



# CATEGORY MANAGEMENT Yesterday, Today & Tomorrow

**An ECR Community  
Review of Current  
Practices in Category  
Management 2020**

dunnhumby

  
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# Acknowledgments

It has been a privilege to lead this ECR Community initiative. I have been intrigued by the study of Category Management & shopper behaviour for many years and am delighted to present such a global Review of current practices.

My sincere thanks and appreciation go to the Editorial Committee for the countless hours spent in virtual meetings debating and fine tuning this Review.

Special thanks to Dr. Brian Harris and Luc Demeulenaere who are contributing to their third major ECR publication on Category Management and have significantly enriched this Review with their deep experience, passionate analysis and progressive views.

Particular thanks to all retailer and manufacturer executives who have contributed their time and experience to this Review and are playing a significant role in advancing the standards of Category Management globally. Central to this Review are the case studies from retailers & manufacturers illustrating how Category Management is currently being used throughout the world. All case studies are presented according to a common template and include background information to allow the reader to put into context the scale & complexity of each initiative from the outset.

I am grateful for the support from dunnhumby, Hoffrogge and Yagora. They have added their expertise to this Review and appreciated the benefit and need in being involved in such a global publication.

Declan Carolan  
General Manager, ECR Ireland & Co-Chair, ECR Community

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# Foreword

Declan Carolan,  
Co-Chair, ECR Community

November 2020



This global ECR Community Category Management publication has a clear objective. To build a community platform to help the practitioner and the manager to deal with the massive speed of change that is impacting the marketplace today.

This publication gives both a historic and a future view on the methodology for how to go-to-market as a retailer or a product manufacturer and is food for thought to all who have an interest in the business of value creation with the consumer and the shopper.

From the student who has a career ambition to the practitioner, to higher management, this publication will stimulate new ideas and build greater understanding of why businesses win or lose because of changing market dynamics and not in the least, recently in situations of economic crisis, when consumer and shopper behavior change significantly.

Category Management as a work model provides insights into how retailers and manufacturers can build winning strategies within a logical brand building framework, how new retail channels, new technologies and new media arise. Even more importantly, it provides the method for how to build upon the consumer/shopper insights to configure the go-to-market strategies and tactics for brands and store formats to succeed.

In the design of these methodologies and their enabling organizational approaches and tools, all companies need to do an update and understand what it is they can contribute in a multi-dimensional market environment where brands, retailers, tool providers and researchers each play their role and sub-optimize towards their personal business goals. We often forget what a network economy could do better by just understanding

where collaboration brings better results for all and creates correct superior value for the end customer. This publication brings these dimensions in the framework of the right market value creation and formulates some recommendations for retailers and manufacturers.

Before supermarkets, hypermarkets and discounters existed there was a local store owner who knew his customers by heart, their aspirations and preferences, and he was able to respond in a superior way to win the heart of his customers. The development of scale in retail solutions since the 1970's has brought dilution in this commercial intelligence. Category Management has been and is the progressive insight methodology to bring this commercial intelligence into scaled retail environments.

As such it will even grow in importance in the future as AI develops, E-commerce, robotics and NFC make major contributions and in that respect we hope that this publication gives you inspiration to be faster and better than your competition.

I believe this publication will promote knowledge development and trigger significant discussion and debate by category managers globally. This debate will be richer if there is an appropriate forum to facilitate such. To this extent, ECR Community will host a series of webinars in 2021 to promote this Review. The objective will be to allow contributors the opportunity to bring their submissions to life and enable practitioners across the globe to interact and gain better understanding. I encourage all to engage with these webinars and believe they can be the launchpad for a global ECR Category Management Network.



# Editorial Committee

**DECLAN CAROLAN - General Manager, ECR Ireland & Co-Chair, ECR Community**

Declan has worked in the retailing/FMCG sector for over thirty years. In Superquinn (a chain of Irish supermarkets), he worked in store management and category management roles and was the company's first Head of Supply Chain. In this role, Declan introduced holistic company strategies, according to ECR principles, where effective operations, optimal product availability, retailer/supplier collaboration, category management & supply chain strategies were aligned and became drivers for growth. Within ECR, Declan is a firm believer in working together, internally & externally, to raise overall knowledge & expertise throughout the industry as "a rising tide lifts all boats".



**DR. BRIAN HARRIS - Senior Advisor**

Dr. Harris pioneered the concept of Category Management in the late 1980's. Since then he has been a leading ambassador and thought leader teaching and delivering the benefits of Category Management methods to hundreds of retailers and manufacturers across the globe. He co-founded The Partnering Group in 1990 to provide a platform for the global use of Category Management. For the last 30 years, he has been a leading contributor to every major ECR industry initiative across the world directly related to Category Management and its related practices.



**LUC DEMEULENAERE - Senior Advisor**

Luc has over 35 years of experience in the FMCG industry including over 12 years as a global Associate Director in Procter & Gamble's global operations. His primary roles were to support the implementation of Category Management globally with P&G's key retail customers and to lead shopper insights initiatives to support these efforts. He co-founded the Brussels based consultancy ShopTing in 2012. He is a globally recognized expert on Category Management and in the use of consumer and shopper insights in brand equity building frameworks. He has been involved in all industry related ECR publications in Europe since 1998.



**DAVID CIANCIO - Global Head of Grocery Retail, dunnhumby**

David has 50+ years of retail experience as an operator, marketer, and strategist. He created Kroger's first-to-market and industry-leading KrogerPlus loyalty program after working in every role in a supermarket, proudly including 20 years in store management. Currently, David helps dunnhumby's global clients grow their sales and loyalty by creating better Customer experiences, and by applying Customer-led organisational change. For his visionary and pioneering work in applied data science to grocery merchandising and marketing, Ciancio was named one of Advertising Age magazine's "Top 50 Marketers" as well as one of RIS's "Top 10 Retail Influentials of 2020".



**BIRGIT SCHRÖDER - Lead Shopper Experience, GS1 Germany**

Birgit Schroeder is Lead Shopper Experience of GS1 Germany and responsible for ECR Germany. Birgit has been focusing on the topics of Category Management and Shopper Experience for more than a decade. In doing so, she is strongly oriented towards the idea of ECR, with the conviction and experience that a cooperative approach with focus on consumer needs achieves much more positive results than a one-sided approach of the market participants.



**FRANÇOISE ACCA - Consultante GT Online, Institut du Commerce / ECR France**

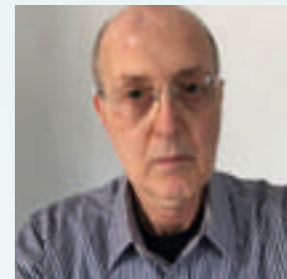
Françoise Acca is the founder of ACTINCO and coaches organizations in their agile business transformation. She trains and facilitates in E-commerce and customer journey. Previously, Françoise was Marketing Manager in both Carrefour France and Italy and is now working for Institut du Commerce / ECR France.



**CLAUDIO CZAPSKI - CEO, ECR Brazil**

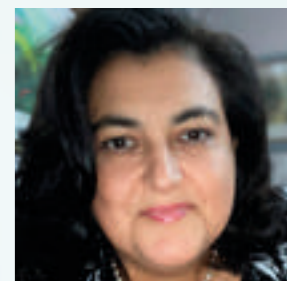
Graduated in business in 1972, worked with management responsibilities for Mercedes Benz, Pfizer and Bunge International, and as a strategy consultant for a broad array of companies, ranging from manufacturing and distribution to health services, food service providers, associations, governments and institutions such as WHO, PAHO, World Bank and IDB.

Since 2000, in addition to consulting, CEO of ECR Brazil and collaborating with different universities and specialized media organizations to disseminate consumer and shopper-centric management concepts and implementation processes.



**ANTONELLA ALTAVILLA - Academy Consultant for Category Management, GS1 Italy**

Antonella Altavilla is the GS1 Italy Academy Consultant for Category Management and the Owner of ADF Consulting. She has significant marketing experience, as Chief Marketing Officer in leading companies operating in retail industry. Antonella runs important joint projects between Retailers and FMCG Manufacturers working for leading Consulting Firms such as Roland Berger and KPMG Advisory and has published several articles and two books including Category Management, Omnichannel and Digital Marketing, Shopper Marketing and Customer Relationship Management.



**CHÉ MCGANN - Projects & Communications Manager, ECR Community**

Ché provides the daily support to our global network of ECR Nationals and works with them to progress best practice and collaboration across our membership base. With a background in engineering and a keen interest in sustainability, Ché also works with a number of Irish corporates on their sustainability strategy & circular economy projects. She previously worked with Sustainable Nation Ireland.





## A Word from our Sponsors



[www.Hoffrogge.com](http://www.Hoffrogge.com)

We at Hoffrogge experience that dialogue-oriented cooperations in Category Management between retailers and manufacturers are the best way to achieve profitable category growth.

If the processes are based on well-managed data and the relevant category tactics are supported by scalable software solutions, the strategy can easily be executed even on a store-individual level.

Our customers confirm that our fully integrated back office solutions combined with the easy-to-use mobile applications for the people in store will make a difference in the future ways of working.

Wilhelm Hoffrogge - CEO, Hoffrogge



[www.dunnhumby.com](http://www.dunnhumby.com)

dunnhumby helps retailers and brands to deliver better shopper experiences through Customer-First strategies. With a unique combination of consultancy and best-in-class software and tools, our Category Management framework helps clients turn the data they already own into insight, so they can focus on what matters most to shoppers, make smarter category decisions, grow sales, and protect margins.

We're pleased to share two case studies of category management projects showing how clients brought the 'voice of the shopper' into their decision-making process, ultimately improving the in-store shopping experience and generating sales uplift.

David Ciancio - Global Head of Grocery Retail, dunnhumby



[www.yagora.com](http://www.yagora.com)

At Yagora purchasing decisions have been at the heart of our thoughts and actions for over 20 years. Using well-founded data, we measure and analyse shoppers' behaviour when making purchasing decisions and examine the attitudes, motives and emotions behind them. Yagora is partner of GS1 Germany since many years and we are happy to share together with our client Jack Link's a very successful category management project which we carried out in Germany.

Andreas Luppold – Partner, Yagora GmbH







# INSIGHTS



# Category Management Yesterday, Today and Tomorrow

Brian Harris and Luc Demeulenaere

The primary objective of this paper is to recognize the key role that Category Management has played in the evolution of the consumer goods retailing and marketing industry since its introduction thirty years ago and to reinforce the importance that this core business process will continue to play as an essential business method in the dynamic world of consumer and shopper marketing.

## INTRODUCTION

Category Management has known its success since the late 1980's as it made decision making in retail more data based and, as a result, more productive and more connected with the consumer. Now almost 40 years later, retail has changed, data availability has changed, the consumer has changed, technology has changed and economic dynamics have changed. It's time to review the role that Category Management has played in the evolution of retail marketing and to define its contribution in the future.

First, we review two time periods since the introduction of Category Management – 1987 to 2010 and 2010 – 2020. Each of these periods has been characterized by unique industry dynamics that led retailers and manufacturers to view Category Management as an essential tool for their business success. We then lead you to the critical success factors that will make your business win in the future and some thoughts on how Category Management is likely to evolve in the next 3-5 years. How some new technologies and tools will drive this evolution will be presented. Some recommendations for retailers and manufacturers to continue to get maximum value from their investments in Category Management will conclude the paper.

The main sections of the paper are:

- ▶ Executive Summary of Content
- ▶ Category Management 1987 to 2010 – Bringing the Consumer into Retail Marketing
- ▶ Category Management in the Omni-Channel Era - 2010 to 2020 – Bringing the Shopper into Retail Marketing
- ▶ The Future – Integrated Consumer and Shopper Marketing
- ▶ Recommendations for Retailers and Manufacturers





## EXECUTIVE SUMMARY OF CONTENT

### Category Management 1987 to 2010 – Bringing the Consumer into Retail Marketing

#### 1. New competitive forces reshape retail:

- ▶ The blurring of the boundaries of the traditional channels: drug stores sell food, food stores sell drugs etc.
- ▶ Rapid growth of discounters
- ▶ Category killer stores make their entry
- ▶ Retailers develop private labels and retail brands and bring new pricing dynamics into the customer Category Management proposition

#### 2. Bringing the consumer more into retail decision-making

- ▶ POS data-use and sharing to complement consumer and shopper store productivity insights
- ▶ The loyalty card opens new ways to build customer relationships and insights
- ▶ Category Management as a data based language

to work collaboration between retailers and manufacturers

- ▶ The role of the category to manage traffic versus profit mix and how this translates in different category strategies and tactics
- ▶ Efficient Consumer Response (ECR) becomes a global collaborative initiative with Category Management as the umbrella; total system efficiency, store space management, direct product productivity and data sharing are the leading methodology concepts.

### Category Management in the Omni-Channel Era - 2010 to 2020 – Bringing the Shopper into Retail Marketing

#### 1. New generation of consumers, upcoming trends and management of global issues

- ▶ Health management, sustainability and ecology, individuality, social responsibility, convenience put societies, governments and the consumers in a new context to change consumption and shopping choice-making, influencing strongly category strategies and tactics
- ▶ The new generation of consumers brings a shift in buying power and urges companies to rethink their offer and the shopping experience

## More Places to Shop



## More Ways to Shop



- ▶ The role of the category in these new shopping missions, consumption occasions bring Category Management in a new cross- category offering platform, dictated by the Consumer-Shopper journey which starts from the consumer need value drivers and the consumption occasions which lead to where and what her money is spent on.

#### 2. Innovative channel development to reach the consumer

- ▶ 'On the go' store formats, 'online- store' developments in retail bring the consumer and her product user-moments closer and blurs the traditional shopping habits
- ▶ Convenience and Price become heavy shopper drivers in the retailer constellation, driven by new price transparency and the convenience of e-Commerce home delivery
- ▶ From physical store to omni-channel to opti-channel revolution. As price, multiplication of the on-line sku offer (assortment), delivery convenience, on-line transparency of the competitive offers, mobile switching to compare across retail solutions, on-line browsing quality, recruiting via social media allows the consumer to see her needs answered faster, cheaper, better informed and delivered where she/he needs it at in the right time.

### The Future – Integrated Consumer and Shopper Marketing

#### 1. The era of shopper marketing in the Consumer and Shopper journey

- ▶ Retailers become marketers to win the shopper with differentiating offers, store formats and media offering based on insights derived from the Consumer and Shopper journey.
- ▶ The CS- journey to integrate consumer and shopper value drivers and the resulting customer experience insights on expectations
- ▶ The CS-journey influence - structure to manage consumer and shopper- interactions (social media, search engines, traditional) in a more strategic marketing logic, reshaping drastically the traditional media solutions

#### 2. Big Data providing the platform for Artificial Intelligence

#### 3. Technology innovation drives retail innovation

- ▶ Virtual experience to capture the aspiration of the consumer
- ▶ Robotics in production, but even more in logistics to assemble the on-line order delivery basket





- ▶ Development of mobile intelligence from Apps, mobile phone tracking to learn about our aspirations, values, desires, preferences to make the offer more relevant in the battle to win the customer in an AI build up;
- ▶ Image recognition to capture behavior

**4. Next generation of supply logistic-structures from product source to place of consumption with respect to the new ecology rules**

- ▶ Eco-driven home delivery supply chains
- ▶ Home refill replenishment solutions to build new 'loyal' habits via open shopping lists
- ▶ Refill intelligent packaging to reduce waste

**RECOMMENDATIONS FOR RETAILERS AND MANUFACTURERS**

**Recommendations for Retailers**

- ▶ For retailers, the key for competitive advantage will be the ability to have the deepest possible understanding of consumer-shoppers, their value drivers and behavior across all channels and to leverage these insights to develop and implement superior "category

solutions" to the retailer's most important consumer-shopper segments. Some recommendations to develop the required capabilities include:

- ▶ Build consumer-shopper understanding to be able to transition from mass marketing to mass customization to 1-1 personalization using Artificial Intelligence tools to build maximum relevancy in the shopper proposition
- ▶ Develop a strategic multi-source data intelligence masterplan to connect the various sources of customer insights and use this intelligence to install customer centricity as a core business philosophy across all functions of the retail organization
- ▶ Connect marketing and merchandising decisions to the primary and aspirational value drivers of customers to build innovative propositions ahead of competition
- ▶ Co-invest with manufacturers to improve the desired price/quality equation of the category solution proposition, the convenience to shop it and to deliver it to the place where it will be consumed and to be able to communicate category solutions within the consumer-shopper journey communication structure
- ▶ Learn to operate in an opti-channel world where the consumer is assumed to know all about your competition across all channel formats; build a data-sharing capability with your strategic manufacturers to co-invest the influencing insights and media investments along the journey

- ▶ Be clear on where to focus first – understand which categories initiate purchase behavior change (non-food versus food, luxury versus commodity etc.); which value drivers are better responded to in an e-Commerce channel versus the physical store channel; which segments (younger consumer generations, fashion influencers) drive other consumer segments (e.g. older generations, followers) into new behavior to gain faster critical mass behind your marketing investments
- ▶ Update Category Management methods to adapt category strategies and tactics (especially assortment) to the role of the category in each of the retailer's channels; identify categories which may justify a different role in the on-line channel versus the physical store channel and adjust strategies and tactics accordingly
- ▶ Collaborate with manufacturers to re-invent supply systems given the new convenience expectations of consumers and the new ecology regulations to reduce packaging waste and improve delivery efficiency
- ▶ Expand the focus of negotiation to include joint media collaboration and shopper marketing initiatives.

**Recommendations for Manufacturers**

For manufacturers, the key for success will be to understand the new consumer growth drivers for the brand, the consumer and shopper segmentation that supports these drivers and how to market to these segments at each step of the consumer-shopper journey. This will require new levels of collaboration to understand how brand segments connect with retailer segments and new alliances to capitalize on the ability of new media (especially social media) to activate behavior along the journey. Some recommendations to develop the required capabilities are:

- ▶ Identify and update each brand's consumer drivers to reflect lifestyle values and trends (health, ecology, individuality, budget consciousness, and so on) and map these brand drivers to high opportunity purchase growth segments for the future; connect these brand segments to likely retailer customer segments
- ▶ Gain Category Management insights for these segments along the Consumer and Shopper Journey structure to understand how to capture potential in which channel/retailer

- ▶ Develop communication strategies and media choice tactics along the same structure to generate awareness, consideration (influence), trial, re-purchase and recommendation (influence) to capture that potential value ahead of competition
- ▶ Create alliances with e-Commerce retailers to capture online ROI of e-Commerce communication investments, especially in social media
- ▶ Understand the cross-category and cross-consumer segments that can have the most impact on expanding what consumers buy and where they shop in the new channels to build a smarter opti-channel game plan
- ▶ Build a central data intelligence plan to evaluate consumer solution e-Commerce alternatives as new logistical delivery structures arise.

**CATEGORY MANAGEMENT 1987 TO 2010 – BRINGING THE CONSUMER INTO RETAIL MARKETING**

**1. NEW COMPETITIVE FORCES RESHAPE RETAIL**

- ▶ *The blurring of the boundaries of the traditional channels: drug sells food, food sells drugs etc.*
- ▶ *Rapid discounter development*
- ▶ *Category killer stores make their entry*
- ▶ *Retail develops private labels and retail brands and brings new pricing dynamics in the customer Category Management proposition*

Category Management was born in the late 1980's. Like many new methods that have been introduced into retail marketing, the driving forces behind the emergence of Category Management were changes taking place in the competitive retail marketplace and the impact of new competitive forces on retailers. For many years, retail competition took place within well-defined channels. Grocery stores competed primarily with other grocery retailers, drug stores with other drug stores and so on. In the mid-to-late 1980's, however, the traditional boundaries between these channels started to blur. As retailers searched for new ways to grow sales and expand their customer base, the lines that had defined these different channels began to disappear.



Supermarkets began to carry more of the categories and products that had traditionally been offered mostly in drug stores. Conversely, drug stores started to expand their offerings of food categories. Convenience stores started to significantly expand into more fresh and packaged food categories that were traditionally the domain of grocery retailers. This “channel blurring”, as it became known as, defined the new retailing reality. It imposed new and more challenging demands on retailers as they entered categories in which they had limited expertise and were now in competition with a much wider range of competitors. This changing scope and nature of competition ushered in a new retailing paradigm.

Several other important developments were also underway that would change the nature of retail competition forever. The clearest example was the rapid growth of discount retailing. In the US, this was led by Walmart and in Europe by Aldi. Walmart started as a non-food general merchandise retailer with the strategy of offering the lowest possible prices. From its non-food, lowest prices foundation it saw the growth potential in attacking higher margin categories that, up to that time, had been dominated by supermarket and drug store retailers. Household product categories (such as laundry, paper, cleaning products and pet products) were initially targeted with the discount strategy to gain penetration in these higher household penetration and more frequently purchased categories.



This was followed by aggressive expansion of these price discount attacks on personal care / health and beauty care categories where traditionally supermarket and drug store retailers had relied on higher profit margins to offset lower margins in their food category departments. Categories such as baby care, shampoos and conditioners, toothpaste and toothbrushes were targeted. In a relatively short period of time Walmart captured significant sales in these categories from the traditional retailers. In addition, Walmart’s significantly lower operating costs provided a major disadvantage to traditional retailers as they searched for response strategies. Clearly, this was a very different competitive landscape in the US and Walmart was writing the new rules.

A similar situation was occurring in Europe. In the UK, Walmart / ASDA introduced this US strategy in the 1990’s. In response, Tesco, in partnership with a third



party data firm dunnhumby, began to develop shopper intelligence as a weapon to differentiate itself from Walmart’s low price attacks. Data captured from Tesco’s loyalty cards provided a way for Tesco to respond in a more targeted manner to the needs of its customers. Other retailers in the UK, and in other countries, including Germany (DM drugstore chain), Belgium (Colruyt and Delhaize) and Holland (AHeijn), also began to use loyalty card data not only to reward loyalty, but to develop a deeper understanding of their customers.

Also, starting in Germany, and then expanding to a number of European countries, the entry and growth of hard discount retailers, led by Aldi, put new pressure on the more traditional supermarket and hypermarket channels. Significantly lower retail prices were offered and supported by a bare bones operating cost structure. Consumers responded positively and the market share of the hard discount retail format began to grow.

The need for retailer differentiation also provided a basis for the expansion and growth of premium private labels and retailer brands. This, supported with information analyzed from loyalty cards, demonstrated that not all shoppers are alike in their responses to discount prices. The ability to identify and target different segments of shoppers was an important new marketing tool for retailers. It delivered Tesco impressive growth through leveraging these differences across its shopper segments. It also encouraged retailers to manage and differentiate their categories through more effective

price-quality positioning and more efficiency in their mix of promotional offers. Category Management became a must, and for retailers it was a necessary element to remain competitive against the growing inroads of the discounters.

In addition to the growth of discount formats, another new competitive threat emerged in many retail markets around the world beginning in the early 1990’s. This came from “category killers” - retailers that focused on carrying only one category of products. In Europe, a good example was the emergence and growth of Electronics category killer retailers, such as Vanden Borre, Krefel and Boulanger. They attacked categories that had been very profitable for traditional hypermarkets.

In the US, the most visible example was the Pet Category Killers, including Pet Smart, Pet Co, Pet Stuff and others. These were one-stop shops for all the needs of a pet owner. Traditional retailers offered a more restricted range of products tending to focus on the best-selling segments of the category (dog and cat food) and a limited range of non-food pet accessories. The new “category killers” were quickly seen by consumers as a more convenient, more knowledgeable and more exciting place to shop for their pets. This attack on the pet category was especially damaging to supermarkets. Pet owners tended to be family shoppers, the primary target of supermarkets. Since around 70% of US households own a pet, the losses suffered in this





category hit very close to the core of a supermarket's business. Also the pet category was one of the most frequently purchased categories, was in the top 10 categories in terms of sales, was growing at above average rates and had good profit margins due to the lower price sensitivity of many pet owners. Categories with these characteristics were core categories for any supermarket retailer. In a period of just 3-4 years, supermarkets share of pet category sales fell from over 90% to under 60% due to the combined impacts of the two new competitive threats – Walmart and the “category killers”. Category killers also began to appear in other categories, including soft beverages, juices, ready meals and in health and beauty categories. It was clear that traditional retailers needed new methods to combat the attacks on categories they had long dominated.

## 2. BRINGING THE CONSUMER MORE IN RETAIL DECISION-MAKING

- ▶ POS data -use and -sharing to complement consumer and shopper store productivity insights
- ▶ The loyalty card opens new ways to build customer relationships and insights
- ▶ Category Management as a data based language to work collaboration between retailers and manufacturers
- ▶ The role of the category to manage traffic versus profit mix and how this translates into different category strategies and tactics
- ▶ Efficient Consumer Response (ECR) becomes a global collaborative initiative with Category Management as the umbrella; total system efficiency, store space management, direct product profitability and data sharing are the leading methodology concepts.

Category Management, which had been introduced as a more consumer focused retail marketing approach in the late 1980's, offered a new approach for managing categories. It quickly appealed to more progressive retailers in a number of countries as a way to more effectively compete against these new forms of competition.

It was also clear that an industry initiative was needed to help traditional retailers address these significant new threats. The Efficient Consumer Response (ECR)

initiative was launched in the US in 1994 with the goal of developing new best practices in the key supply-chain and demand management areas that impacted sales and costs. Category Management was adopted as the core practice that was needed on the demand side to better understand and meet consumer needs and, by doing so, prevent further inroads by the new competitors.

Similar competitive trends were occurring in the other developed regions of the world. In response, similar ECR industry initiatives were also launched in Europe in 1997, in Latin America and Asia-Pacific in 1998. In all these regions, the same Category Management principles, definition and business model that were adopted as best practices in the US were endorsed as the global standard for ECR demand management practices. Widespread adoption of these concepts and methods occurred around the world as retailers and manufacturers realized the ability of Category Management to ensure that the needs of the consumer were placed at the center of their marketing and merchandising decisions. The era of retail consumer marketing had arrived and Category Management provided the platform for collaborative solutions.

Leading global brand manufacturers were also quick to recognize this new opportunity. Multi-national companies, including Coca-Cola, Procter & Gamble,



Nestle and Unilever, were now faced with this new retailer Category Management capability and with the development of retailer branding initiatives. This created a new dynamic in the traditional power balance between manufacturers and their retail customers. It represented a new paradigm for these relationships and new opportunities for more effective collaboration. Category Management provided a “common language” and platform for these new collaborative efforts. Global retailers and manufacturers were quick to adopt a single global best practice standard. This further accelerated the global adoption of Category Management methods.

As mentioned previously, the origins of Category Management can be traced to its use as a logical method to respond to the significant changes that occurred in the competitive landscape of retailing in the early 1990's. From its inception, Category Management demonstrated its ability to provide an effective platform for more consumer-focused retail marketing and merchandising decisions. Since then, its acceptance and use as a core business method has extended across the globe and across all channels (supermarkets and hypermarkets, drug, convenience, specialty, general merchandise department stores) and all sectors of the industry (retailers, manufacturers and wholesalers)

## CATEGORY MANAGEMENT IN THE OMNI-CHANNEL ERA - 2010 TO 2020 – BRINGING THE SHOPPER INTO RETAIL MARKETING

### 1. NEW GENERATION OF CONSUMERS, UPCOMING TRENDS AND MANAGEMENT OF GLOBAL ISSUES:

- ▶ Health management, sustainability and ecology, individuality, social responsibility, convenience put societies, governments and the consumers in a new context to change consumption & shopping choice making, influencing strongly the category strategies & tactics;
- ▶ A new generation of consumers brings a shift in buying power and urges companies to rethink their offer and the shopping experience
- ▶ The role of the category in these new shopping missions, consumption occasions bring Category Management in a new cross category offering platform dictated by the Consumer-Shopper journey, which starts from the consumer need value drivers and the consumption occasions which lead to where and what the consumer's money is spent on.



In recent years, a new retail paradigm has emerged and with it new challenges and opportunities for retailers and consumer product marketers. It has provided new opportunities for the application of Category Management methods. A number of factors have shaped the current environment.

First is the emergence of a new generation of consumers and shoppers with different expectations and demands. Buying power has shifted from Baby Boomers and Generation X to Millennials and post-Millennial population cohorts. The new generation, led by Millennials, has a heightened interest in ecology, health, individuality, social bonding, sustainability, social responsibility and convenience. These expectations and demands influence what products they buy and where and how they shop. One significant change is the shift to more local ecological/sustainable production and away from global brands and multinational consumer goods companies. This has resulted in the increasing market presence and share of new suppliers outside of the top 20 brand marketing companies. These new suppliers bring different business models. The imposition by governments of new rules on health, nutrition and safety of products and their ingredients in an effort to manage the rising cost of health care is another outcome of the changing expectations and demands of the newer generations of consumers and shoppers.



These new values and expectations have an important impact on the role of the category to win the shopping mission. Consumers are influenced by their lifestyle in choosing where to shop and what to buy. Lifestyle defined by these new consumer values influences product choice in stores they trust to meet their values and expectations. Bio-product shops and healthier product offerings not only enrich the assortment differentiation, but also enhance the retailer's equity towards aspirational expectations of consumers and shoppers. The role of the category connects and communicates the category to these values and expectations to win the shopping mission and the shopper.

**2. INNOVATIVE CHANNEL DEVELOPMENT TO REACH THE CONSUMER**

- ▶ *'On the go' store formats, 'online-store' developments in retail bring the consumer and product user-moments closer and blurs traditional shopping habits*
- ▶ *Convenience and Price become heavy shopper drivers in the retailer constellation, driven by new price transparency and the convenience of e-Commerce home delivery*
- ▶ *From physical store to omni-channel to opti-channel revolution. As price, multiplication of the online*



*offer (assortment), delivery convenience, online transparency of the competitive offers, mobile switching to compare across retail solutions, online browsing quality, recruiting via social media. allows the consumer to see her/his needs answered faster, cheaper, better informed and delivered where she/he needs it at in the right time;*

These new trends have given rise to new retail formats not the least of which is the rapid growth of the e-Commerce channel. These new ways of shopping have totally restructured the way retailing and consumer product manufacturing and marketing industries have operated in the past. The traditional supply chain structure:

**supplier ▶ retailer ▶ shopper ▶ consumer**

is for some consumption universes (non-food especially) evolving to be a new demand chain structure:

**supplier ▶ shopping interface ▶ logistical platform ▶ consumer**

This new structure has a number of significant implications for retailers and suppliers. First, where up until now the dominant market shares in many categories have been in the hands of larger multinational manufacturers, we are seeing the rise of many smaller local producers who can simply add their products to the product offerings of large e-Commerce platforms (Amazon and Alibaba) but also to the platforms of smaller niche e-Commerce players that focus on consumption universe solutions (for example, Douglas.de in Germany specializing in cosmetic categories). The product assortment offered to the consumer has expanded dramatically (Amazon's 50 million sku's versus the 40,000 - 50,000 offered in the traditional hypermarket / supermarket). Their assortment offer is a thousand times bigger, as they can take on board many more items, and in most cases do not even have to keep it in stock. In this new model, the role of many physical ("brick & mortar") stores is shifting to be more of a complementary convenience order pickup/showroom/amenity outlet in support of e-Commerce operations. Second, complementary to this dynamic, where consumers from the convenience of their home make orders online, we will see a more eco-logistic product flow to bring orders to the place of consumption, in the home, at a workplace or in another location. However,

often one order leads to the visit of multiple delivery trucks in front of the consumer's delivery point. Clearly, this is not efficient, not ecological, nor practical. Total system efficiency with a sustainability constraint is already a focus of process re-engineering by online retailers.

Third, the rise of e-Commerce has put traditional pricing and margin structures under pressure from the transparency of on-line pricing information. Finally, and potentially the most significant long-term impact, will



come from the shopper intelligence that is now available from online purchasing. It is providing new insights into consumer needs and solutions and purchase transactions and behavior.

Similar to the factors that drove the initial impetus for Category Management, significant new competitors with dramatically different business models have emerged to challenge existing retailers. The rapid growth of global on-line ("click") retailers, led by Amazon and Alibaba, is the most visible example. The massive assortment of products available through Amazon and Alibaba and the efficiency with which these retailers can deliver direct to the consumer has created a new standard of customer service that never existed in the era of "brick and mortar"



retailing. The consumer now has multiple options to choose from when doing their shopping – in store, on-line, mobile – and when receiving products – inside a store, at home, at a store pickup location.

What is interesting is that most retailers, whether the traditional brick-and-mortar retailer or the on-line

Tesco.com and Bol.com. The intelligence they build from the on-line shopping behavior of their customers provides a competitive advantage over retailers that merely add an e-Commerce channel in their retailer solution portfolio. As will be discussed later, this provides the pioneers (Amazon, Alibaba, Tesco.com, Bol.com) with an important AI development opportunity.

There is little disagreement that the emergence of digital shopping options and the acceptance of consumers of this new way to shop have reshaped the world of retailing and consumer goods marketing. Even though the percentage of total retail sales through on-line channels is growing it is still relatively small compared to sales in brick and mortar store channels, a majority of shopping decisions are being made with some kind of on-line interaction and influence. A high percentage of shoppers now research product options and reviews on-line prior to making a purchase decision and many post reviews on-line after they purchase regardless of the channel used for the actual purchase. On-line interaction has become a pervasive element in the overall shopping process.

There is no doubt that we are now in the next generation of retailing – the era of “channel merging”, of omni-channel retailing. To continue to have value as a management method, Category Management must and has adapted to these new challenges by broadening its original consumer focus into a more integrated consumer and shopper approach.

### From Consumer to Shopper

Category Management’s initial focus was on understanding consumer needs and behavior within each category. A key reason was the availability at that time of more information on consumers. In more recent years, however, the focus has shifted to a deeper understanding of the shopper. Sources of information on shopper needs and behavior have expanded significantly and shopper insights derived from this information have become an essential ingredient in the Category Management process. The primary role of Category Management today is to manage the category in the most effective manner to influence both consumer and shopper decision making and behavior regardless of whether the final purchase is made in-store or on-line.

As consumption and shopping habits have changed with the new generation of consumers, a more holistic,



“click” retailer, are now, by competitive necessity or the demands of growth, migrating into an integrated in-store / on-line (“omni-channel”) operating model. Amazon and Alibaba have led the way in opening their own stores, or acquiring existing brick and mortar retailers, as they implement their integrated “online-to-offline” (O2O) retail models to meet consumer needs regardless of their shopping channel choice. Most brick and mortar retailers around the world are also expanding their on-line web-based shopping capabilities and offering a range of ordering and delivery options that serve both channels (such as the “Click and Collect” shopping and delivery model that is becoming a common retailer offering for US retailers).

In Europe, similar strategies are being implemented. In France, the “Drive” solution and in Belgium Colruyt’s “Collect & Go” are examples. The true pioneers in Europe, however, besides the invasion of Amazon, are

integrated consumer-shopper framework for Category Management has become necessary. The value of Category Management today lies in its role in managing a category within the context of the total “consumer and shopper journey”. The decision to purchase within a category is the end result of a number of steps that the consumer-shopper navigates prior to making this decision. Category Management strategies and tactics now get their direction from insights developed from the steps in this holistic, integrated journey.

## THE FUTURE - INTEGRATED CONSUMER AND SHOPPER MARKETING

### 1. THE ERA OF SHOPPER MARKETING IN THE CONSUMER-SHOPPER JOURNEY

- ▶ Retailers become marketers to win the shopper with differentiating offers, store formats and media offerings based on insights derived from the Consumer and Shopper Journey.
- ▶ The Consumer and Shopper Journey to integrate consumer and shopper value drivers and the resulting customer experience insights on expectations
- ▶ The Consumer and Shopper Journey influence

- structure to manage consumer and shopper-interactions (social media, search engines, traditional) in a more strategic marketing logic, reshaping drastically the traditional media solutions

### The Consumer & Shopper Journey

The steps of the Consumer and Shopper Journey developed in 2011 by ECR Europe are shown in the Chart below. The need to consume or use a particular category starts the journey. This need then triggers a series of shopping decisions in which the consumer becomes the shopper. These decisions include a search of reviews on options for categories and products that meet this need. This leads to a shopping mission (for example, a full family shop, a fill-in shop or a special occasion shop) to purchase the desired category and products, the choice of a preferred retail channel (in-store or on-line) in which to make the purchase and a choice of an option within that channel (retailer format, banner, website). Then follows the decision to buy within a category and finally a decision is made on how the product purchased will be delivered to the consumer’s point of consumption (shop in-store, pick up at store or home delivery). The journey ends where it started with the consumer evaluating whether the purchase decision, and by implication the shopping journey that led to the purchase, met the consumer’s needs and expectations. At every step in the journey the consumer has options



Source: ECR Europe Consumer & Shopper Journey Report 2011; L. Demeulenaere & Associates



to choose from and retailers and manufacturers have options to influence the consumer's ultimate category and product purchase decisions.

Category Management plays a key role in this broader holistic process. It is a key vehicle by which retailers and manufacturers develop the strategies and tactics to meet the needs of their target consumer and shopper segments and deliver a differentiated shopping experience whether in-store or on-line. This is accomplished by using consumer and shopper insights based on the consumer and shopper journey that identify and quantify category growth opportunities, assign a category role, set category scorecard goals and develop the appropriate category strategies and tactics to influence the decisions of the target consumer and shopper segments as they navigate the steps of journey.

A combination of consumer and shopper insights derived from each step guide category and product marketing decisions. These insights define relevant consumer and shopper segments for the category based on consumer consumption and usage-drivers. For any segment ("Who") the fulfillment of a consumer need evolves to a shopping mission ("Why"). The channel and retailer ("Where") the consumer chooses to fulfill the need via that shopping mission is influenced by consumer lifestyle and consumption value drivers that are best reflected in the retailer image where they will go to complete the shopping mission. The role of the category becomes a cornerstone that connects that mission of the target segment shoppers in such a way that it will drive current and future category growth. Determining the best category strategies and tactics to respond to the needs of this high potential shopper segment requires the mapping of the opportunities and understanding the barriers and triggers at every step of the journey. The new challenge for Category Management is to achieve this in an omni-channel, digital marketing setting.

