

Practical Solutions

Grocers and CPG companies find success as they embrace the evolution of category management.

By Jim Dudlicek

Retailers aren't selling categories, they're selling solutions — that's a phrase we're hearing more often these days.

"Maintaining relevance today means simplifying the shopper's trip — not by inundating them with more category choices, but by presenting disparate products as the holistic answer to an immediate need. Enter solutions management," Wendy Liebmann, CEO of WSL Strategic Retail, wrote in a recent edition of the New York-based marketing consultant's *WSL Weekly Highlights*.

With that, Liebmann declared category management as we've known it dead, urging that a solution-based approach rise from its ashes.

She's absolutely right. It's not enough just to sell stuff anymore, not with the fierce competition traditional grocery retailers face from physical and digital channels.

To compete, traditional retailers need to sell the "why" instead of the "what," because there's so many places to get things. That's likely why Cyriac Roeding, co-founder of digital shopping app Shopkick, based in Redwood City, Calif., thinks that, while "the future of retail looks really bright, the future of physical retailers looks really dark."

Even traditional retailers acknowledge this challenge. Steve Henig, VP of digital for Keasbey, N.J.-based Wakefern Food Corp., speaking at Nielsen CoNEXTions with Roeding, predicted that within a decade, some center store categories like health and beauty care will be sold exclusively online.

Creating experiential destinations will be key, and many retailers are doing so, for HBC and other categories, to give people a reason to go to the store.

"Consumers buy more than just food, they buy what it delivers and represents," remarks Andrew Mandzy, director of strategic insights for health and wellness growth and strategy at Schaumburg, Ill.-based Nielsen — exactly why retailers need to free themselves from the shackles of outdated category management practices and embrace the idea of shopper-centric solution management.

Shopper Solutions Planning

In early 2015, Food Marketing Institute (FMI) asked Winston Weber & Associates Inc. (WWA), supported by Deloitte Consulting LLP, to study the future role of category management. The study included more than 70 retailers and manufacturers, insights from global experts, and the collective experience of FMI, WWA and Deloitte in addressing merchandising challenges in the food, drug and mass-merchandising sector. This led to the report "From Category Management to Shopper-Centric Retailing."

"The grocery industry is experiencing the most dynamic change in years, with expanding food lifestyles, digital connectedness, a solutions focus, Millennials and more," says Win Weber, CEO of Tampa, Fla.-based WWA. "In this environment, category management has too many limitations to produce the desired results."

Weber notes that current category management processes focus narrowly on individual products or categories, rather than broader solutions. As a result, compartmentalization often creates barriers to optimizing complementary merchandising and creating solutions designed to enhance the shopping experience.

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As such, Weber asserts that “retailers have no choice” but to move toward a shopper-centric model, “if they are to remain distinct and relevant in the marketplace.”

By shifting the retailer-supplier collaborative focus to the shopper and shopping experience, he says, “the end result is improved sales and profits.”

As defined by its authors, the shopper-centric approach is driven by consumer insights. Encompassing the whole store rather than individual categories, it shifts the focus to consumer needs, determining how best to group related goods together to deliver on these needs. The process is designed to be adaptable to changing trends and shifts in consumer demands.

Implementing the approach requires the creation of a shopper solutions team structure administered by executive and store-level managers who collaborate closely with suppliers on how best to deliver on consumer needs.

Among retailers adopting the shopper-focused model is Williamsville, N.Y.-based Tops Markets LLC.

“Shifts in the types of food that people are looking for and large changes in market importance of the younger generational cohorts have

put pressure on traditional retailers to meet the changing needs of buying consumers,” says John Persons, Tops’ president and COO. “As a result, new competitors have arisen, applying even more pressure. It’s a necessity for our industry to get to know its consumers in order to adapt.”

In Tops’ movement toward the new model, “we started by aligning behind the simple notion that we wanted to have data drive our decisions,” Persons explains. “We have an incredibly robust database of customers and their shopping history that we hadn’t really tapped into.”

Then Tops looked at its infrastructure and decided to pull together all of the analytical functions in the company under one umbrella. “Like most traditional retailers, all of our functional areas had their own analytics team: Marketing had consumer insights, merchandising had product data analysis, space planning and pricing weren’t linked in tightly, finance handled margin analysis, and so on,” Persons says.

So the retailer created a “decision support” department that now services the entire organization. “It sounds easy, but the actual implementation took a year for the company to utilize the functions up to the potential,” Persons says.

