The challenge of Category Management

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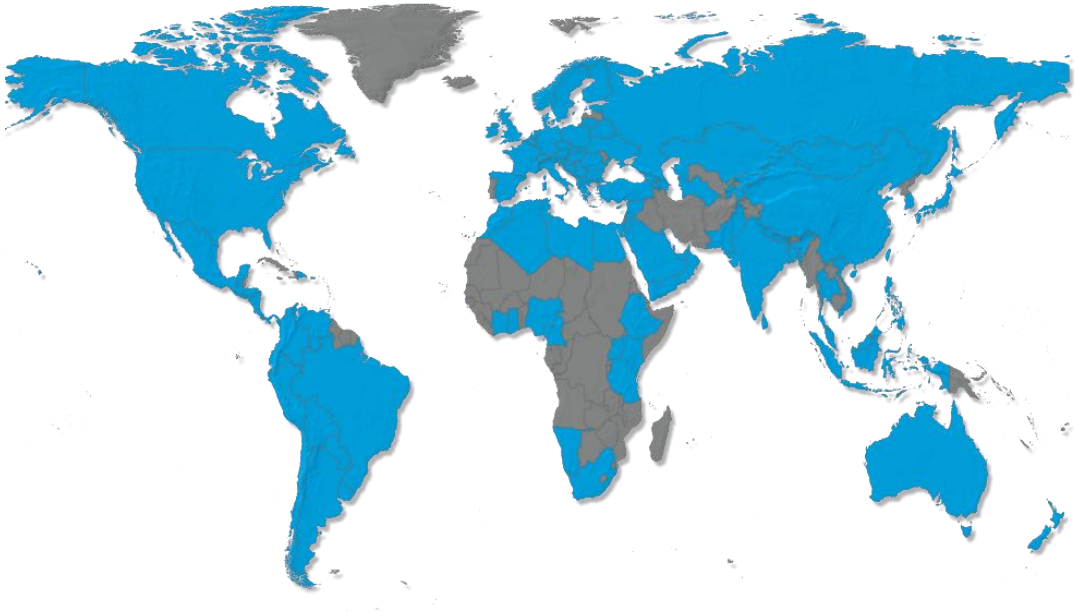
Who We Are

The Nielsen Company is the world's leading provider of marketing information, audience measurement, and business media products and services.

More than 40,000 employees in over 100 countries…

Merchandising Services

- A division of Nielsen who specializes in tactical assortment, space planning and Category Management
- Strong presence in more than 100 countries in Europe, North and South America, Pacific Ocean Countries, East Europe, Africa, Mid-East and Asia



- Software Solutions
- Business Consulting
- Educational Services
- Tailor made solutions

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Introduction to Category Management

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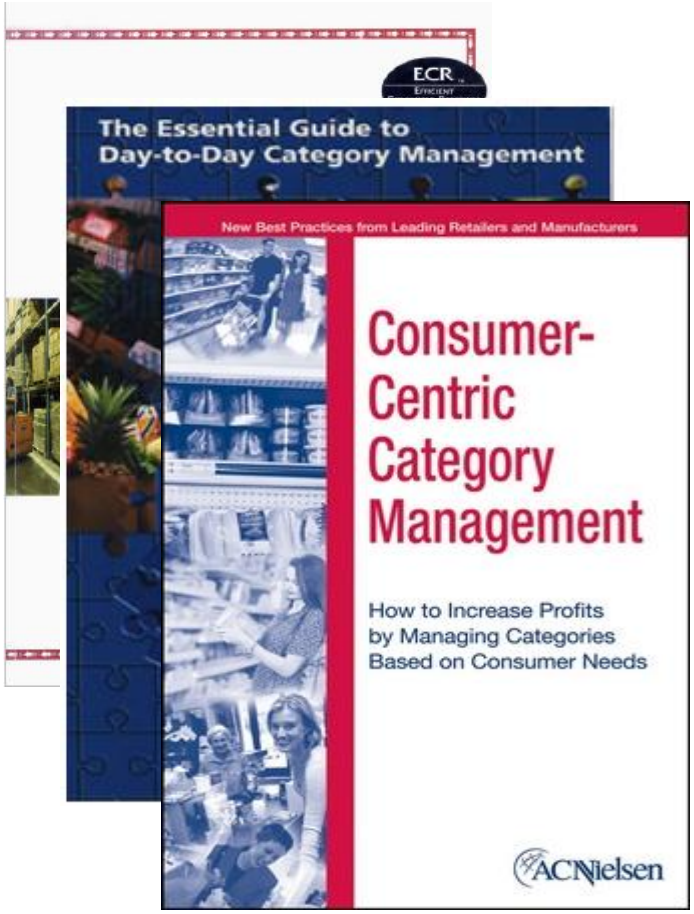
The evolution of Category Management



✓Concept first introduced in US as an industry project

- **1995:** US ECR Category Management Best Practices Report based on The Partnering Group model
- **2000:** The Essential Guide to Day-to-Day Category Management ECR Report
- **2006:** Consumer Centric Category Management book by Nielsen

✓Category Management remains a hot topic of local and international conferences with many books and reports published

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Definition of Category Management:

- A **joint retailer – supplier** process
  - of managing categories **as strategic business units**
  - and producing enhanced **business results**
  - by focusing on delivering **consumer value**

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Benefits of Category Management:

- **Consumers:**
  - Evaluate category mix according to their needs
  - Enhance shopping experience
  - High levels of satisfaction and value

- **Retailers:**
  - Improve of store image
  - Increase existing consumer loyalty
  - Attract new consumers
  - Increase financial results

- **Suppliers:**
  - Become category captains / advisors
  - Build strong relationships with retailers
  - Increase financial results

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The process of Category Management

