A Top Pro Offers Advice To Ease Implementation

Don't just run category financials;
Get to know who shops you, and why!

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Where do retailers most often go wrong in implementing category management? How can they put the consumer into their plan? Why is culture change crucial?

These are some of the questions we posed to Win Weber, founder of Winston Weber & Associates, the Memphis consulting firm. Weber, recognized as one of the foremost architects of category management implementation, has gained a worldwide reputation as a strategist with a practical understanding of business dynamics and as an expert in establishing partnering relationships between retailers and suppliers.

He was a member of the FMI ECR category management subcommittee, and designed the first comprehensive analysis and planning manual for category managers. Weber is also a moving target. We tracked him down for a phone interview while he was in Rio de Janeiro, teaching category management to South American retailers.

Weber offers advice on adding consumer focus, finding efficient assortment, going through culture change and avoiding category management minefields.

What keeps many retailers from cashing in on category management?

Very few of them are truly focusing on consumer needs. They concentrate to a great extent on internal measures only—negotiating a plan, developing a strategy and looking at profit or gross margin as the primary measure, exclusive of consumer satisfaction.

You cannot compromise on the definition of category management. The Category Management Report published by the Joint Industry Project on ECR defined it quite simply: "The distributor/supplier process of managing categories as strategic business units, producing enhanced business results by focusing on delivering consumer value."

We've come a ways since the first reports were written, but that basic definition still stands up. If a retailer is going to get the highest return on its investment here, it cannot compromise that definition.

How do you bring consumers into the equation?

You have to give up relying solely on financial measures. We strongly urge our clients to invest more heavily in consumer research. For example, Nielsen consumer panel data lets you know where your core consumers are buying various categories. You get an idea of where consumers are buying across both supermarkets and other trade channels.

We also see tremendous strategic value in using frequent shopper programs to measure changes in consumer behavior as part of category manage-

Is the Investment Worth It?

ment. This is crucial in building profitable sales growth. You don't want to be building just sales—you want quality sales, so customer knowledge is essential.

How does this tie into efficient assortment?

Over the past 18 months our firm has moved beyond the original ECR guidelines, especially as they relate to efficient assortment. The original guidelines tend to focus on making assortment decisions based on internal measures. Retailers can make horrendous mistakes that way.

Retailers need to concentrate on efficiently handling the variety the consumer wants. Research shows that unless retailers know why consumers are shopping in their stores, and know what consumers' expectations are, they can make wrong assortment decisions. For example, if a consumer is expecting a one-stop shopping experience, the focus should be not on reducing SKUs, but on how to more effectively manage the store inventory to support a broader assortment of SKUs.

Where do manufacturers fit in?

We urge supplier clients to invest in retailer-specific consumer research down to the category level. Most retailers spend their consumer research on a chainwide, store cluster or maybe department basis, but they rarely have the resources to go down to the category level.

If I'm a lead supplier with confidence in the equity of my brands, it will be to my advantage to work with the retailer on understanding the consumer at the category level. If I lose any SKUs, I'll usually lose unproductive SKUs. I will usually end up with a greater competitive advantage when the process is complete. Weaker suppliers have a tougher job here—they have to be especially sharp or face bigger losses.

What are your thoughts on strategic alliances?

We still have a long way to go in building trust in collaborative relationships. We see more lip service with little true partnering—where the supplier and retailer both work together with a category and consumer focus.

Most retailers have difficulty focusing on both the demand and supply side. And most suppliers are carrying their brand biases into the category planning process. Both sides know that.

As an aside here, we see a growing number of suppliers starting to question whether or not they're going to see return on investment for the additional resources they are deploying. Some of them don't see enough interest among retailers in applying true category management concepts.

Some of this gets down to the need for a culture change, doesn't it?

Most retailers lack the ability or the willingness to change cultures. Often, they have long-time employees or certain personnel policies they have to wrestle with. The magnitude of this change is moving faster than retailers or suppliers were trained to deal with.