Digital marketing and omni-/multi-/opti-channel business models have become the keys for activating the new consumer generations as they shift their shopping preferences from physical store to mobile and tablet, and research, compare, judge, and give opinions on their experiences using e-Commerce media. In the past 10 years, there was a lot of attention given to digital marketing which has replaced a significant proportion of the traditional above-the-line advertising investments of manufacturers. Digital marketing platforms, such as



Google, Facebook and Instagram, claim to be able to reach the consumer faster and easier than traditional advertising media. (Omni/multi channel is more a reaction of the brick and mortar retailer who wants to be also present in digital channels with an e-Commerce capability. Opti-channel is the retailer solution framework where the consumer/shopper can get to his/her solution or product at the right time and in the right place, following information offered in a multiple of channels).

There are now different influence points along the Consumer and Shopper Journey. For this new consumer-shopper, creating value is more often determined by how well the shopping experience delivers "solutions" to their needs. This will often be a combination of categories and products brought in the most convenient way, with the most relevancy, bringing to life the aspirations of the consumer and where and when it has to be consumed or used.

Retailers are re-inventing retail solutions to win in this new context to differentiate themselves in meeting the aspirational needs of the new consumers. New amenity stores, On-the-Go outlets, show/demo-stores, combined with online services, experiences, influencing tactics and new delivery logistics-chain concepts come to life every day somewhere in the new world of retailing.

The consumer-shopper intelligence developed to create this relevancy and strategic choice making

in the marketing arena will find its application in the Category Management process. But it will require some re-invention to integrate new sources of information into base analytics to deliver solutions to the customer with relevancy, efficiency and effectiveness. New base analytics because the "new" e-Commerce retail formats get their intelligence from online behavior and less from loyalty card or POS data which had been the norm for traditional brick and mortar retailers. Today, Category Management adds value within the integrated consumer-shopper journey framework through the use of more comprehensive, multi-source data sets that capture in a structured way how and why these changing dynamics take place.

In today's omni-channel environment, integrated consumer- shopper marketing is providing the strategic framework for Category Management to optimize the Consumer and Shopper Journey experience. The focus of Category Management initiatives is on those areas with the highest potential for category growth and competitive advantage. This will especially be true for those segments that comprise the new generation of consumer-shoppers.

We have identified five areas in which the use of Category Management methods will continue to add significant value in the next few years:

- ▶ *The redefinition of categories to reflect new consumption habits, lifestyles and expectations (for example plant-based as an ingredient in healthy meal solutions replacing traditional dairy-based ingredients)*
- ▶ *The integration of Category Management into the broader Consumer and Shopper Journey construct*
- ▶ *The application of Category Management principles and processes in e-Commerce channels*
- ▶ *The use of more comprehensive multi-source consumer and shopper data sets enabled by AI and related technologies*
- ▶ *The expanded use of Category Management in different channels (including DIY and Pharmacy) and in new markets (such as China).*

Later in this report a number of Case Studies are presented that demonstrate the current use of Category Management in one or more of these areas.

### **Integrated Consumer and Shopper Marketing Models**

As has been the case since its inception, the evolution of Category Management methods will continue to be driven by a combination of new consumer trends,





competition and technology. New application models that reposition the role of Category Management within a totally integrated, more collaborative framework of consumer and shopper marketing will increasingly come into use. This will expand well beyond the integration of Category Management into the Consumer and Shopper Journey. This will be driven by the steady growth of demand for digital shopping options by the new generations of consumers and shoppers and the availability of new, more in-depth and faster insights into consumer and shopper needs and behaviors made possible by new technologies and tools.

An example of an integrated collaborative Consumer and Shopper Marketing model is the **Category and Brand Building Framework** shown in the Chart below.

It describes a business process by which insights from the Consumer and Shopper Journey deliver and connect outputs from a consumer value driven category growth vision with shopper choice making across channels and retailers. Category assessments confirm and quantify where and how the category growth potentials can best be realized and how collaborative business plans can be optimized to deliver the category growth vision.

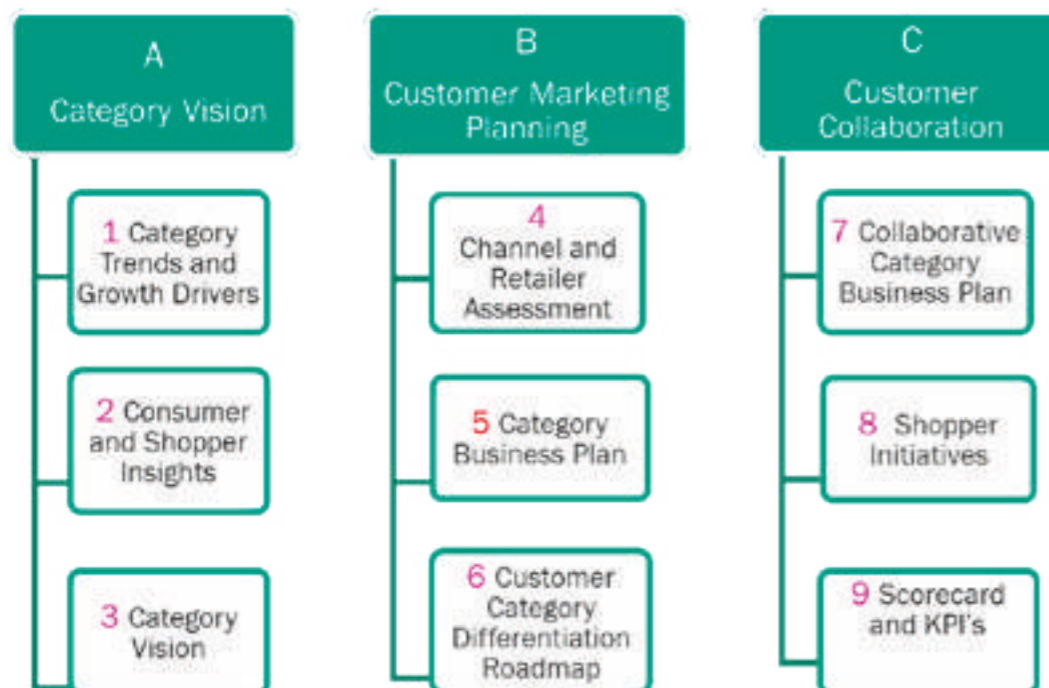
This **Category and Brand Building Framework** comprises three phases and a series of specific steps which guide the internal and external work completed

collaboratively between the manufacturer and retailer to develop and execute win-win consumer and shopper marketing initiatives designed to maximize a category's growth potential. In this model, Category Management plays two roles – first as the collaborative tool to define the best mix of consumer and shopper marketing strategies and tactics to address the needs and behavior of the target consumer-shopper segments, and second, in how these strategies and tactics are implemented at the point of purchase be it in-store or on-line.

The starting point is the development of a Category Vision. A series of steps then develop and implement customer-specific collaborative Category Business Plans that influence consumer and shopper expectations and behavior and deliver category differentiation and growth for the retailer and brand growth for the manufacturer.

Typically, the Category Vision is led by the manufacturer which normally has more of the research, data and insights that enable a deeper assessment of the key consumer and market trends that will drive development and growth of the category over the next 3-5 years.

Insights derived from the Consumer and Shopper Journey framework then guide the identification of consumer and shopper segments and their expectations and behavior in the category. These insights, when combined with the category growth drivers, produce



Source: ECR Europe Consumer & Shopper Journey Report 2011; L. Demeulenaere & Associates



This type of collaborative business model provides a number of advantages:

- ▶ Leverages the value of consumer and shopper insights
- ▶ Deploys these insights across an omni-channel structure that captures shopper decision making in either in-store or on-line mode
- ▶ Incorporates the Consumer and Shopper Journey as a roadmap for understanding consumer and shopper needs and behavior across different channels
- ▶ Takes retailer-manufacturer collaboration to a higher level by leveraging the insights and resources of the retailer and the manufacturer and clearly defining the roles of each in the total approach
- ▶ Enables category innovation and differentiation to be key outputs and drivers of the future growth and development of the category.

## 2. BIG DATA PROVIDING THE PLATFORM FOR ARTIFICIAL INTELLIGENCE

Major paradigm shifts in retailing historically have been driven by one or more of three factors - changes in consumer needs and expectations, new forms of competition and the availability of more insightful information made possible from advances in technology. While all three will continue to mandate new business models and management practices, it seems likely that technology will become a more dominant force for influence and change in the next decade. There are a number of specific technology advances that seem likely to significantly impact how retailers and manufacturers market apply Category Management methods to manage categories and brands. At the forefront are developments in Artificial Intelligence (AI) that unlock the insights from Big Data. This provides the basis for connecting the dots across multiple data sources to build detailed intelligence around the consumer and the shopper.

### Artificial Intelligence (AI)

Advances in AI tools are providing significantly expanded analytical capabilities to identify breakthrough new insights from the massive multi-source databases now being collected from all phases of the Consumer and Shopper Journey. These insights are providing a

the Category Vision. An important output of the Category Vision work is often a revised category definition that reflects new consumer and shopper trends. The remaining steps of this framework develop and implement the consumer and shopper marketing strategies and tactics that best deliver the Category Vision for the mutual benefits of the consumer, the retailer and the manufacturer.

Based on the trends and insights from the development of the Category Vision, an assessment of the category's current performance and growth opportunities is conducted in all major retail channels and for the target retail customers in each of the identified key markets. This category assessment identifies barriers, purchase triggers, and size of the category growth opportunity by channel and key retailer.

The output of the category assessment is a prototype Category Business Plan which follows the traditional 8-step Category Management process. This general plan validates and quantifies the future growth opportunities in the category and provides an overall roadmap for achieving this category growth within channels and with key retailers.

The third phase focuses on the collaborative development of customer specific Category Business Plans, including the development of shopper initiatives and tactics and a scorecard of KPI's and performance measures to monitor progress and measure results.



deeper understanding of the differences in needs and behavior of consumer and shopper segments and how to meet these needs in the most convenient manner that reflects the consumer's lifestyle, personal values and time constraints. This provides the basis for more accurate and timely personalization in the development of 1-1 offers. It also allows the consumer-shopper to interact and help decide in a preference-driven way (or coded from past purchase history) the place and time of purchase and delivery. The battle among retailers to leverage the power of Artificial Intelligence methods will disrupt current purchase power spending dynamics heavily, and even more so as the next generation of consumers gains purchasing power and as technology continues to expand.

major media use and purchase channels. The ability to target the right consumer and shopper segments with the right personalized incentives at the right time, in the right channel and with the right message will significantly increase the efficiency and return on investment from marketing and merchandising programs.

AI is the process of gathering and applying deeper individual consumer and shopper insights to improve the individual offer and related services. While most of this intelligence to date is captured from behavior tracking and/or app interaction to understand preferences, more aspirational or higher need dimensions can be added to go beyond what can be observed in current behavior. Marketing differentiation is about identifying undiscovered value drivers that arise from often smaller, but very strong influencer consumer-shopper segments. They drive and expand the interest levels of other segments and capturing these insights first is the way to a significant competitive advantage. For the Category Manager this is about connecting and building on new or previously unfound value drivers in the category and exploiting these new insights via AI to design strategies and tactics to build category growth.

### 3. TECHNOLOGY INNOVATION DRIVES RETAIL INNOVATION

- ▶ *Virtual store experience to capture the aspiration of the consumer*
- ▶ *Robotics in production, but even more in logistics to assemble the online order delivery basket*
- ▶ *Development of mobile intelligence from apps, mobile phone tracking to learn about aspirations, values, desires, preferences to make the offer more relevant in the battle to win the customer in an AI build up*
- ▶ *Image recognition to capture behavior*

#### Virtual Store Experience / Virtual Reality

As the penetration of online shopping increases, consumers and shoppers are led into it either because of the younger generation, the discovery of stronger convenience or better pricing, or by categories that connect better and create influence online to other categories. The online experience success differs enormously. The recruitment is a strong factor. Traditional retailers focus too much on converting their current shoppers. The winners now deploy a broader



AI driven machine learning tools can identify linkages between the characteristics of different consumer and shopper segments and the impact of a impact of a broad range of external factors and internal marketing and merchandising initiatives on the behavior of these segments. The depth, accuracy and speed with which retailers and manufacturers can understand how best to market their categories and products will create major new opportunities for growth. Integrated category and shopper marketing programs will increasingly be driven by these new, more comprehensive insights derived from large multi-source databases that encompass all



recruitment tactic using search engines, such as Google, and work the consumer via popular search engines and smart social media digital marketing into their online offer. They build online behavior intelligence over time and build stronger loyalty and market share as a result.

Another factor is the online experience itself, the filtering, the visualization. Virtual technology will become a key tool for making the proposition more personal, more attractive, and more easy to connect emotionally with the category and product. This technology will become an important tool to support Category Management. Some of its uses will be to:

- ▶ *Complement the physical store with virtual visibility in the omni- channel context to expand the category assortment offered to the consumer (often the online offer will be complemented with items that are not carried in the physical store)*
- ▶ *Provide the consumer with a virtual product use experience before making a purchase decision*
- ▶ *Reduce capital investment by adding virtual instead of physical presence*
- ▶ *Improve the future of research and machine learning:*
  - *Virtual technology is an easier way to capture preference driven purchase information and a more effective way to capture which solutions connect*

*better with which consumer-shopper segments and by doing so learning how best to improve the offer, communicate promotions and simplify the assortment.*

- *For store managers it brings higher productivity for the physical stores by allowing color-coded visualization of planograms and store traffic pathways based on individual store level data to identify opportunities for improving category sales, profitability and over/understock inventory conditions.*
- *For product marketers it allows for testing new product packaging preferences with online research tools and collaboration with product management to improve package design and communication.*

#### Robotics

A second area where new technology is likely to have a positive impact on Category Management is the use of robotic technology in retail. The multi-functional capability of robots at retail is rapidly being understood and many of the world's leading retailers are implementing robot-based applications in their stores and supply chains. While the focus so far has been primarily on addressing store operational tasks,





to improve the supply chain productivity and impact Category Management in what part of the supply chain process will be owned by the supplier and what is part of retailer logistics. In the future a lot of products will go directly from the supplier via a DC structure direct to the consumer's home. In the physical store channel, robot based automation will dominate in all aspects of merchandising from shelf replenishment, store operations, food treatment to cashier systems.

#### Apps and Mobile Phone Technology

Interactive technology to connect, guide, and build intelligence will be dominating the shopper experience more and more. NFC, Bluetooth, mobile big data analytics will make targeted offers, sampling, services more relevant and more productive. It builds the arsenal of ways to interact with the consumer- shopper along the steps of the Consumer and Shopper journey in the opti-channel world of tomorrow.

Mobile phone technology will impact Category Management in several ways:

► *By capturing interaction insights for learning about the individual along the consumer-shopper journey -*

- *What can we learn behind the preference driven choices and build on earlier identified value drivers*
- *Which retail channels are browsed, visited*
- *Which journey experiences lead to the actual purchase (the store or online experience, the recruitment tools (Facebook, Google), the price, type of promotion, product information provided and so on.*
- *Mobile phone platforms carry most of the potential to bring all the relevant information a consumer and shopper requires in front of him / her in mobile phone screen applications. As such the Category Manager has, in every step of the consumer-shopper journey, to identify what is relevant and helpful to improve the shopping experience; in which step of the journey should he/she be made aware of the potential consideration to purchase, given the consumer value driver intelligence that is known from the big data based intelligence production.*

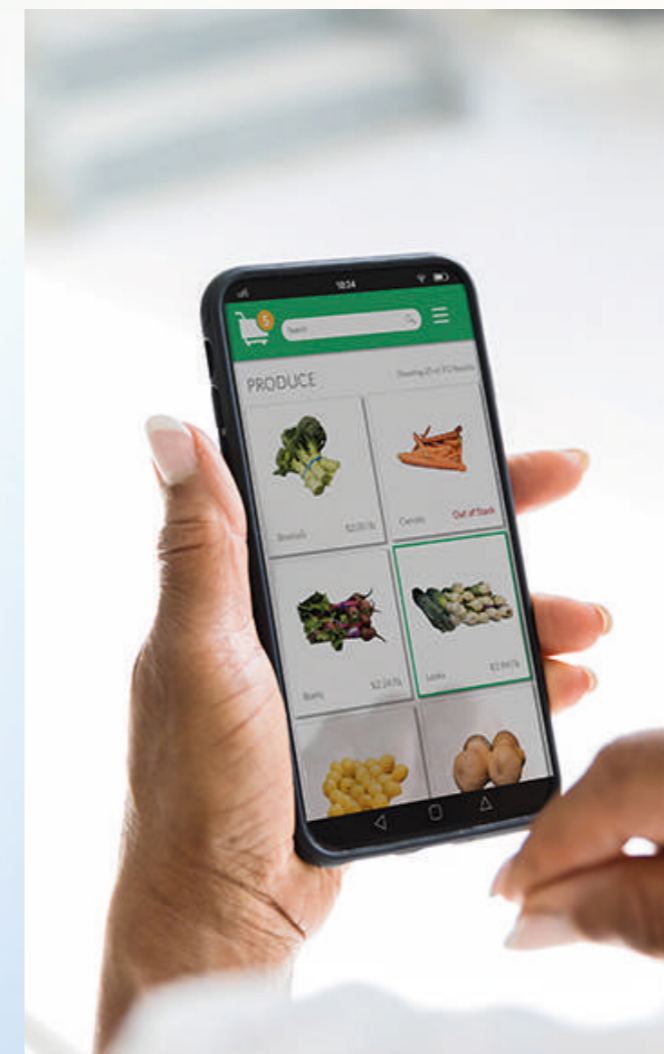
such as store cleaning, the next generation of robotic applications will center on the collection of information to enable management to maximize category and product sales and profits. The use of in-store robots to more quickly and more accurately collect and communicate information on out-of-stock or low stock conditions, planogram and promotion non-compliance and pricing and shelf tag errors will go a long way to addressing the number one problem that, since its inception, has undermined the ability of Category Management methods to achieve their full potential – the problem of incomplete or inconsistent in-store execution of Category Management programs. Robots can now collect a wide range of in-store information that will significantly close this persistent “execution gap”. These new capabilities will provide more timely and more accurate information enabling retailers and manufacturers to correct executional issues more quickly to the benefit of consumers, retailers and manufacturers.

Robotics will also become a critical productivity contributor in both online and physical store channels. In the online channel, robots will streamline order picking automation through to home delivery. This will continue

#### Image recognition

The development of applications in this area will impact a number of retail methods and applications. These include payment systems and interactive shelf communication with the consumer to influence category, product and channel choice. In the next few years, image recognition will likely become the primary means of consumer-shopper ID recognition replacing the loyalty card as is the case today.

It will provide data-based insights into shopping both on-line and in-store by tracking and mapping how consumers spend money and make their choices along the consumer-shopper journey. As such it will enrich the data-based insights available to Category Managers to make improved decisions on assortment, new item introductions, pricing and promotion. Learning more about the purchase decision tree will be an important outcome from the use of this technology.



#### 4. NEXT GENERATION OF SUPPLY LOGISTIC STRUCTURES FROM PRODUCT SOURCE TO THE PLACE OF CONSUMPTION TO MEET THE NEW RULES ON ECOLOGY.

- *Eco-driven home delivery supply chains*
- *Home refill replenishment solutions to build new 'loyal' habits via open shopping lists*
- *Refill intelligent packaging to reduce waste*

CO2 reduction targets, waste reduction, the development of the “convenience” factor in the logistics of home delivery will lead to many new elements in how categories are managed in the future.

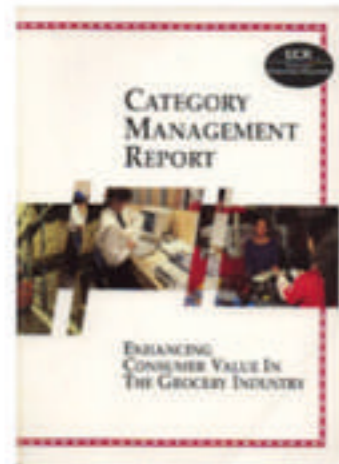
Online retailers take orders, pass them through to their suppliers or their DC and often the consumer gets three or more delivery trucks. These logistical solutions create traffic in the cities against the regulatory goals of CO2 level reduction and urban traffic congestion. Logistical solutions will be developed to rationalize and optimize all these product flows. Often the end delivery may be a drone or a coordinating delivery solution, centralizing order delivery by delivery address. Starting with new food eco-packaging solutions, with built in chips will go along with such solutions, and extend to other categories over time. It will also connect with the consumer's refrigerator to optimize the shopping list and delivery schedules.

#### RECOMMENDATIONS FOR RETAILERS AND MANUFACTURERS

There is much that can be learned by understanding the evolution of Category Management methods over the thirty years since its introduction. The fact that it has achieved global acceptance and application is testament to Category Management's ability to adapt to changing industry trends and new technologies. In such a dynamic industry as the retail consumer goods marketing industry, it is rare that one business method has this kind of longevity. A key reason has been the simplicity of its fundamental philosophy and its principles and the compelling logic of its core business process represented by the 8-step Category Management business process. Its core proposition that the consumer



## Category Management Best Practices spread around the world



1995  
USA / North America



1997  
Europe



1998  
South America

(and in more recent years, the consumer-shopper) must be at the center of all marketing and merchandising decisions of retailers and manufacturers has stood tall as a guidepost for the industry to follow as it manages through the various phases of its evolution. In times of dynamic change, Category Management has always offered a “back to basics” way of thinking and managing the business. This legacy has continued through until now and will continue to provide a solid foundation for decision making as retailers and manufacturers manage new trends that emerge in the years ahead.

In this paper we have traced the history of Category Management and highlighted its benefits. However, these will only continue to be achieved if retailers and manufacturers take the appropriate actions within their organizations to continually upgrade their capabilities to gain maximum benefit from their use of Category Management methods. The key for achieving this will be to fully leverage the value of Category Management as a tool to win competitive advantage in the context of the next trends that are shaping the industry. The consistent ability of Category Management to provide a competitive advantage has been its historical legacy. This will continue into the future. With this in mind, we close the paper with some recommendations for how

retailers and manufacturers can be best prepared to use their Category Management to take advantage of the new opportunities that are now taking shape.

### Recommendations for Retailers

For retailers, the key for competitive advantage will be the ability to have the deepest possible understanding of consumer-shoppers, their value drivers and behavior across all channels and to leverage these insights to develop and implement superior “category solutions” to the retailer’s most important consumer-shopper segments.

Some requirements to create these capabilities are:

- ▶ Build consumer-shopper understanding to be able to transition from mass marketing to mass customization to 1-1 personalization using Artificial Intelligence tools to build maximum relevancy in the shopper proposition
- ▶ Develop a strategic multi-source data intelligence masterplan to connect the various sources of customer insights and use this intelligence to install customer centricity as a core business philosophy across all functions of the retail organization

- ▶ Connect marketing and merchandising decisions to the primary and aspirational value drivers of customers to build innovative propositions ahead of competition
- ▶ Co-invest with manufacturers to improve the desired price/quality equation of the category solution proposition, the convenience to shop it and to deliver it to the place where it will be consumed and to be able to communicate category solutions within the consumer-shopper journey communication structure
- ▶ Learn to operate in an opti-channel world where the consumer is assumed to know all about your competition across all channel formats; build a data-sharing capability with your strategic manufacturers to co-invest the influencing insights and media investments along the journey
- ▶ Be clear on where to focus first – understand which categories initiate purchase behavior change (non-food versus food, luxury versus commodity etc.);

which value drivers are better responded to in an e-Commerce channel versus the physical store channel; which segments (younger consumer generations, fashion influencers) drive other consumer segments (e.g. older generations, followers) into new behavior to gain faster critical mass behind your marketing investments

- ▶ Update Category Management methods to adapt category strategies and tactics (especially assortment) to the role of the category in each of the retailer’s channels; identify categories which may justify a different role in the on-line channel versus the physical store channel and adjust strategies and tactics accordingly
- ▶ Collaborate with manufacturers to re-invent supply systems given the new convenience expectations of consumers and the new ecology regulations to reduce packaging waste and improve delivery efficiency
- ▶ Expand the focus of negotiation to include joint media collaboration and shopper marketing initiatives.

### Recommendations for Manufacturers

For manufacturers, the key for success will be to understand the new consumer growth drivers for the brand, the consumer and shopper segmentation that supports these drivers and how to market to these segments at each step of the consumer-shopper journey. This will require new levels of collaboration to understand how brand segments connect with retailer segments and new alliances to capitalize on the ability of new media (especially social media) to activate behavior along the journey.

Some specific recommendations to create these capabilities are:

- ▶ Identify and update each brand’s consumer drivers to reflect lifestyle values and trends (health, ecology, individuality, budget consciousness, and so on) and map these brand drivers to high opportunity purchase growth segments for the future; connect these brand segments to likely retailer customer segments
- ▶ Gain Category Management insights for these segments along the Consumer and Shopper Journey structure to understand how to capture potential in which channel/retailer
- ▶ Develop communication strategies and media choice tactics along the same structure to generate





awareness, consideration (influence), trial, re-purchase and recommendation (influence) to capture that potential value ahead of competition

- ▶ Create alliances with e-Commerce retailers to capture online ROI of e-Commerce communication investments, especially in social media
- ▶ Understand the cross-category and cross-consumer segments that can have the most impact on expanding what consumers buy and where they shop in the new channels to build a smarter opti-channel game plan
- ▶ Build a central data intelligence plan to evaluate consumer solution e-Commerce alternatives as new logistical delivery structures arise.

### Conclusion

The world of retail marketing has always been highly dynamic driven by the continual changes in consumer demographics and lifestyles, the emergence of new forms of competition and the development of new technologies. Today's environment represents the latest phase of evolution of retail marketing. More phases will assuredly happen in the future. The ability of retailers and manufacturers to successfully navigate and grow their categories and brands in this ever changing environment will come down to four things - first, the ability to develop a superior understanding of consumers



and shoppers; second the ability to use these insights to differentiate and provide innovative new solutions to consumers and shoppers that match their lifestyles; third, the ability to adapt business practices to meet the new challenges; and fourth, the ability of organizations to deploy these practices in their day-to-day work methods.

Since its introduction some 30 years ago, Category Management has demonstrated its ability to adapt to new trends and challenges. This is a rare accomplishment in an industry of such dynamic change. As presented in this paper, this adaptability continues today. Category Management will continue to provide retailers and manufacturers with a key tool to meet the challenges of today and those that will arise in the next phases of the retail marketing evolution.

### Some Final Thoughts

In everything we do or write we have to understand “why” we are doing it. For this ECR publication this is not different. More than ever we have to create a community of like-minded organizations and individuals to allow us to better deal with the new speed of change and to help management continue to win in front of the customer.

The value of looking at the role of Category Management over the 30 years of its existence is firstly to learn about the major change triggers during



that period and how Category Management delivers essential outputs to better serve the consumer and the shopper. These outputs are better range offers, price setting, promotion selection and so on.

Secondly it is to understand the ‘how’ to work Category Management, its decision-making algorithms and processes, what data and research are used, the functions that contribute to its success within the organization (including the rise of the Shopper Marketing as a strategic layer), the decision-making balance in final delivery between the retailer and manufacturer (with retailers having different approaches based on the sophistication of their implementation methods).

There have been many changes over this 30-year period. Consumer and shopper value drivers have changed (see the paper provided by Ken Hughes), the intelligence to respond to these needs in a more relevant way (from mass marketing to mass customization segmentations and now increasingly towards AI enabled 1 to 1 interaction), the multi-data source capability and capacity, the game play between retailer solutions and brand making. All of these changes require the re-invention on our methodologies, our human resource allocation and role definitions.

Every business has to ask this question: “why do we exist?” To whom and how can we bring added value and do this better than the rest of market in which we play

whether we are a brand producer or a retailer. This is all about how to build equity for our retail brands and our product brands. The goal to build equity is to win in the mind-click of the consumer (the Who), from the ‘need’ (the Why), and ‘buy consideration’ to ‘shopping mission’ in which your product or brand becomes a business opportunity (the What) or for your retail solution (the Where). In this process, the consumer becomes the shopper and the expectation of how this experience (the How) is reflected in your offer determines whether you win or lose.

The mechanism to convince the shopper (the Who) that your offer represents a superior experience is what we call SHOPPER MARKETING. The bringing it to life in the Consumer and Shopper Journey cycle is about CATEGORY MANAGEMENT and communication at the touch points along this journey.

We hope that this publication inspires you to integrate these ideas and concepts into your business strategies. This will force you to ask the right questions and specifically “Why do I still do it this way today?” and “Am I prepared for the dynamics that can set me in the right direction for a winning equity position?” We believe that helping provide the best answers to these questions is the strategic role of the global ECR Category Management community for whom the project was undertaken.



# Managing in Times of Crisis – Insights and Learnings from the Covid-19 Pandemic

## The Role of Category Management

Claudio Czapski, David Ciancio  
and Brian Harris

### SUCCESSFUL TRANSITIONING – “GETTING BACK TO BASICS”

There is little doubt that one of the most significant developments in the recent history of global economics has been the Covid-19 pandemic. What started as a Black Swan event in China, it quickly spread to a flock of Black Swans all over the world, with profound impacts on health, lifestyles, living standards, needs, behaviors and priorities that have posed great challenges to all people and sectors of business. Covid-19 is a crisis of astonishing proportions.

Compared to the impact on some other industries (such as travel and entertainment), the consumer packaged goods (CPG) industry has been relatively less impacted. The immediate challenge was to keep the supply of merchandise available to ensure that the basic needs of daily life could be met. However, the general success of the short term remedial actions taken by retailers and manufacturers will be no guarantee for survival or success after the crisis. The expectations, values and value proposition understanding of consumers are dramatically different from what they were prior to the onset of the pandemic. Shopper journeys, shopping behavior and shopping baskets have changed dramatically, and loyalty to products, brands, retailers and store formats became extremely volatile. Some of

these impacts will be only short term in impact; others will create permanent change for all industry participants – consumers, retailers and manufacturers. While some of the changes represent an acceleration of consumer and shopper trends that were already underway pre-Covid-19, others have been directly triggered by the pandemic.

In this new and constantly changing scenario, the rules of the game have changed radically, both in operational and strategic terms. For retailers, how to resolve the most basic issues related to keeping the flow of the “survival shopping basket” available along the entire supply chain, from manufacturers to consumers’ homes, became the primary goal. For manufacturers it depends on which of the following scenarios is most relevant. The “winners” are those manufacturers whose products are part of the currently demanded basket. The challenge under this scenario was how to have the production and delivery capacity to meet this much higher level of demand. The “losers”, on the other hand, are those manufacturers whose sales have sharply dropped or even completely vanished. Their challenge is how to manage the cash flow necessary to stay afloat until the most critical period is over and the market returns to some kind of more “normal” state.

However, in most companies the short-term pressures seem to overshadow the medium-long term strategic





issues, raising concerns about the best way to handle both timeframes given the uncertainty not only about the duration of the pandemic and especially the shutdown period, but also on its impact on the economy, international trade and consumer purchasing power and demand in different markets and on local, national and international demand, production and distribution. We believe that the key for successfully transitioning will be to adopt a systematic “back to basics” approach rather than overreacting to the new conditions. This needs to be driven by proven disciplined methods that have been successful in helping retailers and manufacturers understand the changes in consumer and shopper behavior and adapt to changes in the past, albeit with less rapid impact than the Covid crisis.

The good news is that several trusted business processes and tools, one of which being Category Management, can be relied upon to support quick and effective responses to the most urgent business questions. This needs to be accomplished at the same time as current strategies are reviewed and modified if necessary based on relevant and more permanent changes caused by the Covid period. The key, however, is that while strategies should be reviewed, successful current strategies should not simply be abandoned or drastically changed as they represent the company’s core values and strengths. In the past decade and more, many retailers and manufacturers have incorporated shopper/consumer-centric decision making as a key element of their values, strategies and business methods. While it is prudent to review current strategies in light of the learnings from a major crisis, this is generally not the time to deviate drastically from

core values and the business methods that deploy these values.

Over the past two-plus decades Category Management with its “back to basics” principles has helped retailers and manufacturers adjust their categories and brands to changes, expected and crisis-driven, by bringing shopper/consumer-centric strategies in a structured way into internal day-to-day operations as well as externally in dealings with major business partners. In light of the Covid-19 crisis, this process has again shown to be more necessary than ever to ensure that any changes in category and product decisions are linked to the company’s strategies, to keep track of the changes in shopper and consumer needs, expectations and behaviors, and to provide retailers and manufacturers with the direction to act quickly to adjust the roles, strategies and tactics of categories and brands to the new value propositions of consumers and shoppers. This requires, first and foremost, that the most likely key impacts of the pandemic on consumers and shoppers be understood.

## IMPACT ON CONSUMER AND SHOPPER NEEDS, EXPECTATIONS AND BEHAVIORS

The Covid-19 pandemic has precipitated a number of significant changes in consumer and shopper expectations and behavior. While some of these changes will have only shorter term impacts, others will have longer term impacts on grocery shopping behavior and how retailers and manufacturers adjust to these changes. Specifically, we believe that there are five (5) trends that are likely to have a sustained impact.

### Trend 1 – Increased Emphasis on Value

Shoppers are adopting a more frugal approach to shopping. They are actively seeking ways to save money, and are adopting savvy behaviors including better management of household food waste. Value becomes more important as a driver of store and product choice, especially for the growing segment of price-sensitive shoppers.

In the post-Covid recessionary environment, the importance of price in purchase decisions is likely to increase. It is not surprising that pre-Covid virus prosperity reduced the need for shoppers to pay



attention to price. Likewise, this implies price will be of increased importance as finances become more uncertain.

This trend has a number of implications for retailers and suppliers. These include -

- ▶ Strong growth of private labels and discount brands which will continue to outperform national brands
- ▶ Spending on non-food will be constrained
- ▶ Growth of discounters will accelerate - provided they can offer sufficient category and product range for the “first-stop” shopping mission
- ▶ Flush with cash, some retailers have been building up a war chest and will be aggressive in pricing
- ▶ Manufacturers whose categories have suffered from declining demand and/or increased competition from lower priced brands and private label products will need more aggressive activation efforts to regain their pre-Covid market positions.

### Trend 2 – More Focus on Local Shopping

Shoppers are making fewer trips, filling larger baskets, and staying closer to home for their grocery shopping. There is also less cross-shopping, but formats and channels are still shifting as shoppers settle in to their new preferences in a post-Covid recovery period.

Shoppers are shopping at fewer stores. A recent dunnhumby study found that 41% of shoppers are

now concentrating their shopping and spending in fewer stores. Conversely, only 16% of shoppers have increased the number of stores that they buy from.

Implications of this trend include:

- ▶ More shoppers will be completing full shop missions in medium-sized store formats in terms of shopping frequency and basket size
- ▶ Increased demand for localized production, sourcing, and products
- ▶ Stronger strategies and tactics will be required to retain new shoppers and win back lost shoppers
- ▶ Increased focus on role of the store and retail brand in local communities
- ▶ New, disruptive local formats (trialed during the pandemic) will expand. Examples are:
  - ▶ Container stores and pop-up stores, like Tesco’s Nightingale Hospital tent stores and Shoprite’s Ekasi convenience stores in shipping containers
  - ▶ Grocery Neighbour in Canada– a fleet of trucks that will each operate like a supermarket on wheels
  - ▶ Sysco@Home – distributor of food products to restaurants and hotels now offering delivery to regular households
  - ▶ Instagram app take-out and delivery from local QSRs and restaurants
  - ▶ Online farmer’s markets





Evidence suggests that shoppers are continuing to shop smaller store formats and away from the larger superstores, even 10 to 12 weeks after the outbreak.

### Trend 3 - Shifting Formats and Channels

Shoppers shopped larger stores during the early stages of the pandemic. Hypermarkets and larger superstores were a preferred format in the early stock-up phase in most countries. But sales growth in the hypermarket formats declined markedly after the initial phases, most now showing mostly negative like-for-like performance (with few exceptions). Except in markets where hypermarkets are structurally predominant (e.g. Chile), the crisis signals another worrisome challenge for hypermarkets. This format must find ways to attract new revenue streams, for example, using larger footprints for online-shopping and click & collect fulfillment hubs.

Shoppers switched quickly toward smaller store and convenience formats as their preferred channel after



the early stock-ups met with out-of-stocks in traditional footprints, the imposition of shelter-in-place or local-only (e.g. Italy) orders, or due to insecurity or fear.

These smaller stores are characterized by a more limited range but also a stronger local-community ethos. It should be pointed out, however, that this trend towards shopping in more geographically convenient and easier-to-shop formats was clearly underway in many markets around the world prior to the pandemic. The importance of convenience is higher for the new generation of consumer/

shoppers. A study in one major European market revealed that over 30% of a major retailer's sales come from consumer/shopper segments for whom convenience is a major influence on shopping behavior. The pandemic only served to accelerate this trend.

Evidence suggests that shoppers are continuing to shop smaller store formats and away from the larger superstores, even 10 to 12 weeks after the outbreak. For example, even Costco reported global sales falling -0.5% in April vs. previous year (its first sales drop in years) after stock-up growth in March of +9.6%. Smaller formats have captured the "first-stop shop" mission, especially those modern convenience operations that combine an EDLP consumer value proposition.



This channel will continue to own the first-commodity shopping list post crisis.

As mentioned previously, more local and significantly less cross-shopping is occurring. In line with the trend of shoppers shopping within their local community during the pandemic, there has been a significant reduction of shoppers shopping across chains. A research study conducted by dunnhumby shows that the number of shoppers shopping at only 1 store increased by 19% compared to a year ago whereas the number shopping 3 or more stores is down more than 44%.

In some countries, such as Brazil, studies indicate that shoppers are still doing their bigger "monthly shop" for groceries and household cleaning categories at cash-and-carry outlets but are making more use of online ordering and store pickup options. They have also switched more of their purchases of fresh categories, and health and personal care, baby and confectionary categories to smaller, more local formats such as supermarkets, specialty stores and drug stores.

Demand for online ordering and delivery services has skyrocketed. Retailers have been unable to meet capacity demands in spite of best efforts. Online sales will stabilize at 2-3 times the pre-Covid percentages

for many more-mature online grocers. The crisis has stimulated the long-anticipated tipping point up to 15+% of sales revenues.

Implications of this trend include:

- ▶ Increased opportunities for smaller formats and footprints as shopping preferences shift to being more local
- ▶ Stores need to be redesigned to adjust traffic flow to meet the needs and concerns of social distancing
- ▶ All retailers, large or small, must offer online ordering, delivery and store pick up services. This is another trend that was underway pre-Covid-19 but has been accelerated by the pandemic and requires the deployment of aligned omni-channel strategies, tactics and operations
- ▶ Services that maintain shopper loyalty will become even more critical as shoppers concentrate more of their shopping in fewer outlets
- ▶ Retailers and suppliers must understand the shifts that are occurring in category purchasing across channels. Grocery retailers should look at a broader competition world, where drugstores, category killers and specialized stores (even door to door sales or other formats provided by manufacturers) have to be taken into account.