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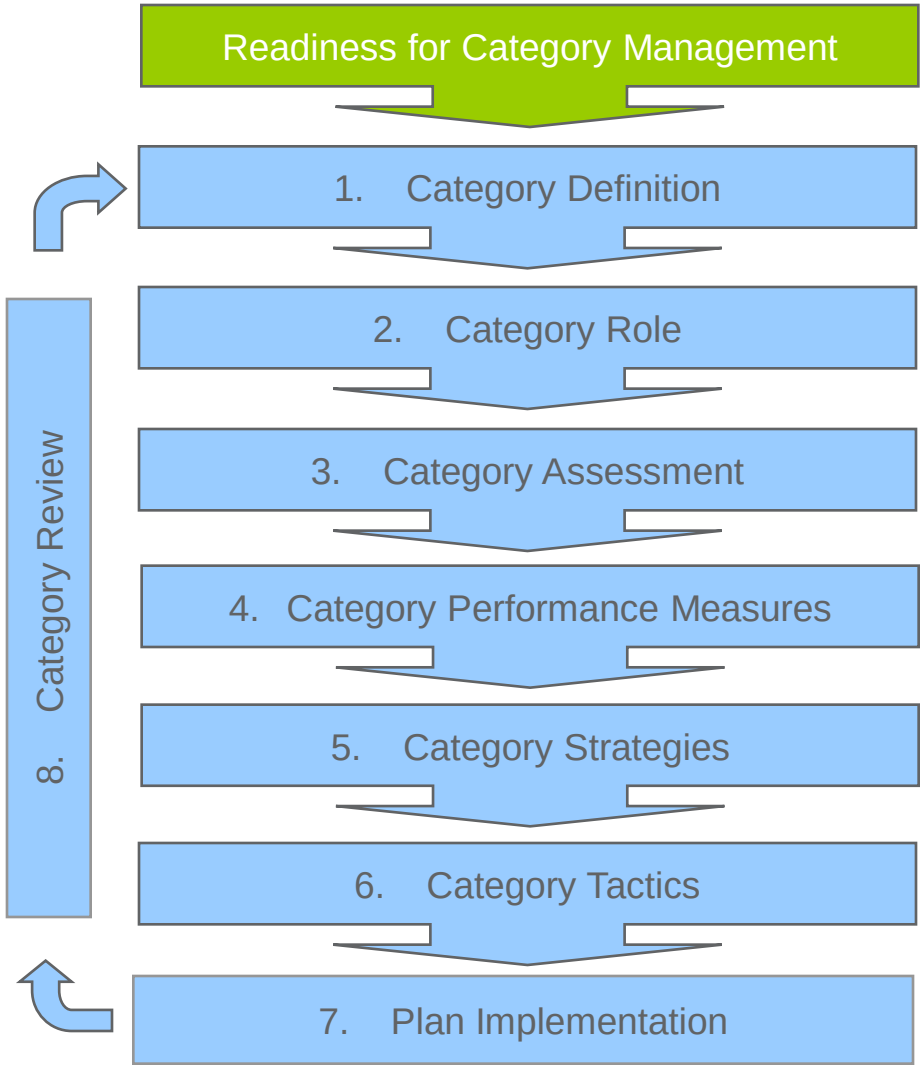
The 8 steps of Category Management:



1. Define what products make up the category and what is their segmentation from the consumer's perspective?
2. Develop & assign a role for the category based on a cross category comparison considering consumer, market, supplier and retailer information
3. Analysis of the category sub-categories, segments etc by reviewing consumer, market, supplier and retailer information
4. Establish the category's performance measures & targets
5. Develop the marketing and product supply strategies that meets the category role & performance objectives
6. Determine the optimal assortment, pricing, shelf presentation & promotion tactics that ensure the category strategies are implemented
7. To implement the category business plan through a specific schedule & list of responsibilities

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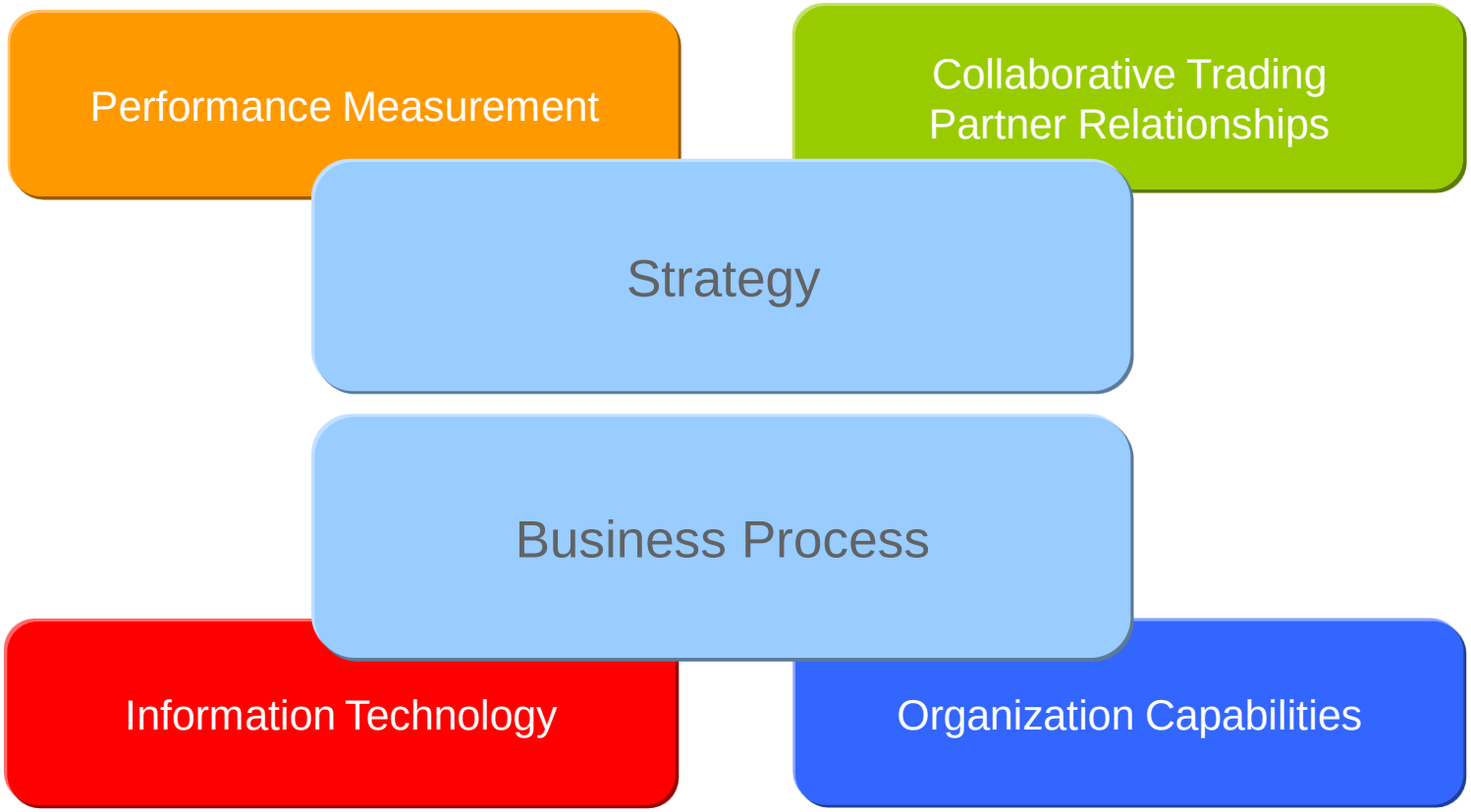
The six components of Category Management:



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Nielsen Research on Category Management in Baltics

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Research ID:

- **Survey research type:** Business to Business (B2B) survey
- **Interview Methodology:** Self – completed questionnaires
- **Target Respondents:** Executives who are responsible for executing CatMan projects and/or taking relative decisions.
- **Sample:** 36 retailer executives, 39 manufacturer executives
- **Fieldwork Period:** September 2009
- **Data analysis:** Nielsen Consumer Research

