

Building a Category Management Capability

Manufacturers developing a response to Category Management are typically finding it difficult. Simply put: the demands of Category Management generally outstrip the current abilities of most organizations.

Trade customers of all types are asking salespeople for more consumer information and analysis than ever. In turn, salespeople are asking for help. Many manufacturers do not have the information needed, nor the analytical resources to interpret, synthesize or communicate what information they do have. The situation is not uncommon.

The manufacturer's challenge is to find the information needed, organize it in a useful fashion and then communicate it through the sales organization quickly and effectively. Success needs to come from the proper leveraging of what is readily available. If you are putting a Category Management program in place, here are six key points to get you started:

Take Stock of Needs, Priorities and Resources.

The first phases of building, implementing and supporting Category Management do not require enormous efforts to achieve results. They do, however, require new ways of working within your organization. The people you work with have the capability and desire to help, but they need to know when, how, where and why.

Ask the Salesforce. Salespeople know what they need - everything the customer is looking for. Poll the salesforce and generate a list of their needs. Be warned, however, that the list they provide will be long. You will need to prioritize.

Look to Your Own Management for Priorities. No doubt, your organization currently is, or soon will be, addressing a significant business initiative. Whether it is a new item introduction, a shelf management opportunity or putting a major promotion in place, the management of your company is striving to achieve marketplace objectives. By marrying management's objectives with a Category Management initiative to

address category performance, you can meet everybody's needs.

Remember, however, why you have started a Category Management initiative. Too many manufacturers make the mistake of putting their needs before their customers' needs. Your Category Management program must build your business by building the retailer's category over the long run. Although the manufacturer can "win" in the short term by putting its brands first, it loses in the long run when the category suffers. Your customers will be with you forever, so be aggressive in pursuing honesty, trust and objectivity.

Examine Your Organization's Resources Thoroughly

1. Check the likely locations where you would find information as well as the less common areas and use your best "digging" skills.

Places you might try include the obvious, Marketing and Market Research, and the not so obvious, Investor Relations, Research & Development (R & D), Packaging Design and Manufacturing. Many R & D people can speak about consumer preferences, profiles and trends, but rarely have the opportunity.

2. Train yourself and the people you have enlisted.

By now your mailbox is filled with Category Management seminars. Pick one and get started. Set personal self-development goals. Learn to use the computer on your desk. Attend follow-up training provided by your syndicated data supplier. You can add value to yourself and for others by improving your skills.

3. Start somewhere and build as you go.

If you wait until you have built an entire inventory of objectives, issues and solutions, you will put off achieving a "deliverable" capability. Category Management is not something that can be purchased off the shelf, nor is it ever finished. It must be built one step at a time and continuously improved. The best place to start is with the consumer.

Develop a Consumer Decision Tree For Your Category.

"How does the consumer make purchase decisions in this category?" This simple thesis will become the basis for all future analysis and recommendations. It will help you answer these typical retailer questions:

- Does the shelf configuration support how consumers shop the category?
- Are the sub-segments shelved with appropriate adjacencies?
- Can you achieve greater promotional response by promoting the category in conjunction with other categories?
- Does the retailer's item assortment meet consumer variety needs?

Although a decision tree sounds easy to develop, creating insightful interpretations of consumer purchasing patterns is not an easy task. This is work for top notch market research professionals who can manage extensive primary research data. Make sure they are involved.

Describe the Demographic Profile(s) of Your Consumers.

Are they old or young, male or female? Do they come from large or small families? How do profiles of your company's products differ from those of other manufacturers? You will add value if you can show how to leverage these points of difference.

Understand What Other Items the Consumer Purchases.

You may be able to benefit from quantifying the total "market basket" that your products bring to the retailer's stores. How do they compare to the category average?

Develop Information Regarding Purchasing Patterns in the Category.

How often do consumers purchase the category? How do they make their decision on where to purchase this category? When do they change stores to buy the category? Is there seasonality? Are purchasing occasions being missed at retail?

Understand the Dynamics of Price Points and Merchandising in Your Category.

How do consumers react to different price points and promotions? Do "buy one, get one free" promotions work better than sharp price points on single purchases? What types of higher quality promotions are most effective, and under what conditions? Your

syndicated data supplier will most likely be able to provide you with a wealth of information in this area.

Determine if Regionality Affects Your Category and Products.

Are there transferable learnings that can be applied from a developed region (in terms of CDI) to an underdeveloped region? What geo-demographic factors may be important?