### Trend 4 – Increase in Food@Home

As a result of the pandemic, 20% of households are preparing more meals from scratch; 25% are eating less pre-prepared foods; 33% are buying more frozen foods and 50% are freezing more fresh foods. With social distancing restrictions likely to become the new norm, food-away-from-home spending is expected to improve somewhat but will likely struggle until a vaccine is widely available. For restaurants, café's and QSR's, social distancing requirements will limit available seating.

Limited mobility is also a factor that limits food-away-from-home for households with at-risk members. It is estimated that up to 40% of households have vulnerable/at-risk members.

Shoppers continue to show a stronger interest in skills for home cooking. The place for "food adventure" is shifting from restaurants to home. The growth of home offices has been an additional reason for more food being consumed at home.





There are several implications of this trend, including:

- ▶ Increased penetration of fresh and frozen categories across the shopper base
- ▶ Demand for meal planning and a wider store cupboard repertoire
- ▶ Innovation for take-home solutions will accelerate e.g. takeaway meal deals or recipe boxes, drive-throughs, third-party delivery solutions, and dark kitchens
- ▶ CRM content and online platforms will be used to educate and inspire, e.g. recipe channels and food adventures
- ▶ More cooking and health advice and services will be provided in stores and in digital shopping channels

### Trend 5 – Elevated Interest in Personal and Societal Wellbeing

Covid has profoundly impacted basic values, resulting in a general desire for a kinder, more empathetic, and humane society, as well as a lifestyle with increased focus on personal and home hygiene practices and healthier eating and habits to build immunity. The advent of social distancing and working from home has drawn family members closer and stimulated shared activities of all kinds.

Some of the implications of this are:

- ▶ Retailers and suppliers need to help consumers and shoppers become more knowledgeable about food and nutrition, physical and mental wellbeing and at-home entertainment in their marketing programs
- ▶ Employee physical and mental wellbeing will be more closely watched
- ▶ There will be significant growth opportunities for new products in new personal protection and health care categories
- ▶ The heightened interest in personal hygiene offers an opportunity for more pre-packed products
- ▶ There will be an elevation of animal welfare concerns as it relates to food processing

The ability of Category Management to help facilitate a smooth post-crisis transition and to identify new category and product opportunities that have been created by the pandemic must start with a clear understanding of the new needs and expectations of consumers and shoppers. This “back-to-basics” approach has always been the foundation for the successful use of this business method and we believe that it will again prove to be an important element in a post-Covid transition. Retailers and suppliers need to carefully analyze the impacts of the consumer and shopper trends described

in this section and decide, for their categories and brands, which trends, whether pre-pandemic or new, will have the most pronounced impact on their businesses going forward beyond the pandemic.

### NEED FOR CLOSER COLLABORATION

One of the key learnings from the Covid crisis has been the need for a serious review of pre-Covid methods of retailer-supplier collaboration. It is clear that the more traditional ways that retailers and suppliers have conducted business with each other largely fail when “normal” business conditions no longer apply as was the case in the early days of the pandemic in virtually every developed country in the world. The pandemic has brought into clear focus the need for more intensive and effective collaboration between manufacturers and retailers with more jointly made decisions based on shared information and aligned strategies. The challenges posed in trying to respond to the first peak demand weeks put the need for more effective collaborative business planning and execution into clear focus. This lesson should encourage both retailers and suppliers to put in place collaborative business planning practices both to be better prepared for future more sudden demand shifts as well as longer term changes, discussed in the previous section, in consumption and shopping behavior that the pandemic has set in motion. In this context, Category Management with its core principles and process that stress the importance of collaborative Category Business Planning will be an even more essential component of a post-Covid success strategy. The good news is that the benefits of more collaborative Category Business Planning has been clearly and consistently demonstrated over many years in many countries.

### IMPLICATIONS FOR CATEGORY MANAGEMENT

The Covid experience has highlighted a number of specific implications for how Category Management can best assist a smooth transition to the post-Covid business environment. Some of these are identified in the next section and are presented in terms of specific steps of the traditional best practices 8-Step Category Business Planning process.

**Category Definitions** - There are several likely impacts of the Covid experience on how categories are defined and structured. Some attributes will become more important to consumers in their category and product purchase choices. Product safety and health attributes will become much more important attributes on the Consumer Decision Trees (CDT) for many consumable food and HPC categories. The importance of locally sourced and produced products is also likely to increase making this a more important purchase attribute for many consumers and shoppers.

Another key learning has been the willingness of



consumers during these high demand situations to substitute one product for another if their first or usual choice is not available. This presents the opportunity for the use of broader definitions of some categories (e.g. broader definitions of categories such as Household Cleaning, Personal Hygiene, Home Cooking). With respect to the area of Home Cooking one US study found a dramatic increase in meals prepared at home. The study found that almost 60% of US consumers are now preparing more than 90% of their meals at home.





Since the sales mix of in-store and on-line purchases will vary a lot across categories, retailers will need to consider the possibility of having two Roles for some categories (one Role for the in-store and a different Role for the on-line part of the category's business). This will require an accurate analysis of the in-store / on-line mix of sales across categories.

**Category Scorecards** - Operational KPI's will get more priority as category scorecard performance measures (e.g. Out of Stock (OOS) levels, inventory levels, service levels etc.)

**Category Strategies** - Specific strategies by category will be needed to attract and retain shoppers given the changes in how consumers shop and their expectations for categories, products and the shopping experience by channel and possibly by store format. Category Strategies that focus on creating a Health Image and a Product Safety Image will also likely become more important in many categories.

Strategies that focus on ways to retain the large number of first time on-line shoppers that tried a retailer's on-line channel during the Covid period will be important. The risk is that post-Covid, these shoppers might simply return to more established click retailers, such

Category Management principles would support the idea of developing a more comprehensive definition of a Home Cooking category. Historically, broadening the definition of a category has been a source of competitive advantage for both retailers and manufacturers.

**Category Roles** - Roles for many categories will need to be redefined. Basic categories that have traditionally been managed as Routine Role categories, such as paper products, household cleaning, pasta and canned goods, might need to be managed as Destination Role categories given the heightened importance they have during these kind of crisis periods. Developing adequate sources of supply and resupply for these categories will become the key for gaining Destination during these periods. Having Category Business Plans already developed for how to change a category's role at the outset of an emergency would be a sound way of making these adjustments when needed.

There will likely be less Convenience Role categories as consumers evaluate their need for impulse driven purchasing. Also there is likely to be less browsing during the shopping trip, especially if, as expected, retailers continue to enforce social distancing practices while shopping. Shoppers are likely to be more conscious of avoiding any crowding in aisles and will focus their shopping on the efficient selection of their planned purchases. Shopping trips and missions will be more focused on purchasing for planned needs and categories and products that fit this mission. Less time and attention will be given to browsing and impulse purchasing.



as Amazon. (A US study by Mercatus revealed that in the first week of March there was a 305% increase in the number of on-line orders, 92% of which were first timers. Only 30% of on-line orders in the last week of March, however, were first time orders suggesting that a significant percentage of the initial first timers continued to order on-line). This trend needs to be carefully studied. Retention strategies will be important in categories that have high penetration in the on-line baskets.

**Category Tactics** - In keeping with the disciplines of Category Management, tactical decisions should be directly linked to Category Strategies. There is little doubt that one of the biggest tactical changes will be in the area of category assortments. This will impact many categories and the adjustment will mainly be in the direction of a reduction of the assortments offered. During the Covid period, many, if not most, consumers reevaluated how much assortment they really need and in which categories assortment is less important than it used to be. It will be important to use category Consumer Decision Trees (adjusted if necessary to accommodate

the heightened importance of any new attributes) as the key tool for deciding where in a category is most appropriate to reduce the product assortment.

There has been a growth in private label product sales for several reasons. First, consumers' financial situations have been adversely affected by the economic turmoil of

Category Strategies that focus on creating a Health Image and a Product Safety Image will also likely become more important in many categories.

rising unemployment. As a result, less expensive private label products have become a more necessary purchase option in many categories. (One study concluded that by March 31<sup>st</sup> one-third of US households had experienced a downturn in their financial condition). Second, many shoppers have been more willing to switch to a private label alternative given the lack of availability of many leading manufacturers' brand products.

Another impact on assortment will be the growing importance of larger pack sizes as consumers reduce their frequency of shopping trips to stores. This will be especially noticeable in categories that have higher priority for in-home stock up.

We will also likely to see a reallocation of store space among categories based on these assortment changes and the need to reduce OOS issues in the future. Some categories will get more space, others less. Category Roles will play a factor here. Store layouts are likely to also change as retailers adjust layouts and merchandising to accommodate social distancing requirements in traffic flows in aisles. The new goal will be to layout the store in such a way as to more evenly balance out traffic flows in aisles across the total store. Planograms will also change along with the changes in category assortments. Shopping-efficient planograms will become more important as shoppers adhere to social distancing during shopping. Cross-merchandising



will also become more important for building sales to address the likely reduced level of browsing by shoppers. The use of in-aisle displays is also likely to be reduced to facilitate in-aisle traffic flow.

Another interesting area for category tactics will be the impact on promotions. Early in the Covid crisis Walmart USA has announced that it was cutting all promotions until June. Other retailers are also eliminating their weekly circulars. These drastic changes will likely be only short term until demand patterns stabilize. However, the learnings from the crisis will provide a new opportunity to reevaluate many of the traditional promotion tactics. This includes what is the best type of promotions and how should promotion tactics vary across categories given the changes that have occurred in category importance and shopping behavior. The Covid pandemic has caused both retailers and consumers to question the value of promotions in this kind of crisis environment. However, after the pandemic is over, how to deploy promotional tactics, especially in categories that had reduced levels of demand and visibility during the pandemic, will be an important decision for retailers and manufacturers.

Finally, the Covid pandemic has pointed out some areas of great vulnerability that may benefit from a full re-design, especially if this is done as a joint effort of manufacturers and retailers. The most exposed area certainly has been the existing supply chain model. The current “just in time” model failed in being able to

The Covid pandemic has caused both retailers and consumers to question the value of promotions in this kind of crisis environment.

support such a dramatic unplanned demand surge in many products and categories. This may give rise to a renewed interest in re-designing the entire supply chain, implementing a more efficient “safety stock / quickly available inventory” model especially for categories that



are most likely to be hit with rapid increases in demand.

In summary, as is usual in any period of unexpected change, the Covid crisis and learnings from it will open up new opportunities for business growth for both retailers and manufacturers. The key will be to use this opportunity for a “back to basics” assessment of how the company goes to market. Since its introduction in the late 1980’s, Category Management has provided sound principles, disciplines and methods to understand and successfully capitalize on changes that have occurred in the needs, values and expectations, and behavior of consumers and shoppers. Retailers and manufacturers that have sound Category Management capabilities are better equipped to understand new trends and to take earlier advantage of these changes and opportunities, both in times of regular business as well as when facing unexpected and high impact changes, be it a crisis such as Covid 19 or opportunities provided for example by technology innovations such as artificial intelligence and machine learning. As has been pointed out, Category Management will continue to provide the fundamental consumer-shopper centric disciplines and methods to make the transition during any period of challenge as quick and as successful as possible.





# The Social Science of Shopper Marketing

Ken Hughes



**FMCG Retail is an operations business. Margins are tight and as such, the focus is often on volume and efficiency. It is about logistics and stock availability, scale and market share. On a day-to-day basis, any given manager of a supermarket is more concerned with the Supply element – that the shelves are full, the tills are open and the machine that is a modern supermarket is up-and-running.**

It has been over 100 years since Piggly Wiggly launched that infamous first self-service supermarket in Memphis. That was the moment the Demand side was born, the moment the shopper had control to choose one product over another, where impulse purchases were possible based on adjacency rather than a grocer suggesting them. It was the birth and catalyst of branding, packaging and the core fundamentals of what would later be called Space Planning and Category Management.

However, 100 years later, while there have been amazing improvements on the supply and operational side (think chilled distribution networks, AI powered supply management, Ocado robots picking stock, even self-checkouts), we are significantly behind on implementing demand management insight.

There have been various retail management theories that have driven further efficiency and scale in retail. Trade Marketing and Promotion ensured brands get the space, visibility and support they require on an otherwise cluttered shop-floor, and also ensures the retailer of a critical additional revenue stream other than margin. Space Planning & Range Management ensured that the right product was in the right place, minimising out-of-stocks on shelves and removing slow sellers. Category Management added a layer of shopper insight into the mix, looking at inter-relations and adjacencies and how a shopper might expect to see products displayed.

As theories evolved, Shopper Marketing took over, focusing on driving demand through deep shopper insight, widening the responsibility of your average 'Category Management' role. Gone are the days of planograms and range management Excel sheets being the output. They are simply the foundation onto which we build.

I have been involved in Category Management, Shopper Marketing and Shopper Insight for over 20 years. I have played the role of analyst, consultant and strategic advisor for both suppliers and retailers. I have been involved in Category Vision projects globally, and seen the same issues and problems again and again. FMCG retail does not properly understand shoppers.

What is missing from retail management theory, specifically Shopper Marketing, is a deep social science understanding. The study of the natural sciences (physics, biology, chemistry, astronomy) help us understand our physical world. The study of the formal sciences (mathematics, logic, decision theory) help us understand systems and form definitions. But it is the social sciences (anthropology, psychology, behavioural economics, sociology) that help us understand people.

I have dedicated my career as a Consumer & Shopper Behaviouralist to answering a single question. Why do people buy, often followed by a second question, how can we make them buy more? I am a social scientist, fascinated by how humans do it all – how we live, love, work, and dream. Shopping does not

live in a vacuum – it is a smaller part of a bigger life. I have never separated 'shoppers' from 'humans' (although with AI and virtual assistants those days are coming). The purpose of this article is to address this imbalance. To focus on how we can apply a social science understanding to build better Shopper Marketing strategies.

You too, are a social scientist. If you have studied Management or Marketing, your qualification is in the social sciences. It is time to put some extra tools in the toolbox when it comes to retail management.

In 1920s New York, Edward Bernays (Sigmund Freud's nephew) opened what would later be recognised as one of the worlds first PR agencies (or marketing agency). Known as the father of public relations, famously promoting female smoking in 1929 by branding cigarettes as feminist 'Torches of Freedom', he was a man that took his uncle's work and applied it to influencing shoppers.

Traditionally, persuasion was functional, listing product benefits. Guinness famously used its 'Guinness is Good for You' tagline for decades. Cars, TVs and refrigerators were sold on benefits and attributes. But all that changed in the 40s/50s as the advertising industry took Bernays early work and realised the power of emotive persuasion. Think of the American Mad Men TV series.

The power of fear, lust, sex, jealousy, desire, wealth, status – these were all far more powerful in persuading





shoppers to buy than listing attributes and benefits. And so, the advertising industry learned to lean into the social sciences. How were consumers living their lives (anthropology), what did people want from life (sociology), how did people make decisions (behavioural economics) and how is desire stimulated in a consumer (psychology)? Look at any modern marketing communication and you will see evidence of this. Buy this and your life will be better.

So, we know all this, and yet somehow, as a shoppers' foot crosses the threshold of a supermarket, we forget it all and put yellow stickers on products to increase volume sales. Pile the product, promote it and job done. Why is most of FMCG retail one of the last environments and industries to adopt a true understanding of shopper psychology? Why do we insist on using blunt tools like promotion and trade marketing to leverage incremental sales, giving up precious value sales? While Shopper Marketing has gone some way to addressing this, it still has far to travel.

As an example and structure, I am going to dip into four of the social sciences here and propose a better way to engage shoppers. While Category Management and Shopper Marketing have elements of shopper data and insight, most of it can be very two-dimensional rather than actionable. It is time we got inside the mind of the shopper.

### BEHAVIOURAL ECONOMICS

Behavioural Economics concerns itself with the psychology of decision making. While standard economic theory would argue a shopper weighs up the cost and benefits of a purchase, this linear model is fine in theory but not in practice. In real-life there are many factors that influence purchase, many of them outliers.

What we want is a shopper to put something in their basket, preferably from our brand, category or store. We need to trigger that purchase. Let me give you two simple behavioural realities that are often used by other industries but rarely in FMCG.

The first is HERDING. Humans are tribal animals, and as such recognise primally that there is safety in the herd. If your caveman friend ate the berries on the bush yesterday and is still alive, then it is probably safe for you to eat them too. We are followers.

Think of the last time you were walking along a promenade on vacation trying to choose a restaurant.

Some were empty and so you too walked on past. Rarely will a consumer be the first to sit. It is why a waiter will seat customers at the window or front immediately, to encourage others to follow. More likely you ended up eating in the next restaurant that had a few occupied tables, seems a safer bet. Herding – we follow the crowd. This is primal, you can't stop it and it happens at a sub-conscious level.

So how should we bring this to life in FMCG retail? Many categories are over-ranged, and the paradox of choice kicks in for shoppers. Too much choice and it becomes too difficult to make a decision and we walk away. It happens everyday at every category in every supermarket.

I spent years setting up cameras in supermarkets observing hundreds of hours of category/shopper interaction. We don't usually measure walkaways in FMCG retail. We can measure online basket abandonment easily, but in real store environments it is more difficult. There wasn't a category vision project I worked on where the supplier and retailer were not astounded to see the walkaway rates. Until the cameras went in, no one had ever measured it before. There were sometimes more shoppers walking away than buying. Opportunity everywhere but until you measure it, until you see the issue, it remains invisible. We love

sales reports in FMCG but the 'Opportunity Cost Report (Lost Sales' is one that is missing from most desks).

So back to herding – why don't we re-capture some of these lost sales by making it easier for a shopper to choose something from large ranges. Amazon does this every day. 'People like you also bought...' Converting an aisle-end to hero top selling products is easy. Target famously did this for hair and beauty products, an infamously cluttered aisle. Telling shoppers that these are the Top Three selling Shampoos, Conditioners and Skin Care products in the US makes it much easier to make a decision when faced with an aisle of 750+ SKUs.

Priming is another behavioural trick up the sleeve. We can easily prime someone to behave in certain ways or respond to a certain stimulus. When a supermarket pumps the smell of chocolate into the candy aisle or fresh bread into the bakery, they are priming shoppers. However, sometimes it can be much easier than that.

Colin Payne, a researcher in the State of New Mexico famously demonstrated this with his 'Yellow Tape Shopping Cart' experiment. He took nothing more than a simple printed sign and a piece of yellow sticky tape, and placed both on every shopping cart. The tape divided the cart around the 20% mark, and the sign read 'Please place your fruit and vegetables in front of this line'.

Because when a shopper took a cart it told them there was a 'dedicated space' for fruit and vegetables, the penetration of the category increased by 102%. That means that twice as many shoppers bought something from the fruit/vegetable department because their shopping cart told them to!

We like to fit things into boxes, follow the herd. We need to look at Herding and Priming as every day occurrences in FMCG retail and utilise the sub-conscious behavioural brain of our shoppers.

### SOCIOLOGY

Let's move on to how people live in modern society and see how we might use that in Shopper Marketing. What disappoints me often in Shopper Marketing campaigns is the lack of real insight in to the lives of the shoppers we are trying to influence.

Take the meal solution issue. We all know that every day, in every home in the world, someone ponders what to make for the dinner. Supermarkets are not particularly designed to help address that question. With so many products and categories, it becomes a little overwhelming for shoppers, and so they end up buying the same brands from the same categories over-and-over again. The average shopper buys just 350+

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SKUs a year, often from a supermarket ranging 10,000-20,000+

So how might we use a better understanding of their lives to increase category engagement?

Take a very simple category, like Fresh Chicken. I worked on a Shopper Marketing project a few years back for a supplier, and they invested heavily in shopper understanding. As well as all the usual focus groups, at fixture interviews, cameras in-store and one-to-one shop-a-longs, we also did an extensive in-home diary exercise, looking at what shoppers were eating and cooking, and how this varied between groups.

One of the insights that emerged, deliciously simple (as the good ones often are) was this – the way shoppers were preparing and consuming meals across a given week had a pattern, and only products that fitted into this pattern or need-state would be considered.

From Monday to Wednesday, shoppers tended to prepare easy, quick and healthy meals. They had perhaps overdone it at the weekend and wanted to start afresh on Monday (thus the health aspect – diets always restart this Monday!). These days were also

busy family and social days, with children having after school activities or the consumer themselves having a gym or class to get to. Time pressure was also high on the need-state agenda.

Thursday to Friday saw a marked swing toward Indulgence. Meals became slower, calories less counted, more time to prepare. Friday night dinner has far more indulgence and treat elements than a Monday.

Finally, Saturday and Sunday, Social aspects to cooking and dining took over. This was all about family and friends, good food and good company.

So why am I telling you all this? Well put simply, most FMCG retail promotions offer a cookie-cutter meal solution across the week. In fact most promotion cycles in-store are 2-3 weeks, offering the shopper the same thing at every visit. But that does not match the sociology of how shoppers live their lives and prepare/eat their meals.

Our Fresh Chicken client acted on the insight and designed an impulse fridge selling meal solutions, changing by week-part. On Mon-Wed there were images of healthy Chicken Caesar Salads or Chicken Stir-fry,

with all the ingredients you would need to make the meal there to hand, chilled and ambient, the recipe card ready to grab. These displays were then re-merchandised on Thu-Fri with indulgent meal solutions (think Chicken Fajitas) and finally swapped out again on Sat-Sun with meal solutions around sharing and family (traditional roast chicken etc.)

Now this sounds so simple, but without matching a shopper need-state, their life outside the store, to what and how you are offering them inside the store, you will always be playing catch up to the incremental sales.

## PSYCHOLOGY

Shopper psychology is a fascinating field in itself, one that we could debate for days. But an understanding of the human mind and how it works is key if we are to trigger sales in ways other than yellow stickers and display. Shopper Marketing has to lean more heavily on shopper psychology to truly evolve.

Returning to the earlier discussion about Edward Bernays and the power of emotion to trigger product desire (his uncle Freud was all about desire!) let us look at another case study, this time Pet Food.

Those shoppers who own dogs and cats love their pets, often more than their children! While working on a project for a client, I was astounded at the language and animated way shoppers spoke about their pets. Some pets had their own special couch, one dog even had his own TV!

When spending time with the consumer interview transcripts and videos, I decided to focus on this aspect of 'attachment' in further interviews. Very quickly, the emotive 'button' emerged that could be utilised in-aisle, and that was guilt.

No shopper wants to think of themselves of not being a great owner, but yet the data showed that only 1 in 10 shoppers ever bought their cats an edible pet treat. Dog treat statistics were higher, but not by that much. Why were these owners claiming they loved their pets so much, but then just buying the basic pet food (cans and kibble) from the shelves, leaving the higher margin treats on the shelf. It made little sense. What they needed was a nudge.

By simply putting animal paw prints on the aisle floor, images of cute puppies and kittens throughout the aisle and reminders to treat their pets who they'd left at home all day (guilt!), engagement and sales shot up. No

By simply putting animal paw prints on the aisle floor, images of cute puppies and kittens throughout the aisle and reminders to treat their pets who they'd left at home all day (guilt!), engagement and sales shot up.

price promotion, no loss of margin. Shopper Marketing at its best – identify the psychological button behind behaviours and you can change them.

Shoppers are human, full of hopes and dreams, fears and uncertainties. Learn which button to press per category and be creative in terms of how you press it.

## CYBER BEHAVIOURALISM

Lastly, let's talk about a relatively new field, that of cyber-behaviouralism. This is the study of how we live our lives digitally, and how this has an impact on our real-world expectations.

Here is a very simple example. The average waiting time for an Uber or Lyft is 4 minutes. Anything more and a modern consumer is generally dissatisfied. That is a digital behaviour but now carried into the real world – ask any shopper to queue at a bank teller or cashier for over four minutes and you will have the same dissatisfaction. Digital has brought us all an I WANT IT NOW attitude in most of our real-world interactions. We are a one-click, one-swipe consumer and we want that efficiency in our real-world interactions too.

What does that mean for FMCG retail and shopper marketing? This isn't about digitising FMCG retail (even though of course that is critical). This is about behaviours.

Digital places the shopper at the centre. The Uber car comes to you. Amazon remembers what you bought







last time and recommends similar items. Just Eat recommends restaurants near you. You, as the shopper, are at the centre and all the products and services and solutions revolve around you.

Now compare that to your average supermarket where the aisles are laid out as a mirror-image of the warehouse. What we ask of a shopper is to enter this space with the need to feed themselves and their family for the next 3-4 days. They are to take a basket and cart, and while holding 4 meal solutions for every day (breakfast, lunch, dinner, snacking) in their head, we make them walk up and down across fresh, frozen, chilled, ambient and non-food, all the while expecting them to yo-yo in their mind back and forward to the meals they will want to prepare. No wonder they just buy the same things all the time. FMCG retail is fundamentally non-shopper centric in its design.

Meal subscription boxes delivered to home do the opposite. The shopper logs on, chooses meals that look tasty and attractive, and all the ingredients in the right portions arrive to their door. Shopper centric. BOXED, one of the biggest delivery-to-home FMCG players in the US is changing the nature of buying. If BOXED will deliver all my pet food, shampoo, mineral water, toilet roll and beer every 2 weeks, and HELLO FRESH will deliver my meals for the week, with new and inspiring recipes every week, remind me again why I'd go back into a supermarket to walk up and down aisles?

I am not talking about the death of the supermarket, but I am talking about the need for us to adapt to the

changing nature of shoppers based on how they live their digital lives. Today, shopper marketing campaigns need to have strong digital elements to be relevant. The store is no longer the sole battle ground.

So, four of the social sciences and how they could be applied to FMCG retail.

We need to remember that range management output or a planogram is not the end, it is simply the beginning. These are the foundations onto which decent Shopper Marketing campaigns are built. But it is in investing in significant shopper understanding, insight and behavioural analysis that will give us access to the significant incremental sales we seek by category.

Learn to invest in a better understanding of the social sciences and their role in Shopper Marketing. It continues to frustrate me when leading shopper marketing masterclasses or retailer/supplier consultancy sessions just how little is understood in FMCG retail of the power of what has been outlined above.

Investing a little time and budget in understanding how to best leverage human and shopper behaviour always pays significant dividend. It is time for Shopper Marketing to get Freudian!

*Ken Hughes is now acknowledged as one of the world's leading keynote speakers on consumer, shopper, and cyber-behaviour exploring the needs of the new consumer and predicting the changes to come.*

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# ECR COMMUNITY REPORTS

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# Total Store Optimization - Next level of Category Management

Birgit Schröder, Lead Shopper Experience,  
GS1 Germany GmbH / ECR Germany

Consumers' world is changing faster and faster. Shoppers' expectations change so fast that today's expectations can already be outdated by tomorrow. The buying behavior has changed significantly over the last years. Whether in the supermarket, hypermarket, in the discount or drugstore: Asking the shopper - shopping has to be an experience.

Product availability, convenience and efficiency are very important, but shoppers are also searching for a pleasant shopping atmosphere. If the retailer doesn't comply with this wish, competitors will win.

Furthermore in a growing omnichannel environment, the channel boundaries are disappearing more and more, resulting in additional competition. A (re) positioning of the individual retailers is therefore becoming increasingly important. It will no longer suffice just optimizing specific categories. On the one hand, the shopper perceives the Point of Sale as a whole - which is also reflected by the increasing expectations. On the other hand Differentiation from the competition is only possible with a coherent overall picture of the store. As a logical consequence retailers should also work with the big picture. The solution: Total Store Approach.

With a holistic view at its store a retailer will be able to exploit the potential of its target customers in the best way. As with category management, the total store concept will be effective when it is based on the needs of the shopper. With the difference being that all categories have to work together, a little bit like an orchestra arranging a difficult composition.

## Definition of "Total Store" (by GS1 Germany)

"Total Store" means the holistic, cross-category optimization of a store from a category management and shopper marketing perspective. The aim is reaching most of the potential of the stores and their target shoppers. The focus here is both on winning additional shoppers and, in particular, on permanent retention of existing shoppers (loyalty).

In relation to the total store approach, the retailer's medium to long-term strategy is much more relevant than the single category strategy. The real intention is to differentiate from the competitors.

## Total Store Approach - what is it?

If you want to retain your customers long-term and also want to win new ones, you have to stand out from the competition. In order to (re)position yourself as retailer and meet the increasing shopper demands, it will no longer suffice to concentrate on the individual product groups when optimizing the store.

In this approach the store is considered in total. Optimization takes place holistically and across all categories. In contrast to the single category approach, all store relevant needs of the shopper are taken into account - to reach a win-win-win-situation for shopper, retailer and manufacturer.

To understand expectations and needs of the shopper concerning the total store, GS1 Germany and GfK SE





carried out a total store shopper study in 2019 in the German market. In the following you will find some key results of this inquiry.

## 10 DIMENSIONS OF TOTAL STORE APPROACH

Beginning with the location of the store up to the checkout zone, retailers and manufacturers need to determine the needs of their shoppers using the ten total store dimensions. While the individual components of the approach are already probably known, they merge in the total store optimization taking into account the entire store and are used as parts of an overall process.

### 1. Store Location

How large are the existing purchasing power, socio-demographic structure and potential? The purchasing power and socio-demographic structure in the catchment area of the store play a key role in determining which shopper needs retailers and manufacturers have to satisfy and how big the potential of the store optimisation can be. In addition to this, the following four key aspects determine which store a shopper will visit.

In order to be able to do the shopping “on the way to work or afterwards”, the proximity to your home or place of work plays an important role. Based on this, the location of the store and the accessibility: Is the store



connected to local public transport, easily accessible on foot or by bike? Here, in turn, the parking facilities are important for the shopper - there should be enough parking spaces and bike racks. The closer environment of the store is also crucial. If the shopper can link their purchase directly to other things to do, for example in the pharmacy, bakery or a parcel station, this has a positive impact on their satisfaction.



### 2. Store Image

How is the store perceived - also in contrast to the competition? Basically, shoppers' expectations when buying products for everyday needs are the same across all kind of shops: relevance and availability of the assortment as well as a pleasant shopping atmosphere. However, depending on the sales channel, the shopper expects their requirements to be met in a different extent. In the supermarkets, for example, shoppers expect an assortment that offers a wide range. In relation to this, convenience products or especially fresh products are very important. Additionally the availability of products is essential. In contrast to the discounters, for the supermarkets it is expected that all items are in stock throughout the day - also the fresh products like fruit and vegetables. The atmosphere also plays a major role. More than in any other shopping channel, shoppers want an atmosphere in the supermarket that invites them to browse and linger - and makes shopping a pleasure. Another point that contributes to the store image is the staff: shoppers expect enough personell who care for their needs and wishes.

Learning across all sales channels: The more a store meets the expectations of its shoppers, the more this has a positive impact on its store image. And this has an even more significant effect on potential shoppers.

### 3. Store Choice

Why does a shopper choose a store or not? In addition to basic requirements and the store image, other criteria provide information about the choice of store for shoppers. There is a strong desire for a seamless link between online and offline shopping. In the FMCG categories, digital natives in particular expect an extension into the digital shopping world - for example:

- ▶ Order online with delivery service or pick-up in the stationary store
- ▶ Online solutions for only part of the purchase or the entire purchase
- ▶ A comprehensive online shop and delivery service that can access assortments from various retailers.

While among the younger shoppers there is a high level of openness to the partial digital outsourcing of purchases, the older target group behaves cautiously. For them, online offers are only considered in emergency situations such as illness or for particularly heavy, bulky purchases.

### 4. Products & Assortment

Which ranges and products should be listed? The right offer and range also have a decisive influence on the satisfaction of the shopper. Particularly relevant factors are selection, transparency regarding ingredients, origin etc. and personalization of the product range. In contrast, out-of-stocks, poor quality of fresh products and misleading information of ingredients lead to dissatisfaction.

Sustainability is playing an increasingly important role in the buying decision. In the meantime in Germany, many shoppers expect plastic-free products and reusable packaging. Retailers can score points from the shopper when they deal right with expired food. The motto is not disposing of prematurely.

In addition to the classic categories, it is important to find out which additional assortment is able to attract the shopper – e.g regional ranges or “to go” products.

Shoppers more and more expect fresh products coming from their own region - not only in supermarkets and hypermarkets, but also in the discount channel. After finishing the purchase in a store, the willingness to visit another store decreases significantly. The solution for the retailer therefore could be: a wide range of products and few options within one category, instead of a few categories with many product alternatives. Width rather than depth is the order of the day.



### 5. Shopper Flow

Where are the hot spots or cold spots in the store? Guideway of the customer - another aspect that influences the shopping experience and which varies from sales channel to sales channel. Depending on the type of purchase, shoppers prefer shorter or longer routes through the store. It turns out that guided routes are accepted as long as they offer shortcut options and alternative routes. Flexibility is also very important here. However, a precise assessment of relevant factors in relation to the shopper flow must be carried out on a store-specific basis, since these depend mainly on the individual circumstances on site. For example, where hot spots and cold spots are located - in other words, more frequented and less frequented areas in the store. Also other peculiarities of each individual store can influence the evaluation of the shopper flow and subsequently placement recommendations.



## 6. Category Adjacencies

What are optimal category connections and what is the cross-selling potential about? Along with the optimal placement in the market, it is important to determine useful category adjacencies. Goal is making orientation in store easier for shopper. Therefore as part of the category management process, the category roles must first be determined. Once these have been determined, an optimal category sequence from the shopper's point of view should be combined with a good circulation in the store from a retailer's perspective - a true masterpiece. Shopper insights and the analysis of market and shopper data help retailers and manufacturers to place categories where the shopper expects them to perceive the market as "well structured" and "clear".



## 7. Placement

What does a shopper-oriented placement of the categories look like? Retailers should structure and illuminate their shelves in the best possible way. The assortments and brands should be easy to identify. Different product areas should also be clearly differentiated from one another. In addition, clear signage provides orientation. Knowing that shoppers are in the "autopilot" should not only rely on orientation aids in the form of spoken and written text, but also on colors and shapes. Images also enhance this effect. It can also motivate and trigger impulse purchases. In addition,

anchor brands offer good orientation – this means brands or products that symbolize an entire category.

Shoppers want prominently placed promotions and new products. Ideally, these are placed in the regular shelf and also placed secondary in the form of a campaign placement or a "novelty shelf". On the other hand, shoppers don't like if too many goods are placed in too small a space, so that it becomes confusing. Shelves that appear overloaded do not offer the shopper a clear structure or intuitive navigation and should therefore be avoided.

## 8. Store Design

What is the optimal store design? The optimal store design should on the one hand create the best possible orientation for the shopper and on the other hand an emotional shopping experience. For example, spacious areas create a real feel-good atmosphere. From different shelf heights to the use of subtle music and visual orientation aids, the possibilities are almost unlimited.

The different ideas contribute to the different basic needs of shoppers. Orientation aids, for example, depend on (time) efficiency and convenience, as well as trust and security. What triggers dissatisfaction, on the other hand, is an unloving shop design or poor hygiene. This has a negative impact on the overall quality perception of the total retailer's offer. In general, dirt and unpleasant smells cause discomfort. Neglected shelves and empty packaging are just as unpopular. In the end, the overall impression counts. If this does not fit, shoppers are very likely to switch to the competition.

## 9. Service & Staff

There are two key satisfaction factors regarding service. Excessive waiting at the cash register triggers strong dissatisfaction. So there should always be enough open cash desks - especially at rush hour. In supermarkets and drug stores, express or self-service checkouts are an additional, time-saving option.

In addition, shoppers want constant availability regardless of the opening hours required by law. Convenience stores in heavily frequented locations with special opening times are therefore very popular. In larger stores gastronomic offers provide a plus in terms of a feel-good factor.



Click & Collect also plays an increasingly important role in the perception of the service offer: This enables the shopper to send their shopping list digitally and to receive the fully packed shopping cart in the market.

When it comes to personnel, shoppers want staff who can answer especially questions about products. This is expected above all in supermarkets and in hypermarkets. In the drugstore, employees should be able to provide information about the compatibility of ingredients. Shoppers, on the other hand, rate rude, ignorant staff as very negative.

## 10. Entrance-Zone

What should be offered in the entrance zone? The first and the last impression: the prepayment and post-payment zone. They play a major role for shoppers in larger supermarkets and hypermarkets in particular. In the case of smaller stores, neighbouring shops like e.g. drugmarkets are required to cover the daily needs of the shopper.

A quantitative check as part of the Total Store study has shown, among other things, that in Germany a bakery in the entrance zone is a must-have for many shoppers. In addition to that, the relevance of other further offers such as butchers, pharmacy, tailors, lottery and magazine kiosks or packing stations were queried.

The study shows different results depending on the sales channel. Stores that offer additional services in the prepayment zone as well as in the immediate surrounding enable the shopper to make one-stop shopping and save them tedious, time-consuming extra effort.

## SUMMARY

The total store process with its ten dimensions forms the basis for successful, holistic store optimization and at the same time structures the numerous activities that should be conceived and implemented as part of such an optimization. It should be noted that there is no one single way and one solution: the total store should always be optimized for each single store (alternatively for each market type) on the basis of the available data and insights as well as the desired retailer image. As in category management, the shopper should be the focus of all considerations, decisions and implementations.

A holistic store optimization can only be planned and implemented in a complex and resource-intensive manner. The retailer and target group strategy must be taken into account.



At this point, a quote from Jeff Bezos, CEO of Amazon, fits very well and explains his success: "We see our customers as invited guests to a party, and we are the hosts. It's our job every day to make every important aspect of the customer experience a little bit better."

This is exactly the principle of the total store approach and thus offers the retailer the opportunity to successfully meet the ever increasing demands of their shoppers. That way the retailer can develop the preferred store and assert themselves as a long-term successful player in a highly competitive market.



# Most efficient functionalities to improve user experience on food E-retail website

Francoise Acca



## INTRODUCTION: THE NEED TO IMPROVE SHOPPER EXPERIENCE ON E-RETAILER WEBSITES

In the Shopper Mobile Survey carried out by Institut du Commerce in 2018, we found that shoppers were still disappointed with Click-and-Collect and Home delivery websites. They compare their shopping experience with that of other online and mobile apps and the results show a clear need for improvement. Specifically, regarding technical, compatibility and service rate issues.

