

Dead or *Alive?*

The dirty little secret about category management is that it was never really about managing categories. Category management is, was — and always has been — a complete and total misnomer.

Let's take that first word, *category*. It's shorthand for a scope of space in the store that's big enough to be worth talking about, and yet small enough to be understood as a discrete part of the store.

Management isn't truly "managing" in the sense of implementing an ongoing process of continuous improvement. It usually means presenting an analysis in support of a one-time recommendation to improve sales and profits.

From its earliest days more than 20 years ago, category management was really just a communications vehicle, or envelope, through which manufacturers and retailers could talk about how best to market their respective brands to shoppers and make more money.

That hasn't changed. What *has* changed is the scope of the conversation. Originally, category management was focused squarely on the brand; we used consumer data as the conversation starter because there was no data about the shopper. Manufacturers would simply present syndicated or store-level data about their brands, relative to competitive brands, in an effort to create a perception of partnership and mutual growth.

Over time, that view of the category grew to embrace the larger context of the department, and then the total store. Today, the context of category management is not limited just to the store; it extends out into the marketplace at-large. Most important of all, while category management started out as a brand-centric idea and then became a store-centric idea, today it is a shopper-centric idea.

Through it all, what hasn't changed is the objective of category management, which is to help the manufacturer gain competitive advantage by helping the retailer differentiate itself in the marketplace. The difference is that as the scope of

category management has expanded from the brand to the category to the department to the marketplace, the requirements of success have changed.

A SHOPPER-CENTRIC FOCUS

The first requirement is to change the nature of the research that ultimately drives category management. We now need to do research that helps us understand how shoppers view categories and how they make their purchasing decisions.

This is typically referred to as the "purchase-decision hierarchy" or "decision tree," and traditionally it has been the single-most important kind of insight you could have at retail. Let's suppose a shopper is buying milk for example. Is she choosing from among the two-percents or is she considering the organic versus the non-organic milk? What is the role of price in her decision? How important is the brand?

Most retailers believe price is the most important thing, while obviously the manufacturer would like to believe that the brand comes first. This goes right to the heart of the traditional conflict between the two parties. Obviously, that conflict can be resolved if they stop looking at the category from their own self-interested perspectives and begin to view it from the shopper's point-of-view and the overall shopping experience, specifically the triggers or key business drivers that stimulate purchase.

Shoppers aren't just looking at price and brand; their view is of the store in total, and whether it is the best place to buy whatever it is they are shopping for. If they're shopping for shampoo they could buy it at CVS, Target, Kroger or Bath & Bodyworks. Or they might decide to buy it at shampoo.com. The implications of this are considerable.

Back in the early days of category management, we thought in terms of efficient product assortment. Based on our data, we would calculate the optimal number of SKUs for the store to maximize profitable sales volume and made our recommendation to retailers. These recommendations were good, but

Rumors of the demise of category management have been greatly exaggerated

we gave every retailer the exact same information because we had no way to discern any difference between shopper behavior in different chains, let alone individual stores.

Because of this, we were unable to deliver on the central premise of category management, to help the retailer differentiate the shopping experience in their stores. This begins with an analysis of the total volume sold in each category, by store. This analysis will tell you which categories are weakest and strongest in each store, which is a reliable indicator of how shoppers view the store.

Chicago, for example, is an especially strong market for drug stores — Walgreens, in particular. So, if you're a supermarket in Chicago, you might think about cutting back on your selection of health and beauty-care items and create some really innovative offerings that neither Walgreens nor any other retailer in the neighborhood provides.

In other words, if shoppers don't see your store as the place to buy shampoo, maybe it's time to consider beefing up the meat department, for example. It makes no sense to waste space on the categories that are irrelevant to their loyalties.

Identifying strengths and weaknesses by category in this way is a good start but it does not tell the whole story, however. You could get straight A's in category management and still fail if the store is dirty, the aisles are cluttered and the cashiers are surly.

BIG CHANGES AHEAD

Category management today means making some hard choices about the business you're in. That means that retailers have to pick their categories and manufacturers have to pick their retailers. Category management is no longer a one-size-fits-all proposition the way it was when it first burst on the scene all those years ago.

Contrary to popular belief it is the manufacturer, not the retailer, that is the greatest obstacle to success in category management today. Retailers can have a reputation for being a bit slow, or even resistant, to change. But the best evidence today is that most of them are hungry for answers to their competitive

challenges and open to whatever ideas manufacturers send their way. In fact, most retailers welcomed category management, along with the disruptions it entailed, from the very start.

The bigger issue is that most manufacturers still haven't figured out how to present their best thinking to retailers. Some are doing a good job of it, but most are still pitching "deals" as opposed to studying the local population, tracking trends and then applying that insight to solve the retailer's problems on a by-store basis.

They lack strategic selling skills. On the one hand they continue to rely on old-style sales guys while on the other hand they send in really smart people to talk about really cool shopper insights. What they need is a combination of the two.

Too many organizations do the research, bring it to the retailer, but then never ask for the order. They need to develop their abilities to use that information in a persuasive, selling technique instead of just as a show of data — a combination of the art and science of selling.

Finally, there's the issue of score-carding. Everybody talks about score-carding but nobody does it. We're great at planning and executing, but when it comes to evaluation the process falls apart. Even Procter & Gamble would probably admit that its biggest weakness is in the evaluation department. The question is, evaluate what? What is the metric?

I would argue that the best measure of success is store loyalty, because ultimately that means you have delivered on the timeless goal of category management — to build your brand by helping retailers differentiate theirs. ■



MICHAEL SHINALL is CEO of **Meridian Consulting Group**, specialists in helping brand marketers gain competitive advantage through strategic working relationships with retailers. He can be reached at shinallm@meridianconsulting.com