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BUILDING BRANDS THROUGH RETAIL

Shopper-Centric Model Poised To Emerge as New Process

By James Tull

The challenge in category management today is transforming a retail organization skewed heavily toward the traditional process to one that is driven more by skills and capabilities in shopper insights.

Retailers can meet this challenge by deploying a shopper-centric model that relies on collaboration with trading partners, says a noted category management expert. But many hurdles remain in the path forward.

“Approximately 70 percent of all purchase decisions are made within the store, and consumers today are much more analytic and information-focused than they have ever been,” says Winston Weber, president of Winston Weber & Associates in Memphis. “For a consumer who is seeking solutions within a store, it is the role of the retailer to construct the information needed to help make the right choice.”

This means using merchandising to spark creative thinking about possible purchase solutions effectively. It is the joint responsibility, he believes, of both retailer and supplier to create an effective shopping experience and assist the shopper in making the right decisions to ensure that the trip is worthwhile.

Are retailers not ready for a shopper-centric approach?

“At the executive level, most retailers grasp it, and both the shopper and the shopping experience are strategic priorities,” says Weber. “Unfortunately, there is a misalignment of business processes and performance measures between category management and store operations.”

He believes that current performance measures are geared almost solely towards the financial component, as opposed to being balanced between the financials and the shopper. Such an alignment does not encourage shopper centricity. What’s more, the “art” of merchandising skills having seen serious deterioration lately, even though true shopper centricity demands it.

“Store execution has been, and continues to be, horrible,” Weber says flatly. “Out of stocks stood at 8 or 9 percent in the early ‘90s and are still the same today. Promotion execution is about 60 percent at best. This is a problem that must be fixed in order to be truly shopper centric.”

While many executives believe this situation can be fixed by improved processes and measures alone, Weber has built a strong argument to suggest otherwise. His organization is calling for a restructuring of store operations to accommodate a shopper-centric environment.

"We feel that there has to be a merchandising manager at retail, responsible for the total store, who has full responsibility for execution and is measured and paid on that execution," Weber says. "And if those measures are aligned with the category manager on what has to get done in the store, I guarantee there will be a significant improvement in the quality of store execution on headquarter-approved programs."

The consultant feels as though this structure breaks down departmental silos and better aligns in-store priorities, as well as puts the store in a better position to adapt to local merchandising opportunities and complimentary product and category merchandising. Another must, he says, is a senior merchandising or "shopper solutions" executive in operations who is focused on shopper solutions and is responsible for merchandise execution.

"Considering the major initiatives designed to improve the shopping experience in the category, aisle, department and store, as well as growing supplier investment in shopper insights and shopper marketing, this new position is a must," argues Weber. "There should also be a shopper insights support function in category management – a function that has a direct interface with a supplier that has a similar function."

He prefers to avoid the title of "category manager" and is instead calling for a transition back to the role of merchant. If a retailer is truly focused on a solution orientation, he says, the word "category" is too narrow, as complimentary categories and the entire aisle must also be taken into consideration.

"A category manager is focused primarily on cost, price, assortment, shelf and promotion, which is basically Efficient Consumer Response. The title of merchant, on the other hand, means that the focus is on cost, price value, solutions and the shopping experience, which translates to shopper loyalty," he says.

In discussing the importance of communication between retailers and suppliers, the consultant says that in a shopper-centric environment, there must be a business development strategy between the both parties. This should cover a two- to three-year time frame if it entails signature and priority categories.

"The frequency of meetings really depends on the importance of the supplier to the retailer and the supplier's brands to the retailer when you are talking about meetings at senior management levels," Weber says. "Of course, there must be strategic alignment between both parties."

What about the importance of business reviews and the basic sales call?

Weber recalls a major retailer who mentioned that during the last twenty business reviews from suppliers, 75 percent of the time was spent talking about the past. “That is unacceptable.”

Weber talks about another retailer who tested and built a repository of knowledge which enables an electronic transfer of the supplier’s presentation to the category manager 48 hours in advance. The category manager then has the presentation in hand, studies it, and prepares his or her questions before the meeting.

“Only 25 percent of that meeting consists of answering questions and seeking clarification on that presentation, and 75 percent is on discussing issues related to driving the business,” Weber points out. “This approach is much more productive and a huge difference in terms of how we are looking at restructuring the collaborative process and the sales call.”