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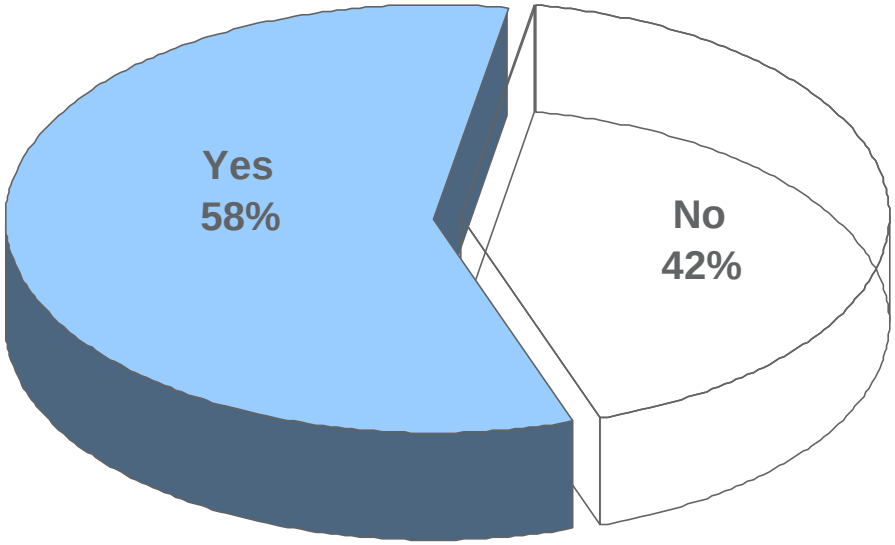
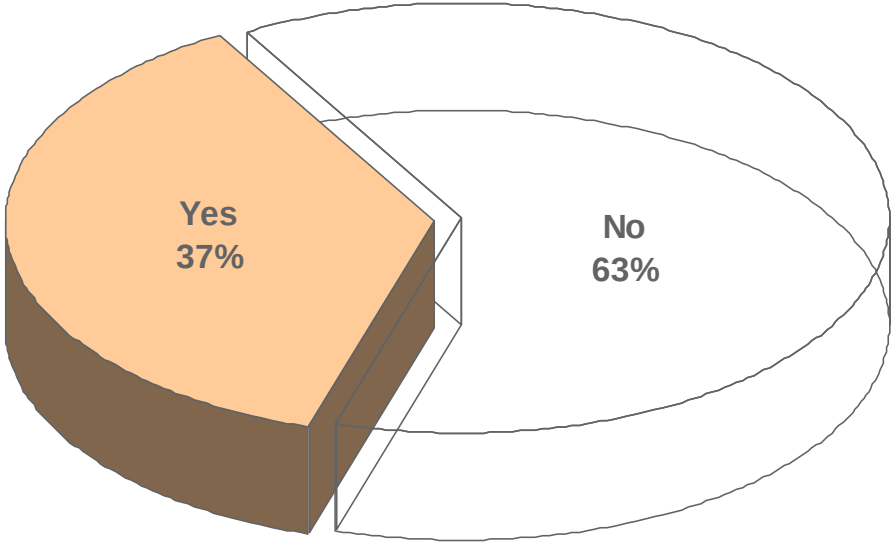
Have you conducted any Category Management Projects in the last 2 years?

RETAILERS



MANUFACTURERS



Retailers N =36, Manufacturers N=41

Base: All respondents

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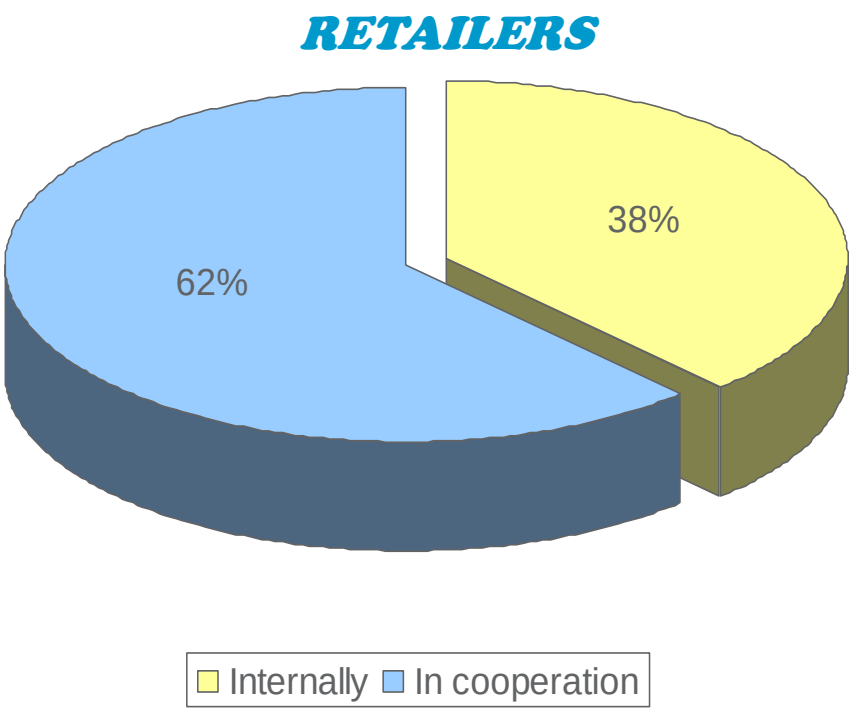
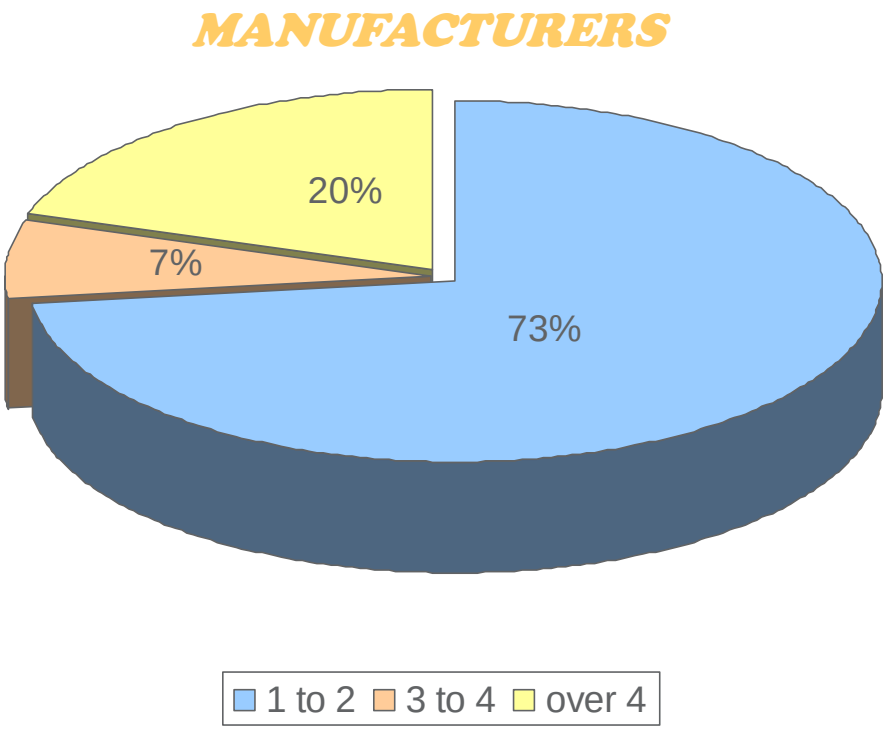
Do you run projects internally or in cooperation with specific suppliers?



With how many different retailers did you cooperate in joint projects over the last 2 years?