Category management requires a new set of skills, and the availability of talent is still quite limited.

With few exceptions, retailers are not investing nearly enough resources in training category managers. Too often, they'll call in a consultant and expect category management to be turnkey. We set it up, they turn the key on Monday morning and the buyer is now a category manager. They assign new responsibilities, but they haven't changed the skill set. They don't understand that this is not a turnkey process.

A notable exception is H-E-B, a client of ours. They have invested more in training, and they look at people as an investment vs. a cost. I think that is reflected in their ability to be a leader in category management.

What are some specific suggestions you have regarding culture change?

Retailers must become more focused on the total store. They need to look at productivity of one category relative to others across stores, and concentrate more on how to get the highest return on their most important asset—the store.

We also see that retailers, as they add new technology and build the skills of category managers in front a computer screen, face a danger of losing the merchandising components of retailing. So it's essential that the category manager be allocated sufficient time to get out into

Striking a Balance

the stores and interface with store personnel to stay in touch.

Retailers and suppliers alike risk becoming template-oriented—teaching people how to fill out templates in the planning process instead of teaching an actual process orientation. The key to building our skills over time and bringing true value to category management is to focus on the process, not on templates. Templates have a role, but they should not be the primary focus.

Retailers must also strike a clear balance between the centralized advantages of category level planning and the establishment of communication processes—top down, and bottom up. These communication processes enable the category manager to respond to specific store or customer requests because, in reality, each store is a market with a unique consumer profile. ■

"Beyond ECR Role Definitions"

As Win Weber sees it, current category role definitions don't cut it anymore.

Weber, founder of Memphis-based Winston Weber & Associates, says retailers and suppliers often have difficulty determining the difference between destination and routine categories, for example.

Too often, he says, definitions of the roles—destination, routine, seasonal/occasional and convenience—seem vague and hard to illustrate.

"Some large categories are being defined as destination, yet they don't truly 'help define the retailer as store of choice.' But they don't fall into routine category definitions either," he notes. Moreover, he adds, an ECR guideline says a seasonal category can't be a destination category during a peak seasonal period.

Weber has introduced "Beyond ECR Category Role Definitions," which he says have been well-received by retailers and suppliers to whom he has presented them:

—**Signature**, from retailer view, defines consumer positioning, stores willing to put "signature" on category; creates customer base, builds loyalty; emphasis on quality, service, differentiation, assortment; willing to invest in resources to create/maintain long-term sustainable competitive advantage.

From consumer view, determines primary store of choice; expects consistent superior quality, service, variety, availability of brands or items of choice; emotionally involved in purchase decision; high purchase frequency.

—**Priority**, from retailer view, reinforces loyalty; increases traffic/transaction size; emphasis on price/value; intense competition within and across trade channels; willing to invest margin.

From consumer view, prefers to purchase at primary store; willing to switch from primary store to buy; expects consistent best or competitive price/value, and availability of brands or items of choice; high purchase frequency.

Basic—from retailer view, preserves loyalty; increases transaction size; core category/majority of shopping basket items; may respond to competitor initiatives; usually not willing to invest margin on regular basis.

From consumer view, rounds out basic purchase needs; expects competitive price/value and availability of desired items, but willing to switch brands/sizes; moderate/high purchase frequency.

—**Occasional/seasonal**, from retailer view, accepts less loyalty; may increase transaction size; carried by majority of competitors; may redefine to priority role during peak seasonal period; not willing to invest margin off season.

From consumer view, despite low purchase frequency, expects availability, and best or competitive price/value on key seasonal items in peak periods.

—**Fill-in**, from retailer view, maintains presence in category; may increase transaction size; builds one-stop shopping perception; consumer purchases usually through another channel; not willing to invest margin.

From consumer view, desires availability, but willing to buy elsewhere; low expectations to assortment/offering.