Aware of the improvements needed to enhance the Shopper online experience, the Retail and Industrial E-commerce teams wanted to launch a forward-thinking workshop with the ambition to “Make the online experience more fluid and more enriching”. The final goal is to impact conversions and sales rates by drawing inspiration from other sectors and Pure Players.

To do so, we addressed the following:

- 1) An overview of essential functionalities (conversion, shopping cart)
- 2) Common performance measurements (sales and digital KPIs)
- 3) The Retailers and Suppliers operating modes

To do this, 25 retailers and manufacturers participated in a workshop preceded by inspiring presentations from L’Oréal, Accenture, Bol.com, Mano mano, Content Square, Leclerc, Carrefour.

This is an extract version of our complete study that give a summary overview of:

- ▶ The must have functionalities for E-Retail?
- ▶ The most impactful functionalities to facilitate client experience and conversion
- ▶ Most common performance indicators and Sales KPIs

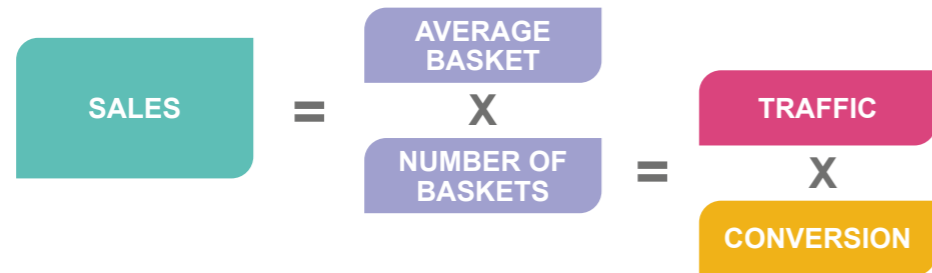




## PART I WHAT ARE THE FUNCTIONALITIES THAT ARE INDISPENSABLE TO RETAIL?

To develop sales, we use the Shopper equation as a starting point. On Click and Collect websites, Retailers and Suppliers need to work together to develop online traffic and conversion.

Fig 1 - Shopper equation  
The effectiveness of the actions carried out is measured with shared KPIs, summarised in the following table.



The effectiveness of the actions carried out is measured with shared KPIs that we have summarised in the following table and where we have separated the online (for sales on the drive and LAS sites) and offline (store)

KPIs. It is highly likely that this separation will no longer make sense in the long term since the indicators will cover the entire purchasing process.

	ONLINE	OFFLINE
SALES	E-COMMERCE TURNOVER	STORE TURNOVER
AVERAGE BASKET	<ul style="list-style-type: none"> <li>Average price</li> <li>Number of shopping items</li> <li>Shopping item / service</li> <li>Special offer / activation</li> </ul>	<ul style="list-style-type: none"> <li>Average price</li> <li>Number of shopping items</li> <li>Shopping item</li> </ul>
TRAFFIC	<ul style="list-style-type: none"> <li>Number of visitors</li> <li>Number of website visitors</li> <li>Number visitors per category</li> <li>Number of visitors who are looking for the same type of product</li> </ul>	<ul style="list-style-type: none"> <li>Number of visitors in the store</li> <li>Number of visitors in the category</li> <li>Number of buyers of the category</li> </ul>
CONVERSION	<ul style="list-style-type: none"> <li>Number of added items to the basket / Number of views SPECIAL OFFER/ACTIVATION</li> <li>Number of added items to the basket / Number of visitors on the website (visitors of the category + regular buyers of the category + browsers via the search function)</li> </ul>	<ul style="list-style-type: none"> <li>Number of buyers / number of visitors of the category</li> </ul>

NB: It is highly likely that this separation between online and offline will no longer make sense in the long term since the indicators will cover the entire purchasing process.

## Most efficient functionalities to improve user experience on food E-retail website

### The most impactful functionalities to GENERATE TRAFFIC

We have classified the features according to the purpose they serve and have distinguished 3 types of traffic. The first is **external traffic**, which could only be of interest to Retailers or Companies that have developed Direct to Consumer. These consist of flows of customers that come from outside the Click and Collect /Home delivery websites. Secondly, the **internal traffic** of the E-commerce website between the different departments and categories. Finally, we have **mixed traffic** inside and outside the website, like retargeting for instance.

#### 1. Features to promote external traffic:

- ▶ “Where to Buy solutions” with providers such as Swaven or Click2buy. They allow to identify in real time on which e-merchant a product is available, and to redirect the consumer to the website of his choice.
- ▶ Media and audience extension campaigns.
- ▶ Co-funding of campaigns such as Google Shopping and Facebook Ads.
- ▶ SEO excellence: an enriched product information contributes to SEO optimization. Mobile sites must be “SEO friendly” in order to generate more traffic as mobile is gaining more and more weight.
- ▶ Co-construction of Content for Category and Themes to meet the growing expectations of the consumer, which are broader than the product alone.

#### 2. Functionalities to promote internal traffic

- ▶ Optimization of internal SEO by passing information from Retailers to Suppliers. For example, how to name categories, share the most searched keywords of each product, category entry keys, etc.
- ▶ In some instances, using high profile product visuals, such as a Category image, to develop a particular category.
- ▶ Every on-site promotion that incentivizes the customer to browse in other departments.

#### 3. Features to promote mixed traffic and guarantee traffic once the shopper is out of the e-commerce website:

- ▶ Retargeting campaigns such as Criteo Retargeting. The Supplier media teams should be involved in the development of such initiatives.
- ▶ Special offers, such as Luckycart’s Promogaming, contribute to the rise in Retailer brand awareness, and consequently generate more traffic.
- ▶ Post-purchase triggers, using ways to build customer loyalty once the purchase process is complete (e.g. e-mailing). Could the responsibility of customer loyalty be shared between Retailers and Suppliers?





## The most impactful functionalities to IMPROVE CONVERSION (trigger conversion and increase purchasing basket size)

There are 3 types of features to promote conversion: customization, cross/upsell, and product information.

### 1. The customization of product recommendations to increase the speed of purchase:

- ▶ List of frequent online and offline purchases
- ▶ More structured promotions
- ▶ Suggestion of alternatives in case of non-pursued purchase
- ▶ Collaboration on product rankings, alternative proposals, inspiration (menu idea / recipe planning), enriched content, Shop in Shop.
- ▶ Offering features for the management of family needs (customization of family preferences, health menu, Organic, x2, x4, recipe suggestion...)

### 2. The Cross Sell / Up Sell:

- ▶ Product information inspired from non-food practices, for example, integration of different fragrances into a range of products.

### 3. Product information: content, characteristics and composition of products

- ▶ Make sure that the GS1, Alkemics, Equadis etc... streams are properly fed.
- ▶ Check the completeness of the essential product information on the product sheets (composition, allergens, labels, product score, etc.).
- ▶ Reliable information on measurement units (essential for recipes)
- ▶ Fill missing content and upload high resolution images (including multi-sided packaging).



## PART II

### THE MOST IMPACTFUL FUNCTIONALITIES TO FACILITATE CLIENT EXPERIENCE AND CONVERSION

1. Quick product discovery
2. Ease of shopping list design
3. Fast and efficient payment and logistics service
4. Order satisfaction (freshness, packaging,...)
5. Post-purchase experience

What are the possible actions on items 1, 2 and 5?

#### 1. Quick product discovery

- ▶ Search performance +++
- ▶ Product Attributes that match with e-retailers Category Attributes, filters
- ▶ Work according to seasonality (e.g. Christmas, holidays) by adding tags
- ▶ Consumer reviews and ratings (according to categories)
- ▶ Cross-selling on product pages
- ▶ Useful content on the product pages (to be tested with A/B testing)
- ▶ Video insertion, tutorials, in some cases at the beginning of the category
- ▶ Highlight the "Product Pros" in the product visuals

#### 2. Ease of shopping list design

- ▶ Customization of the experience
- ▶ Efficient search, work on the product referential: keywords, ....
- ▶ A/B testing - quick wins
- ▶ Relevant filters - Quick filters (organic, by need, ...)
- ▶ Enhance commercial events (beauty, Christmas for example)
- ▶ Create standard baskets according to offline and online purchase history (real-time behavioral analysis)

### 5. Post-purchase experience

- ▶ CRM activation
- ▶ Chatbot
- ▶ Consumer Ratings and Reviews
- ▶ Provide enriched content via newsletters
- ▶ Passing data updates from e-retailers to Suppliers (e.g. keyword search peak)





## PART III MOST COMMON PERFORMANCE INDICATORS AND SALES KPIs

Three levels of E-commerce data that can potentially be shared between Retailers and Suppliers.

### 1. Classic performance KPIs

This corresponds to all factual sales information for a given brand and the category to which it belongs. It puts a brand's performance in perspective to its market. The following is a non-exhaustive list of the main performance indicators concerned:

The following is a non-exhaustive list of the main performance indicators concerned:

- ▶ Turnover value and volume,
- ▶ Evolution of turnover
- ▶ Brand penetration rate in Customer Orders
- ▶ Number of products purchased per customer

### 2. Customer behaviour KPIs

To enhance the online customer's purchase journey, it is necessary to know the customer. For this purpose, performance indicators measuring customer behavior constitutes a second level of data sharing between

Retailers and Suppliers. Here are some indicators of customer behavior monitored online:

- ▶ Number of customers
- ▶ Customer loyalty to the brand
- ▶ Cart Abandonment rate
- ▶ Customer qualification: new/existing, loyal/opportunistic, etc.

### 3. Impact analysis

For projects carried out by Retailers and Suppliers, for example the redesign of a Department navigation, it is essential to measure and share the actions carried out using the following indicators:

- ▶ Before/after diagnosis
- ▶ Impacted turnover
- ▶ Uplift of sales
- ▶ Impact on the category
- ▶ Financing cost
- ▶ ROI



## TO SUMMARISE, HERE ARE THE ESSENTIAL KPIs

Performance KPIs	Client behaviour KPIs	Distribution KPIs
Sales value	<b>VIEW</b>	Numerical Distribution rate
Consumer Sales Unit	<ul style="list-style-type: none"> <li>▶ Bounce rate</li> <li>▶ Traffic data (from category page to product page)</li> <li>▶ Search rank / Category rank</li> </ul>	Breakage rate
	<b>RECRUITMENT</b>	
	<ul style="list-style-type: none"> <li>▶ Recruitment %</li> <li>▶ N° of purchases / N° of total visits</li> <li>▶ Conversion rate = page categories, products, banners...</li> <li>▶ Number of clicks vs. number of products purchased</li> <li>▶ Add to cart rates based on one-time activations</li> </ul>	
	<b>SATISFACTION</b>	
	<ul style="list-style-type: none"> <li>▶ NPS on a category or a product / brand</li> <li>▶ Customer Ratings and Reviews</li> <li>▶ Loading time</li> </ul>	

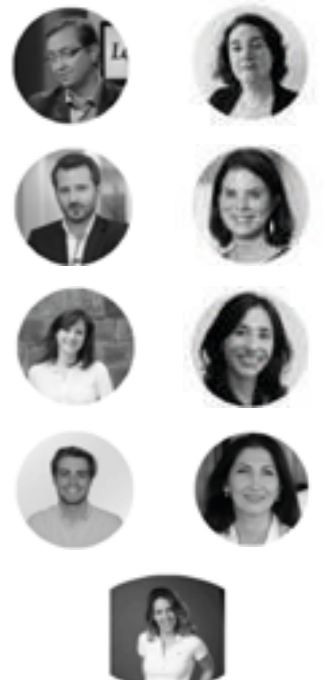
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# Omnichannel Category Management: Moving from product categories to shopper needs & wants categories

Antonella Altavilla and Silvia Scalia GS1 Italy

**Omnichannel retailing awareness is high for Italian FMCG's shoppers as more Italian shoppers want to switch from one channel to another seamlessly. The pandemic has accelerated companies' omnichannel focus: the offering grew 5 times vs the demand growth of 20 times.**

The key choice for companies is to define a coherent and recognizable positioning in all its served channels. Speed, consistency, personalization, interactivity, social media and experience are keywords to describe the evolutionary path that is required for them to manage these channels in an integrated way and to ensure economic sustainability in the medium to long term.

Even in the omnichannel context, a group of senior managers from 18 leading ECR associated companies

have identified Category Management, in an adapted and simplified form, as the approach that first allows them to analyse and understand the needs and then to respond to omnichannel shopper requests.

Companies must approach "Omnichannel" Category Management in a new way to be successful in answering omnichannel consumer needs. The new framework changes, not in terms of principles or objectives but in terms of focus: we no longer speak of product categories, but of shopper needs & wants categories.

The concept of product becomes a complete ecosystem that includes complementary services too. The focus on categories of clients enlarges the scope of Category Management to the full shopping journey.

Companies need to support and inspire their core clients from the start of their shopping journey. Different journey paths of clients must be understood step by step: reach, acquisition, conversion, retention and loyalty. Offline and online touchpoints must be mapped to build the right personalised answer for each consumer (Figure 1).

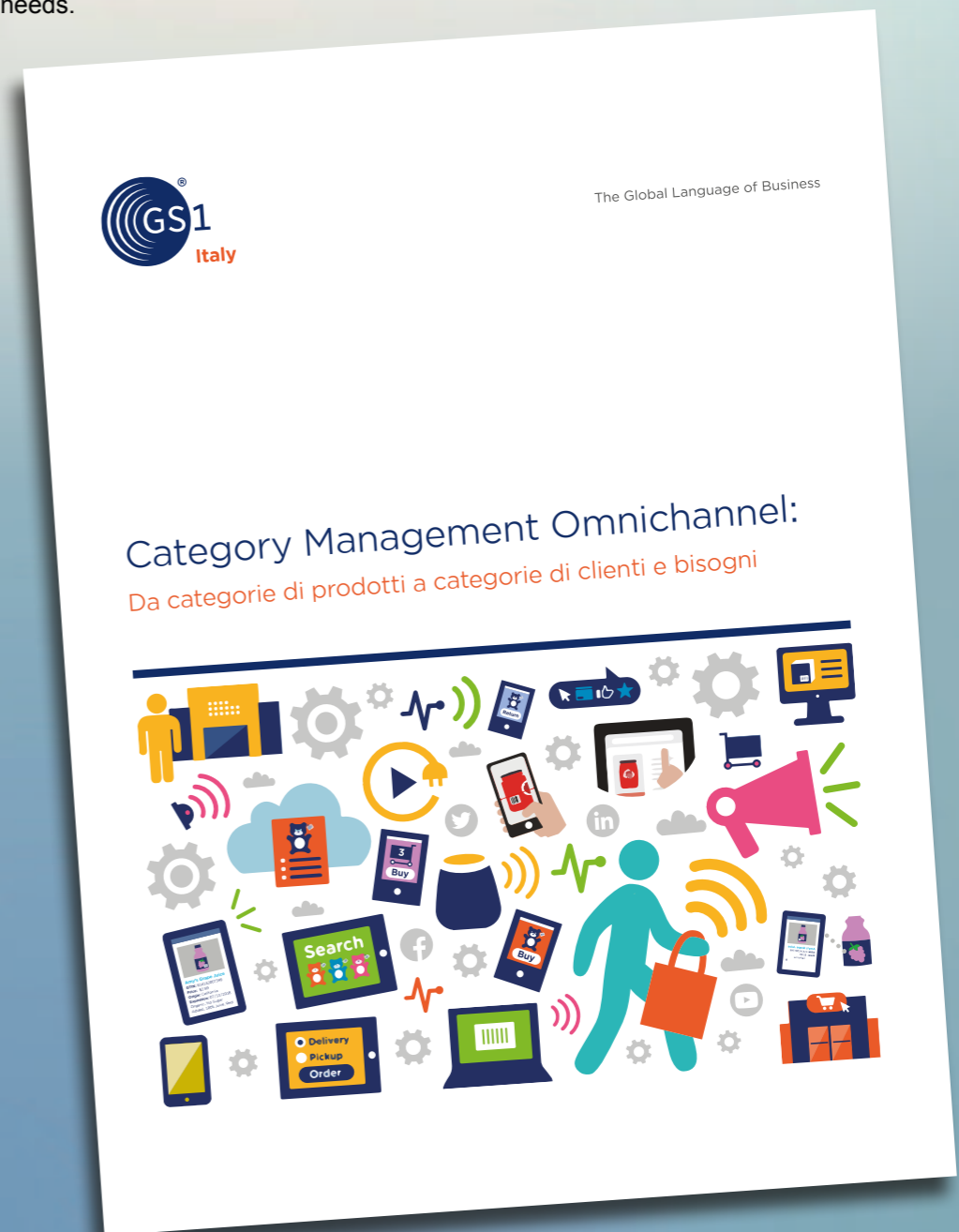
The Category Management process in an omnichannel environment is focused on 3 key steps: Shopper Insight, Initiatives Development, Implementation.

► Shopper Insight: This focuses on the full shopping journey (from pre-sales to post-sales) and moves from product to service coherently with key principles of Category Management. It must identify the categories of clients and needs.

► Initiatives Development: The objectives, levers impact and main marketing tactics are designed for each of these categories of clients trying to offer more personalised answers to their needs.

► Implementation: The «Quick Winner» approach could be successful: Fast Implementation of the innovative ideas on online channels, to reach quick insights and then, once their success has been verified, roll out the initiatives in the physical stores. The measurement system (KPIs) covers online together with physical markets. The only limit to innovation implementation in an omnichannel environment should be the IT barriers!

Figure 1: Framework of the Omnichannel Category Management





### SHOPPER INSIGHT

Each shopper's target behaviour is analysed to build the dynamic of the category path, merging different sources of data (Figure 2). The key questions to be answered are:

1. Who are my priority shopper targets: profiles, needs, objectives, sensations, expectations...?
1. What are their shopping journeys? How many are they? How long do they take?
1. Which touchpoints do they interact with? Are they satisfied or not? What are the critical points?
1. What do my priority shopper targets consider a "perfect experience"? How do we offer them a "perfect experience" for each step of their journey?

The analysis, both qualitative and quantitative, should cover the following areas:

- ▶ Profiling and mapping behaviours
- ▶ Understanding key steps of the journey and the specific behaviours and expectations per each step
- ▶ Measuring the current performance in terms of share of wallet covered and potential on the full shopping basket (benchmark) or for specific markets and categories of products.

The chosen path of the core shopper target becomes key in defining the product categories. They will no longer be hierarchically organized, but coherent to the choosing criteria adopted by the shoppers. The same product could be included in different categories, due to different research path of the shoppers.

Starting from the category tree defined for the offline business, the analysis of the keywords researched by shoppers online on companies' website and on search engines, weighted through the click analysis highlights all the shoppers preferred segmentation of the category.

The result is the category structure omnichannel: a hybrid of the category decision tree between offline and online. To identify the keywords and choosing criteria there are important synergies that manufacturers and retailers can achieve. The objective of the analysis is to shift the focus from what and how to sell to how to serve better the core target clients having acquired a deep knowledge of their expectations.

The focus on the full shopper journey highlights the need for defining a new set of KPIs based on the cross analysis of multiple sources cross-channel data: companies' databases, sell out data, CRM and loyalty data, ecommerce data, web and social analytics, etc (Figure 3).

Figure 2: Key elements of the Shopper insight



Supported by the new technologies, i.e. artificial intelligence, management can grow its own predictive capacity, 75% of the information needed to approach the clients come from their behaviours in the different channels directly.

The most important KPI are those that monitor the quality of the relationship and engagement with shoppers. In the omnichannel environment, the company could achieve a distinctive success factor

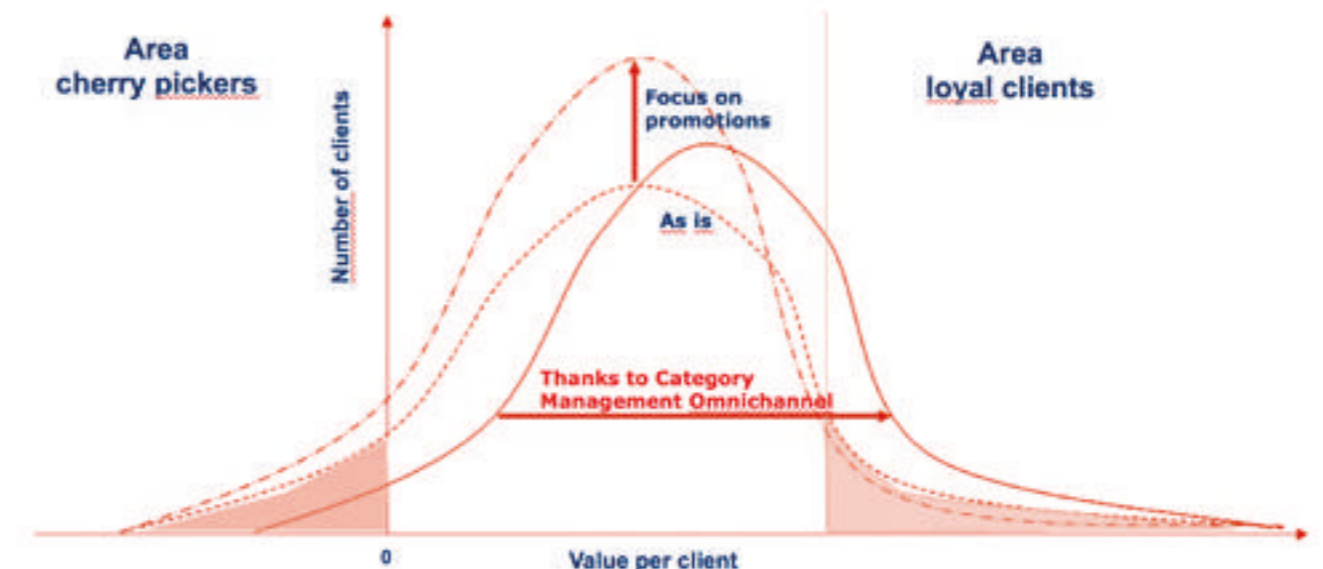
versus its competitors by monitoring these KPI. They permit to identify any problems in the relationship with core clients and provide solutions very quickly.

The focus of Category Management Omnichannel should be the Customer Lifetime Value, namely growing the customer base value focusing on the medium term objective of loyalty building, rather than working with only the short term focus of attracting a number of "cherry picker" clients with promotions (Figure 4).

Figure 3: KPIs for each phase of the shopper journey

CUSTOMER JOURNEY	KPI	DESCRIPTION
REACH	<ul style="list-style-type: none"> <li>• Traffic generation rate (%) (% unique visitors)</li> <li>• Activation/visit rate (%)</li> <li>• Bounce rate (%)</li> </ul>	<ul style="list-style-type: none"> <li>• <math>((\text{Traffic generation} - \text{existing traffic}) / \text{existing traffic}) \times 100</math></li> <li>• <math>(\text{N. activities complete} / \text{N. of website sessions}) \times 100</math></li> <li>• <math>(\text{N. users leaving landing page} / \text{n. total users})</math></li> </ul>
ACQUISITION	<ul style="list-style-type: none"> <li>• N. of suggested product or N. of offers per visit</li> <li>• Conversion rate suggested purchased product or n. offers used per visit (%)</li> <li>• Time spent per visit (on the website vs. in store)</li> </ul>	<ul style="list-style-type: none"> <li>• <math>(\text{N. of suggested product (or n. of offers per visit)} / \text{N. of visits})</math></li> <li>• <math>(\text{N. of suggested purchased product (or n. of offers used)} / \text{n. of suggested product (or N. of offers)}) \times 100</math></li> <li>• <math>\text{Time spent} / \text{N. of visits}</math></li> </ul>
CONVERSION	<ul style="list-style-type: none"> <li>• N. of tested product per visit</li> <li>• Conversion rate per tested product (%)</li> <li>• Purchase frequency (%)</li> </ul>	<ul style="list-style-type: none"> <li>• <math>\text{N. of tested product} / \text{N. of visits}</math></li> <li>• <math>\text{N. of Purchased products} / \text{N. of Tested products} \times 100</math></li> <li>• <math>(\text{N. of tickets} / \text{N. of shoppers}) \times 100</math></li> </ul>
RETENTION	<ul style="list-style-type: none"> <li>• Cross channel conversion rate (%)</li> <li>• Cross channel basket rate (%)</li> <li>• Churn rate (%) (% of lost clients in the period)</li> <li>• Cross channel basket</li> </ul>	<ul style="list-style-type: none"> <li>• <math>(\text{N. of cross channel clients} / \text{N. of clients}) \times 100</math></li> <li>• <math>(\text{N. of cross channel baskets} / \text{N. of baskets}) \times 100</math></li> <li>• <math>(\text{N. of initial clients} - \text{N. of final clients}) / \text{N. initial clients} \times 100</math></li> <li>• <math>\text{Cross channel sales} / \text{n. of baskets of the cross channel clients}</math></li> </ul>
LOYALTY	<ul style="list-style-type: none"> <li>• Advocacy Rate (Net promoter score %)</li> <li>• Retention Rate (%)</li> <li>• Customer Lifetime Value (profit)</li> <li>• Revisit rate (%)</li> <li>• Revisit frequency (%)</li> </ul>	<ul style="list-style-type: none"> <li>• % of promoters - % of detractors</li> <li>• <math>((\text{N. of final clients} - \text{new clients}) / \text{n. of initial clients}) \times 100</math></li> <li>• <math>\text{Average purchase} \times \text{Purchase Frequency} \times \text{Retention Time} \times \text{Margin}</math></li> <li>• <math>((\text{N. of clients with visit} &gt; 1) / \text{N. of total clients}) \times 100</math></li> <li>• <math>((\text{N. of visits of clients repeaters in the period}) / (\text{N. of clients repeaters})) \times 100</math></li> </ul>

Figure 4: Customer Lifetime Value focus





## INITIATIVES DEVELOPMENT

The development of the initiatives should be managed as a continuous process that follows the evolution of shoppers' needs and new technologies. Starting from the growth objectives, defined after the shopper insight, the selection of the initiatives must be driven by the strategies and declined per lever (Figure 5).

Focusing on retail mix levers the approach to omnichannel should be coherently defined among the different channels. Only differences in shoppers' target needs or their different behaviours could justify misalignments among channels (figures 6).

A unique successful model does not exist for all companies. To maximize integration of traffic flows among channels, every company must find its own best solution coherently with:

- ▶ the banner positioning (experience led vs. product led vs. price led vs. convenience led)
- ▶ the role of category by channel (defined using a shopper centric cross channel approach)
- ▶ the expectations of core targets by channel

The management levers in an omnichannel contest are more interdependent than in an offline contest, due to the ongoing need to maintain [in the meantime] alignment among the channels policies and answer the specificities of each one.

Figure 5: Strategies and coherent levers to grow



The key decisions to develop the right omnichannel assortment are:

1. What are the core products that must be present in both channels' assortment?
2. What are the key criteria to assign exclusive SKUs to one channel?

The result should be a range of products that satisfy shoppers' needs in any channel and for any shopping occasion, continuously updated to follow demand evolution and independent of operational constraints (for example supply chain model based on in-store picking if the store is small). Researchers have highlighted that if the range is built coherently to the core shopper targets' choosing criteria the range variety is perceived to be higher and more satisfactory.

The key questions to develop the right omnichannel pricing are:

1. What are the most important shopping missions by channel?
2. What are the value drivers per channel?
3. Is the lowest price in the market the best policy? What are the advantages/disadvantages?
  - a. of pricing alignment among channels?
  - b. of pricing discrimination by channel?
  - c. of pricing discrimination by channel and by shopper target?

Figure 6: Retail mix management in the omnichannel framework

	Offline	Online	Omnichannel
<b>Assortment</b>	Number, breadth and depth limits: space availability e investment in stock	Theoretically unlimited: - management constraints - SKUs differentiating, based on Keywords	Coherent breadth and depth among the channels (online n. of SKUs could be higher)
<b>Pricing</b>	Competitive and stable at least per day and week	Dynamic and strong comparable	Aligned among the channels
<b>Merchandising</b>	Layout frozen e planogram fixed	Dynamic planogram and continuous review of landing page	Coherent and synergic among channel, different only if shopping behaviours are strongly different
<b>Promotion</b>	Focused on strong price discounts	Customizable and innovative	Coherent among channels using new technologies, ad hoc initiatives for specific target only
<b>Communication</b>	Mass communication	Digital, social, customized, content based	Plan integration and customization of language to communication channel, different Content Marketing per shopper journey step
<b>Services</b>	Standard	Integrated and innovative	Channel specific, the added value is perceived differently by each shopper so must be clearly communicated

Research has highlighted that shoppers' expectation is that the pricing be aligned among the channels. The discrimination could be acceptable when there is not a territorial overlapping between offline and online, or in cases where the banner is managing the same different price areas both online and offline. A more successful policy of pricing discrimination could be the one based on a dynamic pricing approach, that considers a set of significant defined variables processing a huge amount of data coming from many sources using new technologies such as artificial intelligence.

The merchandising of the offline store influences the visibility or placement in the online store. In an omnichannel context the retailer should develop integrated solutions, even if they are customized per channel, to guarantee:

- ▶ unique experience moving from a channel to another
- ▶ minimization of cognitive effort for each shopper journey phase.

Due to the trend in grocery market that shoppers prefer to buy in the online shop from their preferred offline retailer (if there is the possibility and the quality of the service offered is satisfactory!) the promotional policies should be aligned and integrated omnichannel (through digital technologies), to avoid cross-channel cannibalization. Exclusive campaigns could be

developed for specific tactical objectives like:

- ▶ attracting new targets through personalised campaigns
- ▶ reducing online bounce rate through basket discounts
- ▶ growing the average purchase value through thresholds discounts
- ▶ promoting exclusive channel products through BOGOF or bundle pack promotions
- ▶ evaluating innovative promotion mechanics in one channel before rolling them out
- ▶ intercepting showrooming or reverse showrooming.

In the omnichannel category management approach Communication becomes an integral part of the category plan for:

- ▶ attracting new clients belonging to the core targets identified
- ▶ entertaining, socialising, interacting and engaging with shoppers and leads
- ▶ showing, informing, and telling the story of the products and categories
- ▶ building awareness, reputation, trust and loyalty to brands and banners.

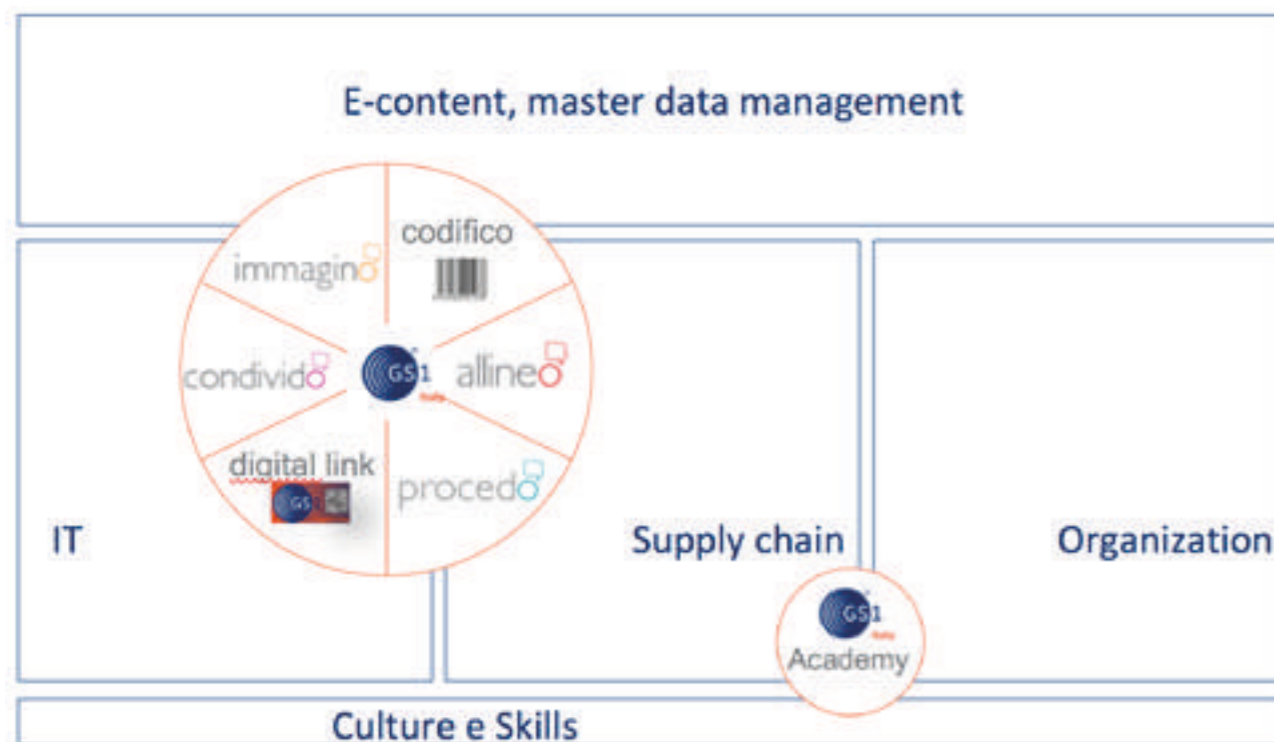


There are two types of communication to be integrated in the plan. The first one boosts the promotion initiatives, using leaflets and proximity marketing as touchpoints. The second one, content communication, builds the storytelling of the values and the distinctiveness of the brands and banners. Through content communication the companies have to reach the heart and the head of their key shopper targets, adopting the right language for each physical and digital touchpoint, and choosing the most effective mix for each phase of the shopper journey. Another key element for both types of communication is to grow the level of personalization, because that is what omnichannel shoppers ask for.

A very strategic role in an omnichannel context is the Services lever. This is because the key objective of the omnichannel approach is not only selling products but gaining the loyalty of the shoppers! This can be an extraordinarily strong tool to push the drive from offline stores vs drive to online stores. There are two main areas for developing distinctive services:

- ▶ Interface and information exchange tools and processes
- ▶ Shopper journey, payment, delivery and returns policies

Figure 7: Enabling factors and supporting tools developed from GS1 Italy



Market research has highlighted that: shopper expectations and the perceived importance of the management of the companies are not always aligned and that the perception of the added value of a service is quite different from one shopper to another. The key success factors are clear communication and efficient implementation of services both online and offline.

### IMPLEMENTATION

The mantra of the companies developing omnichannel initiatives should be creativity, differentiation personalization, instead, the mantra of implementation should be “quick winning”, test rapidly new ideas and solutions and roll them out leveraging the approach of test and learn.

Category Management Omnichannel requests an evolution path on these aspects: master data management and e-content, supply chain process, organization, skills, and culture (enabling factors). GS1 Italy has developed tools to support associated companies to identify, to manage and to exchange reliable data and contents in the omnichannel environment (Figure 7).

Another key driver of the implementation of Category Management Omnichannel is the collaborative approach between Manufacturers and Retailers. Opportunities for companies cover all the shopper journey (Figure 8).

The main areas are:

1. Exploiting synergies of skills and knowing how to grow expertise in both engaging shoppers and measuring their reactions.
2. Collaborating to improve retention and loyalty of core targets leveraging both brand and banner loyalty.
3. Using new technologies to assess and evaluate the new way of interacting with shoppers.

In the omnichannel environment there is a third party to collaborate with: the shopper!

Shoppers want to be involved, want to interact, and want to be heard.

For retailers, suppliers, and shoppers along the shopping journey there are 5 key buzzwords that build the relationship: reputation (reach phase), credibility (acquisition phase), relevance and follow up (conversion phase), reciprocity (retention phase), respect and acknowledgement (loyalty phase).

Figure 8: Areas of collaboration between retailers and manufacturers through the shopper journey

Customer Shopper journey	Shopper behaviour	Potential areas of collaboration between Retailers and Manufacturers
REACH	Potential shoppers become aware of their needs and start looking for solutions	<ul style="list-style-type: none"> <li>• Data analysis and core target profiling by channel</li> <li>• Mapping shopper journeys and key touchpoints per core target</li> <li>• Keywords analysis and review of category definition, segmentation and products assignment</li> <li>• Shared development of product description and presentation (cross-category too)</li> </ul>
ACQUISITION	Potential shoppers evaluate different options of products and services	<ul style="list-style-type: none"> <li>• KPIs and growth opportunities sizing per channel (sales, satisfaction...)</li> <li>• Shared communication development (influencer marketing, social, blog, vlog, remarketing)</li> <li>• Planogram and landing/category page review</li> <li>• Assortment review coherently with shopper insight highlight (offline and online convergence)</li> </ul>
CONVERSION	Potential shoppers choose and buy	<ul style="list-style-type: none"> <li>• Conjoint APP o other services development to influence shoppers' choice</li> <li>• Omnichannel promotion to push drive to store/drive to web</li> <li>• Conjoint test of dynamic or customized pricing per segment of category or shopper target</li> <li>• KPIs monitoring (conversion, penetration, bounce rate...)</li> </ul>
RETENTION	The shoppers are experiencing the products and services and they have to decide if repeating	<ul style="list-style-type: none"> <li>• Shoppers' post sales reaction measurement (satisfaction index, retention rate, churn rate...)</li> <li>• Joint development of Ad hoc retention/recovery initiatives per target</li> <li>• Shared management of social and digital engagement initiatives</li> <li>• KPIs monitoring and objectives redefine per channel or specific target</li> </ul>
LOYALTY	The shoppers are repeaters and can become brand or banner ambassadors	<ul style="list-style-type: none"> <li>• Cross-selling and up-selling initiatives conveyed through manufacturer vs retailer website</li> <li>• Joint «call to actions» customized initiatives: communication, CRM, digital couponing (web or mobile), engagement or rewarding for top spender of brand and banner</li> </ul>

### Special thanks for their contribution to:

Retailers: Auchan Italia, Carrefour, Coop, Conad, D.it, Despar, Esselunga, Selex

Manufacturers: Barilla, Carlsberg, Cameo, Danone, Ferrero, Heineken, Lavazza, Mondelez, Nestlé, SC Johnson, Sutter

Others: IRI, Nielsen, Osservatori Digital Innovation MIP

Group facilitators: Antonella Altavilla, owner ADF Consulting and GS1 Italy Academy consultant for Category Management and Silvia Scalia ECR Italy and Training Director GS1 Italy

For in depth analysis and insight please look at eBook “Category Management Omnichannel: da categorie di prodotti a categorie di clienti e bisogni”, edited by GS1 Italy (QRcode as follows).