Base: All respondents
Retailers N =21, Manufacturers N=15

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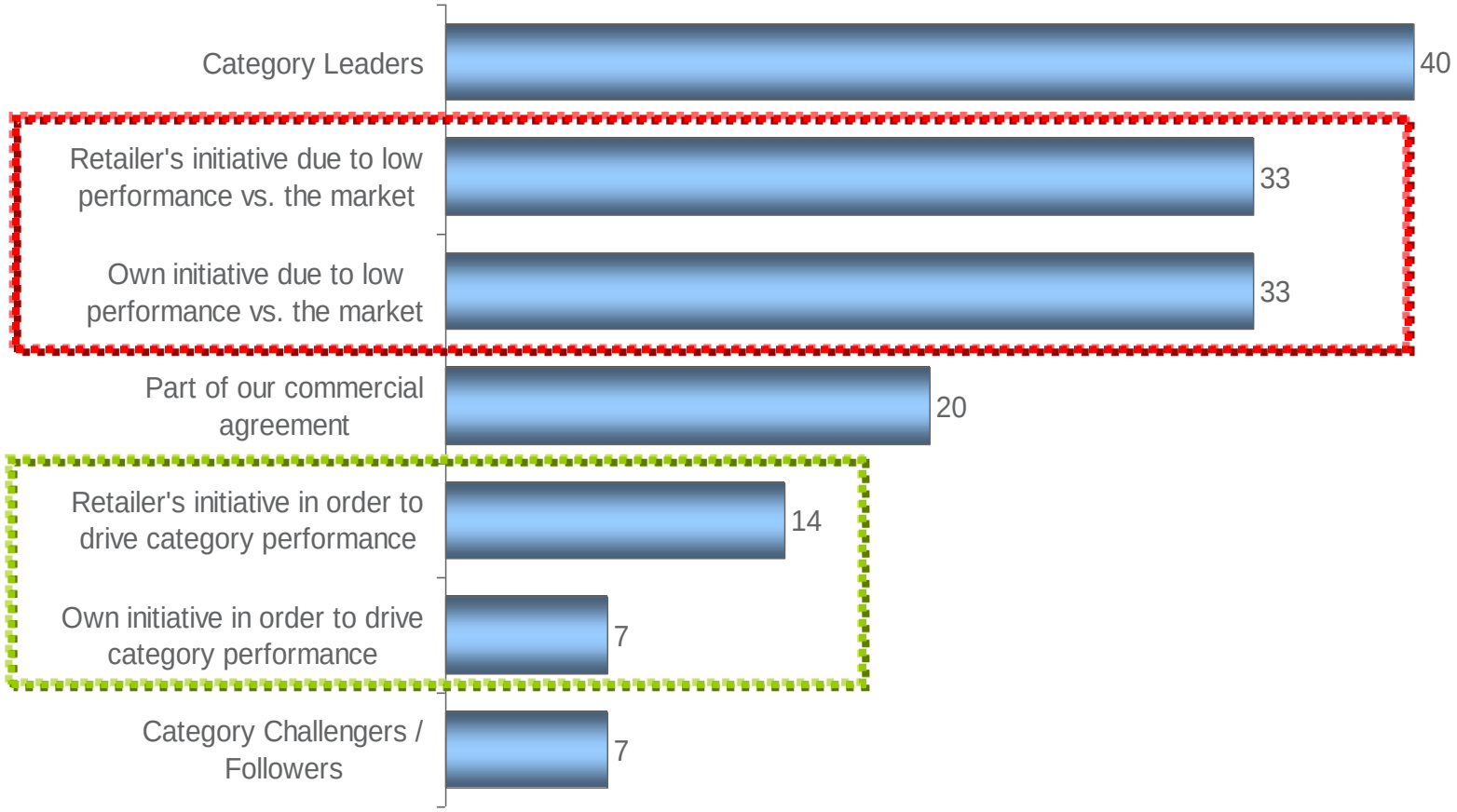
“Under what circumstances did you make the agreement with the retailer for CatMan project?”



N =15

Base: All respondents, who have conducted Category Management Projects in the last 2 years

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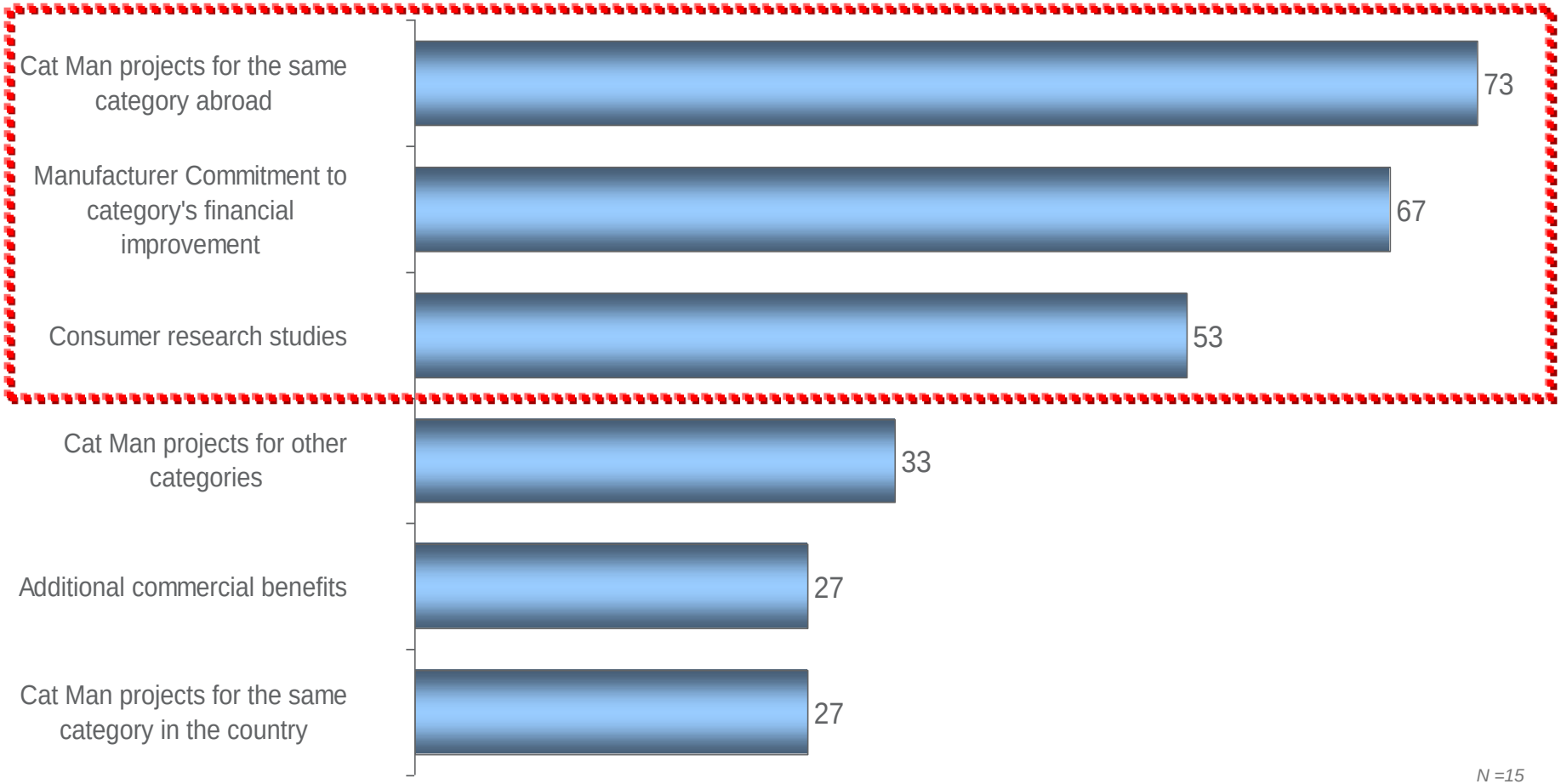
Additional elements / arguments used in order to convince the retailer?



