

Background

Although the term *Category Management* was coined in the mid 1990's, one can argue that its roots go back even further. Hand-drawn plan-o-grams were not uncommon as far back as the 1960's. Then the 1970's brought forth syndicated data and plan-o-gram software, which proved to be major turning points. However, it was the *Efficient Consumer Response (ECR)* movement of the early 1990's that officially launched the concept as we know it. This process took aim to improve the food industry's response to consumer demand by jointly involving retailers, distributors and manufacturers. In addition, *The Partnering Group (TPG)* was also founded during this time period. TPG was established as an international consulting firm. Their mission was to build sustainable value for consumer product companies and help them grow their brands by optimizing the shopping environment and experience. As a result, TPG established a formal process for retail Category Management.

Introduction

Category Management is a process that examines and manages items within a product category as a strategic business unit. The elements of pricing, promotion, merchandising and assortment are each addressed, with a focus on the competitive environment, a category goal, and most importantly, the consumer. The formal process of Category Management was designed as a continuous loop, spelling out the areas of a category definition, role, scorecard, strategies, tactics, implementation, and review. A key part of the process is having all relevant parties included, as well as the appointment of a category captain. The captainship is held by a leading manufacturer who, in turn, brings their knowledge to the table and offers unbiased advice as to how to best manage the category to the benefit of companies in the supply chain. The process has had its share of challenges over the years, but its methodology and concepts are still heavily used, regardless if they are exercised in full or partial form. Today, there is an abundance of data at our disposal. Technology is enabling the data to be delivered faster than ever, and grocers in the New York market continue to invest in club card-driven bases. These advancements are living-proof that the foundational goals of ECR and Category Management still hold true in today's local, competitive food shopping environment.

Relevant Dialogue Between Relevant Parties

Category Management was established as, and continues to be, a *collaborative* process. Having the right people with the right attitude at the table is critical. The captain cannot make the process self-serving. The partnership must be designed to focus on the entire category and benefit everyone involved. As a result, the relationship between the retailer, manufacturer and broker becomes stronger and the participants can then view themselves as trusted business *partners*.

This collaboration can also be extended to other areas such as finance, operations, marketing and supply teams. When done correctly, increased efficiency can be attained through reduced out-of-stocks, improved inventory turns, better product quality, lower shrink, and improved promotional productivity.

Communication and follow-through are imperative. The Category Management process is designed to be revisited regularly to ensure it is working and accomplishing its objectives. Brokerage agencies continue to play a critical, value-added role facilitating this concerted exercise.

Ability to Quickly Turn Data into Action

Category Management uses real-life data, which eliminates guess work and makes use of fact-based decision-making. While having data at our disposal is not new, today we have *massive* amounts of it at our fingertips.

The availability of more data presents both a benefit and a challenge. The benefit is that we are able to access the data both quickly and easily. The challenge is that we have to know *how* to find the key takeaways and more importantly, determine *what* to do with them. Once that hurdle is crossed, we have the ability to implement changes quickly. Store-level data is much more accessible today. Strategic changes to shelf layouts, for instance, can be implemented and validated more quickly via store-level tests than they could in the past. Brokerage agencies continue to play a vital role within the activation process.

Focus (MORE) on the Consumer

The consumer and the shopper have always been the focal points of the Category Management process. This element remains pivotal in today's environment as well. During the planning process, there has been a tendency to sometimes neglect this aspect, with the parties focusing more on proprietary, business-related initiatives. This dual focus needs to be re-emphasized for the mere fact that it is they who shop the store, buy your items, and provide for their family's consumption. **Winning the first moment-of-truth with the shopper should be the number one**

priority for both retailers and manufacturers. Finding ways to excite and engage them must continue to be prioritized in the Category Management process.

We have the data at our disposal to accomplish this initiative. Substantial investments are being made in shopper card databases, which is making customer information more accessible than ever before. It will be up to the retailers and manufacturers to find the best ways to utilize this information and engage customers more effectively. The process needs to be continuous, as we know consumer demands will change over time.

The Future Looks *AI-Ready*

Category Management will continue to evolve into the future, with technology offering enhancements. The abundance and availability of data will most certainly continue to increase. More importantly, the development of Artificial Intelligent (AI) technologies can offer instantaneous suggestions and ideas at the simple click of a button. This integration should increase agility, efficiency and strategic decision-making. These advancements will also help address some of time constraint challenges that Category Management has faced in the past. Although the entire process itself is not ready for full automation, it may not be as far away as we think given the accelerated growth of AI that we are witnessing.

Conclusions

ECR and Category Management remain as relevant as ever today. Although how we implement the process can vary and new technologies continue to evolve, its core principles remain intact in the food industry.

- We must continue to use a unified planning approach to the process. This approach will help ensure consistency, focus and efficiency, as well as keeping the right people involved.
- The industry must effectively utilize the abundance of the data that we have to make smarter and more *actionable* decisions.
- We must collectively ensure a better focus on the customer. It is their spending that drives the demand for food products. We need to collectively find better ways to make them want to shop, enjoy it, and ultimately come back again.

- Embrace and prepare to integrate AI technologies into Category Management. This movement can help introduce a new wave of efficiency, agility and strategic decision-making. As a result, the entire process can become a more concise, turn-key procedure.
- Category Management, by definition, specifies knowledge-based merchandising strategies with activation across the supply chain, so collaboration remains key.

The retail industry is constantly changing. In order for retailers and brands to grow, they will need to continue to embrace the core philosophies and merchandising solutions that ECR and Category Management introduced to us thirty years ago. Although three decades have passed, the goals set forth by these concepts remain critical for success. It is the industry's responsibility to implement these ideals into the future and adjust accordingly as we continue to evolve forward.

Paul Mulvaney is the Director of Business Insights & Sales Analytics at RDD Associates. Since 2013 he has led RDD's agenda to elevate company capabilities to integrate Category Management and fact-based selling principles into go-to-market solutions. He has over 30 years of experience in the food industry, having held roles in Category Management, data analytics and sales, as well as various supermarket roles. In his spare time, Paul is an avid music fan who enjoys playing the drums. He also enjoys watching his local-area sports teams, especially the New Jersey Devil's. To learn more about the latest trends in Category Management, Paul's food industry expertise or RDD's ELEVATED service solutions, please visit RDD's website at www.rddassociates.com or email info@rddassociates.com.