Develop a Capability to Analyze and Synthesize Large Amounts of Information.

All retailer-supplier Category Management projects require some level of sales data, item assortment, shelf placement, promotion effectiveness and pricing elasticity analysis. Analyses can be performed at the category, market, chain store cluster or individual store level and almost always need to go down to the SKU level. This is very difficult for the untrained salesperson, and usually more suited to the skills of a trained analyst. Begin building your capabilities (people, hardware and software) to support the analysis which will ultimately be requested of you over the long term.

Some key analyses you will need to perform include:

Category SKU Segmentation According to the Consumer Decision Tree.

Chances are your syndicated data comes to you in a form that facilitates easy analysis of your products, but is not on the basis of your consumer decision tree. This is not how the consumer makes purchase decisions, nor how the retailer will analyze and merchandise the category. Several of Dechert-Hampe's clients have gone through the process of recoding their syndicated databases to analyze trends in the category at the segment and sub-segment level. To do this, they have used trained analysts, relational database software and the latest hardware. By stepping out of the brand mentality, they add incremental value for the retailer.

Check Yourself By Thinking Like Your Competitor.

Like it or not, your competition may already have a Category Management story to tell. Which story will seem more plausible to the retailer? Does your information or analysis have gaps? Does theirs? The retailer will look to the manufacturer who puts forth the best long-run category perspective. Suppliers who place their own short-term interests first will damage their credibility for a long time to

come. Use your new analytical capability to prove your story, and help the retailer and consumer benefit.

5. Organize and communicate the information effectively for your salesforce.

This is a big challenge for many companies and one of the most important for the salesperson. Today's salesperson is in a tough position. Our industry is in a very fast transition. The salesperson of tomorrow will most likely have a different profile: the MBA, interpersonally skilled, local business general manager. Your job is to help the people you support become more like tomorrow's model. The easier you make it for them to change, the more they will.

It is easy enough to start. Send a weekly bulletin of "Facts You May Find Helpful". The key step, however, is to take this type of communication to the next level. You must begin to develop a "Category Management Communications Platform" for your organization. Your platform would contain all of the information you have identified about the consumer and category dynamics.

In its most basic form, your platform would consist of a series of similarly themed pages that can be "scripted" together to explain multiple concepts. Through this platform, your organization will be able to speak to the market structure, the category's merchandising and promotion best practices and similar typical opportunities. It should have the following characteristics:

Salesperson Friendly - You are building skills and changing mind sets. Your approach must make it easy.

Capable of Easy Updates – Many organizations make the mistake of printing a category management story, only to have it go out-of-date quickly. Have a plan to keep your information current.

Flexible – Notebook pages that can be inserted and deleted from presentations are very flexible. Pre-printed brochures are not. The most updateable and flexible approach is, of course, an electronic delivery fed by a constantly updated data source.

Retailer and Consumer Oriented – Too many category management initiatives today are thinly veiled brand advocacy stories. The vendor of choice will be the one who most consistently puts the customer's category development needs ahead of self-serving brand issues.

6. Become a cross-functional training supplier for field personnel.

Today's salespeople need cross-functional skills. They must competently speak to issues previously addressed by marketing, logistical and technical functions. You can start to build the field person's skills by having other departments provide orientation and training. Usually, they'll be happy to do so.

Develop a Sales Technology Hardware, Software and Training Plan.

Implementing Category Management will require personal computer skills, yet developing these skills is a relatively long process. Your systems people can be helpful here but, chances are, will not know where to start. If hardware is not an issue, use computer salespeople to build your knowledge base. If funding is an issue, begin with a pilot program. If software is an issue, start small.

Develop a Retail Financial Concepts Training Program.

With few exceptions salespeople have rarely received training on today's methods of financial analysis: Activity Based Costing, GMROI, ROA. This is an opportunity for a smart "financial" person to become a hero in the eyes of the field people.

Develop a Logistics Orientation Program.

The topics a logistics person faces every day (EDI, Cross-Docking, Cube Utilization, LTL versus truckload shipping, vendor shipping, vendor-managed inventory, etc.) used to be foreign words to the salesperson. Today, every salesperson must be able to identify when opportunities exist and when to call on other resources in the company.

Most importantly, view the process of Category Management not as an additional workload, but as a new way of supporting a field organization. The opportunity for you is to develop and demonstrate cross-functional leadership and new ways of using information in support of a new and some would say, mandatory, approach to going to market.

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