N =15

Base: All respondents, who have conducted Category Management Projects in the last 2 years

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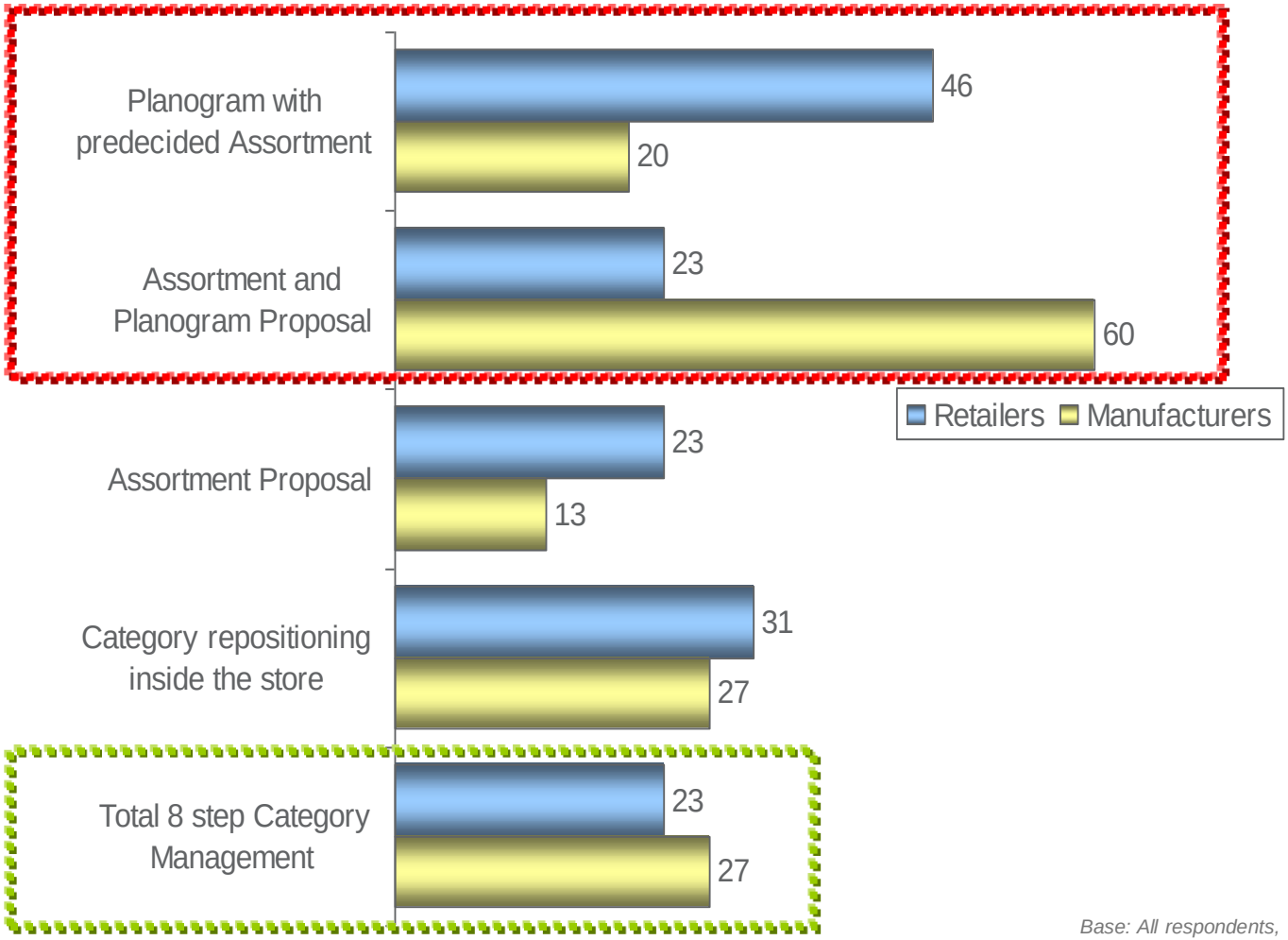
“Which were the project objectives of this collaboration?”



N =15

Base: All respondents, who have conducted Category Management Projects in the last 2 years

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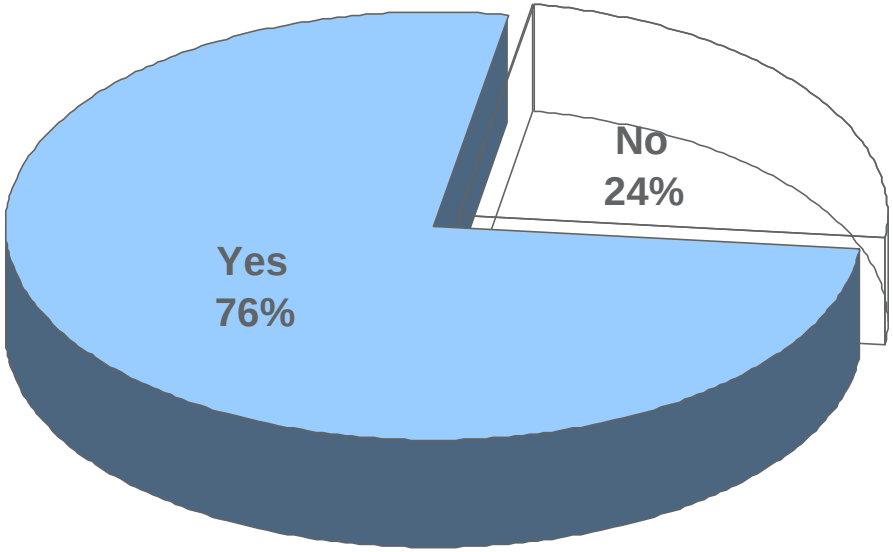
“Have you measured / evaluated the results of projects you have conducted?”

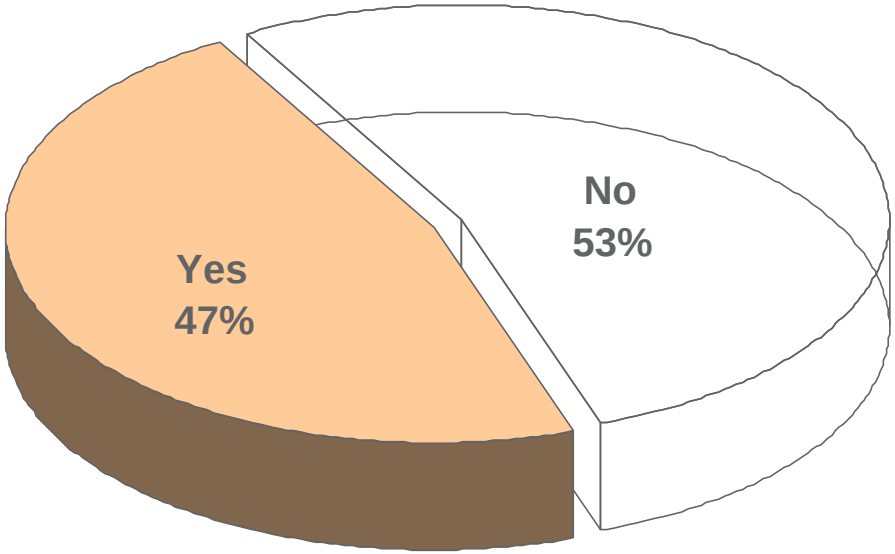
RETAILERS



N =21

Base: All respondents, who have conducted Category Management Projects in the last 2 years