# CURRENT PRACTICES IN CATEGORY MANAGEMENT





# Introduction to Current Practices in Category Management

An important part of this ECR Report is the inclusion of a number of case studies. These represent examples of how Category Management is currently being used in a number of different countries around the world. They also begin to demonstrate some of the key directions that Category Management is likely to take in the next few years as it continues to evolve and provide a foundation for addressing important industry trends and growth opportunities.

In our *Category Management - Yesterday, Today and Tomorrow* paper we highlighted a number of new elements and innovations that are keeping Category Management as a core business method for understanding and satisfying the consumer and shopper.

When looking at these different elements we have highlighted the role of Category Management in each step of the consumer-shopper journey.

Manufacturers, from their core competency, put focus on winning with their brand initiatives, through generating awareness, consideration and trial. Their success in building brand equity has been based on using Category Management to integrate their brand strategies into this 360° Consumer-Shopper Journey structure and then collaborating with retailers to improve the retailer's category performance while at the same time to gain the right brand presence in this context.

Retailers, as a response to these manufacturer initiatives starting in the early days of Category Management, have focused on developing their

capabilities to bring scale in their differentiating offer on the one hand (with private labels, retail brands, loyalty card insights and promotions etc.), and on the other hand trying to be more relevant and able to implement their offer at the local level, given geo-marketing insights on which customers live around each store and match with the retailer's differentiation strategy, what drives their shopping missions, and what assortment, pricing, and promotions work best. This has been a core focus of retailer Category Management work.

Collaboration to make both retailer and manufacturer efforts effective is the foundation of success in this 360° consumer-shopper journey experience. The Consumer-Shopper Journey business framework connects these efforts based on its insight model, and connects the work through the shared understanding of how the retailer and the manufacturer can make the expectation come true for "who comes for which shopping mission" to the retailer. This is the core of Category Management and the strategic shopper marketing framework in which the retailer creates differentiation and where the role of the category and the brand find their maximum value contributions.

The cases included in this report are a natural reflection of these perspectives (the retailer and the manufacturer and their collaborative efforts). The future directions for Category Management that we identify in the paper will require this double optical view of the collaborative potential.

For retailers, who face complex insights by location, by shopper-ID, by consumer-shopper segment along the journey, technology and big data, more and more driven by AI analytical tools, will become the means to win the race versus competition. We see this in the retailer case studies of Rewe, Carrefour, MRPI Ireland and Albertson's. It connects category performance improvement and customer insight in how Category Management can be implemented effectively at the local level.

For manufacturers, the focus is on category re-visioning and brand re-invention arising from new consumer value drivers, and how the consumer becomes a shopper with particular shopping mission expectations. Category Management then helps the retailer to translate this new category vision in the mission and shopper journey experience. A number of the case studies demonstrate how manufacturers have used Category Management to accomplish these joint objectives.

As described in the *Category Management – Yesterday, Today and Tomorrow* paper, we believe that the next phase in the evolution of Category Management will be guided by developments in the five areas which are listed below. Each of the case studies presented in the report demonstrate the application of one or more of these drivers.

- ▶ **Redefinition of categories to reflect new consumption habits, lifestyles and expectations.**  
Examples are –
  - Infant Nutrition (Brazil)
  - Pasta Meals (Italy)
  - Non-Alcoholic Beer (Ireland)
  - Rice (Greece)
  - Provenance Information (France)
- ▶ **Integration of Category Management into the broader Consumer and Shopper Journey construct**
  - Lunch Meats (Ireland)
  - Ready to Drink Beverages (France)
  - OTC Pain Relief, Flu and Gastro (Brazil)
  - Health and Wellness (Ireland)
  - Soft Beverages (Greece)
- ▶ **Application of Category Management principles and processes in e-Commerce channels**
  - Pet Food (Greece)
  - Yogurt and Dairy Desserts (France)
  - Multi-Channel Customer Journey (US)
- ▶ **More effective collaboration between retailers and manufacturers**
  - Beer (Italy)
  - Soft Beverages (Germany)
  - Dairy and Frozen Foods (Canada)
- ▶ **Use of more comprehensive multi-source consumer and shopper data sets and analytics**
  - OTC Pain Relief, Flu and Gastro (Brazil)
  - Pasta Meals (Italy)
  - Dairy AI Application (US)
- ▶ **Expanded use of Category Management in different channels (including DIY and Pharmacy) and in new markets (such as China).**
  - OTC Pharma (Brazil)
  - Fresh Fruit (China)





## COMPANY BACKGROUND

**Company Name:**

Lactalis Nestlé Ultra Frais

**Product Name & Relevant Category:**

Yoghurt and Chilled dairy dessert (pudding, mousse, custard...) – within dairy category

**Location of Marketplaces:**

For the moment, the marketplace is France.

**Store Format:**

E-commerce channel : Click and mortar (French Drive).

**Annual Local Market Sales:**

€500M - €1 Billion

Lactalis Nestlé Ultra Frais (LNUF) France Total turnover : 515 Million euros

LNUF total turnover on « Click and Mortar » (French drive) sales : 38 Million euros

**Local Employee Numbers:**

250 employees

**In your local market, how significant are you within your chosen category?**

Very Significant – LNUF Market Share on Click and Mortar Sales : 13% (n°2)

**How advanced is Category Management within your company?**

Advanced.

Category Management is well advanced in our company. It is very important for us to understand the trends of the dairy category and to give solutions/ an understanding of these trends in order to implement good solutions afterwards. It is the starting point of every project we launch. Understanding the environment, consumer attitudes, what they are looking for, must be the first concern of any company in order to produce a sustainable growth.

**Number of people employed in Category Management team in your Company?**

Our company is composed of a category management division with 10 employees.



**List the retailers you worked with on this project?**

Carrefour Drive France, Auchan Drive France were our partners during the development of the project and helped us to implement it first. Then, other retailers were involved in our project called "Eplaisir+": Courses U, Intermarche Drive, ChronoDrive France, Cora Drive...

## PROJECT METHODOLOGY

**Briefly describe the project background/ challenge and the rationale that led the team to propose this project.**

At the beginning of our project in 2018, E-commerce represents 76% of the Yoghurt and Chilled dairy dessert category growth on the French market. It is a key growth lever for a category that underwent a chronic recession for 10 years due to physical stores.

Nevertheless, E-commerce has a penetration rate under its potential. Moreover, 70% of the e-shoppers declares that they don't really understand the organization of the Yoghurt and Chilled dairy dessert category on Click and Mortar websites. These 2 facts shows us that we are far away from the full potential of the category. Based on strong and relevant studies, our project, E-plaisir+ , deals with 2 main objectives :

1. Make the on-line buying experience more fluent and encourage sales by improving the understanding of the category. E-plaisir+ puts the shopper at the heart of the on-line buying experience, by building the E-merchandising experience through HIS understanding of the category and using HIS words. In the same time, we reduce the annoying elements that push him to leave the category.
2. Increase his shopping cart by developing the exploration and by spotlighting driving subcategories of the Yoghurt and Chilled dairy dessert category.

Working with retailers permitted to validate the consistency and the efficiency of the E-plaisir+ approach.



The shopper issue can be illustrated with the penetration rate on the category (that is under its potential) :

**For physical stores:**

FMCG Penetration : 99,5%; Yoghurt and Chilled dairy dessert penetration: 96% → Index vs FMCG : 96,5

**For Click and Mortar (French Drive):**

FMCG Penetration: 28,3%; Yoghurt and Chilled dairy dessert penetration: 21,3% → Index vs FMCG : 75,4. Potential = 80 Million euros!

This penetration rate can be explained by 3 reasons :

1. E-shoppers restrain themselves to buy because they can't see the expiry date on the product: 21% of the consumers don't buy Yoghurts and Chilled dairy desserts on Click & Mortar Websites because they are afraid to have a too «short » date (even more on large formats or on stocking promotions offers).
2. The offer is not large enough according to the consumers: 42% of them want more products on websites. 90% think that they should find the same quantity of products on-line than in the physical store they are used to go in.
3. The organization of Yoghurt and Chilled dairy desserts on line is most of the time misunderstood because it is poorly executed: 70% of the e-shoppers declare that the organization of the products within the category lacks of clarity. The category is considered as complex, the taxonomy is misunderstood, the organization of the products within the different families of the category lacks of logic. With more than 395 products within this huge category, the organization is a key success factor!

Moreover, in a context where shoppers are buying both in physical stores and drive website, the physical store remains the reference for them (when they arrive on a drive website they are looking for the same organization than in physical stores), the e-shopper don't find his benchmarks and habits. The E-plaisir+ approach answers the 3rd element.



### Describe your target market for this project.

In geographical terms, for the moment, our target is the French market. The penetration rate of click and mortar websites (French Drive) is about 25%.

We want our E-plaisir+ approach to be implemented in all the FMCG retailers' websites to improve the E-shopper experience on our category.

### List and give a brief overview of the main objectives of this project.

This project has 2 main objectives :

1. Develop the penetration rate and the purchase conversion by making the buying experience more fluent and by improving the understanding of the category
2. Increase the shopping cart by developing the exploration and by spotlighting driving elements of the Yoghurt and Chilled dairy dessert category.

We addressed all the aspects of E-merchandising :

- ▶ Taxonomy
- ▶ Filters
- ▶ Hero images
- ▶ Apparition order of products
- ▶ Search...

### What KPI's (if any) were used to measure the project outcomes?

4 main KPI's were used to measure the project outcomes :

For our clients - retailers implementing E-plaisir + on their websites :

1. Sales : Increase of the on-line turnover
2. Navigation : Decrease of the amount of products put in the basket using the search bar

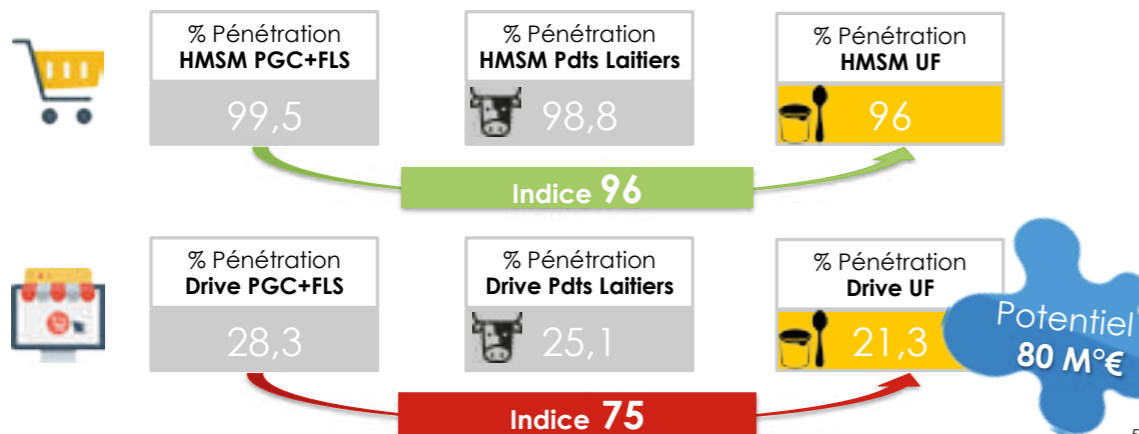
For us

3. Partnerships : Number of retailers implementing our E-plaisir+ approach
4. Sales : increase of our market share on on-line perimeter



### Et il reste encore un fort potentiel inexploité La pénétration de l'UF en Drive est sous indiquée vs PGC et produits laitiers

#### Enjeu recrutement



Source : Kantar WPO CAM 3118

## PROJECT IMPLEMENTATION

### Describe the project framework and what tools you used.

We used different tools for this project :

- ▶ Internal Category management studies: we did a large E-commerce diagnosis, based on data coming from retailers panels and consumer panels  
**Objective:** putting into perspective the issues and growth levers on "Drive market"
- ▶ E-shopper studies: we launched an E-shopper studies.  
**Objective:** understand the e-shopper reality concerning the understanding of the shelf, the category, identify his expectations, the levers, the disincentives elements and what pushes him to leave the category. To achieve this task, we worked with qualitative and quantitative panels, 400 regular E-shoppers and consumers of our category (representative of all the retailers).
- ▶ Studies and analyses of the key words used in the search bar for yoghurt and chilled dairy dessert category, thanks to the collaboration with a search and SEO specialist:  
**Objective:** validate the key entries of the category, understand the shopper wording in order to use it in the taxonomy and in the spelling of the products to optimize the search performances. To complete this task, we analyzed 2,6 M° researches/ 12 338 key words used through the search bar to buy products from our category.

- ▶ Shopper and e-shopper studies, thanks to: intelligence Data, client & distribution specialist

**Objective:** Compare the insights received from the E-shopper studies with the "reality" (data issued from our retailer partner, from the loyalty cards of 15 million French households, their receipts and their navigation on the retailer's website). Execution: on the click & mortar website of our retailer partner.

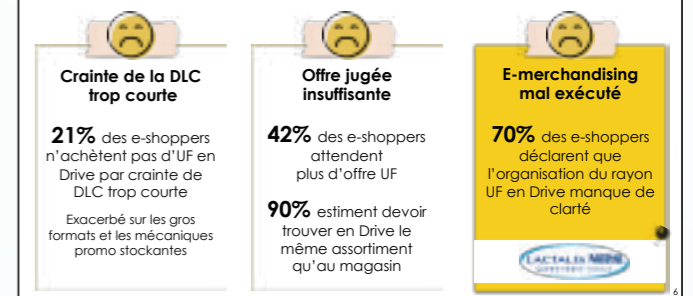


### Briefly describe the key steps taken to complete the project.

Here are the key steps of the project :

- ▶ E-shopper understanding: studies
- ▶ Development of hero images, primordial according to the E-shopper studies : beginning of 2018
- ▶ Implementation of E-plaisir+ 1st version on retailers websites (1st trimester of 2018). Measures, confrontation with technical issues, adaptation of the project according to the constraints.
- ▶ Search data analysis (2nd trimester of 2018). Search approach added to the project.
- ▶ Confrontation between our E-plaisir+ approach (coming from the E-shopper studies) and the retailer data: T3-T4 2018.
- ▶ Validation and implementation of E-plaisir+ on the website of our retailer partner : December 2018 for the first step
- ▶ S1 2019 : measure of the results

### Notamment car le e-shopper a besoin d'une réponse plus adaptée à ses attentes



### Un circuit est particulièrement prometteur





### Describe the brand resources assigned to the project.

Multi-functional team had the responsibility to connect the company's strategy with the External partners. This team comprised:

**1 E-commerce Manager, 1 Category Management Director, 1 Market research Manager, 2 experts in relation with retailers**

**E-commerce Manager:** coordinate the whole project

**Category Management Director:** ensure the category vision all along the project

**Market Research Manager:** ensure the link with the study institutes and participate to the studies thanks to his knowledge on Shopper studies

**Experts in relation with retailers:** ensure the commercial link with retailers and partners

Our main key success factors were the following :

- ▶ Synergy between our category expertise, our precise knowledge of the e-shopper and our expertise in E-commerce
- ▶ Our wish to place the e-shopper at the heart of our approach while respecting the rules of physical stores (it remains the reference for the e-shopper)
- ▶ Our strong methodology at every steps of the project

### Describe the retailer resources assigned to the project.

The retailer's team was composed of experts in E-merchandising :

**2 E-merchandising Managers:** Challenge E-merchandising measures and assure the implementation

**Omni Channels Sales Manager:** challenge the decisions and validate the measures

**On-line Dairy Products Manager:** validate the consistency of the project thanks to his category vision



### Développement des ventes



**Mélanie Séveno**  
Responsable E-commerce



**Julie Lerebours**  
Directrice DDV

E-plaisir+ puts the shopper at the heart of the on-line buying experience, by building the E-merchandising experience through HIS understanding of the category and using HIS words

## RESULTS

### What were the key quantitative results?

**For our client retailer :**

Two main quantitative KPI's were used to measure the project outcomes.

**Turnover increase :**

Index 168! The new website taxonomy is over performing.

Growth for all sub-categories and all manufacturers.

**Good navigation impact :**

better understanding of the category :

Global decrease of the part of articles put in the shopping basket using the search bar

More important decrease on sub-categories created in the taxonomy by E-plaisir +. Ex: -17% on light yoghurts sub-category (didn't exist before).

**For us :**

- ▶ Partnerships : 7 retailers implemented E-plaisir+
- ▶ Sales: in 2019 we won 0,5pt of market share on e-commerce channel. We were 3rd on the e-commerce market, we are now 2nd. E-plaisir+ contributed to this performance.

### What were the key qualitative results?

Qualitative results : feedbacks of the retailers that implemented Eplaisir + :

- ▶ A realist and operational approach : quick implementation of Eplaisir + (less than 10 days)
- ▶ The retailer team enjoyed our collaboration. Here is his testimonial :

« It as a pleasure to work in collaboration with the Data Specialist and LNUF on our website taxonomy for yoghurts and chilled dairy desserts: associating the market knowledge of LNUF, the data knowledge of the Data Specialist and our knowledge in E-merchandising was really instructive. Moreover, the quantitative results are incredible! »

- ▶ E-plaisir + was recognized as it received 2 category management rewards in 2019 : the LSA and SIRIUS trophies
- ▶ Moreover, this project bring to LNUF a complementary expertise and now, we are seen as a category captain by our clients/retailers.

It as a pleasure to work in collaboration with the Data Specialist and LNUF on our website taxonomy for yoghurts and chilled dairy desserts: associating the market knowledge of LNUF, the data knowledge of the Data Specialist and our knowledge in E-merchandising was really instructive.





## KEY LEARNINGS



### What were the major barriers faced during the project?

The major barriers were the following :

- ▶ Keep people motivated during all the duration of the project (the project lasted 1 year and a half)
- ▶ We had to start from scratch, anybody did that kind of project before (we were the first so 0 benchmark), and the Drive channel was quite unknown at that time (for example we had to face some unpredictable technical issues)
- ▶ It was a challenge to mobilize enough budget at each step of the project, we had to convince internally

### What would you do differently if starting the project again?

If starting the project again, we would choose a studies institute more "action-oriented". Indeed, it was quite difficult to translate the study's results because it was really descriptive.

### What key advice would you offer to your peers who are considering investing in Category Management?

Our advices for people who are considering investing category management are the following :

- ▶ The category management must be based on solid studies, on solid shopper insights to be relevant
- ▶ It is important to work in collaboration with partners, that have different areas of expertise
- ▶ The "marketing part" of the project is essential : keep people interested on the project, communicate on it
- ▶ Identify the obstacles and capitalize on the strengths.
- ▶ Take the time to question the retailers, to understand their vision and what they need, it is impossible to develop a project alone, it as to be a collaboration.



## COMPANY BACKGROUND

This case study is submitted by:

Yong Jiang

Title:

Deputy General Manager Rainbow Group

Company Name:

Rainbow Department Store CO. LTD

Product Name & Relevant Category:

Fresh Fruit Category with five major sub-categories

- ▶ Family Essentials
- ▶ First Choice of Health
- ▶ Happy Buying Seasonal Fruit
- ▶ Must Buy, Weekly Promotion
- ▶ Refrigerated, Cut and Ready to Use Fruits

Location of Marketplaces:

Shenzhen, China and the Southern China region.

Store Format:

Rainbow operates Supermarket Sp@ce format (100 stores).

Annual Local Market Sales:

> €1 Billion

How many employees work in the relevant marketplace?

Estimated 8,000

How significant is your product within your chosen product category?

Very Significant.

The Fresh Fruit category is extremely significant to Rainbow and in the market. It represents 24% of Rainbow's total store sales. The Fresh Fruit category is a Destination category in all Rainbow stores.

How advanced is Category Management within your company?

Advanced/Leadership level within China  
Intermediate level within the World context

In 2107, Rainbow's senior management made a commitment to start implementing Category Management Best Practices within their company. The Fresh Fruit category was one of the initial categories selected for application of Category Management.

## Creating and implementing a Destination Role Category Business Plan to create a strategic competitive advantage for the Fresh Fruit category in China



In 2018, Rainbow started this work with its consultant (Your Partner in Business - YPIB) by conducting a Category Management orientation training program and completing a comprehensive Capability Assessment to evaluate the current capabilities for Category Management within Rainbow. Managers in all of the key departments and positions were interviewed. Based on assessment, a detailed 3 to 5-year timeline of Milestones and Action Steps was developed to guide the implementation of Category Management.

To begin to create the foundation for Category Management, Rainbow decided to undertake a major restructuring of the organization from a decentralized store-driven organization to a centralized Category Management organization. This transition started in 2018 and is still ongoing. During this reorganization Category Management business methods have been rolling out throughout Rainbow.

In 2019 the focus was on expanding the completion and implementation of Category Business Plans across all major product departments and developing the capabilities within Rainbow to support Category Management. By the end of 2019, approximately 2 years after starting to implement Category Management, Rainbow is recognized as one of the leading Chinese retailers in the use of these methods.

How many people work on the Category Management team that delivered this project?

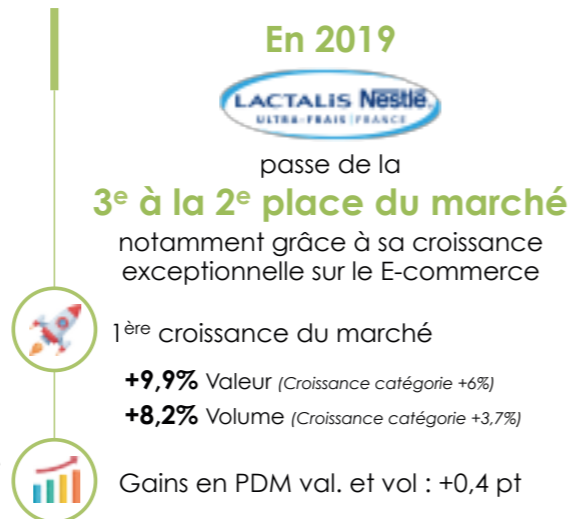
Rainbow middle management – approximately 100 employees in total

List the suppliers you worked with on this project:

Suppliers had minimal involvement due to current lack of supplier capabilities in Category Management in Fresh product areas in China.

## Un impact business extrêmement positif → bénéfiques pour notre Entreprise

- Nouveau champ d'expertise
- Vision merchandising désormais omnicanale
- Approche inédite positionnante
- Très bon accueil enseignes
- 7 clients appliquent aujourd'hui tout ou partie de la démarche



25



## PROJECT METHODOLOGY

### Briefly describe the project background/ challenge and the rationale that led the team to propose this project.

Rainbow senior management determined that they needed to reposition the store and the Fresh Fruit category to better reflect the changing expectations and demands of their target shopper. Their target shopper had increasing income and an increasing demand for better quality, more premium food products with higher product safety protection.

The challenge was compounded by the increasing competition from both the traditional “Brick” retailers and the sophisticated “Click” online retailers. Additionally, there was the rapid growth of the “Category Killer” Fruit Store format that provided a convenient option for Rainbow shoppers.

Rainbow management’s challenge was to implement a new work process that would deliver the following changes in the Fresh Fruit category and in their stores;

1. Leverage the traffic of the high household penetration of the Fresh Fruit category to draw the target shopper back into the Rainbow “Brick” store.
2. Increase the transaction size of their existing shoppers
3. Expand the high profitability of the Fresh Fruit category
4. Create excitement for their target shopper to gain an advantage over competitors.

Implementing a best practices Category Management process and capability was chosen as the way to accomplish these objectives. The Fresh Fruit category was selected as one of the first categories for the development of a Category Business Plan working with its consultant, Your Partner in Business (YPIB).



### Describe your target market for this project.

Rainbow’s target shopper is Middle to Upper Income Families that are focused on Health Consciousness, Quality and Food Safety.

### List and give a brief overview of the main objectives of this.

The project had several objectives:

- ▶ Reverse a total company declining sales growth and achieve a significant reversal in Sales and Profit trends.
- ▶ Build and deliver Fresh Fruit as a Destination category inside Rainbow stores thereby creating a strategic competitive advantage (SCA) over competition, both large national and international retailers
- ▶ Increase the market share of Fresh Fruit leveraging its strong market growth and high gross margin
- ▶ Capture and leverage high shopper loyalty using Fresh Fruit as the traffic magnet to attract and maintain the loyalty of Rainbow’s target shopper
- ▶ Rationalize the product assortment to remove duplication not needed in the category
- ▶ Use a powerful package of innovation to differentiate the category and create strategic competitive advantage over competition.

### What KPI’s (if any) were used to measure the project outcomes?

A balanced scorecard of KPI’s was used to measure the results of the Fresh Fruit Category Business Plan. These Key KPI’s were:

- ▶ Store Sales Penetration
- ▶ Transaction Size
- ▶ Sales Growth %
- ▶ Gross Profit %
- ▶ Service Levels by the Suppliers
- ▶ Service Level by the Distribution Center
- ▶ Service Level at Store Level
- ▶ Shrink Level

## PROJECT IMPLEMENTATION

### Describe the project framework and what tools you used.

The 2018 Capability Assessment report provided the overall strategic direction for all the Category Management work completed within Rainbow. It identified the Strengths, Weakness, Opportunities and the Threats (SWOT’s) within the Rainbow organization and developed the Timeline of Milestones and Actions Steps that would be followed to implement Category Management.

The key tools used to deliver the implementation plan were:

- ▶ The 8-Step Category Business Planning Process was used to complete all Rainbow Category Business Plans across all product departments, including in all Fresh Departments. A key element of this process was the assignment of strategic Category Roles for all categories. The Fresh Fruit category was one the categories assigned a Destination Role.
- ▶ The 6 Components of Category Management provided the overall roadmap for developing Rainbow’s organizational capabilities to support Category Management, including capabilities at head office and store level.
- ▶ The Consumer Decision Tree (CDT) process was the key tool used to optimize category assortments.
- ▶ Competitive SWOT Analysis was used to ensure that each Category Plan developed reflected real opportunities in the market and had the potential to create differentiation for Rainbow.
- ▶ The Store Operations Category Management training seminar provided the knowledge platform for the successful implementation of Category Business Plans at the store level. (See photo below).



### Briefly describe the key steps taken to complete the project

The key steps in completing the work were:

- ▶ The Fresh Fruit Category Plan work team was formed. It comprised representatives of head office Category Management, buying and support functions including data analysis, planogramming and pricing. Store Operations managers were also assigned to the work team.
- ▶ A schedule of meeting dates and work assignments was established – this included meetings with and without the consultant. An important element of the work was to complete the work of developing the Category Business Plan using a combination of classroom teaching and reviewing in the office (50% of the total time) and “hands on, inside the store” implementation work sessions (50%) in front of the Fresh Fruit category.
- ▶ The workflow and meeting schedule were guided by the 8-step Category Business Planning process. Each of the steps was completed and reviewed before moving on to the next step.

**Step 1:** Category Definition and Consumer Decision Tree

**Step 2:** Category Role (Senior Management identified Fresh Fruit as a key Destination category)

**Step 3:** Assessment of Category Performance; completion of in-store Competitive SWOT Analysis

**Step 4:** Scorecard

**Step 5:** Category Strategy

**Step 6:** Tactics - Assortment Optimization

**Step 6:** Tactics - Shelf Layout and Merchandising

**Step 6:** Tactics – Pricing and Promotion

**Step 7:** Implementation, including Store Operations Category Management Implementation training





### Describe the supplier resources that were assigned to the project.

As mentioned preciously, at this time in China there are very few suppliers in the Fresh category areas that have the capabilities to engage fully in this Category Management process. The work team, however, did conduct some informal conversations with several Fresh Fruit suppliers to get their perspectives and insights on the category and on Rainbow's opportunities in the category.

### Describe the retailer resources that were assigned to the project.

Overall guidance and project leadership – Deputy General Manager Rainbow Group (Yong Jiang) and General Manager Rainbow Supermarkets (Tao Wang).

- ▶ **Project Coordinator** - an experienced mid-level manager whose key role was to be the key internal driver of the Timeline of Action Steps. This required communicating with each of the Category Plan

work teams and conducting periodic meetings to review and coordinate work assignments in-between meetings with the consultants.

- ▶ **A Senior Buyer** - who were designated as the Category Manager led the Category Plan work team in the completion of each step of Fresh Fruit Category Plan. (Note - The title of Category Manager had not yet been instituted within Rainbow at the start of this project. Senior management decided to become familiar with the new work first before making any organizational title changes).
- ▶ **Data Analyst** – compile and analyse internal and any available external data for the category
- ▶ **Fresh Fruit Category Buyer** – manage procurement to support the Category Plan
- ▶ **Store Operation Manager** - implement the tactics within the completed Category Plan
- ▶ **Project Consulting facilitation and training** – provided by the consultants (YPIB)



## RESULTS

### What were the key quantitative results?

Significant increases in Fresh Fruit Category Sales and Profit were achieved:

#### First year of implementation of Fresh Fruit Category Plan:

- ▶ 2018 Sales +8.2% Gross Profit +1.2%

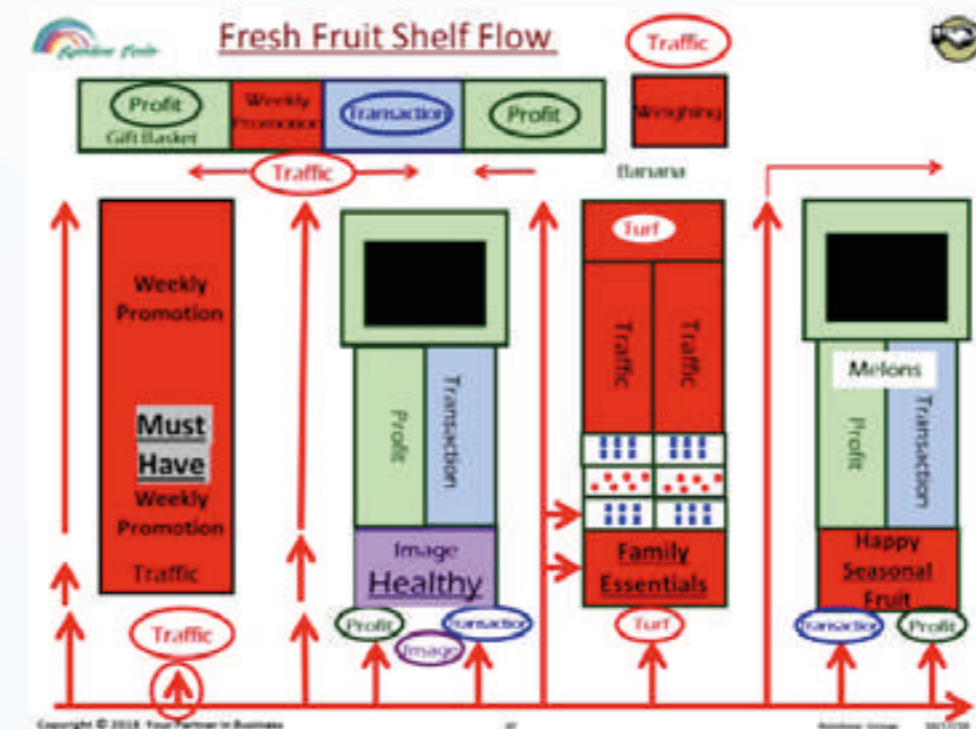
#### Second year of implementation of Category Plan:

- ▶ 2019 Sales +28% Gross Profit +25%

### What were the key qualitative results?

- ▶ Transformation of Fresh Fruit into a Destination category. The most important changes that were implemented to achieve this were:
- ▶ Reducing the overall daily assortment from 150 products to 75 products
- ▶ Regrouping this reduced assortment into the 5 defined sub-categories.
- ▶ Repositioning the 5 sub-categories to highlight the desired Marketing Images to the target shopper
- ▶ Repositioning the 5 sub-categories based on a logical flow of the selected Category Strategies
- ▶ Generating shopper excitement each time they entered into the Fresh Fruit category with this reduced assortment and increased visibility of the 5 repositioned subcategories.

- ▶ Training of the Rainbow staff in other categories as part of development of Fresh Fruit Category Plan enabled Rainbow to more quickly drive incremental sales and profits across additional categories
- ▶ Training of Store Operation personnel allowed them to understand why Category Business Plans are so important and effective for increasing sales and profit in their stores. This largely removed one of the major disconnects that retailers experience in the implementation of Category Business Plans -- the lack of Category Management training for Store Operation personnel. YPIB conducted a 2-day Store Operations Category Management training seminar to give Rainbow Store Managers the knowledge needed to fully support the implementation of Category Business Plans in their stores.
- ▶ Interviews with Rainbow target shoppers indicated a positive impact on the perception and image of the Fresh Fruit category and of the overall Rainbow store.
- ▶ The parent company (Rainbow Group) has four retail divisions, one of which is the Rainbow Foods division. In 2019, the Rainbow Foods division had positive Sales and Profit results while the other three divisions had negative sales and profit numbers. The Rainbow Foods CEO and staff attribute the superior operating performance of their division to the impact from the implementation of Best Practices Category Management methods.





## KEY LEARNINGS



### What were the major barriers faced during the project?

- ▶ Transitional resistance to any changes is always expected. Having the strong support from senior management, as is the case at Rainbow, is essential and drives the success of the program.
- ▶ Resistance to making assortment changes (deletion and reduction of the number of products within the category) is the biggest point of resistance to this process and is the most important to overcome.
- ▶ The Rainbow organization and their senior management were hungry for this new thinking, this new work process, and this new way of doing business. This is a significant reason for why the impressive improvements in results were achieved in the Fresh Fruit category.
- ▶ Earning credibility along the way through teaching and incorporating these new concepts into the day-to-day work of the retail organization has been a key to the success of this project.

### What would you do differently if starting the project again?

- ▶ In reality, nothing.
- ▶ The April 2018 Capability Assessment report provided a clear picture of the Strengths, Weaknesses, Opportunities and the Threats facing the Rainbow organization and the Timeline of Milestones and Actions Steps has provided the work plan to fully leverage these through the Category Management implementation program. It worked perfectly.

### What key advice would you offer to your peers who are considering investing in Category Management?

- ▶ Do not wait for everything to be perfect and in place to get started. The process is an evolutive one. Do not wait for more or better Fresh category data to become available. There is more than enough information to get started even in a country like China where data sources are quite limited.
- ▶ What is absolutely needed is a consistent commitment by senior management to support the work of Category Management.



## Developing a Category Business Plan to recover declining sales in the Beer category in the hypermarket and supermarket channels

### COMPANY BACKGROUND

**This case study is submitted by:**  
Barbara Ottonelli and Veronica Maggioni

**Company Name:**  
Birra Peroni srl - a subsidiary of Asahi Europe Ltd

**Product Name & Relevant Category:**  
Beer category. We divide the category in 4 main price segments: economy, mainstream, premium and superpremium. Economy has been consolidating a downward trend for 5 years, instead Mainstream and Premium still represent over 60 % of total category value with a positive performance. Superpremium segment weights nearly 10% with an encouraging growth YoY.

**Location of Marketplaces:**  
Location of marketplace is Italy. Recently we overcame 20 million of hectoliters of consumption. Italian consumption per capita is 34 lt instead top 3 European countries per capita is above 100 lt. In terms of volume, beer is the third category in beverage macro-segment.

**Store Format:**  
Hypermarket (>5500 sqm)  
Superstore (2500-5500 sqm)

**Annual Local Market Sales:**  
> €1 Billion

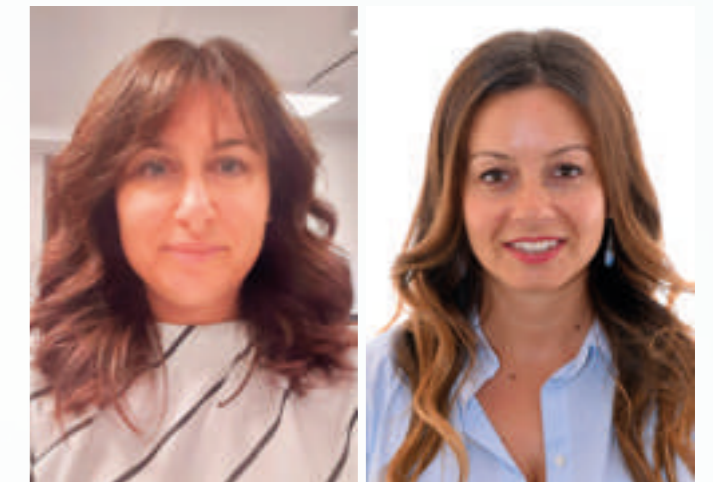
Beer market registers constant growth YoY (+4% 4yrs cagr).

It's the third category after water (first in volumes and second in value) and wine (first in value and second in volumes).

**How many employees work in the relevant marketplace?**  
140,000 people with an increasing employment rate.

**In your local market, how significant are you within your chosen category?**  
Extremely Significant

In HSS Italian channel, three players make 70% of the beer market. Birra Peroni is the follower with 16% of value market share. In terms of volume, our main brands Peroni and Nastro Azzurro are both in the top ten brands ranking.



### How advanced is Category Management within your company?

Advanced  
Advanced level in beer market. Intermediate level compare to companies competing in other beverage segment (i.e. Coca Cola in soft drinks) and food category (Barilla in pasta market). Birra Peroni has a demonstrated history in category management undertaking several project with different retailers in the last years. Its main strength is an unbiased approach based on consumer trends and shopper behaviors research continuously updated and conducted with big partners such as IRI and IPSOS.

### How many people work on the Category Management team that delivered this project?

Birra Peroni middle management based in Italy. The core category team is composed by 5 people but each project usually involved also consumer & shopper insight department (2 people), sales department (1 key account manager for customer engagement and 4-5 in-store key account on average for execution and monitoring in pos).

### List the retailers you worked with on this project?

We are working with a local player and a national chain. The first one innovates on superstore by reviewing layouts to boost impulse purchase. The second one launched two new formats: one with an exclusive assortment to catch upper class and the other one for shoppers more sensitive to promotions. All formats focus on "big stock" shopping mission.



**Briefly describe the project background/ challenge and the rationale that led the team to propose this project.**

We concentrated our project proposal mainly on hypermarket and superstores formats because they are both suffering the most in terms of sales performance. Sales decline is due to a stronger competitiveness in terms of promo pressure together with a greater assortment complexity on shelf. The recovery opportunity is increasing the reach of high spending consumers and the closure rate of shoppers.

**Describe your target market for this project.**

Our target is beer shoppers in north of Italy which are also consumers in 90% of cases.

They buy 2 lt of beer every 3-4 weeks on average.

Only 50% of shoppers plan to buy the category and impulse purchase is guided by the convenience/promotional lever, but - if not enough appealing- the shopper does not conclude the purchase.

In few years, impulse rate moved from 20% to 50% and the reason of this shift is also the multiplication of skus on shelf.

