

# Master Category Management for Today & Tomorrow

The disciplines of category management and shopper marketing are converging

A Convenience Store News Staff Report

**COMPETITION FOR THE “CONVENIENCE” SHOPPER** is at an all-time high. Convenience store operators must ensure they are mastering category management to understand the needs of consumers and meet those needs consistently across every product category in the store.

“The practice of category management has changed and will continue to change, mainly driven by the increased awareness and education of consumers. They are surrounded by a wealth of information at their fingertips that is changing their perception of what they choose to consume and purchase,” said Kristen Thaler, category development manager for convenience distributor McLane Co. Inc. “The industry [needs] to move to a more collaborative approach to ensure that strategies are aligned to fulfill the needs of the ever-changing consumer.”

Category management of the past has been more of a calendar-based event vs. a perpetual, always-on responding to customer trends and need changes. C-store retailers have to rethink their approach to targeting customers. Moving forward, it really needs to

be about what is driving change in the market and how the customer is impacting that change, echoed Todd McCourtie, senior director of industry strategy at JDA Software, a provider of end-to-end, integrated retail and supply chain planning and execution solutions.

“It’s not that category management of the past wasn’t about the customer. Certainly, it was. But it was more around the product vs. what the customer wanted to purchase,” said McCourtie.

Today, the disciplines of category management and shopper marketing are converging.

Blaine Ross, president of the Category Management Association (CMA), defines category management as “a process to create a comprehensive plan that meets shopper needs in a superior manner to produce excellent business results for retailers and manufacturers.”

“It is a holistic approach toward developing a plan based on facts and insights that deliver sound strategies and tactical success,” Ross continued. “Category management



Source: Category Management Association

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## Call to Action

- Stop negotiating business plans and developing category plans in the absence of the shopper. Shopper insights and shopper marketing need to be included in, not separate from, category management. Working in a “bubble” will limit your success.
- Know your consumer and stay up-to-date on category trends to ensure that your item mix supports the evolving needs of your customer base. Continually look for gaps for items that may be missing from your set to capitalize on sales opportunities.
- It’s not just about a planogram anymore. It’s about strategy, understanding the customer’s path to purchase, and ensuring you have the right products available on whatever path the customer chooses.
- Those companies that can store data and access the information on a timely basis will be well positioned to meet and predict shopper demands. Use the data to hone your strategy. Retailers and suppliers that continue to deliver actionable insights will be successful in driving incremental growth and influencing their target shoppers.
- Document and share your overall category management strategies across the entire organization. Keep this updated annually. Develop onboarding tools to teach new team members what you’re trying to accomplish. Also share your objectives with your trusted suppliers and ask them to bring in shopper-focused solutions that match your goals.

excellence requires a disciplined structure and process designed to identify key insights to fuel growth.”

Reflecting the convergence of shopper marketing and category management, CMA recently formed a second organization called the Shopper Insights Management Association (SIMA). The goal is to help its members drive meaningful basket and brand growth and improved shopper experience across all touchpoints.

“Today, category management and shopper insights professionals are dynamically linked due to the emergence of new industry concepts that require a broader view of the strategic decision-making framework,” Ross explained. “We believe that bringing these functions together for thought leadership, career development, certification and sharing of best practices will provide the industry with a compelling value proposition.”

Ross noted that the retailers and suppliers that are winning in the convenience store industry are those organizations that are leveraging a variety of disparate data sources, and who can also deliver integrated shopper insights and influence the shopper.

### Category Management = Data Management

Advances around technology and data are reshaping the practice of category management, too. It’s become an absolute must for category managers to leverage data insights, so they are able to better predict what the customer is going to demand and meet those assortment needs.

Data analysis today requires a robust dataset that includes, but is not limited to, scanned sales, transactional, market, consumer panel, loyalty and shopper insights data, according to Sue Nicholls, founder and president of the Category Management Knowledge Group.