A key element of this new capability, he notes, is aligning consistent measurements: “For instance,



Source: Winston Weber & Associates Inc.

It's no longer meaningful to simply look at lift of an item on promotion. Now we need to know household penetration, what demographic or generational cohorts engaged in the promotion, and what were the important affinity items. Our report cards look the same regardless of what we are measuring, and we now have a comprehensive view of our business."

With its merchants, Tops stripped away all administrative functions that would distract from their focus on their product categories.

On the implementation side, Tops added key leadership positions that bridge the gap between merchandising and store operations. "They ensure seamless execution of the solution planning," Persons explains. "Added to that, we created key promotions-planning roles that now effectively pull together input from the merchants and develop key events."

Tops is also collaborating more closely with vendors. "In general, our goals are aligned and we now share data, insights and ideas at a higher level than in the past," Persons says.

"The manner in which Tops has set up our support structure will allow us to have a comprehensive view of our customers' behavior as well as improve our alignment with our manufacturer partners," he adds. "Both of these elements will improve our flexibility and responsiveness to consumers."

CatMan 2.0

The Category Management Association (CMA) has been rolling out the overhaul of its quarter-century-old guidelines to tap the reams of shopper insights that technological advancements have made easy to access. This new iteration, known as CatMan 2.0, has been covered at length by *Progressive Grocer*, most recently in its 2017 Category Management Handbook, available online at <http://magazine.progressivegrocer.com/i/758946-2017-category-management-handbook>.

CatMan 2.0 and Shopper Solutions Planning are similar in that they're insights-driven and break away from old product-focused processes to develop ways to fulfill consumer need states. The ideas have aspects that are complementary; retailers can employ tactics from each that best help meet their goals.

Minneapolis-based CMA has been partnering with CPG companies to help them leverage CatMan 2.0 principles to develop customized solutions for their retailer partners. One of these partnerships has been with St. Louis-based brewer Anheuser-Busch.

A-B's latest initiative, in collaboration with CMA and Chicago-based market researcher IRI, has yielded a process to identify the best assortment for retailers, based on local consumer demands.

"A-B and IRI have for the first time combined all the new external syndicated data with their internal proprietary data and breakthrough analytical models to develop this core assortment presentation," says Gordon Wade, director of the CatMan

2.0 initiative for CMA. "It is gold standard."

According to Wade, A-B presented a prime opportunity to employ CatMan 2.0's best-practice process, because the company possesses high-value data and internal analytical resources.

"This A-B work is the finest work I have ever seen, especially in an incredibly complex category with hundreds of local craft beers, a growing import business and constrained cooler space, all of which varies by shopper and store clusters," he says. "What the new IRI data and the new CatMan 2.0 process enable is remarkable. What's really new here is the confluence of the process, remarkable data from IRI, and a well-led, determined and capable organization."

A-B's Balanced Portfolio Approach, an overarching strategy to drive growth by leveraging all segments within the category, evolved into Your Balanced Portfolio Approach, which was the framework to identify the winning elements that top-performing retailers were deploying, explains Adam Byrne, the brewer's VP of category leadership.

"The core assortment study is essentially the way to apply the Balanced Portfolio Approach, and evolves even further to identify the items in the category with the highest rate of sale and unique demand," Byrne says. "By deploying the core assortment principles, retailers can ensure they are maximizing their reach with assortment and satisfying a large portion of demand from shoppers."

The core assortment project encompasses many aspects of CatMan 2.0 to address "why" and "how" shoppers are purchasing beer in the store. "The inclusion of the behaviors, attitudes and perceptions of shoppers in the project helps ensure growth for the entire beer category," Byrne notes.

Working with CMA and IRI, A-B identified four unique store clusters with common shopper demand patterns: value, premium, import and craft.

Leveraging shopper data and CatMan 2.0 guidelines, A-B helps its retailer customers optimize their beer assortments in every store by identifying their "must-have" core items available nationally. On this foundation, retailers add critical regionally relevant and purely local items that provide incremental sales and variety for an optimal assortment, store by store.

This approach optimizes the retailer's alignment between the beer category and store strategy, ultimately driving total beer category performance across the grocery channel.

"As retailers are faced with expanding categories, it is important for them to understand the impact of expanding item counts within categories, and the impact on total category efficiency," Byrne says. "By understanding the core assortment philosophy, retailers can better plan assortment by focusing on the items with the highest velocity and unique demand, while offering a balanced assortment to meet the varying needs of all their shoppers." **PG**

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