In order to build value, Retailers are also keen on attracting consumers in upper salary range, sensitive to healthy lifestyle.

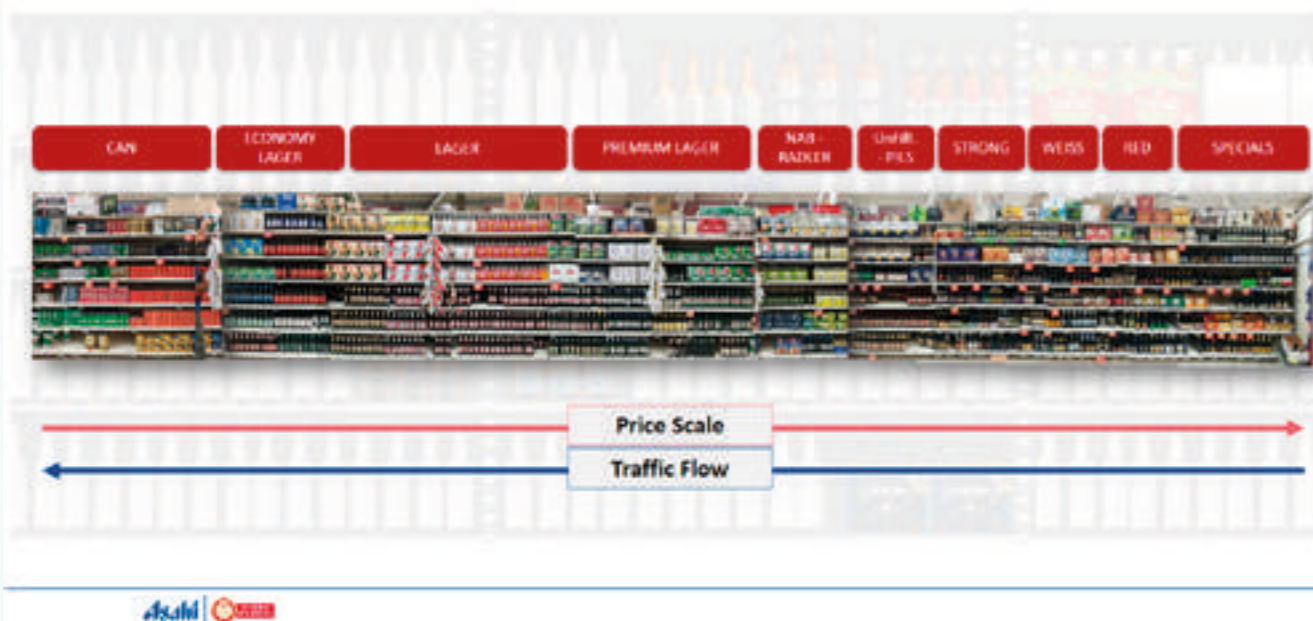
**List and give a brief overview of the main objectives of this project.**

We set same objectives for both project:

- ▶ to recover declining sales trend (total sales and no promo sales) of the category in hypermarkets format (customer internal data)
- ▶ to improve assortment compliance and visibility on shelf (browsing) to increase closure rates.

**What KPI's (if any) were used to measure the project outcomes?**

- ▶ Total sales
- ▶ Total no promo sales
- ▶ Assortment detention



**Describe the project framework and what tools you used.**

We exploited the outcomes of an unbiased study on shopper behavior evolution giving an alternative to the leader approach where brand is outwardly the main driver.

Consumers divide beers into three types to match different needs: lager beers for routine consumption (food pairing), zero/radler beers to catch up with healthy trends and special beers for a rewarding moment. Consumers identify four types of specialties: red, strong, weiss and special lagers; all rest is quite confused.

Shoppers consume beer packed in glass sized both in 33cl and in 66cl, while cans are chosen for out of home occasions. In the last years, impulse purchase rate has increased considerably and the most planned elements are type and brand.

Thus, our shelf layout reflects the shopper fundamentals:

- ▶ beer segmentation into lager, zero/radler and specialties
- ▶ the decision tree which separates can from glass, 33cl from 66 cl and lastly identifies the brand
- ▶ special beers organization by type
- ▶ the convenience ladder

**Briefly describe the key steps taken to complete the project.**

We shared the insights explained above with the retailers which chose Birra Peroni as partner to develop a category approach.

The new category instore approach was developed in synergy with the customers focusing on consumer's decision trees highlighting the segment of no-alcohol and radler beers and typologies in special beers, simplifying assortment of premium beers and increasing readability of the shelf to grow both programmed and impulse no promo purchases. The implementation was constantly monitored at the points of sale level ensuring the maintenance of the new display layout.



**Describe the brand resources assigned to the project.**

Insight team shared outcomes of shopper research with customer trade marketing which reworked key findings creating an effective selling story for shoppers.

The new category in store approach was presented to retailers' main stakeholders for final approval.

Retailers shared assortment and sales data with customer trade marketing department.

The new display layout was developed in synergy and was implemented by cross functional teams of Birra Peroni (customer trade marketing and sales teams).

The implementation was constantly monitored at the points of sale level ensuring the maintenance of the new display layout.

**Describe the retailer resources assigned to the project.**

The buying team shared internal data with Birra Peroni team and contributed in setting category guidelines in terms of new display layout and assortment.

Commercial team gave the permission to enter and to work on shelf both during implementation and during monitoring phases.

Category team prepared the display official internal document released to points of sales

Retailers sales department was engaged to facilitate the execution.





## RESULTS



### What were the key quantitative results of the project?

Overall, the project contributed to improve trend of both category total value sales and no promo value sales and to reverse negative trend of no alcohol segment.

For the evaluation, we considered points of trend variation and compared % trend vs LY of two periods:

- ▶ as previous period P0 --> 3 months before project implementation (1st quarter of the year)
- ▶ as actual period P1 --> 6 months after project implementation

Total sales and promo sales % trend improved by 3 pts while no alcohol segment % trend varied 11 pts recovering a negative performance.

Furthermore, assortment compliance of retailers was close to 100% above other store formats (around 90%)

Birra Peroni reduced also out of stock on shelf (-0,2% P1 vs P0)

Encouraging first results set also fundamentals to increase closure rate of our targeted shoppers such as consumers in upper salary range (increase of no promo sales) and sensitive to healthy lifestyle (growth of no alcohol segment).

### What were the key qualitative results?

Visibility on shelf of category sub segment and of Birra Peroni portfolio (products at eye level and hand level).

Thus, improved browsing quality facilitates shoppers' selection and purchasing process.

We are also testing more interactive CRM tools to promote innovation attracting upper class and young families.



NAB segment Hyper and Super



## KEY LEARNINGS



### What were the major barriers faced during the project?

We faced the following main barriers:

- ▶ international category partnership agreement with our main competitor. We overcame the barrier because of our shopper study was unbiased and based on shopper behavior evolution giving an alternative to the competitor approach where brand was outwardly the first and predominant driver.
- ▶ maintenance of display layout such as difficulties in keeping the display with new guidelines. We solved it thanks to the support of our in-store accounts which constantly visited stores and reworked the display if necessary

### What would you do differently if starting the project again?

The only improvement to suggest is focusing furtherly on shopper data of each retailer to undertake new initiatives better addressed to target specificity.

### What key advice would you offer to your peers who are considering investing in Category Management?

The key advice is keep investing on shopper analysis for a constant update of consumer trend and shopper behavior and exploiting more interactive tools to better reach our shopper target.

**Include any links that lead to more information about the company, project, website etc.**

[www.birraperoni.it](http://www.birraperoni.it)



Lager Mainstream and Premium segment – Hyper (brand block and pack c





# Outlet-Individual Category Management on Big Scale

REWE, Coca-Cola, Hoffrogge, Germany

## Sustainable outlet-individual optimization of space, assortment and placement in beverage stores by using smart software solutions and dialogue-oriented cooperation.

Execution-driven Category Management projects between manufacturers and retailers imply significant challenges. Guided by the well-established ECR 8-steps Category Management standard process REWE, Coca-Cola European Partners Deutschland (CCEP DE) and Hoffrogge are implementing successfully outlet individual optimizations with high efficiency and great results. The focus here is on joint growth at the PoS through consumer-oriented product ranges and shopper-driven allocation of floor and shelf space.

### Management summary

In a nutshell, a sustainable beverage department optimization for thousands of stores is only possible through efficient processes with clear responsibilities. The space allocation, the assortments, and the shelves of a store are in constant interaction with each other and need to be managed by the respective experts with the help of integrated software solutions. The focus on the shopper needs and on site execution are of central importance.

REWE, CCEP DE and Hoffrogge have developed an award-winning process. The partners ideally combine their core competencies. Hoffrogge provides powerful fully integrated software solutions and a process infrastructure enabling the highly efficient creation of

tailor-made Category Management content. REWE and CCEP DE's expertise in retailing and category development flows permanently into this process and is used for further agile development of the software. The process is not limited to particular categories or distribution channels, but can also be applied for any other category, shop format or distribution channel.

Within the Category Tactics the following process provides the framework of the project execution. Year by year the project partners evaluate the success of their ways of working. All responsibilities and actions

## Facts & Figures

- ▶ **GS1 ECR Award Winner Demand Side 2014**
- ▶ **more than 1,100 stores optimized since 2013**
- ▶ **3 hours of planning needed per store**
- ▶ **significant performance plus (value & volume) for NAB category in optimized stores**
- ▶ **complex data processing of relevant beverage categories with 110,000 SKUs (market research data) and 50,000 SKUs (retailer scanning data)**



Graph. 1 - process overview: scalable Category Management with state-of-the-art software solutions

are assigned to the respective partner who has the best set of resources, skills and experience available for the good of the project:

### 1. Data Management

The confidentiality, integrity, availability and up-to-dateness of different data sources is a crucial preparation for efficient Category Management. In its ISO 27001 certified data center, Hoffrogge takes care of the integration and maintenance of all relevant data. This includes the continuous processing of market research data for the respective categories (more than 110,000 items) as well as retailer scanning data (more than 50,000 items) of about 4,000 stores.

In the master item data base the required standard attributes (e.g. category, segment, manufacturer, brand, packaging, content, product dimensions, etc.) are necessary for customizing a shopper-driven ruleset as a prerequisite for the highly efficient planogram creation process.

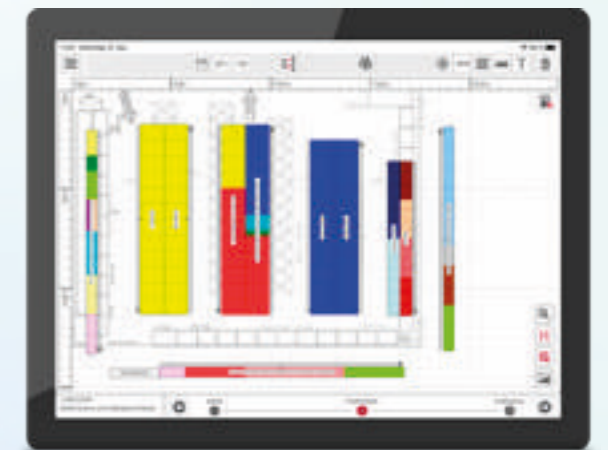
### 2. Current Space Situation

The second process step is to determine the status quo of the current space situation. The recording of local shelf structures and their arrangement in the store context form the basis for all further activities.

REWE stores are encouraged to notify when a new optimization is desired. Thereafter field service employees carry out the recording of relevant data such as entrance and checkout zone, shopper path and the like by using the mobile Category Management suite SAM® (= Shopper Activation Mobile) at the PoS. The current space plan reflects the existing allocation and shares of categories, segments or manufacturer blocks on the shelves.

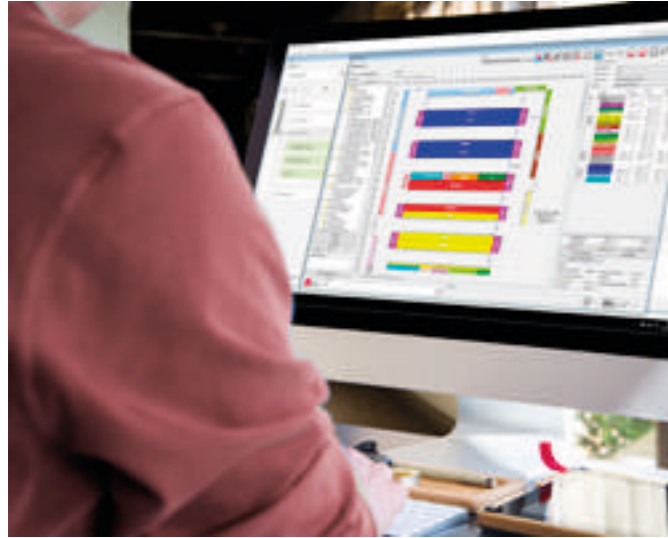
### 3. Space Optimization

The results of the current space situation, supplemented by shopper insights and hard sales data, reveal the store potential for optimization being displayed in the Space Allocation Key (SAK). In order to ensure a high acceptance on the shop floor and still include cross-outlet potentials, the SAK is not only based on store-specific sales data but also on benchmark data (e.g. locations of same region and/or store-type classification). In the beverage department it is crucial to consider both, sales value and volume, so that the different space productivities of certain category segments are reflected in an appropriate way with regard to the available shelf space in the store.



Furthermore, the project partners develop and review a joint store vision involving the right sequencing and allocations for all categories based on shopper insights, conversion restrictions and category trends. The Store Maker® software enables a customized translation of this store vision into a ruleset, thus enabling scalable space optimization at the push of a button.



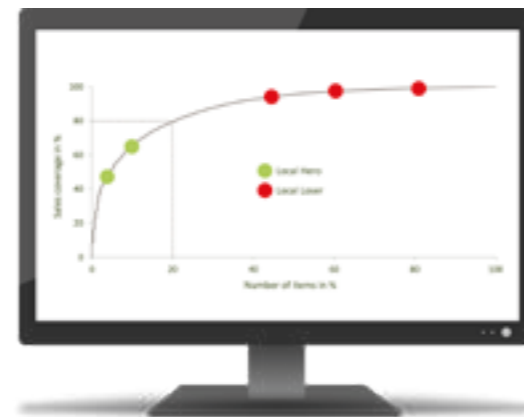


### 6. Planogram Creation

A critical success factor for a full-scale implementation is the local accuracy of the planograms. Experience has shown that the stores are more willing to implement a placement optimization, if it is fitting 1:1 to the local demand and shelf structure. Furthermore, shopper insights and shelf vision objectives differ from segment to segment and need to be considered holistically for the good quality of the project content.

The solution to this challenge is a customizable, shopper-oriented ruleset integrated into the Shelf Maker® software enabling back office users to produce tailor-made planograms corresponding to the overall shelf vision and the local requirements (e.g. shelf dimensions and sales data) at the same time.

Thanks to the expertise of the project partners and the previously listed process input the optimisation of the beverage department in a store can be done altogether in less than 3 hours.



### 7. Execution On site

“Strategy is 10% - execution is 90% of success”. Following this wisdom a good plan is crucial. Especially when implementing department-wide optimizations, there are logistical and organizational challenges to consider. Among others this refers to the on-time availability of new items, the timely sale of residuals to make room for the new listings as well as a 1:1-fitting planogram to save time during the execution.

The project partners provide outlet-specific documents such as assortment change lists and tailored planograms to prepare for the execution with sufficient advance notice. Regional sales area managers and other project partners provide further advice and assistance on site.

### 4. Range Finding

The strategic work on consumer-oriented product ranges is a key tactic of each Category Management process. Due to the high level of complexity on a regional or even local level, a two-step assortment process is applied in order to identify the best possible range. The first step is to determine the right assortment for each regional cluster (up to 26 cluster regions) reflecting the most frequent shelf structures/sizes and fulfilling the desired market coverage for each segment.

The main objective of the strategic assortment analysis per cluster is a critical evaluation of all individual items on the basis of various key performance indicators from market research and PoS data. The project team uses the Range Finder® software to facilitate this process.

### 5. Range Adaption

The second step within the range optimization workflow is the adaption of the above described regional cluster assortment to the local demand of each individual store. Based on the strategic range decisions that were taken before and the local scanning data, the Range Adapter® calculates an outlet-individual assortment for each category segment.

The algorithm adds well performing “Local Hero” items to the range as well as it removes poorly performing “Local Loser” items from the cluster range, but only for that particular store. Another essential aspect is the demand-driven adaption of each front facing with regard to the outlet-specific sales data. The risk of out-of-shelf situations resulting in lost sales can thus be reduced at its best.

### 8. Process Monitoring

Another major advantage of outlet-specific optimization of these tactics is the knowledge of the product range for the individual store. As a side effect you simply



can measure the range compliance. Therefore, the project partners carefully track with the web-based Implementation Monitor the execution quality of each store during the year. With the Status Monitor all involved persons can follow online the processing status as well as all handouts for each outlet.

Regular success evaluations comparing a sample of optimised stores with a group of appropriate control outlets have shown that participation in this process will lead to better results in terms of sales value and volume for the total category of Non Alcoholic Beverages.



### Key Learnings

This cooperation has shown that scalable Category Management on an individual store level will succeed if several prerequisites can be fulfilled. On the one hand, a comprehensive, good quality data management is key to take decisions based on the right facts and figures. Embedded in a well-researched set of shopper insights and recent category development, this leads to an ideal setup for a sustainable Category Management process.

An integrated state-of-the-art software infrastructure provides the technical basis to translate shopper-driven store and shelf visions into a ruleset allowing the category experts to create planograms at the push of a button. Supplemented by efficient processes and a well-coordinated project team with skill and will this leads to a powerful and long-term approach for success.

### Quotes of the project partners

*As the different project partners have been working together in this constellation for more than seven years now, we can rely on well-established processes and responsibilities. Our retail stores and partners follow the process with a high level of interest and commitment as experience has shown the success of the project.*

Marcel Wagner, Senior Category Buyer, REWE

*Within this project we have managed to let shopper insights and in-depth category know-how to be executed on the shop floor, helping hundreds of participating retail stores to successfully exploit their market potential in the Non Alcoholic Beverage category.*

Oliver Raber, Head of Category Development, CCEP DE

*A dialogue-oriented project team bringing in the perfect mix of skill and will, good data sources and a clear shelf vision for the project facilitate excellent Category Management execution. Scalable software solutions and efficient processes can make a difference.*

Wilhelm Hoffrogge, Managing Director, Hoffrogge



## Bringing the Petfood category into the E-commerce channel with an E-commerce Purchase Decision Tree implementation

### COMPANY BACKGROUND

**This case study is submitted by:**

Eftychia Baka

**Title:**

E-commerce Manager

**Company Name:**

Nestlé Hellas SA

**Product Name & Relevant Category:**

Purina, petfood with 2 subcategories

Dog food: dry dog food, wet dog food, snacks (Friskies, Purina One, Dentalife)

Cat food: dry cat food, wet cat food, cat litter (Friskies, Purina One, Gourmet, Felix)

**Location of Marketplaces:**

Greece

**Annual Local Market Sales:**

The Greek market total grocery sales : €10bn

Total eCommerce sales in eGrocery sector : €43mn

**How many employees work in the relevant marketplace?**

Commerce team in Nestlé Greece : 5 members

Total Nestle employees : 1000 persons

**How significant is your product within your chosen product category?**

Purina petfood represents the 8.3% of total Nestle Greece revenues

Petfood category in the grocery channel represents the 4.3%

**How advanced is Category Management within your company?**

Advanced

**The role of the category manager in Nestle is:**

- ▶ Most actively collaborate with retailers in providing analytics to support decision making and guidance
- ▶ Produce and develop customer specific sales and assortment analysis
- ▶ Attend customer meetings to make recommendations and suggestions on assortment and space management related issues (decision making is at the sole discretion of the customer)



- ▶ Produce and develop category specific market reports and analysis

Our strength is the strong commercial and analytical mindset of our people. Nestle has a deep knowledge of the categories' dynamics and of relevant growth drivers. We are considered as category experts by the customers in the majority of the categories we operate, due to long term and consistent presence in the market place and our wide pool of consumer/shopper/customer insights. We have a strong brand heritage and a solid know how in presenting category growth initiatives to customers.

**How many people work on the Category Management team that delivered this project?**

- ▶ 7
- ▶ Category management team : 5
- ▶ Category manager for Purina team (2 persons)
- ▶ Category management lead (1 person)
- ▶ Category management specialist (2 persons)
- ▶ eCommerce team (ecommerce team is part of the category management team of the company) : 2 persons

**List the retailers or suppliers you worked with on this project (list in order of involvement where possible):**

Online retailer's shop – the biggest pure player in the Greek market (<https://www.e-fresh.gr/>) – delivering to all Greece

### PROJECT METHODOLOGY

**Briefly describe the project background/challenge and the rationale that led the team to propose this project.**

In a very competitive environment, the eCommerce channel is one of the priority channels for our Greek market.

The Nestle petfood category, in order to facilitate shopper's navigations and improve product findability, has cooperated with the biggest online retailer in the Greek market, e-fresh.gr, in order to optimize the category layout for the petfood category to achieve bigger market shares and increase online sales.

**Describe your target market for this project.**

The pet owners (cat, dog owners) in Greece buying online in our eTailer .

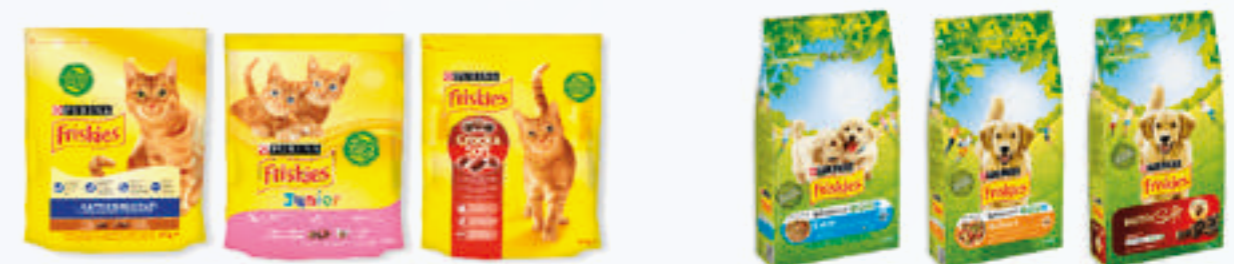
**List and give a brief overview of the main objectives of this project.**

The objectives of the project were numerous:

- ▶ Apply the category Shopper tree guidelines from Purina team in order to facilitate the Shopper experience in our eTailer
- ▶ Increase the sales for petfood category
- ▶ Increase Purina's sales and market shares in the specific channel

**What KPI's were used to measure the project outcomes?**

- ▶ Online sales
- ▶ Online Market shares





## PROJECT IMPLEMENTATION



### Describe the project framework and what tools you used.

Our local category management & ecommerce team has leveraged the expertise and the researches of our global teams to optimize the category of Petfood inside eFresh shop

- ▶ Shopper researches from our local teams
- ▶ Google Analytics stats from eTailor website

### Briefly describe the key steps taken to complete the project.

- Step 1:** Our customer has briefed us about the need to expand the petfood category in their channel
- Step 2:** We have done a diagnostic control in their website in order to identify the strengths, opportunities, weaknesses and threats of the Shopper experience
- Step 3:** We have optimized the assortment and the eContent of our products
- Step 4:** We have optimized shopper tree – based on our global researches with the cooperation of our eTailor
- Step 5:** We have changed all the categorization and filters of the category
- Step 6:** We have measured the results after 3 months

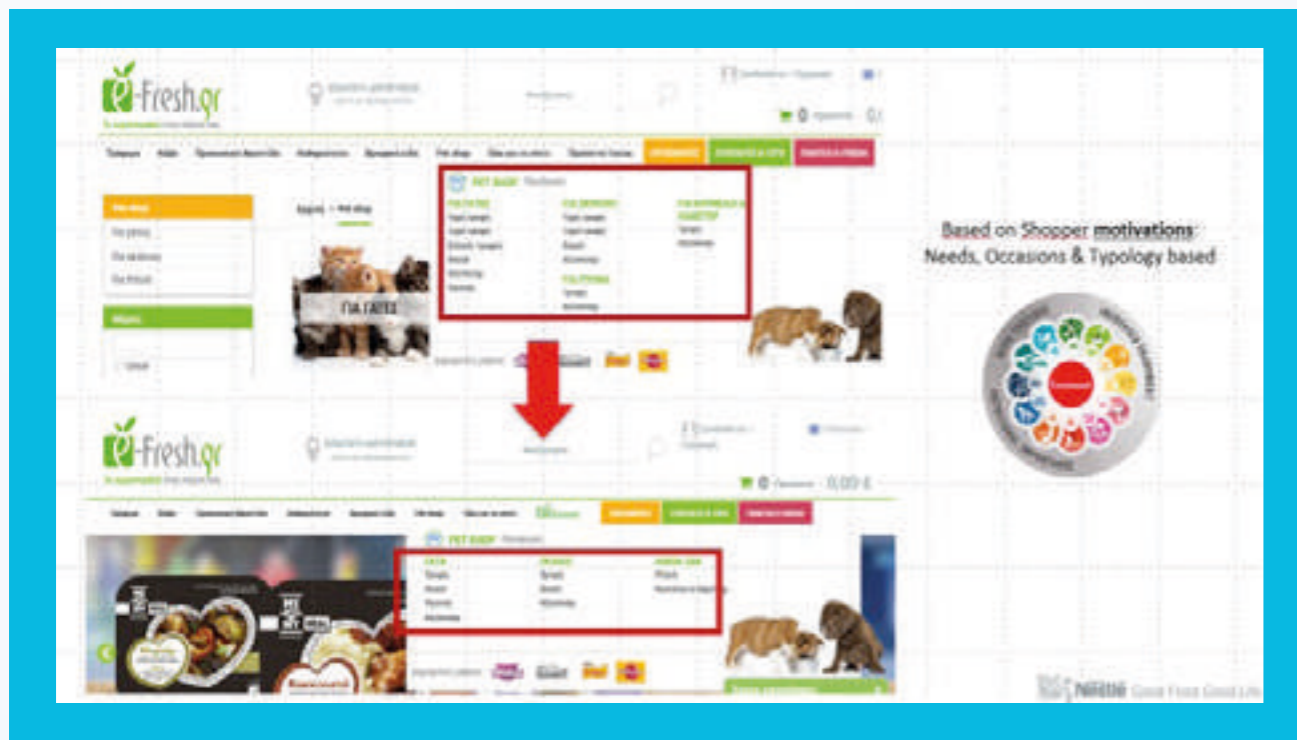
### Describe the brand resources that were assigned to the project.

- ▶ Brand eContent (photos, videos, marketing texts, hero images) – brand guidelines, category and slider banners, newsletters, FB campaigns
- ▶ Brand managers
- ▶ eCommerce manager
- ▶ eContent Manager

### Describe the retailer resources that were assigned to the project.

eTailor

- ▶ IT manager & designer - from the eTailor website for the development of the new menu in the website
- ▶ Marketing manager - from the eTailor website for the brand guidelines and Google Analytics monitoring
- ▶ Buyer - from the eTailor website for the development of the assortment



## RESULTS

### Briefly describe the project background/challenge and the rationale that led the team to propose this project.

+22, 5% in total customer turnover H2 vs H1 2018  
 32% category growth (sell out) Q1 2019 vs Q1 2018  
 Online market shares: NPP +310 bps Q1 2019 vs Q1 2018

### What were the key qualitative results of the project?

Better shopper's experience for the eTailors Shoppers.  
 Better brand image for our Purina products.  
 Win – win strategy with our eTailor: Be the preferred partner for our eTailor in petfood category.

## KEY LEARNINGS

### What were the major barriers faced during the project?

Integrate correctly all the data to eTailors website

### What would you do differently if starting the project again?

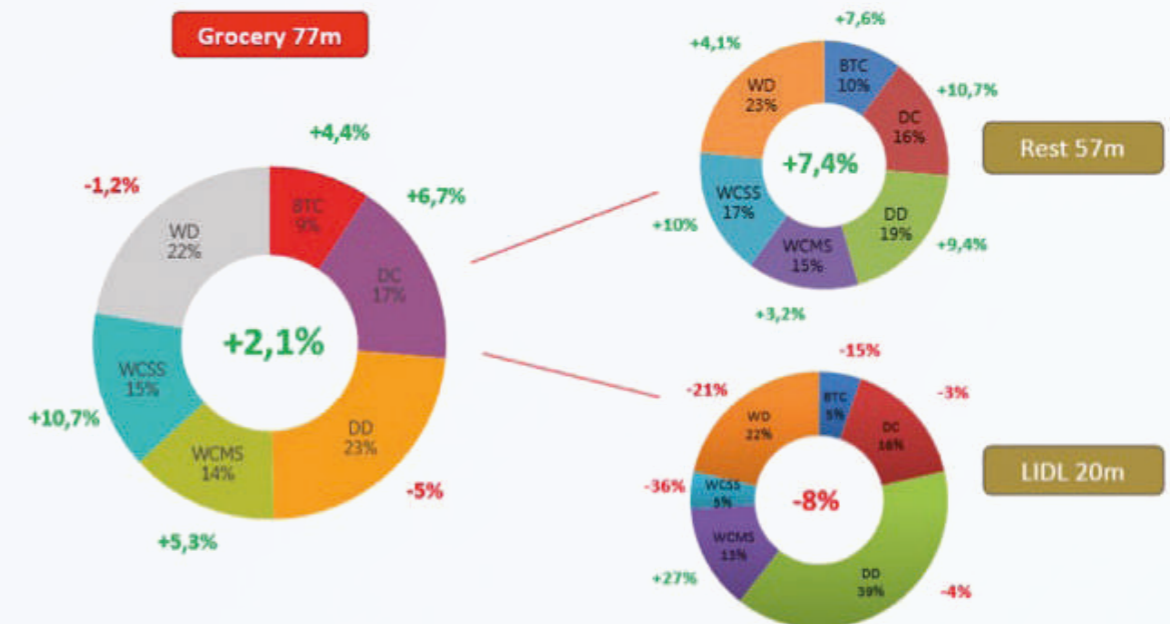
In reality, nothing. Our initial diagnostic control in eTailors website gave us a clear view about the vision of the product

### What key advice would you offer to your peers who are considering investing in Category Management

Always work hand in hand with eTailor to evaluate the category management activation

### Include any links that lead to more information about the company, project, website etc.

<https://www.e-fresh.gr/el/pet-shop>





Delivering a comprehensive consumer solution in health & wellness categories through a superior shopper experience based on shopper mission insights and superior Shopper Marketing and Category Management in-store execution

## COMPANY BACKGROUND

**This case study is submitted by:**

Paul Corcoran

**Title:**

Range and Space Planning Manager

**Company Name:**

Musgrave Retail Partners Ireland

**Product Name & Relevant Category:**

Dairy, bakery, fresh etc.

Introduction of Health & Wellness portfolios into the Ambient Staple category

**Location of Marketplaces:**

Republic of Ireland

**Store Format:**

Superstore

**Annual Local Market Sales:**

> €1 Billion

**How many employees work in the relevant marketplace?**

3000 Direct & 15000 Indirectly (Store Personnel)

**How significant is your product within your chosen product category?**

Extremely Significant

**How advanced is Category Management within your company?**

Very advanced

**How many people work on the Category Management team that delivered this project?**

3

**List the retailers or suppliers you worked with on this project:**

- ▶ Retailers (Cluster Stores – 6 stores)
- ▶ Retailers (Trial Stores – 6 stores)
- ▶ Simply Wild
- ▶ Valeo Foods
- ▶ Kelkin



## PROJECT METHODOLOGY

**Briefly describe the project background/challenge and the rationale that led the team to propose this project.**

An outcome of the Commercial Plan was the need to provide our consumers with a better range of Healthier and allergy free products. The agreed approach was to land the new 'on trend' categories - Health & Wellness consistently in all Stores. The challenge was to review all existing category spacing and relay with the inclusion of the New Health & Wellness categories.

**Describe your target market for this project.**

Gluten intolerant consumer  
Informed, curious consumer seeking a healthier alternative lifestyle.

**List and give a brief overview of the main objectives of this project.**

The main objective is to achieve consistent store layouts to better reflect the SuperValu format and make stores existing category space work harder, whilst keeping range reduction & consumer disruption to a minimum, without impacting existing sales & margin performance.

**What KPI's were used to measure the project outcomes?**

Range Count / Rate of Sale / € Return Per Linear Metre / Margin





## PROJECT IMPLEMENTATION



Musgrave

### Describe the project framework and what tools you used.

Range selection - Global store safari

Defining consumer shopper mission – Consumer insights, supplier insights & retailer insights

Applying of Range Process – selection of ideal range by bay size & store size

Store Environment – Ideal equipment type.

- ▶ The loosing categories were typically ambient Juice (€237 / lin mtr), facial tissues (€216 / lin mtr), instant hot snacks (€326 / lin mtr), soup (€288 / lin mtr)
- ▶ Trial results of all new initiatives were analysed to determine Sales performance ROS and Euro Sales and Margin return per bay
- ▶ Independently audited the existing category space in all 165 stores to establish the actual store layout
- ▶ Retailer & RM engagement was key throughout the process

### Briefly describe the key steps taken to complete the project.

- ▶ Started with developing the Ideal format layout
- ▶ Identify the best location in store for all new category initiatives
- ▶ Analysed space performance using € / Linear Metre to determine the existing category winners & losers
- ▶ Sense checked the looser categories to see that they were of strategic value
- ▶ Reduced the space of looser categories as much as possible, yet retained breath of range (key lines) and retained as much sales as possible

### Describe the supplier resources that were assigned to the project.

Trading / Sales / Marketing / Store Development

### Describe the retailer resources that were assigned to the project.

Council Members  
Central Sales Team & Retailers



## RESULTS

### What were the key results of the project?

The key matrix to determine success is € Return Per Linear Metre.

Achieving 100% implementation in all stores

### What were the key qualitative results of the project?

Meeting Consumer Needs & Positive Consumer Reactions

First to market within a 'traditional' store environment

Strong PR throughout the industry

The main objective is to achieve consistent store layouts to better reflect the SuperValu format and make stores existing category space work harder

## KEY LEARNINGS

### What were the major barriers faced during the project?

Engaging retailers of the proven business case to influence them to reduce existing category spacing for the inclusion of new Health & Wellness Categories.

Providing an appropriate supply chain to ensure strong on shelf availability throughout the estate of SuperValu stores.

### What would you do differently if starting the project again?

Stronger and earlier engagement with all retailers

### What key advice would you offer to your peers who are considering investing in Category Management?

Have a robust process in place that all stakeholder believe in and fully operate to.

### Include any links that lead to more information about the company, project, website etc.

<https://supervalu.ie/>

<https://www.musgravegroup.com/>

### Macro Space Definition / Process

#### Adopting a more proficient approach to optimising store space

Financial	Strategic		Brand	Consumer		Operational
Sales & Margin Return / Linear Metre	Category Strategy / Market Growth	Market Competition / Benchmarking	Perception / Identity	Range Choice	Customer Mission & Expectation	Format Planning Principles & Costs

- Introduce new range and space where customers will respond
- Optimise category flows & adjacencies
- Utilise Secondary non defined space & challenge space in underperforming categories

Store Formats  
• Space Rules  
• Planning Principles

Store Level Outputs  
• Optimising Space for each individual store  
• Store Disruption





Reinventing and reinvigorating the in-store shopping experience for the Non-Alcoholic Ready-to-Drink Beverages category

## COMPANY BACKGROUND

**This case study is submitted by:**

Antoine Chabret & Ibrahim Lazeb

**Title:**

Category Management Strategy

**Company Name:**

Coca-Cola European Partners

**Product Name & Relevant Category:**

Non-Alcohol Ready to Drink (NARTD) Beverage

**Location of Marketplaces:**

Western Europe, including France, Spain, Portugal, Belgium, Scandinavia, Germany, Great Britain. CCEP is the first European bottler with a 11 billion euros global turnover with significant market shares on NARTD category.

**Annual Local Market Sales:**

> €1 Billion

CCEP France annual turnover is 2.2 billion euros, representing 20% of European global turnover of Coca-Cola European Partners

**How many employees work in the relevant marketplace?**

2,600 employees

**How significant is your product within your chosen product category?**

Extremely significant.

**How advanced is Category Management within your company?**

Very advanced.

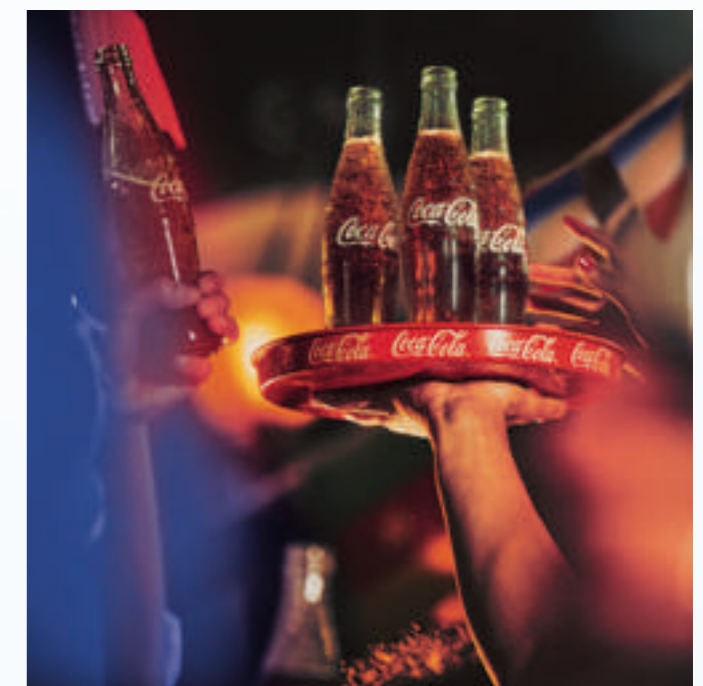
**How many people work on the Category Management team that delivered this project?**

6 people

**List the retailers or suppliers you worked with on this project (list in order of involvement where possible):**

French retailers:

- ▶ Auchan
- ▶ Super U
- ▶ U Express
- ▶ Casino
- ▶ Cora





**Briefly describe the project background/ challenge and the rationale that led the team to propose this project.**

At Coca-Cola European Partners, we set up a strong study protocol that enabled us to understand the following situation: the NARTD universe in store is a poor representation and does not maximize the full potential of the category.