She pointed to two data game changers in particular:

- **Improved data granularity** has advanced to the point where transactional data can be broken into pieces; for example, hourly data. Such daypart data gives retailers the ability to analyze sales volumes for any given hour of the week. This is critical data because different types of customers shop a c-store at different times of the day.
- **Leakage data** can give c-store operators perspective on what competitive retailers they are “leaking to.” This perspective can help a retailer identify its chief competitors (both online and offline) and what items they are leaking.

Having a lot of data isn’t enough, though. “You need to integrate the data as much as possible with tools and technology that allow easy and quick access to the data so that less time is spent pulling the data and more time is spent drawing insights,” Nicholls added.

There have been tremendous advances in analytical tools and technologies to ensure that both c-store industry retailers and suppliers are positioned well to succeed, noted CMA’s Ross. In the area of space planning, automation has significantly reduced the drawing time for planograms. Other advances include



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simplification of standard reporting, same-store testing, analytics to answer what tactics work best, and implementation of virtual reality concepts, he said.

To really understand the opportunity gaps that exist and ensure they have the right market coverage, retailers need a strategic assortment tool that will help them take consumer data — whether it be through data science or other means of market-level data — into that solution, advised McCourtie of JDA Software. They also need a data-based platform to connect their assortment planning with their space planning with their strategic planning with their macro space or floorplan — and automation to support all of those functions, he said.

JDA has developed a platform that orchestrates all of those business processes — everything from data understanding, to strategic planning around the assortment, to understanding the shopper persona, to understanding where the path to purchase really is, to the automation capabilities to drive space and floorplans, according to McCourtie.

“You are going to need data insights, you are going to need data science and you are going to need a level of automation within that execution in order to provide that,” he explained. “...You are seeing a lot more freestanding c-stores pop up without gas, with the emphasis on a quick express market. But in order to do that, you have to understand your customer and you have to have the technology to help you gather that data, analyze that data and execute on that data.”

McLane’s Thaler agrees that many different data sources, studies and technologies have changed the practice of category management dramatically and will continue to do so. One that she points to is live-image planogram development, which McLane utilizes in its Center for Category Innovation.

“That program, combined with our proprietary sales reporting, helps to validate customer sales data, create a sales matrix to isolate how each customer indexes within the competitive market and analyze productivity and space allocation by subcategory, which enhances growth opportunities for our customers,” Thaler explained.

She also believes that analyzing sales data to identify opportunity gaps at least once a year, preferably twice a year, to enhance product selections containing both core and new innovation items that perform well nationally and regionally is a very important strategy.

“It maintains consistency to keep up with growth and trends within the industry,” she said.

### What's to Come

When asked where she sees the practice of category management headed in the next 10 years, Thaler said category assessment and analytics will need to become more predictive in determining patterns in



shopping behavior. She also foresees an increased focus on niche consumer products, and says customer service and overall experience will need to be heightened to set convenience store retailers apart from their competitors.

JDA’s McCourtie predicts an emphasis on artificial intelligence (AI) and machine learning. Predictability and probability forecasting is going to be key, he believes.

“[The industry is] going to not just automating of the planogram, but automating of the process,” he said. “Going forward, with machine learning, artificial intelligence and the data that will be available, we will be able to drive cross-category assessment to be able to say: If I change my assortment here, will it affect my next two categories?”

Ross of CMA foresees continued focus and innovation around such key areas as shopper insights, data science, automated processes, visualization, e-commerce expertise and centers of excellence in order to move faster and smarter. There also will be new methodologies for collecting different types of data, such as voice data, video in-store, receipts, imaging, geo-fencing, etc. What won’t change, though, is the key sales fundamentals of pricing, promotion, shelving, assortment and marketing; utilizing scorecards to measure goals; and keeping the focus on the shopper first and foremost, he maintains.

“The shopper insights professional will need to be involved with strategies and tactics to deliver against the shopper in all touchpoints — brick and mortar, click and collect, click to ship, same-day delivery and more. These insights will need to be fully integrated with finance, marketing, sales, supply chain and IT,” Ross said. “The foundation is to understand the shopper and activate on what we know. This will always be at the core of what we do.” **CSN**

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