MANUFACTURERS



N =15

Base: All respondents, who have conducted Category Management Projects in the last 2 years

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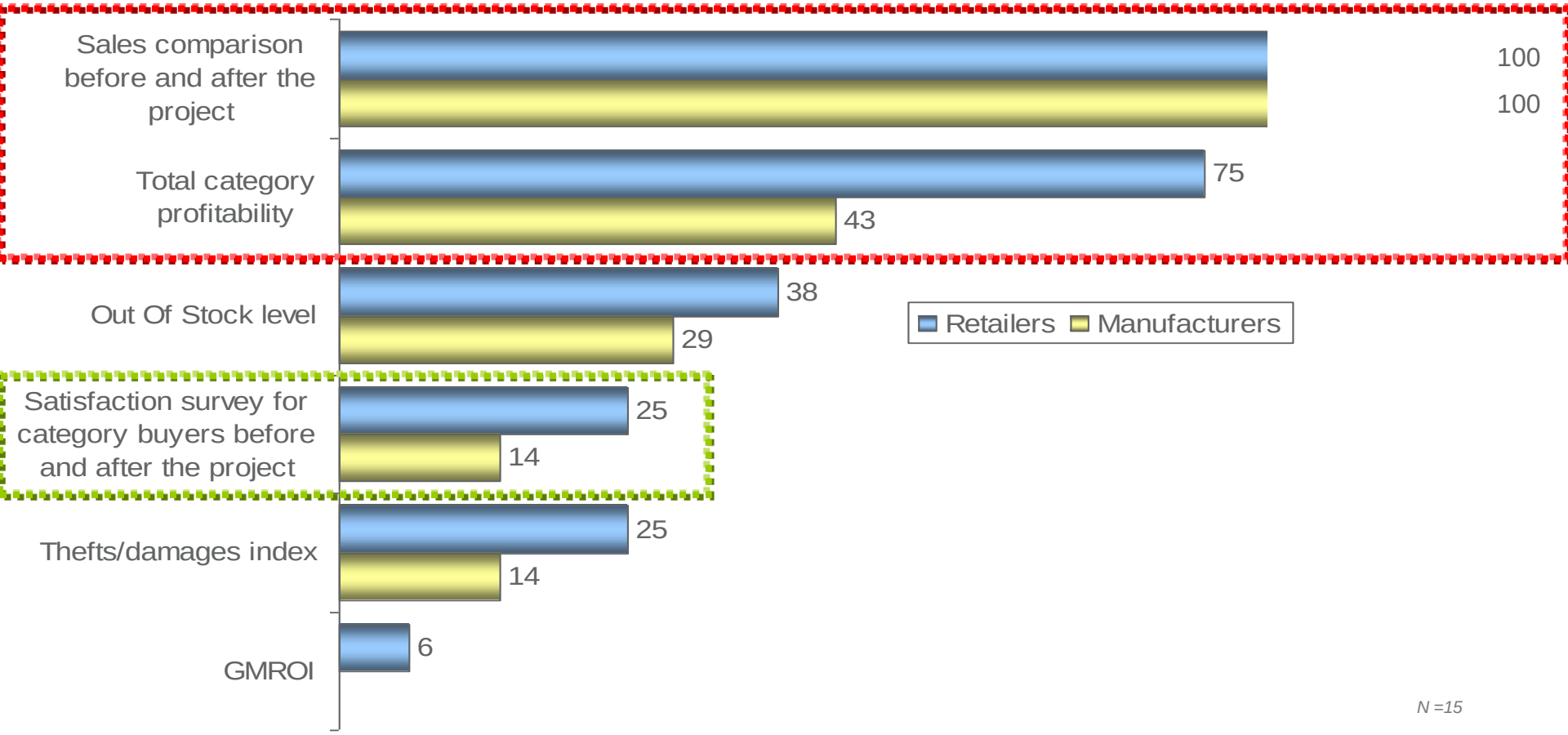
“Which methods/indexes have you used, in order to evaluate CatMan projects?”



N =15

Base: All respondents, who have conducted Category Management Projects in the last 2 years

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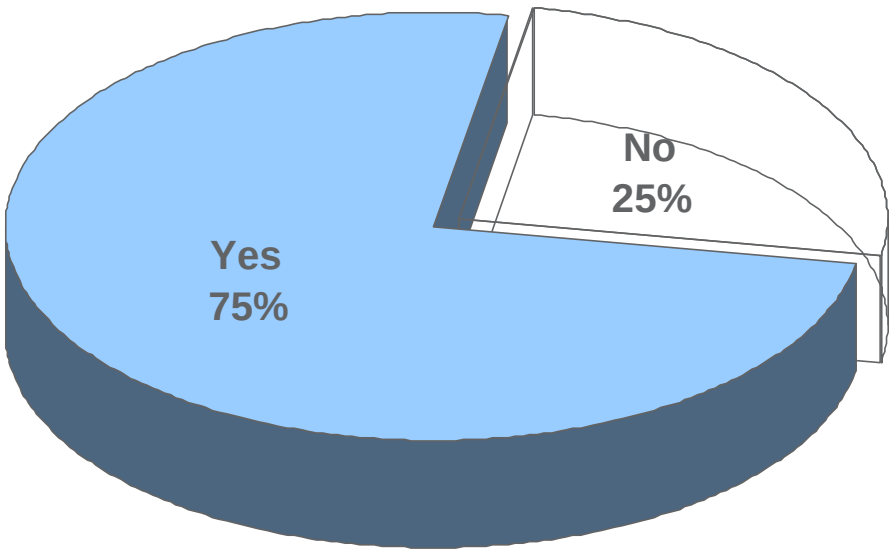
Have the results of measurement / evaluation met your expectations?