Among FMCG products, NARTD category is one of the least attractive areas in-store. The latter is seen as a functional place like a storage space, whereas the main driver for buying NARTD products is pleasure. Moreover, shoppers want now new product offers to emerge on shelves, such as organic drinks or innovations. However, these kinds of products do not clearly emerge on shelves today.

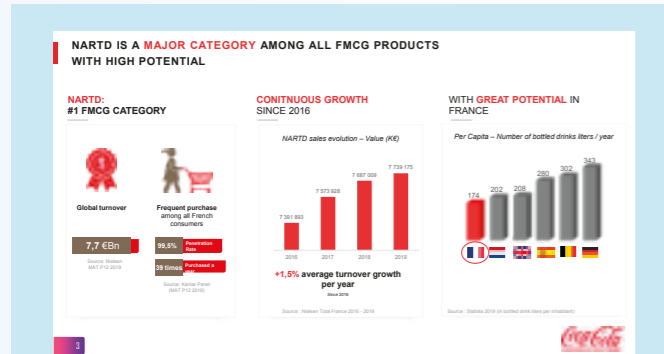
Furthermore, the NARTD universe does not enable retailers to maximize growth for the category either. When buying a NARTD product, the shopper journey is rigid and quick (48 seconds), like a real routine. There is neither impulsion, nor exploration inside the universe, whereas both could lead to an average basket increase and thus growth for the NARTD category.

**Describe your target market for this project.**

This merchandising project aims to implement a category vision in-store for the whole NARTD category in France. As NARTD category penetration rate is 99,6% in France, we can assume that our target market is the whole French population.

We also aim at working hand in hand with all retailers in France, that is why we do not want to exclude any retail customer, so any part of the French retail distribution.

The ambition of the project is to target all different formats of stores (hypermarket, supermarket, convenience) to show that our concept can be adapted to all retailers.



**List and give a brief overview of the main objectives of this project**

Our merchandising concept has two main objectives both for shoppers and retailers.

For shoppers, the objective is to improve the in-store experience and make the NARTD universe more understandable and readable.

For the retailers and their suppliers that compete on this market, our objective is to improve global NARTD market image, develop the average basket and purchase frequency, and finally enhance discovery and exploration inside the universe.

**What KPI's (if any) were used to measure the project outcomes?**

The success of the project is based on achieving KPIs on both quantitative and qualitative issues.

From a quantitative point of view, we aimed at increasing sales for the whole NARTD category. For every test store with our merchandising concept, IRI defines a control store of the same retailer and that has similar selling surface, geographical area, global turnover and promotional weight. Then, we measure the growth in test stores and we compare it to the growth we notice in control stores on the same periods (before and after project development).

From a qualitative point of view, we focus on 3 KPIs :

- ▶ Improve NARTD category image
- ▶ Develop the average basket and purchase frequency
- ▶ Enhance discovery and exploration in the universe
- ▶ To follow this, we have worked again with IRI to have precise and reliable results. The study institute has organized several shopper interviews in stores both before and after the project development to assess the qualitative impact of our project.

**Describe the project framework and what tools you used.**

The main objective was to start from a complete category vision (based on category trends, information from consumers and buyers) to create and deploy a new merchandising concept. Our framework is made up of 5 essential stages:

1. Define the category and its scope, what we know about it and what challenge or opportunity we want to address.
2. Launch data crunching and all the studies we needed to better understand all expectations of our consumers, shoppers and retailers.
3. Analyze the results to define more precisely our objectives and build the best strategy for our concept.
4. Once we have the necessary support and investment from our top management, go and present our project to retailers to get a strong collaboration and test our concept.
5. Launch studies to evaluate the results and performance of the concept, take decisions and optimize.

We used tools like Sharepoint or Cloud, organized meetings (brainstormings, workshops) and set up SWOT, Porter's forces model and ROI.

**Briefly describe the key steps taken to complete the project**

First of all, it was essential for us to take the time to clearly define the category, its composition and its challenges. Then, we chose to set up a strong and complete study protocol with our partner IRI, based on quantitative and qualitative stages. Thanks to that, we were able to precisely define our objectives and our levers of action to unlock the full potential of the category.

We used different methods like design thinking modes to make our ideas a full concept and chose our privileged and unique partner for the whole project : HMY (design, installation, maintenance).

One key success factor was to share our thoughts and development stages with our customers (methodology, results of studies, thinking and projects). We thus were able to convince more easily retailers to launch merchandising tests in stores.

The last step was to present the project results to our top management with a focus on a precise ROI vision to define our future strategy and future investments.

**OUR NEW NARTD MERCHANDISING CONCEPT TESTED AND IMPLEMENTED IN 18 STORES IN 2019**

**1 Objectives**

- Develop the average **basket** and enhance **exploration**
- Improve global **NARTD market image** in shoppers' minds
- Drive **traffic** in store

**3 Implementation**

- 18 stores: 9 HM, 6 SM et 3 convenience stores
- A flexible concept that can adapt to every channel

Photos

**2 Great principles**

- Create an **open NARTD universe**
- Design a real **shopper experience** in-store
- Make **new drinking segments** emerge
- Place emphasis on **natural products**



## Describe the brand resources that were assigned to the project.

Internally, lots of people contributed to this innovative project :

- ▶ **Multi-functional leadership team**
  - Marketing Director, National Sales Director
- ▶ **Market & Category Strategy team**
  - Define the category and its scopes
  - Launch data crunching and a complete study protocol
  - Analysis of the study results to build our strategy
  - Definition of our merchandising strategy leaning on the study insights
  - Presentation of the project to our retail customers
  - Operational project development in store in partnership with our technical supplier HMY
- ▶ **Shopper Marketing Manager**
  - Design development
- ▶ **Business Intelligence**
  - Methodology definition for quantitative and qualitative studies

Several external partners also played a role in this project:

- ▶ **Study institute IRI**
  - Definition and follow up of the study strategy
- ▶ **Havas (Design agency)**
  - Design development
- ▶ **HMY**
  - Technical partner who developed the project in store with us

## Describe the retailer resources that were assigned to the project. Generally speaking, two different retailers teams were involved in the project.

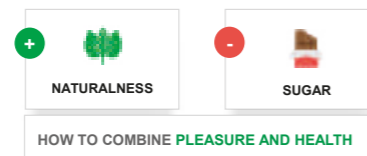
First of all, our concept was presented to our customers national Headquarters team. It was important to engage the people in charge of the national merchandising strategy in our customer's organizations. It was also very enriching for us as we confronted our vision with NARTD category experts: FMCG Category Management Director, NARTD Category Management Director, NARTD buyer and merchandisers. Their insights were key to adapt certain elements of our concept and make it more relevant.

Once our approach was validated by national Headquarters teams, we met local store directors to present them our project and to convince them to deploy the concept in their store. Then, we were in touch with store directors and NARTD managers. The objective was to understand well the store particularities in order to make this project develop.

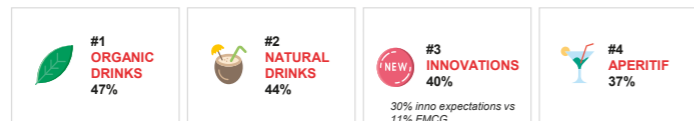
It was important to engage the people in charge of the national merchandising strategy in our customer's organizations.

### NEW CONSUMPTION TRENDS

French people are increasingly **concerned** with their consumption of day-to-day products, specially for NARTD:



Consumers have **new expectations** about NARTD segments, particularly Soft Drinks:



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### PICTURES FROM THE FIRST IMPLEMENTED STORE: CORA GARGES !



BEFORE



AFTER

### PICTURES FROM THE FIRST IMPLEMENTED STORE: CORA GARGES !



A new concept named « **PICK & MIX** » to manage **loose packs** and offer shoppers a **personalized experience**



A specific **NATURALNESS** pole, which is located at the section's entrance to meet consumers' expectations



A dedicated cooler area with fresh drinks to boost **IMMEDIATE CONSUMPTION**



### What were the key quantitative results of the project?

First of all, our new merchandising concept has proved to be successful in terms of sales development. NARTD category volume growth in our test stores is 6% higher than in control stores. Not only do soft drinks, which represent CCEP key category, benefit from this merchandising project (+4%), but so do water category (+7%) and juice one (+6%).

We have also measured segment performances inside soft drinks category and all of them are on a positive trend. Here are a few examples: Colas +4%, sparkling fruit drinks +7%, still fruit drinks +4%, ready-to-drink teas +6%, energy drinks +7%, tonics +7%.

Finally, we can notice that some product categories, on which we make a special focus in the universe, are on the increase as well. For instance, natural drinks (organic, well-being or premium teas) sales increase by 10% in test stores vs control stores. In the same way, immediate consumption is boosted (+42%) thanks to a specific cooler area where shoppers can enjoy fresh drinks.

### What were the key qualitative results of the project?

We first reached very high shopper satisfaction with a score of 90%. Going from 7.4/10 before the project deployment to 8.1/10 after, our shoppers evaluated the project as the best transformation among all FMCG categories in France. Consumers told us they had more pleasure when purchasing a NARTD product and were exposed to more choice thanks to the organization of the products inside the universe.

Beyond shopper satisfaction, we managed to create a strong partnership with our retail partners. They have understood our willingness to set up a real category vision for the NARTD market. Moreover, our concept has enabled our customers to save time and energy when refilling the shelves as it is easier for them to understand the whole NARTD universe.

To go further, we keep going on sharing some insights with our clients and working hand in hand to build, adapt and improve our concept in-store. We really want to co-create this category vision with them.

### What were the key quantitative results of the project?

To develop the project, we intended to associate with other NARTD national brands. The main challenge was to convince other brands to work with us on this innovative concept but we did not succeed to. Subsequently, our goal was to have people join this new merchandising vision but it was difficult as every brand develops its own category vision.

Next, question of geographical dimension arose because our deployment was carried out on the whole French territory. With HMY, we have undertaken the implementation of an agile process to manage all store deployments. It was important to ensure that information circulated well between all stakeholders involved in the project.

Finally, the layout of stores differs from one point of sale to another. We thus had difficulty to adapt to every store to meet the implantation needs. It was difficult to technically standardize our concept as every store is different from one another, which can result in an increase of our costs.

As we know there is a hectic life in stores and that many things can change in the short-term, we would set up a stronger store follow-up in order to make the sales representative more responsible for keeping the concept as it was initially designed.

### What key advice would you offer to your peers who are considering investing in Category Management?

In our opinion, when considering investing in category management it is necessary to have solid knowledge of the sector, the market but also consumer expectations. It is key to precisely define your category. Leaning on significant and various expertise, it is also very important to carry out quantitative and qualitative studies to assess the relevancy of what you are achieving.

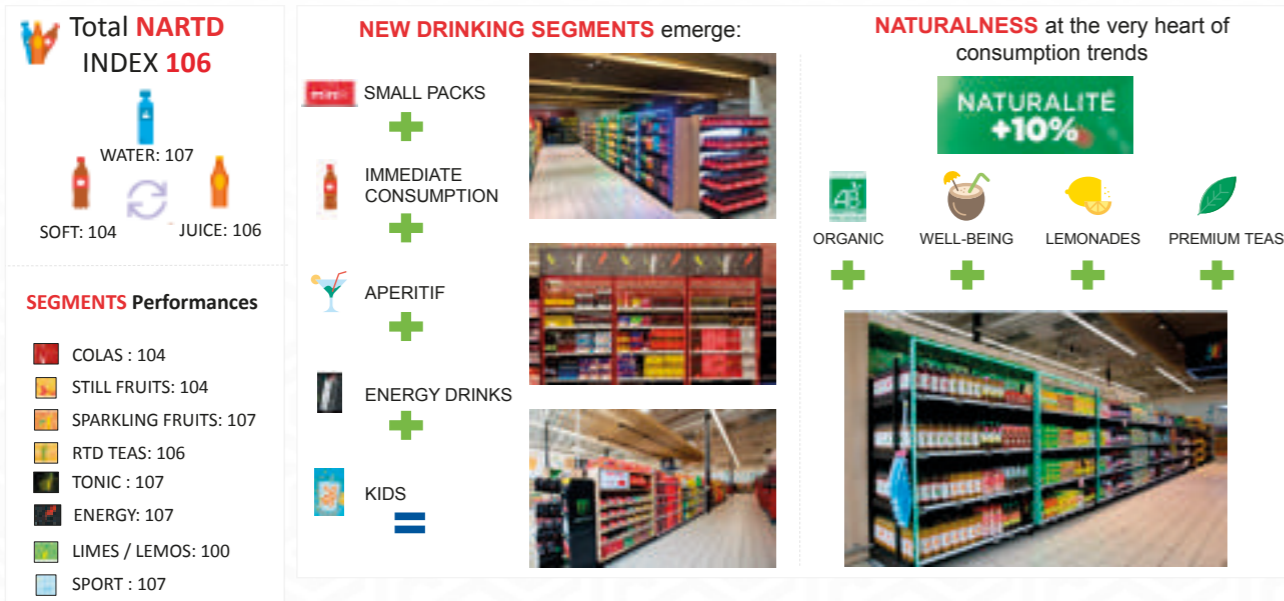
It also seems judicious to analyze the results obtained in order to be able to continuously improve your project. We try to remain as open-minded as possible because every remark, every shopper or customer insight can lead to an improvement of our concept.

Finally, the training of the various stakeholders in the store deployment process is a point that should not be overlooked as part of this mission. All Category Management and Shopper Marketing plans must focus on a solid basis of consumer and shopper insights. It is important to develop this foundation as early as possible and keep it updated.

### What would you do differently if starting the project again?

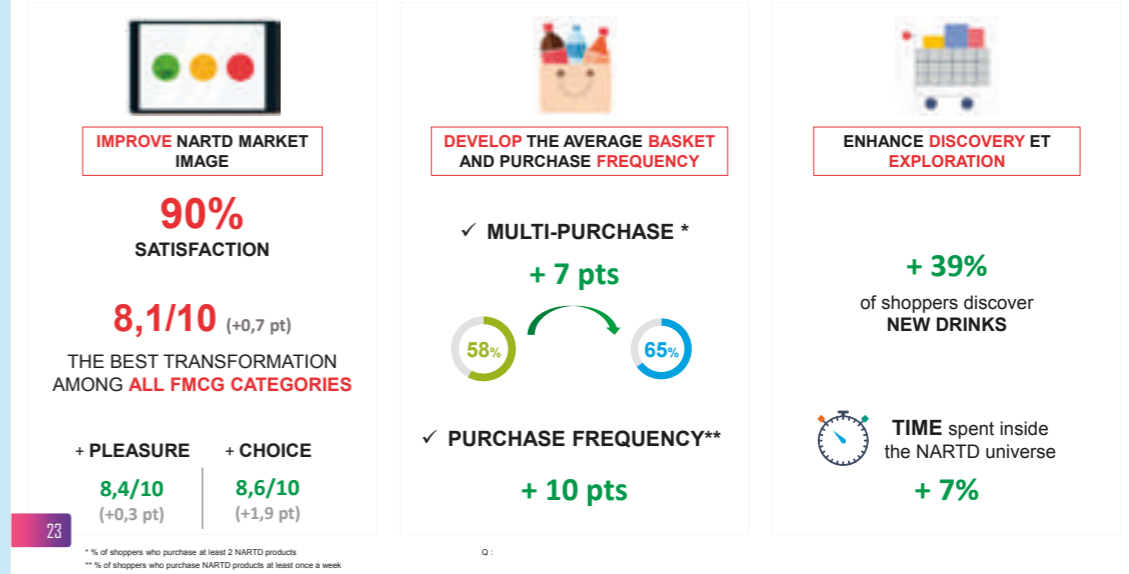
We would set up the establishment of a validation unit for the various elements of the concept when they were created in order to be certain that they were correctly understood.

#### A NEW MERCHANDISING CONCEPT THAT DRIVES GROWTH FOR THE WHOLE NARTD CATEGORY



Methodology for the quantitative analysis. Period : 10 weeks after implementation of CLP concept vs 10 weeks before (the week during which the concept is installed is withdrawn). Stores : Every CLP store is compared with a « twin store » : same retailer, similar surface, geographical area, global turnover and promotional weight. This study was carried out on 6 implemented stores. The index stands for the performance of CLP stores vs their twin stores, in volume without promotions.

#### AN INNOVATIVE CONCEPT THAT IMPROVES NARTD ATTRACTIVENESS AND GLOBAL IMAGE



\* % of shoppers who purchase at least 2 NARTD products  
\*\* % of shoppers who purchase NARTD products at least once a week



## COMPANY BACKGROUND

**Company Name:**

Metro Canada

**Product Name & Relevant Category:**

Several departments across the store including Dairy, Frozen, Non-Foods, Beverage & Snack, Breakfast, Fresh, thereby engaging multiple categories and across categories

**Location of Marketplaces:**

Québec and Ontario, Canada.

**Store Format:**

As a food and pharma retailer, franchisor, distributor, and manufacturer, Metro operates or services a network of more than 1800 pharma and food stores under several formats and banners including Metro, Metro Plus, Super C and Food Basics, Jean-Coutu, Brunet.

**Annual Local Market Sales:**

> €1 Billion

**How many employees work in the relevant marketplace?**

90,000

**In your local market, how significant are you within your chosen category?**

Leader in Pharma and Food in Quebec market and Number 2 in Food in Ontario market.

**How advanced is Category Management within your company?**

Advanced

**9. Number of people employed in Category Management team in your Company?**

150 in Ontario and Quebec from merchandizing and central procurement

**List the retailers you worked with on this project?**

Metro Inc (Canada)



## PROJECT METHODOLOGY

**Briefly describe the project background/ challenge and the rationale that led the team to propose this project.**

Changing consumer needs and continually disruptive forces in the marketplace had eroded core grocery category sales in the traditional supermarket channel globally for a decade: Metro's results had followed the curve. Meanwhile, differentiation in product range, presentation, and customer experience decreased as a 'sameness' set in across market competitors and even within sister value propositions / banners at Metro.

Further, ways of working had evolved to allow little time for category managers to plan strategic changes. Like industry peers, conversations with suppliers devolved to focus more around price and promotion than it did on holistic category management. Heads down, the vision forward to growth and innovation in categories and departments became less clear.

**Describe your target market for this project.**

A segment of Loyal shoppers was identified who drove the majority of sales, but who also had significant headroom in categories that were identified as strategic for 'core' and 'growth' according to the shopper data science. The data science innovation was in defining category roles and levers according to shopper behaviors, as well as linking both the commercial and shopper priorities. For example, the science examined behavioural engagement (frequency & penetration), category importance to shopper's choice of retailer, and emotional and cognitive engagement (thinking & feeling about a category).

A segment of Loyal shoppers was identified who drove the majority of sales, but who also had significant headroom in categories that were identified as strategic for 'core' and 'growth' according to the shopper data science.

**List and give a brief overview of the main objectives of this project.**

The focus of category collaboration efforts between key suppliers and Metro aimed at two core areas:

- ▶ developing a deep understanding of Shopper Need States based on the behavioural data, which established the hierarchies of Shopper Decision choices in each sub-category and category. For example, the shopper science ranked the most important factor in Shopper decisions for each commodity, e.g., brand, pack size, flavor profile, consumer benefit, etc.
- ▶ developing and optimising assortments based on these need states, along with data-led micro and macro adjacencies and flow to simplify shopper choices. The objective was to grow incremental unit sales and margin by improving the shopper experience – making choices easier - thereby improving satisfaction of the category experience.

Four (4) guiding objectives were co-created and agreed by Metro and its suppliers:

- ▶ Innovation – both the retailer and brands (NPD) be recognized as offering innovation to shopper
- ▶ Optimization of range to maximize sales
- ▶ Improve the Shopping Experience to increase units and visits
- ▶ Improve Value Perception for both retailer and brands, as appropriate

**What KPI's (if any) were used to measure the project outcomes?**

The success of the project would be judged on achieving an increase in the sales growth for each overall department or category (vs the growth rate average over the last 3 years) whilst reducing the range where the data showed high product substitutability, and conversely, by filling unmet shopper needs through the introduction of new products where the data indicated, e.g. kombucha.

Sales growth would also be reflected by improvements in shopper loyalty, i.e., growing the number of new Loyal shoppers engaging in the department or category, or by incremental spending by shoppers already 'loyal' to the category.



**Describe the project framework and what tools you used.**

A revolutionary collaborative reinvention model was introduced, driven wholly by a shopper-first vision and shopper-level data. The ambition of this collaborative model aimed at changing the shopper experience “from the floor tiles up” based on both quantitative and qualitative shopper insights to inform fundamental category management principles.

Suppliers were invited to bring their insights, brand aspirations and missions, and best practices. For the first time, multiple suppliers were asked to co-create principles and actions intended to disrupt or discard legacy approaches and find ways of working in favour of a data-led rationality of “doing different things and expecting different results”.

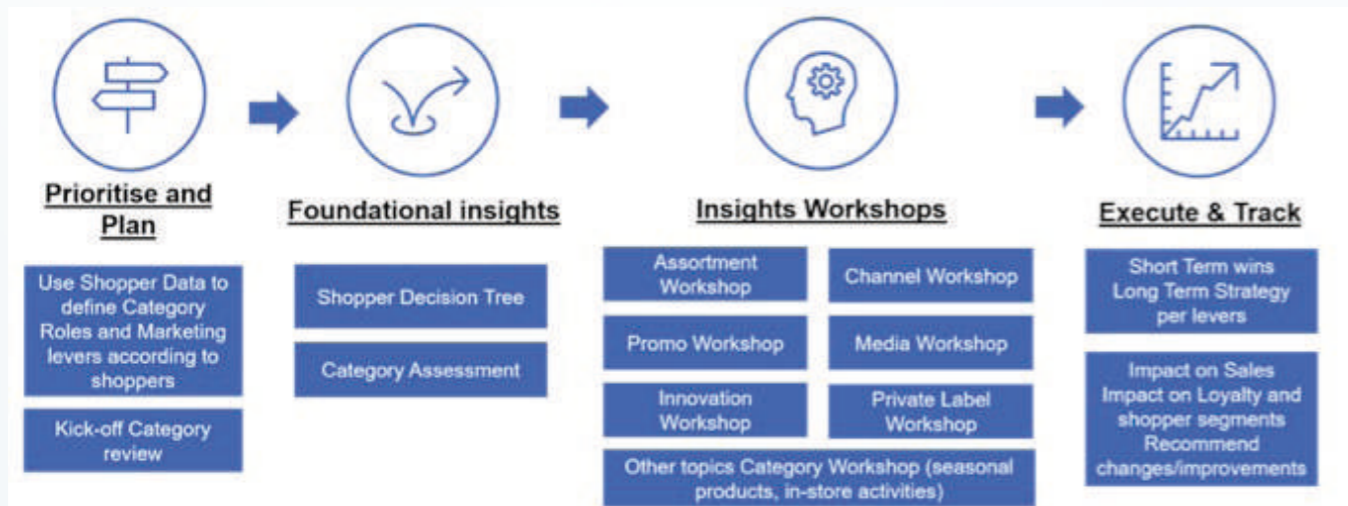
Tools used in this collaborative Category reinvention model included:

- ▶ Advanced Shopper Science analytics, provided by dunnhumby
- ▶ Shelf Review, a proprietary tool that derives and illustrates shopper decision trees and suggests planogram facings and flow
- ▶ CRM algorithms to communicate changes to shoppers via all channels
- ▶ Market data from Nielsen

To elevate the voice of the shopper, dunnhumby shared access to summarised shopper data and acted in the role of facilitator and coach for this new collaborative model, taken from best practices learned with its other global clients.

The overall framework for the project is shown in the chart below. The so-called ‘Maverick’ model describes a comprehensive and integrated process of four (4) sequenced phases of work and thirteen (13) specific workshops that informed the traditional 8-step Category Management process. Keen attention was focused on what shoppers would differently experience at the shelf.

For the first time, multiple suppliers were asked to co-create principles and actions intended to disrupt or discard legacy approaches and find ways of working in favour of a data-led rationality of “doing different things and expecting different results.”



**Briefly describe the key steps taken to complete the project**

A key step at the start was to win the trust in the process of ‘doing business as unusual’ from both the supplier community and Metro’s own category managers; this was accomplished with strong senior management endorsement and through a pilot in the Dairy category.

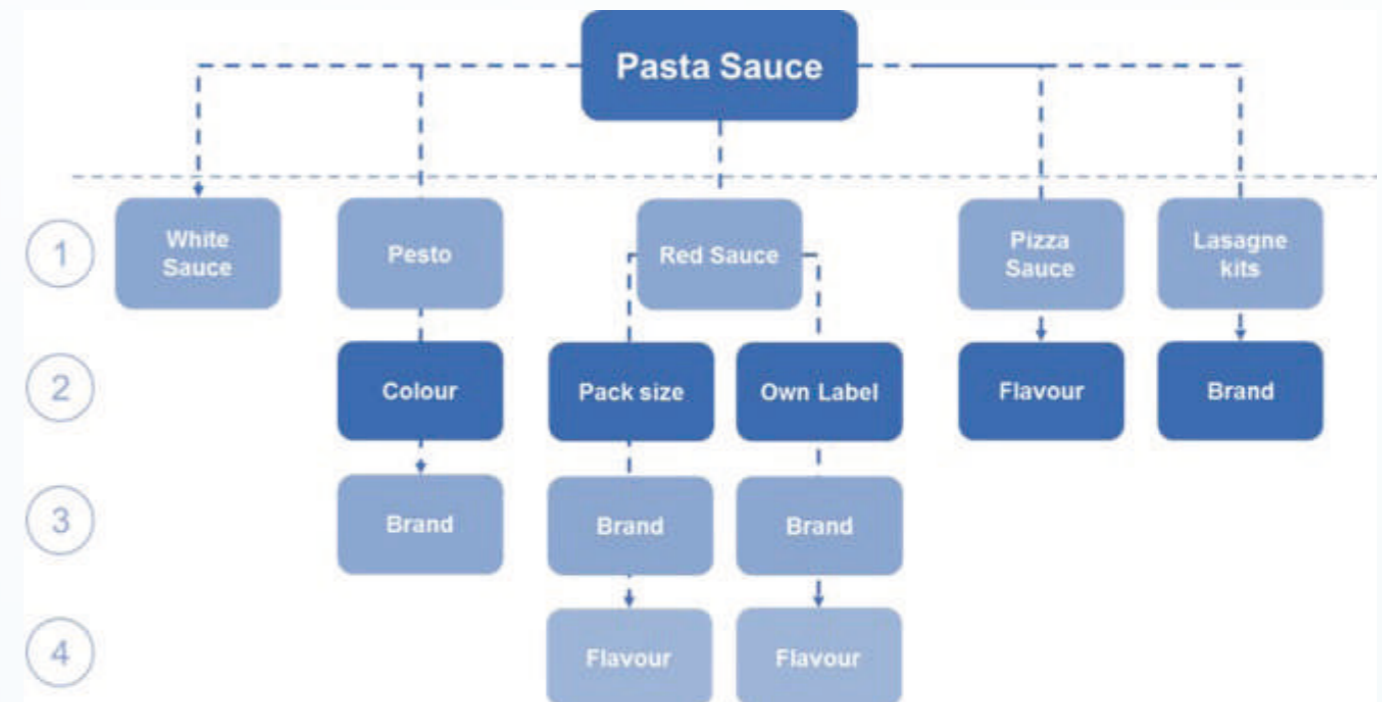
The first phase delivered a detailed understanding of the external market and of key brand aspirations, a perspective provided by Metro’s suppliers individually. Building on this market knowledge, the shopper data was analyzed to learn how shoppers themselves defined category roles via their behavior. The resulting analysis combined market, commercial and shopper priorities to ensure that all category decisions would support business goals as well as grow shopper loyalty.

In the second phase, advanced shopper science revealed a Shopper Decision Tree (example illustrated below) to help Metro and supplier planners understand

each category’s decision hierarchy; such a hierarchy is critical to ensure that all shopper needs are met by at least one offer in the category. Note that in the example below, product formulation is the first heuristic of the shopper choice criteria, and the second heuristic varies by formulation. Brand is the third-level decision criteria, followed by flavor according to the shopper data science.

The third phase focused on collaborative workshopping of the Category Business Plan, covering all steps of the traditional 8-step process, including the development of shopper initiatives and tactics around assortment, price and promotion, innovation, the role of private label in the category, formats, channels and media, and to solve for seasonality.

In the fourth phase, measures were set and resets were implemented in pilot stores. Results were analyzed and category plans were tweaked as necessary before full rollout to all stores.





### Describe the brand resources assigned to the project.

Brand team was asked to share their portfolio's brand building strategy and go-to-market strategy. This team typically comprised:

- ▶ **Marketing Director or Sales Director, Key Customer Account Manager**
  - Market Research
  - Provide consumer insights and recommendation kits
- ▶ **Shopper Marketing Manager**
  - Co-create shopper marketing plans, share brand claim development and growth platforms
- ▶ **Category / Brand Managers**
  - provide consumer and shopper - centric content to the Category Plans.
- ▶ **Key Customer Account Managers**
  - provide in-market coordination and support

### Describe the retailer resources assigned to the project.

A special, dedicated project team was named, headed by a Category Manager Director and including category managers in relevant dairy categories; pricing, promotion and shelf management specialists; in-store merchandisers and market research and dunnhumby category management specialists.

A key step at the start was to win the trust in the process of 'doing business as unusual' from both the supplier community and Metro's own category managers



## RESULTS

### What were the key quantitative results of the project?

The project objective of achieving an increase in sales growth for each overall department or category (vs the growth rate average over the last 3 years) was achieved. Dairy sales grew by 3.0% over prior period, and frozen foods by +2.6%. Assortment was reduced by 10% and 15% respectively, and adjacencies were improved.

As a disruptive new approach, the process required new learning, resources and capabilities. It provided the foundation for all Category Management Loyalty Marketing going forward...

### What were the key qualitative results?

Shopper satisfaction improved in all 'reinvented' categories and departments. New, easily identifiable sections were added to highlight local, premium, organic, and 'new innovations (NPD) choices that delighted shoppers.

Moreover, the supplier community provided testimonials underlining their positive experiences and results with the process. For example:

- ▶ "Process is clearly customer centric, Partner approach – Open discussion, open to do major changes. Congratulations!". General Mills
- ▶ "It's super to see that decisions are purely based on data and not on emotional or pre-construct ideas." Danone
- ▶ "The overall process set Maverick approach as a best practice for retailer in Canada." Pepsi
- ▶ "We see this will be Metro's new way of working. You were able to integrate and translate a lot of information. Congratulations and thanks for sharing the future planogram with us!" Agropur





## KEY LEARNINGS



metro

### What were the major barriers faced during the project?

- ▶ As a disruptive new approach, the process required new learning, resources and capabilities. It provided the foundation for all Category Management Loyalty Marketing going forward, and the basis for reinventing six other departments of the store to date.

### What would you do differently if starting the project again?

Work more closely with the Brand Management function from the start to bring the consumer and shopper segmentation as the core for developing brand leadership and integrate it seamlessly into the go-to-market strategy.



### What key advice would you offer to your peers who are considering investing in Category Management?

- ▶ All Category Management plans must be fully informed by shopper insights. It is important to develop a common Shopper (retailer's Customer) Language and to teach it broadly to suppliers and across the entire retail organization so that everyone is fluent around which strategic segments of shoppers drive growth for the category and for the business.
- ▶ Understanding the language of shopper segments and being clear on which segments are affecting / most affected by category trends, brand strategies (supplier) and target shoppers (retailer) is essential information to have to develop category and shopper plans that drive growth, create differentiation and optimize operational costs.
- ▶ Focusing on the Shopper at the center of discussions with suppliers allows a new form of "collaboration" in a healthier and mutually beneficial way, and enables a reinvention of the store experience that creates excitement, differentiation, and growth. Cross category (add categories, etc)



## COMPANY BACKGROUND

### This case study is submitted by:

Lauren Cussen

### Title:

Activations Manager

### Company Name:

Heineken Ireland

### Product Name & Relevant Category:

Heineken 0.0% - Non Alcoholic Beer

### Location of Marketplaces:

Ireland

### Store Format:

Supermarkets & Convenience Stores

### How many employees work in the relevant marketplace?

>450

### How significant is your product within your chosen product category?

Very Significant – Heineken 0.0% represents >56% of Non-Alcoholic beer market in Ireland.

### How advanced is Category Management within your company?

Very Advanced – We have a dedicated team of Category managers who work solely on Off trade in Heineken Ireland. This team would analyse both local and global market trends to shape our sell in story to support this initiative, and share with all of our key retailers to bring them on the Zero Zone journey with us.

### How many people work on the Category Management team that delivered this project?

A number of different teams were involved including commercial, brand, category, shopper marketing & field sales

Re-inventing Non-Alcoholic Beer category consumer value drivers to transform the in-store experience using an innovative "Zero Zone" presentation concept



**Zero Zone: A scalable category approach to the No Alcohol beer segment. Disrupting the category and bringing incremental growth to the Heineken Ireland portfolio and wider NA category**

### List the suppliers you worked with on this project:

Shop Equipment Limited – shop fitting company who designed and installed our solutions

Konica Minolta – developed print solutions and graphics for permanent installation

Reach Marketing – merchandising support to facilitate merchandising after installs



**Briefly describe the project background/ challenge and the rationale that led the team to propose this project.**

Following the massive success and launch of Heineken 0.0% brand into the Irish market in 2018, we saw that not only did this brand grow, but also grew other brands in the Non-alcohol category, giving us the perfect opportunity to cement our position as category leaders within NA. We noticed that shoppers were finding it difficult to navigate No alcohol within the alcohol aisle. From this insight, we decided to develop a solution that helped the category stand out in aisle.

Zero Zone is the next generation to its Category creation. A Permanent Display Unit with a built in fridge. It is an illuminated unit that captures the Heineken 0.0% brand image and message, while still maintaining neutrality for other brands to be shopped from the same unit.

With learnings seen from Heineken Poland in 2018, we saw 2019 as our year to take the Heineken trademarked Zero Zone™ and create our own versions specifically for the Irish retail environment.

The unit was imagined and brought to life through a collaboration between SEL and Heineken Ireland, which re-imagines shelving and display within the Grocery environment.

This stand-out display visually disrupts the shopper's attention and offers multiple product buying options, regular or refrigerated. It is bold, captivating and unique to the Irish Grocery and Alcohol environment.

**Describe your target market for this project.**

The target demographic for NA beer is very broad, as it appeals to a wide range of people. Male and female aged 18 - 65.

With learnings seen from Heineken Poland in 2018, we saw 2019 as our year to take the Heineken trademarked Zero Zone™ and create our own versions specifically for the Irish retail environment.

**List and give a brief overview of the main objectives of this project.**

- ▶ Accelerate Heineken® 0.0% Brand and overall category sales
- ▶ Develop a one stop solution which can house all Non-Alcoholic brands, within any retail space
- ▶ Provide an easily navigated solution for consumers in Irish retailers, which disrupts the shopper journey within the alcohol aisle
- ▶ Deliver all Zero Zone solutions sustainably

**What KPI's (if any) were used to measure the project outcomes?**

- ▶ Market coverage %
- ▶ Sales value
- ▶ Sales volume
- ▶ Category growth
- ▶ % market share
- ▶ Penetration
- ▶ Distribution



**Describe the project framework and what tools you used.**

To support implementation of the Zero Zones, we brought all our customers and internal stakeholders on the journey with us, from the ground up. We were in a strong position with Heineken 0.0% brand but had to sell in the category opportunity, the growth opportunity of the category, and the importance of providing a solution in store which would guide shoppers to the NA section.

Prior to 2018, there was very little structure to NA brands within the off license, and were often scattered across the alcohol aisle, rather than being grouped together. The Zero Zone has transformed the category and given it a whole new purpose. We have even seen brand new products entering this newly created NA space, such as spirits and ciders, and expect to see even more as the category continues to grow.

We were supported by all our retailers in installing these units in stores, and also were supported by our field sales teams, who upsold to their customers ongoing, and still are. We developed a sell in tool which supported our field sales team as they sold this solution in at store level.

**Briefly describe the key steps taken to complete the project.**

- ▶ Category analysis
- ▶ Design proposal
- ▶ Category & Customer sell in
- ▶ Store survey - measure & check for power, space etc.
- ▶ Zero zone production
- ▶ Zone implementation & planogram agreement
- ▶ Performance Analysis



**Describe the supplier resources that were assigned to the project.**

- ▶ SEL Project Manager – key liaison for all unit requests, surveys and installation scheduling
- ▶ KMMS Account Manager – liaison for all graphic requests
- ▶ SEL fitting teams – creation and installations of all units in stores
- ▶ Reach merchandisers – merchandised all units after SEL installed

**Describe the retailer resources that were assigned to the project.**

The wider sell in, development & execution was delivered by key members of the off trade team including Category, Field Sales, shopper marketing & commercial.





## RESULTS

### What were the key results of the project?

Each type of solution has delivered impressive results for us to date, across shelf, FSDU and bay displays. All of which are measured off strong base sales.

We have installed over 800 solutions to date across Ireland, with units in almost 50% coverage of the total market.

Heineken 0.0% has maintained over 55% share of NABLAB since August 2018, despite many new competitor products being introduced to the market this year.

With learnings seen from Zero Zone was certainly not a straightforward 'one size fits all' rollout – very few 2 stores are the same and in order to successfully install, every store had to be surveyed and measured up to size before going into production.

## KEY LEARNINGS

### What were the major barriers faced during the project?

Zero Zone was certainly not a straightforward 'one size fits all' rollout – very few 2 stores are the same and in order to successfully install, every store had to be surveyed and measured up to size before going into production. Space, power, planograms, height, width, depth and installation scheduling were all variables and each store was a project within itself.

Zero Zone was always set to be a scalable category approach, which meant from the beginning we were willing to support and provide permanent solutions to any NA section of any size, whether that be a single shelf, a double bay with fridge, or an 8 metre long Wholesale bay! We offer this scalable approach as we have an ambitious footprint we want to achieve both this year and next year, so it's important we can adapt our solutions to work within every retail space.

### What would you do differently if starting the project again?

We would have begun the sell in story sooner, and placed focus on getting traction in the market with our shelf solutions as the bay installations take much longer to implement!

### What key advice would you offer to your peers who are considering investing in Category Management?

- ▶ Permanent solutions are key, and should be invested in if possible to protect and future proof categories
- ▶ If your brand or product is market leader, now is the time to act to create a shopper centric solution which you can own in stores



Using Category Management principles to develop an integrated shopper solution for three interrelated OTC categories

## COMPANY BACKGROUND

### Company Name:

RaiaDrogasil S.A.

