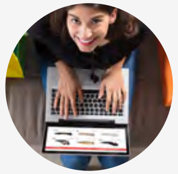
Collaboration with retailers helps both parties achieve their goals while meeting customer needs.

As we've shown, the right merchandising and assortment strategies are critical for keeping up with and capitalizing on consumer trends. Even more importantly, these strategies can function as levers for growth. With shelf space continuing to shrink and price pressure sticking around for the near term, it's essential to cultivate other ways to grow.

NIQ streamlines merchandising and assortment decisions. Our data and platforms give you the granularity needed to build brand loyalty and stay ahead of the competition. By leveraging data analytics to identify market growth drivers and collaborate with retailers, manufacturers are driving more successful outcomes.

Winning on the shelf in 2026 requires more than data; it demands decisive action.

Use this roadmap to guide your next moves.

	Action	Why it matters	How NIQ can help
	Optimize assortments and defend shelf space	Shrinking shelf space and SKU rationalization demand data-driven decisions to secure and grow distribution.	• NIQ Shelf Architect • NielsenIQ Spaceman • Market Structure
	Identify whitespace and innovation opportunities	Competitive pressure and evolving consumer needs require proactive portfolio planning.	• NIQ Growth Architect • Consumer Life
	Personalize assortments for omnichannel shoppers	Consumers expect tailored experiences across physical and digital shelves.	• NIQ Omnishopper • NIQ Digital Shelf
	Maximize ROI on merchandising and promotions	Inflation fatigue and price sensitivity mean brands must prove incrementality and profitability.	• Pricing & Promotion • Marketing Effectiveness
	Collaborate with retailers to grow categories	Retailer partnerships are critical to overcoming SKU cuts and private label pressure.	• Retail Measurement Services • Store Execution Segmentation

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Contact our experts for help with optimizing in-store performance, maximizing efficiencies, and driving profitable growth.

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For more information, visit **NIQ.com**