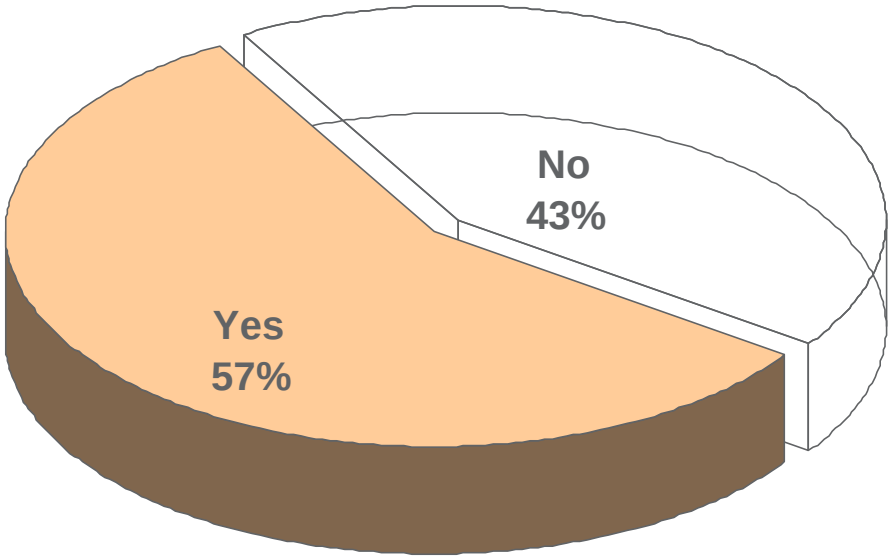
RETAILERS



N =16

Base: All respondents, who measured/evaluated the results of projects

MANUFACTURERS



N =7

Base: All respondents, who measured/evaluated the results of projects

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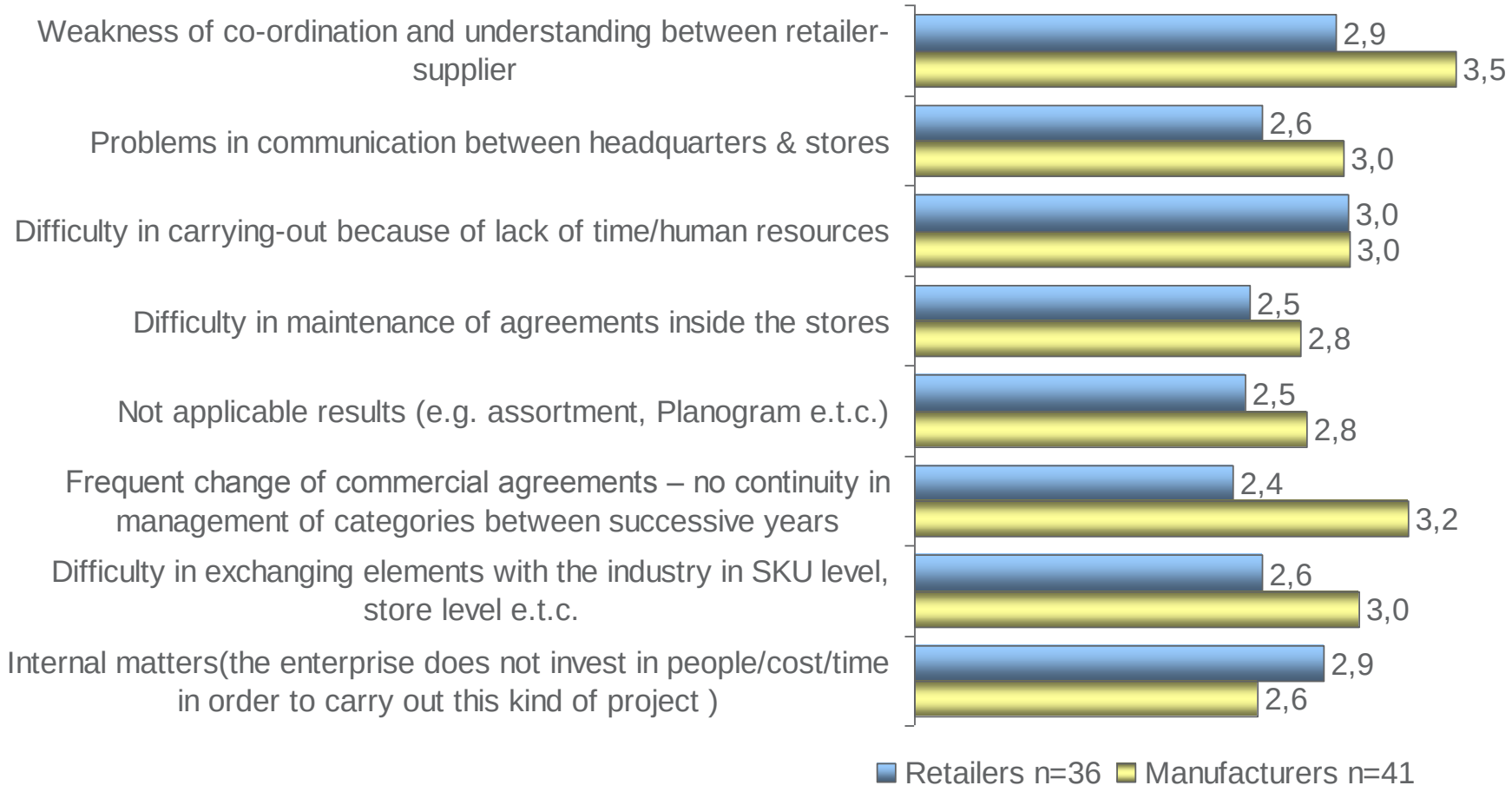
“On a scale 1 to 5 how you would rate each of the following factors according to their difficulty level when considering Cat Man Project?”



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Challenges vs. Category Management

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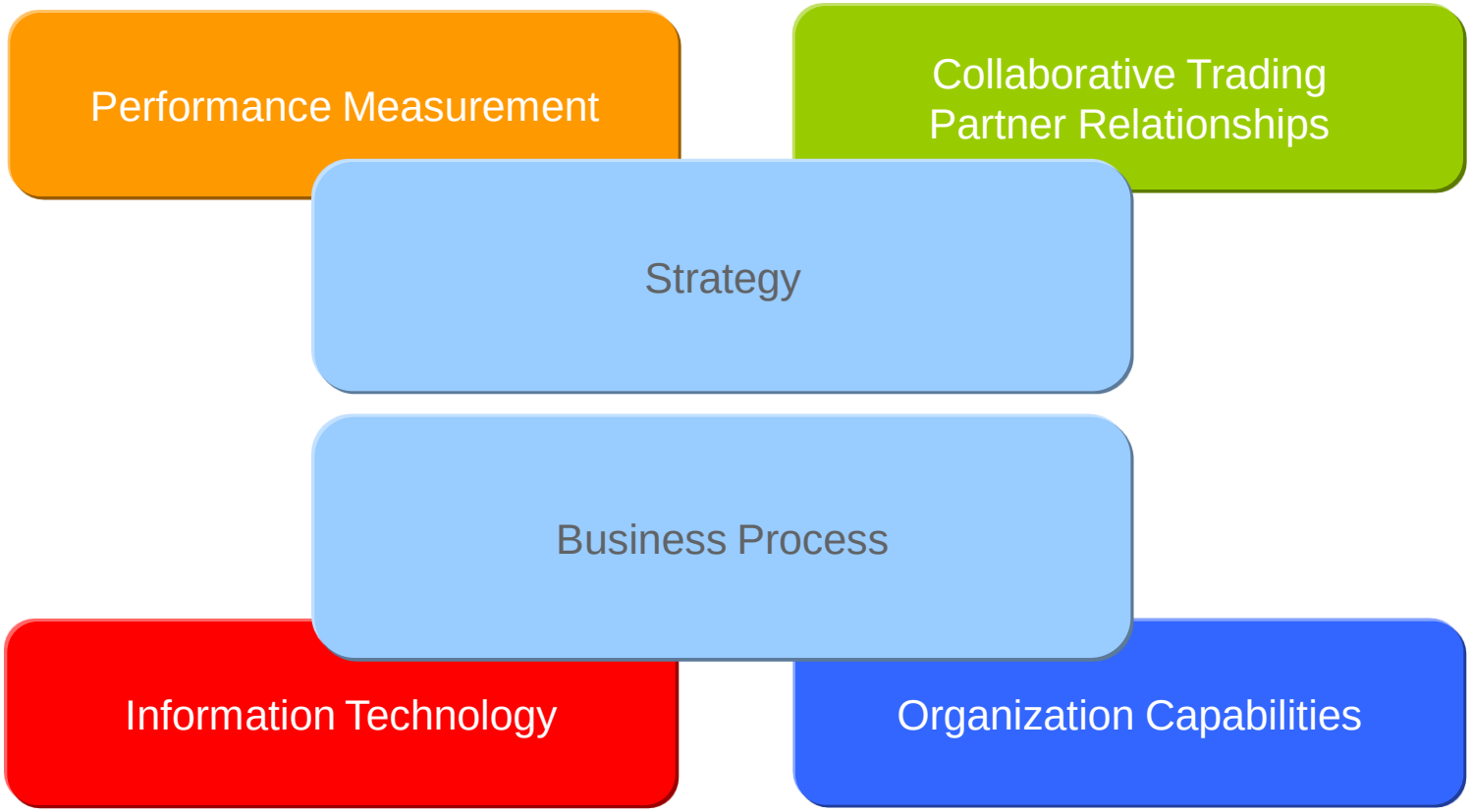
The six components of Category Management:



