



Category Management 2.0

Before progress can continue, it's time for retail action to catch up to the consumer insights and analytics.

By James Tenser

You can optimize the plan, but can you actualize at the shelf? After 17 years of experience with category management, the answer to this question still appears to be a resounding “no,” at least for most participants in the retail and consumer products industries.

Don't get me wrong. As an industry we're smarter than ever about consumer insights. We enjoy far better information flow, we boast better analytic tools, and we are much faster and finer in our category management planning. Specialists are on the case, developing store-specific shelf sets, optimizing everyday and promotional pricing, and extracting knowledge from frequent shopper data.

And yet we still wring our hands about lost sales due to out-of-stocks, upstream inventory voids, and abysmal store implementation rates. There's a cloak of invisibility wrapped around store conditions that vexes even the mighty Wal-Mart, and we've buried our best store-level assets—managers—under so much detail work that they can barely keep up with their basic tasks, much less contribute as business unit leaders.

If you thought the category management lifestyle was complicated before, look out. New developments in shopper media (including reports of billions of ad dollars planned for reallocation to in-store digital channels) will make your head spin. We're making headlong progress on the planning part, but we haven't got a plan to implement against it, and the industry has been reluctant to acknowledge this.

The industry needs accurate and effective implementation of merchandising plans, including promotion implementation and merchandise allocations. With-

out that, you won't get accurate measurements of shopper media activities, in-store audiences, and ROI. No matter how persuasive your ad is at the first moment of truth, you can't sell the item if it's not in stock, and your post-hoc measurements will defy causal analysis.

These challenges were underscored over and over by presenters and delegates at last month's Category Management Summit in Scottsdale, Ariz., produced by the Institute for International Research.

Some of the factoids offered up were astonishing. Joe Patti, v.p. retail planning and category management for Anheuser-Busch, said his team had produced 60,000 store-level shelf sets last year for the beer category, for example. The brewer relies on an extensive network of wholesaler reps armed with hand-held computers, to handle the follow-through.

Potential new era

Greg Mertes, senior manager of category development for dairy products at Wal-Mart, said the chain routinely works with 300 distinct “modulars” covering just four doors of its dairy departments. Asked how confident he is in the stores' ability to reliably execute against these, he replied, “Not very confident. So we know

we have to keep it very simple.”

There was much more (see page 108), but attendees came away doubtless pondering three interlocking themes:

- Continuous improvement in shopper insights leads to
- Better store-level (or segmented) category planning, which requires

- Dependable, accurate, and complete store-level implementation that includes plan execution and data capture.

To me this adds up to a potential new era for category management—a fresh lease on its life, so to speak. But it also introduces a degree of complexity that threatens to undermine all progress. If you can't get the job done at

Further along than that project is CPG CatNet (<http://cpccatnet.com>), which bills itself as an “association for category development professionals.” Boasting more than 1,700 members already, this group is championing training, credentialing, and networking for knowledge workers in this field on both the brand-marketing and the retailing sides of the table.

So here's a call to action. It's time for Category Management 2.0, a collaborative industry initiative comparable in scope to the brilliant, though flawed, ECR initiative of 1993. We need to bring trading partners together on neutral turf to redress the big consumer issues that ECR left on the table. We have the technology. We can rebuild it, make it faster, stronger, more measurable, and effective.

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the shelf, it all stops cold.

This might all seem worrisome, but there are also signs of positive, realistic change that suggest to me our industry may be on the brink of a forward leap.

A group of leading lights in the industry are coming together as a retail execution share group, with the mission of pushing decision-support and implementation capability down to the market and store level. Some big names are involved that can't yet be named in print, including some of the leading brands in CPG, but you may count on seeing some activity within the quarter.

“Store implementation [calls for] action by people who have limited freedom of action,” one astute observer told me recently. Category Management 2.0 could help loosen the chains, so that retailers and brands can realize the potential of their category and communication strategies.

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