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The six components vs. challenges:

Performance Measurement

- No applicable results (assortment / planograms)

Collaborative Trading Partner Relationships

- Weakness of coordination and understanding
- Frequent change of commercial agreements
- No continuity of category management

Strategy

Business Process

Information Technology

- Difficulty in exchanging store / category / SKU level data

Organization Capabilities

- Problems in HQ – stores communication
- Difficulty of in store compliance and maintenance of agreements
- Lack of resources (personnel / time / cost)

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Organizational Capabilities

- Lack of resources (personnel / time / cost)
- Problems in HQ – stores communication
- Difficulty of in store compliance & maintenance of agreements

- Process not just a project methodology
- Internal adoption of Category Management
- May require a change in current company culture, structure and processes
- Creates new roles & responsibilities
- Requires the close cooperation of different departments
- Strategic decision that requires Top Management acceptance, commitment & support

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Cooperative Trading Partner Relationships

- Weakness of coordination and understanding
- Frequent change of commercial agreements
- No continuity of category management

- Ability to think strategically
- Agree on a common process
- Willingness to share information & expertise
- Mutual investment of resources & time
- Clear action plan with detailed timings & responsibilities
- Commitment to agreed procedures

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Scorecards

- No applicable results
- Lack of project evaluation and fine-tunings

- Mutual agreed scorecards
- Clear predefined quantitative & qualitative KPIs
- Performance review checkpoints throughout the project
- Ability to be unbiased and use both positive & negative results for further improvement

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Information Technology

- Difficulty in exchanging store / category / SKU level data
- Paralysis of Analysis

- Information technology is both the “fuel” and the “engine” for productive Category Management
- Complexity reduction
- Process must lead design
- Consistency in data format & quality

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Choosing
the appropriate approach

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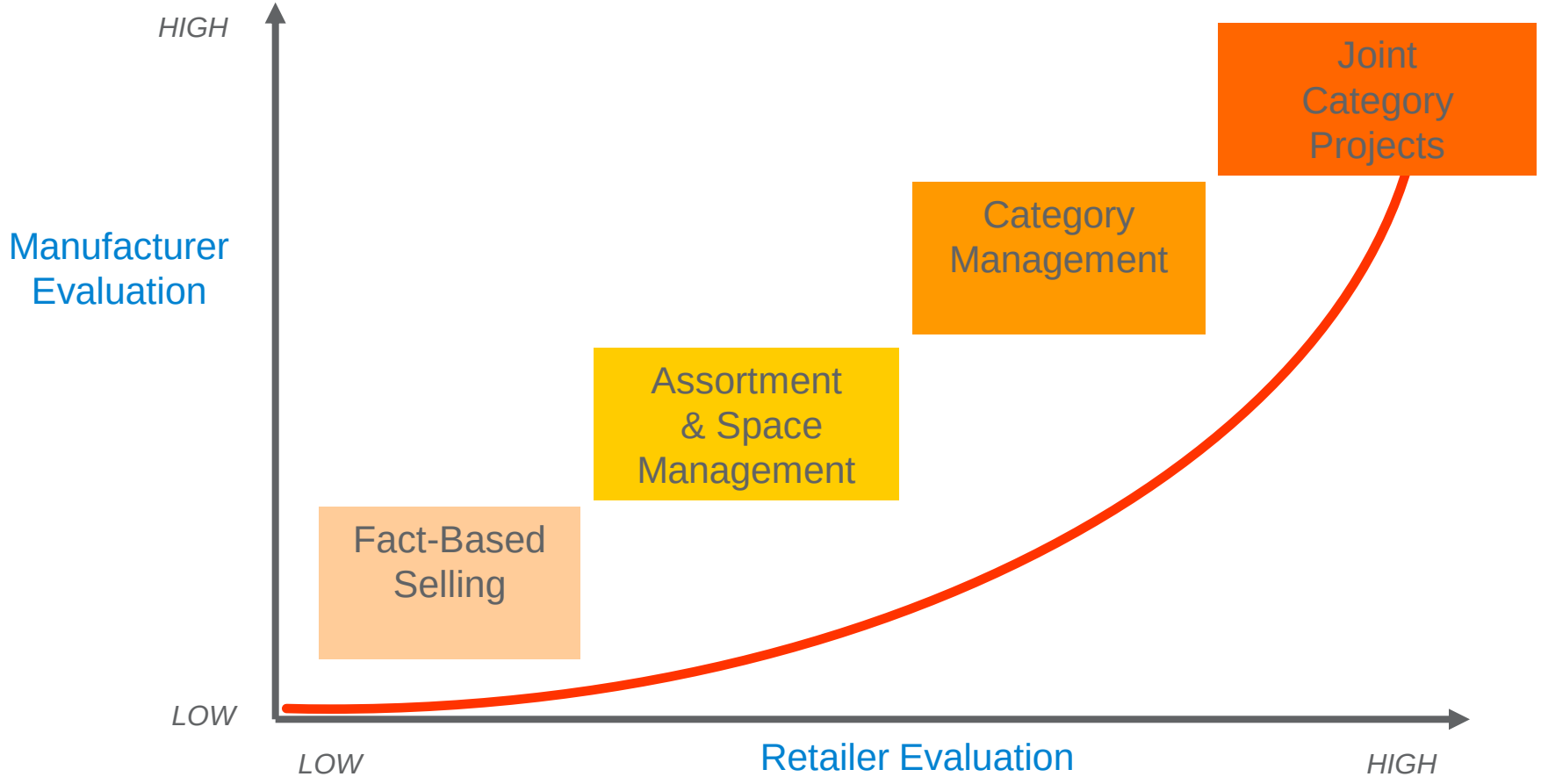
Choose the appropriate level of approach based on commitment and capabilities



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Let's summarize

Category Management is a process,
not just a project methodology

- Evaluate yourselves & your partners against all Category Management components
- Don't be afraid to start small and expand as you build capabilities and gain experiences
- Set clear objectives and a mutually agreed action plans with distinct roles and responsibilities
- Always review your projects during and after implementation

Don't forget to put the consumer into the equation!

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Category Management works…
Let’s make it work for you!

Thank you!

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