### Product Name & Relevant Category:

Pain Relief, Flu, Gastro

### Location of Marketplaces:

São Paulo, Brazil.

### Store Format:

Raia Drogasil SA is a seller of medications, specialty medicines, perfumery, personal care and beauty products, cosmetics and dermocosmetics. The Company operates 2000+ stores branded as Droga Raia, Drogasil, and 4Bio, located in 24 Brazilian states.

### Annual Local Market Sales:

> €1 Billion

### How many employees work in the relevant marketplace?

32,000

### In your local market, how significant are you within your chosen category?

Very Significant.

### How advanced is Category Management within your company?

Advanced

### Number of people employed in Category Management team in your Company?

6 people – within RD Cataman Team, DH and CPG partner

### List the retailers you worked with on this project?

Raia Drogasil, internal







**Briefly describe the project background/ challenge and the rationale that led the team to propose this project.**

Product assortment and display of Over the Counter (OTC) categories has been a major issue for most pharma retailers and CPGs, due to a lack of understanding of their shopper data. For Raia Drogasil (RD), leader of the Brazilian drugstore market, it was essential to start driving value from their shopper data to make better informed assortment decisions toward maintaining their competitive advantage.

RD had large volumes of shopper data but was failing to extract value from it in terms of knowing their customers better, and driving better business decisions. RD partnered with dunnhumby to begin their shopper knowledge and category management journey for OTCs.

The three categories under evaluation - Pain Relief, Flu, and Gastro - were very broad but related to each other. The challenge was to identify the true correlation and substitutability, evaluate previous assortment decisions and take actions to optimize product display and flow going forward, based on shopper behavior. Part of the analysis also included looking at category performance through analysis of different product types and characteristics such as active ingredients, pack size, name, strength and audience.

Shoppers come into these categories in a different mindset in drug v grocery – and with a different kind of shopping mission. Their needs may be acute, seasonal, and continuous use with different products in the categories serving each of these needs. Based on these different needs; the project asked “is there an ideal product set and way to visually merchandise that will be more intuitive to the customers, improve their shopping experience and boost performance”?



**Describe your target market for this project.**

A segment of Loyal shoppers was identified who drove the majority of sales, but who also had significant headroom in these categories that were identified as strategic for ‘core’ and ‘growth’ according to the shopper data science.

**List and give a brief overview of the main objectives of this project.**

- ▶ Apply category management principles to develop a new integrated shopper solution for a number of interrelated use categories
- ▶ Use shopper data to substantiate the connection between categories
- ▶ Define the assortment, and then to place these products in a flow that made sense to shoppers

**What KPI’s (if any) were used to measure the project outcomes?**

The success of the project would be judged on achieving an increase in the sales and unit growth for each category (vs the growth rate average over the last 3 years).

Sales growth would also be reflected by improvements in shopper loyalty, i.e., growing the number of new Loyal shoppers engaging in the department or category, or by incremental spending by shoppers already ‘loyal’ to the category.

For Raia Drogasil (RD), leader of the Brazilian drugstore market, it was essential to start driving value from their shopper data to make better informed assortment decisions toward maintaining their competitive advantage.



**Describe the project framework and what tools you used.**

- ▶ Understand buying behavior for OTC (Over the Counter) products
- ▶ Analyze category performance, looking at different product types and characteristics such as active ingredients, name, packaging and audience
- ▶ Use insight from data to apply a shopper-centric approach to category assortment and shelf plans
- ▶ Create an intuitive flow of products within the categories for different shopper segments
- ▶ Optimize category assortment and category attribution based on shopper behavior

Tools used in this analysis included:

dunnhumby’s Shelf Review tool was used to map and understand purchase behavior, and to identify any correlations between products in the macro categories (Pain Relief, Flu, Gastro).

The data science innovation was in defining category roles and levers according to shopper behaviors, as well as linking both the commercial and shopper priorities. For example, the science examined behavioral engagement (frequency & penetration), category importance to shopper’s choice of retailer, and emotional and cognitive engagement (thinking & feeling about a category). Keen attention was focused on what shoppers would experience differently at the shelf.

**Briefly describe the key steps taken to complete the project.**

In the first step, shopper data science helped RD clearly define a group of categories that had complementarity and clear connections according to shopper behaviors. These categories could be built together in a conjoined category strategy and total solution to reinvent and grow the contribution of these categories.

In the second step, advanced shopper science mapped a decision tree, which provided the necessary input to redefine the assortment and display of various brands, seeking to improve category performance and increase category sales. Correlation / complementarity and substitutability are leading-edge using shopper data to link how consumers think and act.

The third step built a shelf planogram with intuitive product navigation, based on observed correlations between product ingredients (specific vs. broad spectrum – i.e. headache vs. broad pain killers), name (generic vs. branded), packaging (boxes vs. blisters)

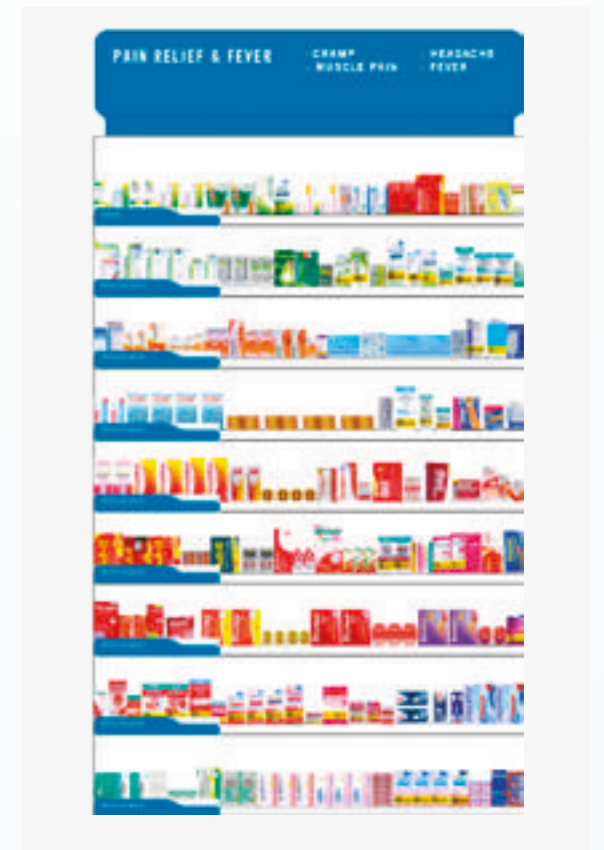
and audience (adults vs. kids). With a display of the products more aligned to retail pharmacy shopping missions, shoppers were able to more easily compare the price/value of the different sizes and pick the product most appropriate to their need (immediate use vs. stock up).

**Describe the brand resources assigned to the project.**

GSK supported RD with future insight for category future and building planograms, creating training material and instore implementation and tracking.

**Describe the retailer resources assigned to the project.**

RD Catman team used dunnhumby’s Shop & Shelf Review tools to refine insights to change OTC exposition



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## RESULTS

### What were the key quantitative results of the project?

- ▶ Informed and customer-centric decision making for category assortment and product flow
- ▶ Better in-store customer experience supported by intuitive category navigation, easy-to-shop & easy-to-find exhibition, and clear communication on shelf
- ▶ Product repositioning based on packaging (boxes/blister), encouraging easier price/value comparison of pack sizes and need specific purchases for each mission
- ▶ Easier shelf replenishment due to better communication, layout and fixture
- ▶ All of this delivered 4.3% sales uplift, 1.5% growth in sales, and 2.2% increase in units due to packaging repositioning

## KEY LEARNINGS

### What were the major barriers faced during the project?

- ▶ Overcoming the myth that pack sizes should be grouped together first vs brand, as the assumption was that the shopper would trade down to the cheapest option. The shopper data revealed that brand was higher in the shopper decision hierarchy than RD planners had believed.
- ▶ Ensuring that the right conditions were in place to be able to measure the impacts accurately. A statistically informed initial test-and-control group and impact measurement approach were essential for definitive, repeatable results.



### What were the key qualitative results?

"We were able to move to a customer-centric category management. We used to look at sales information only, now we look at customer data to decide new strategies for the category. For me, that is the biggest transformation that we have achieved so far." - Marcello De Zagottis, VP Commercial & Marketing

We were able to move to a customer-centric category management. We used to look at sales information only, now we look at customer data to decide new strategies for the category.

### What would you do differently if starting the project again?

The operations teams should be involved at the very beginning of the process so that they are fully bought in and are prepared to execute with confidence.

### What key advice would you offer to your peers who are considering investing in Category Management?

Be prepared to fundamentally change your thinking around categories and be open to the fact that resources and investment will need to be prioritized according to what is most important to your shoppers. It is through that perspective that you will create a better shopper experience, generate loyalty, and win superior long-term performance.



## COMPANY BACKGROUND

This case study is submitted by:

Katia Troupaki

Title:

Category Manager

Company Name:

Coca-Cola HBC Greece S.A.I.C.

Product Name & Relevant Category:

- ▶ Sparkling Soft Drinks
- ▶ RTD Tea
- ▶ Energy
- ▶ Juices
- ▶ Water
- ▶ Sports Drinks

Location of Marketplaces:

Athens, Greece

Store Format:

Large

Annual Local Market Sales:

€221M AFBs (Alcohol Free Beverages) GSR in Organised Trade

How many employees work in the relevant marketplace?

1800

How significant is your product within your chosen product category?

Our products are very significant for AFBs category as their Contribution in TTL Gr AFBs sell-out exceeds 42%.

How advanced is Category Management within your company?

Category Management is very advanced in our company. Coca Cola HBC has a dedicated team behind Category Management. Each Category Planner specializes in specific product categories/Sub-Trade Channels. Furthermore, the responsibility for Key Customers is split amongst Category Planners.

How many people work on the Category Management team that delivered this project?

We created a Cross-Functional team for this project including people from Commercial Excellence, Marketing and Sales Functions.

The team was led by the Category Management team. Customer Marketing team also played an important

Integrating the consumer demand spaces (consumption occasions) into the consumer-shopper journey in-store experience in the Alcohol-Free Beverages category



role on this project as they bared the responsibility of the store activation. The Key Account Manager was also involved in the store activation. Furthermore, he proceeded with negotiating the listing of new launches. The local Sales team assisted the store personnel with the implementation of the new planograms taking over the part of the shelves that was occupied by our products. Furthermore, the team collaborated with several Marketing teams (Brand, Shopper, TCCC) in the process. Overall, more than 30 employees were involved in the project, all of them based in Athens.

List the retailers or suppliers you worked with on this project (list in order of involvement where possible):

- ▶ My Market [Retail Partner]
- ▶ Sprint Advertising Agency [Supplier]
- ▶ MVP Sign (Polycrētis) [Supplier]





**Briefly describe the project background/ challenge and the rationale that led the team to propose this project.**

Customer Centricity & Joint Value Creation is a strategic priority we have further focused on within the last years, as retail industry is becoming more and more competitive. Fruitful relationships with our customers can optimize the outcome for the market & the categories; thus, we wanted to take advantage of this in favor of both parts and create a win-win situation.

**Describe your target market for this project.**

This project is targeting all AFBs consumers.

**List and give a brief overview of the main objectives of this project.**

The objective of this Joint Value Creation project is to increase the overall growth of the beverage category, by making it more attractive and driving impulse purchase. Our vision behind this initiative is to give life to our Category Vision in-store. Being a 24/7 Total Beverage Company, we can provide consumers the right products for every Consumption Occasion around the clock. Through this project we link each product category with the respective consumption occasion based on proper communication and focusing behind the relevant categories & occasions for the channel.

**What KPI's were used to measure the project outcomes?**

The following KPIs were used to measure the project outcomes in AFBs comparing data from the Pilot store and one Control store (of approximately the same calibre).

- ▶ Transactions
- ▶ Volume
- ▶ Value
- ▶ Single serve mix contribution
- ▶ Lights contribution

Being a 24/7 Total Beverage Company, we can provide consumers the right products for every Consumption Occasion around the clock.



**Describe the project framework and what tools you used.**

Our Category Vision was based on Consumer Beverage Landscape research which set the framework for the key Occasions/Drinking Moments that represent the highest Size of Prize, as an opportunity for future category growth and outlines our strategic choices on how to best capture that growth. Furthermore, by using market & consumer insights as well as our Occasion-Based Management strategy, we took advantage of our know-how in favor of both sides of the partnership.

As tools we have used the following to help us implement the project:

- ▶ CBL (Consumer Beverage Landscape), which is a Consumer Behaviour Study run by The Coca Cola Company, mapping and deep diving into consumption occasions of total beverages. It is a tool that helped us identify the evolution in consumer drinking behaviour in Greece in the last 10 years, as

well as understand the performance of our portfolio and explore key areas and opportunities. Processing CBL as a basis, we defined on which strategic occasions to focus on & how to tackle them, through our Category Vision strategy.

- ▶ IRI Scanning Sell-out data
- ▶ Homepanel metrics (eg. Penetration, Frequency, Volume per trip, Basket Incidence)
- ▶ Consumer Decision Tree (derived from Shopper Study CCH2017)
- ▶ Trade marketing activities for brand & store activation
- ▶ Cooler with high tech front display on door, communicating various messages
- ▶ Slot machine, as an interaction point with end-customer, adding value with promo offers
- ▶ Spaceman (Nielsen) program to create planograms



**Briefly describe the key steps taken to complete the project.**

- ▶ Run the Consumer Beverage Landscape research in collaboration with The Coca Cola Company
- ▶ Set the framework for the key Occasions/Drinking Moments that represent the highest Size of Prize.
- ▶ Contacted an external agency to give us creative ideas for the implementation, based on the drinking occasions we concluded.
- ▶ Communicated all the insights we had to the customer, as well as our proposal and got feedback

based on their scope & limitations, so that we conclude to a final proposal.

- ▶ Started working on the pilot store of this project together with the customer in order to create an experiential, innovative environment.
- ▶ Throughout the implementation period, we collaborated closely with the customer to overcome any barriers.
- ▶ Exchanged data with the customer in order to perform the evaluation of the project, after a certain period.



### Describe the brand resources that were assigned to the project.

The teams that were involved in this project were:

- ▶ Category Development team, led the project based on Beverage Category Vision, building planograms based on market trends and market shares and showing clear segmentations (brand/ sub-flavours) for the whole category in vertical blocks.
- ▶ Trade Customer Marketing briefed the agencies regarding the concept and implementation in collaboration with Category and implemented the store activation.
- ▶ Key Account Manager was involved in the store activation. Furthermore, he proceeded with negotiating the listing of new launches.
- ▶ Sales team assisted the store personnel in implementing the final set up in the Beverages aisle, according to the planograms. Namely, they took over the part of the shelf that was occupied by our products.
- ▶ Shopper & Brand Marketing, as well as The Coca Cola Company, helped trade marketing with non-branded visuals for the activation of the relevant category.

### Describe the retailer resources that were assigned to the project.

- ▶ Customer's Marketing team, approving visuals and constructions
- ▶ Buyer of the relevant categories (Sparkling Soft Drinks (SSDs) & Juices)
- ▶ Technicians/ electricians for the store, that helped in the technical part of the implementation, as the store had specific restrictions.
- ▶ Store Manager (oversaw the implementation of several steps) and employees (assisted in the final set up of the Beverages aisle).

Trade Customer Marketing briefed the agencies regarding the concept and implementation in collaboration with Category and implemented the store activation.



## RESULTS

### What were the key quantitative results of the project?



**SSDs**  
SSDs are growing in Transactions and Value faster than the trend of the CPL and TTL SMs

SSDs Excl Mixers	vs LY	vs Control Store	vsTTL SM 2019	vsMyMarket 2019
TTL SSDs Transactions	+5.4%	+0.7PP	+4.4PP	+1.7PP
TTL SSDs Value	+6.9%	+1.2PP	+3.2PP	+2.6PP

The performance of SSDs is improved both in terms of Transactions and Value vs LY with a rate better than this of the Control Store, the trend of My Market and TTL SM.

Flavors (ttl Flavors losing value vsLY). Furthermore, Lemon Limes show a remarkable growth vs Control Store. Last but not least, Lights Contribution in Colas is significantly improved vsLY and vsControl store.

Deep diving in SSDs Category, all subcategories are growing both in Value and Transactions except for



**Juices**  
In a Category which is declining, through the execution of "Beverage World" we manage to achieve growth both in Transactions and Value.

Ambient Juices	vs LY	vs Control Store	vsTTL SM 2019	vsMyMarket 2019
TTL Juices Transactions	+7.7%	+7.4PP	+9.5PP	+4.8PP
TTL Juices Value	+10.9%	+13.6PP	+16.6PP	+14.6PP

The BW project benefited greatly the Ambient Juices Category. Even though the respective Value trends are negative, Ambient Juices in BW showed an impressive, double-digit performance. Furthermore, the Value of the category is growing faster than Transactions.

\*Beverage World and Control store Data regard the period of activation (March-December 2019), while TTL SM Trend and My Market Trend are data extracted from IRI for 2019.



### What were the key qualitative results of the project?

The execution of "Beverage World" helped the Alcohol-Free Beverages Category stand out in the store. It should also be noted that the reforming of the category redirected the interest of the customers from the secondary placements to the permanent position of the category.

Customers now tend to visit the Beverage aisle more often and stay longer than before. Consequently, they are exposed to the full extent of the Category's portfolio, often choosing products that are not among the top selling. This change showed more innovative products up. Furthermore, it enhanced the circulation of products of the category that are considered premium, leading the affected categories to a "trade up".

PHOTOS BEFORE

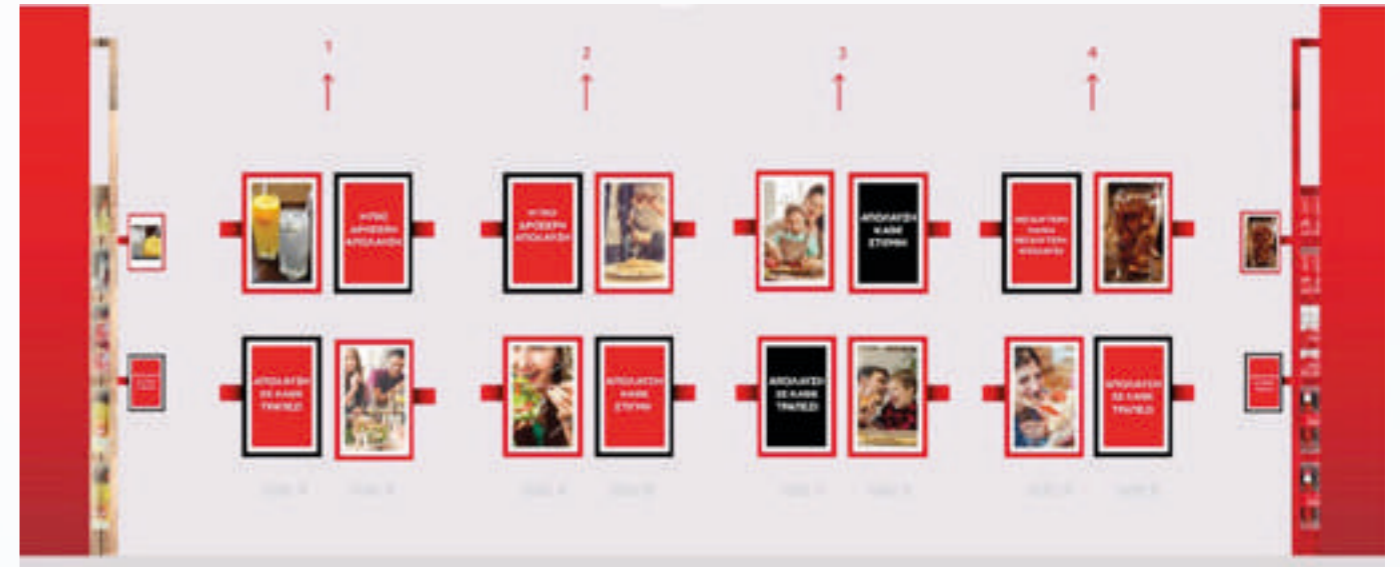


PHOTOS AFTER



The key consumption occasions were captivated through tailor-made constructions, making the shopper's decision easier and enhancing the overall shopping experience.

Last but not least, through joint value creation we strengthened our relationship with the retailer.





## KEY LEARNINGS



### What were the major barriers faced during the project?

- ▶ Implementation had to take place while store was open and the shelf had to be functional
- ▶ There were some restrictions that had to be taken into consideration for the constructions (ie regarding lighting)
- ▶ Maintenance of the machines (ie slot machine frequently updated with new mechanisms or feed with paper for the coupons)
- ▶ Adjusting the planograms to the new innovative scenery

### What would you do differently if starting the project again?

We would have a strict, more detailed timeline, having in mind beforehand what is easy and not to be implemented and, therefore, have more alternatives for the customer to choose.

### What key advice would you offer to your peers who are considering investing in Category Management?

I would advise them to:

- ▶ Picking the right Partner is a key to success for Projects of this scale.
- ▶ Have various alternatives beforehand.
- ▶ Build a detailed timetable with realistic slots, taking into consideration the technical part that may need more time.
- ▶ Have enough budget on hand, as in most cases extra costs occur during the project, especially when innovation is of strategic priority.
- ▶ Always have in mind that the only successful and sustainable project would be the one that creates a win-win situation.

### Include any links that lead to more information about the company, project, website etc

CCHBC:  
<https://gr.coca-colahellenic.com/en/>

Customer:  
**MyMarket** <https://www.mymarket.gr/home.aspx>



Rejuvenating the Pasta Category and shopping experience across retail stores in three different countries

## COMPANY BACKGROUND

This case study is submitted by:  
 Paolo Zazzi

Title:  
 Customer & Shopper Marketing Group Director

Company Name:  
 Barilla G. & R. Fratelli

Countries where the project has been implemented:  
 Italy, France, United Arab Emirates

Product Name & Relevant Category:  
 Pasta Meal Category  
 (Pasta + Ready To Use Sauces)

Location of Marketplaces:  
 Italy, France, United Arab Emirates (UAE)

Store Formats:  
 Hypermarkets & Supermarkets

Annual Local Market Sales (EUR):  
 Italy: 500M - 1BN  
 France: Pasta: 500M-1BN, Sauces: 200M-500M  
 UAE: < 10 Million

How many employees work in the relevant marketplace?  
 Italy: 600 employees  
 France: 50 employees  
 UAE: 10 employees

How significant is your product within your chosen product category?  
 Extremely Significant

How advanced is Category Management within your company?  
 Advanced

How many people work on the Category Management team that delivered this project?  
 More than 10 in Italy; more than 10 in France; 2 in UAE



“Based on new shopper insights and real consumers’ behaviour up-to-date observation, we stated some important principles to be followed when approaching the category.”

List the retailers or suppliers you worked with on this project:  
 Carrefour Italy  
 Carrefour France  
 Carrefour UAE



**Briefly describe the project background/ challenge and the rationale that led the team to propose this project.**

Over the last few years new needs about Health & Wellbeing (Better For You) and Premiumness are spreading in Western Countries and marking food categories growth.

These type of trends were not yet matched with an offer on shelf which can inspire shoppers. The above shopper expectations are also directed towards the Pasta Meal category, composed by Dry Semolina Pasta category and Ready to Use Sauce category.

Barilla has been working side by side with Carrefour France on Category Management since several years. We are Pasta Category Captain in UAE and have agreed to work with Carrefour Italy as well to make the category greater again.

In order to react and provide our retail partner effective solutions insights based we have launched: ad hoc studies, Nielsen data assessments and Carrefour shopper surveys (EMNOS in France) about consumption drivers and the consumer & shopper journey.

Based on new shopper insights and real consumers' behaviour up-to-date observation, we stated some important principles to be followed when approaching the category:

- Penetration is the main sales driver of the pasta category. Category or brand penetration does not last forever but has to be constantly nurtured. It means that recruiting shoppers is the key for success

- Inspiring people is crucial to convert shoppers into buyers. We need to connect the pre-store activities with the in-store touch points.

In accordance with the shopper insights we designed a Category Management approach leading to a complete rethinking of the Pasta Meal category.

Then, based on the local market environment (category development, competitiveness, consumer expectations ...) we have tuned our project work and differentiated by Country:

- In Italy we have been working first on dry pasta assortment re-designing, shelf layout optimization, synergy of promo and communication plan. At the same time we have also upgraded the quality of our regular cuts range and introduced a new Barilla 100% made with Italian durum wheat with an improved product design.
- In UAE the focus has been on dry pasta category and was brought about through the development of a new segmentation, range rationalization and branding approach to enliven the retail environment.
- In France after reorganizing the pasta approach on merchandising with the emergence of new needs as Premium and Better for you Pasta, we worked together on the sauces category to bring more attractiveness and more readability on the sauces' shelf

**Describe your target market for this project.**

The Carrefour shoppers are our targets. Due to the high coverage of Carrefour store network in the selected Countries they are also representative of the pasta meal target and vice versa.

Amongst these consumers the food & beverage choices of BETTER FOR YOU people segments value 58% of total Italian Food & beverage and when talking about pasta they reach almost 60%.

Italian segmentation based on people behaviour is the one more advanced in reflecting trend on wellbeing and premiumness, France is following and, based on previous years experience, UAE trends are replying closely to European Countries trends.

Therefore, we aimed at better reflecting inside the stores the real way different Pasta shoppers live the category: our recommendation will be to address different shopper targets by having a deeper assortment offer and a clear communication of product characteristics via a new planogram design and ad hoc signages.



Italy: pasta meal solution with the new Italian range of upgraded regular cuts 100% Italian durum wheat

CATEGORY PROJECT PERSPECTIVE BY COUNTRY			
	ITALY	UAE	FRANCE
Category importance for retailer (% on FOOD & BEVERAGE)	2,3%* (15 in rank FOOD & BEVERAGE)	0,5%*	0.7%** (38 in rank FOOD & BEVERAGE)
Category for consumers (Household penetration)	97,5%*	77%*	66,8%**
Project focus	<b>Physical availability</b> (Re-align dry pasta offer to people expectations)	<b>Mental availability</b> (Re-align dry pasta offer to people expectations)	Physical availability (focus on sauce <b>visibility</b> )

\*dry pasta category, \*\* sauce category

**Shopper Segments Behaviors And Purchasing Choices (Italy)**



Penetration is the main sales driver of the pasta category. Category or brand penetration is not given forever, but has to be constantly nurtured.



### List and give a brief overview of the main objectives of this project.

Reverse category negative trend and obtain opportunity for growth within the category by activating different levers.

- ▶ Enhance the shopping experience of the category considering the decision tree via better segmentation & planogram to reduce the amount of time spent looking for products
- ▶ Match the different target shopper expectations for the whole product category
- ▶ Drive traffic into pasta aisle & increase conversion (Italy and UAE)
- ▶ Reverse category trend in Italy by launching the new upgraded range of Barilla regular cuts 100% Italian durum wheat
- ▶ Drive traffic and increase penetration on sauces category (France)
- ▶ Test a POS material to support the identification of the segmentation (France)
- ▶ Inspire & trade-up consumption

### What KPI's (if any) were used to measure the project outcomes?

The main KPI's used to measure the outcomes of project are the following:

- ▶ Category total sell-out in Carrefour compared to target (Italy)
- ▶ Category Value Growth in Carrefour, compared with total market data (UAE) or Carrefour control benchmark (France)
- ▶ Growth of individual segments within the category (UAE) or their penetration versus target (Italy and France)
- ▶ Trade margin evolution (Italy)

CARREFOUR Limay (France):  
Pasta Sauce displayed close to  
Dry Pasta



## PROJECT IMPLEMENTATION

### Describe the project framework and what tools you used.

We have been working within a framework integrating category assessment and customer plan into a joint category management plan devoted to restore category growth:

- A ▶ Category assessment starting from a category vision and followed by an accurate survey on market data to identify a new category segmentation based on people behaviour

- B ▶ Customer plan identifying the category growth potential and highlighting the retail mix guidelines for the joint business planning.
- C ▶ Integration in a picture of success which defines how to restore growth driving penetration on:
  - ▶ Product portfolio performance
  - ▶ Shelf readability
  - ▶ Promo management

BARILLA UNIT CONTRIBUTIONS TO FUEL THE PROJECT FRAMEWORK				
UNIT	TOOL	ITALY	FRANCE	UAE
<b>Market Research</b>				
	Category trends & Growth drivers	●		●
	Consumer and Shopper Insights	●	●	●
<b>Customer Marketing</b>				
	Assortment optimization	●		●
	Planogram	●	●	●
	Conceptual design			●
<b>Trade Marketing</b>				
	POS material development		●	●
<b>Customer Planning</b>				
	KPI's Definition	●	●	●

### Briefly describe the key steps taken to complete the project.

- ▶ Launch shopper research for a deeper understanding of the pasta consumer behaviour (Italy and UAE) and of the sauces' barriers to purchase (France)
- ▶ Revisit the assortment/range rationalization and adapt by segment, by store format and by Nielsen area (Italy and UAE)
- ▶ Update the category planogram according to the shopper view by introducing high value and trending items at the beginning of the category (all)
- ▶ Differentiate the category offer to satisfy different shopper targets through:
  - ▶ design product merchandising on shelf by target segment (Italy and UAE)
  - ▶ communicate product benefits with shelf talkers and headers addressing different expectations of different target shoppers (UAE)
- ▶ Theatralize the category lane with POP materials such as crownings on top of shelf, with messages to highlight products in each segment and clarify readability for the shoppers (all).
- ▶ Offer shoppers a complete meal experience: move sauces into the middle of the pasta category (Italy), place sauces in front of pasta for cross merchandising (UAE)
- ▶ Tailor promotion plan in accordance with the new view of the category (Italy and UAE)
- ▶ Develop Communication plan ad-hoc for Carrefour's shopper (Italy and UAE)\*
- ▶ Implement the concept in a group of store test (UAE: 10 Hypermarkets, France 8 Hypermarkets)
- ▶ Evaluate KPIs
- ▶ France: Deploy on all Carrefour network Hypermarkets (230 stores)



\*In order to further explore our reach to target shoppers both in physical stores and online and create an omni-channel experience, an ad-hoc communication plan for Carrefour's shopper was developed.

With the aim of offering a consistent shopping experience and exploit category full potential, several touchpoints were activated to communicate directly to targeted shoppers through push notification via mobile. Through an ad-hoc plan based on geolocation shoppers were informed about what was going-on both in physical stores and on the retailer's online homepage. We were able to communicate successfully various initiatives such as promotions, special initiatives and instant win contests.

drive to store and e-commerce  
TO INCREASE SALES



PASTA MEAL PLANOGRAM SCHEME (ITALY)



CARREFOUR Italy: Pasta Meal Planogram design.

CATEGORY SEGMENTS DIFFERENTIATION

COUNTRY	CATEGORY PRODUCT SEGMENT	SHOPPER TARGET	GROWTH DRIVER	IN STORE MESSAGES
Italy, UAE	Wellbeing products (whole wheat, special grain, organic, ...)	better for you shoppers	Grow category penetration. Grow basket value. Grow trade profitability.	Wholesome and healthy
Italy	Regional products (local cuts, special grains)	traditional shoppers	Grow purchasing frequency	
Italy, UAE	Premium products (higher price, high quality)	upscale shoppers	Grow basket value Grow trade profitability	Chef's choice Specialty products
Italy, UAE	Regular products	mainstream shoppers	Grow purchasing frequency	Cook it every day

Describe the brand resources that were assigned to the project.

Dedicated inter-functional teams have been enrolled in order to manage and monitor the project. Local team leaders have been appointed and each function had to carry out tasks as it follows:

BRAND RESOURCES AND RELEVANT TASKS				
UNIT	TASK	ITALY	FRANCE	UAE
<b>Customer Team</b>				
	Translate category assessments into a growth plan at key account level	●		●
	Provide in-market coordination and support	●		●
	Organize the sales team to implement the project in different POS	●		
	Develop and share with the customer new promotion plan according to project framework	●		
<b>Marketing Manager</b>				
	Develop ad-hoc communication plan	●		●
<b>Trade Marketing Manager</b>				
	Develop shopper marketing plans and brand claim for in store communication	●		●
	Manage the insights development with market research specialists	●	●	●
	Develop conceptual design & POS material		●	●
<b>Category Manager</b>				
	Create new planogram for category segmentation	●	●	●
	Provide shoppers' insights through retailers' fidelity card database		●	
	Coordinate and jointly analyse the test		●	
<b>Finance Manager</b>				
	Monitor and evaluate trade margin evolution	●		
	Monitor implementation costs	●		





**What were the key quantitative results of the project?**

Positive results both in the pilot phase and in the roll out:

QUANTATIVE RESULTS			
PHASE	ITALY	FRANCE	UAE
Installation	<b>Positive performance</b> against control leg across all Pasta Category segments	<b>+6,4%</b> hypermarkets test (8) vs benchmarked Carrefour hypermarkets	
Roll out		<b>+1,3% Sauce</b> Category Growth Baseline in Value in Carrefour Hyp. vs. a declining category (-3,7%)*	<b>+4% Pasta Category</b> Growth in Value vs a declining mkt in the UAE (-1%) <b>+10% Pasta Sauces</b> Category vs PY**

\* Nielsen Sell-out data P1-P5 2018 vs n-1 vs. P9-P13 2018 vs n-1  
\*\*Carrefour Sell-out data 2019 vs. 2018 & Nielsen Data Dec 2019

**What were the key qualitative results of the project?**

The product assortment redesign led to building a **greater shelf productivity** and clarity for the pasta segmentation both in Italy and France.

In each of the 3 Countries it significantly reduced the time spent by shoppers in front of the shelf and **facilitated shoppers** in their choices.

In UAE it also created a more **interactive and pleasant environment** with the revamped shelves; the branding communicates key messages and inspires via the gastronomic appeal of portrayed dishes.

Other retailers in the countries have shown interest in applying the same concepts being inspired by the Category Management project and results.



CARREFOUR UAE: Shelf dividers with QR code target Better For You shoppers giving info about displayed Pasta and Sauce.



CARREFOUR UAE: Cross merchandising hanging Sauce jars on pasta shelf.

CARREFOUR Lomme (France):

Identification of the different Sauce segments was improved placing Pesto segment between the red sauces with meat and the red sauces without meat.

As pesto segment's main colour is green, it created a visual break on red sauces shelf and helped the shopper.



CARREFOUR Thiene (Italy):

BEFORE and AFTER the category re-design starting from the Better For You Pasta Segment to address the needs of the 3 main Italian shoppers segments





## KEY LEARNINGS



**Barilla**  
The Italian Food Company Since 1877.

### What were the major barriers faced during the project?

Positive results both in the pilot phase and in the roll out:

- ▶ between internal Brand Marketing services and Retailer Marketing services.
- ▶ among the huge number of functions involved on both sides (manufacturer and retailer)
- ▶ in maintaining the concept alive in the store; i.e. adapting the concept with new brands/innovations coming through the time, to keep the same objectives of the Category Management project
- ▶ among store formats and Nielsen area and adapt the new assortments

### What would you do differently if starting the project again?

The increase of the product portfolio performance resulted in item rationalization, difficult to be quickly implemented.

Finding smart solutions in managing the cut off items from the new assortment would have given a quicker boost to the project start.

### What key advice would you offer to your peers who are considering investing in Category Management?

#### 1. Start from a solid background:

- It has been crucial to kick off the process of category management review with the in-depth study of the shopper behaviours based on real purchasing data

#### 2. Communicate the changes:

- Very beneficial it has been to accompany the Category Management project with strong communication in store and education tools that consumers can interact with as consumers are constantly looking for novelty and inspiration.

#### 3. Go to scale:

- find a clear and easy to up-scale project

#### 4. Be flexible ...

- by addressing all the shopper targets
- by re-challenging and adapting the category strategy to the new market and consumer trends
- by keeping studies up to date adapting on customer constraints

**Include any links that lead to more information about the company, project, website etc.**

[www.barilla.com](http://www.barilla.com)

[www.carrefour.it](http://www.carrefour.it)



CARREFOUR Burolo (Italy): BEFORE and AFTER the category re-design exploiting the presence of the Pasta Premium Segment





## COMPANY BACKGROUND

**Company Name:**

Mars Hellas (Uncle Bens)

**Product Name & Relevant Category:**

Rice Category

**Location of Marketplaces:**

Greece

**Annual Local Market Sales:**

€100Million

**Local Employee Numbers?:**

95

**In your local market, how significant are you within your chosen category?**

Significant.

**How advanced is category management within your company? (1 to 5 scale, where 5 is very advanced)?**

4

Mars focus on Category management is significant. Globally, we have conducted researches which show that 70% of Mars growth stems from Category growth and only 30% from share gains. We are very much focused behind strategic subsegments within our categories that can promote new consumption moments and drive premiumization and we always strive to bring meaningful innovation in the market.

At the same time, there are many researches that have been conducted in the last decade in order to define the optimum excellence in execution regarding Merchandising Key Beliefs and optimum Displays visibility that drive incremental value for the category.

In Greece we have 2 FTE under Category management department while our end-to-end (E2E) activities from Marketing to Sales have always in mind how they can increase the total category apart from gaining share. As a result, our communication above the line (ATL) as well as below the line (BTL) activities and product launches are always evaluated under the prism of Category growth.

**Number of people employed in Category Management team in your Company?**

2 people in Greece



Mars focus on Category management is significant. Globally, we have conducted researches which show that 70% of Mars growth stems from Category growth and only 30% from share gains.

**List the retailers you worked with on this project?**

My Market

## PROJECT METHODOLOGY

**Briefly describe the project background/challenge and the rationale that led the team to propose this project.**

Rice category in Greece has a penetration of 92% with Greek consumers eating 1M meals of Rice every day. In the last years category is flat or negative while it is heavily commoditized due to the promo activities and not any major “innovations” in the market. Uncle Bens brand is present in Greek market since 1956 but still Value share is less than 15% since we don’t compete in the Local White segment which is around 40% of the market. The challenge for Mars was to increase its share but in a way that could enhance total category growth.

In today’s world, eating well is a constant challenge. Mars vision for the category is to offer more healthy meals and help consumers hit the “sweet point” of healthier, tastier, easier and affordable meals. Based on the aforementioned, in 2017 we launched exclusively 5 new SKUs under the segment Rice in 2’ (Ready to Heat) in our strategic partner, My Market. This segment can promote new occasions of consumptions, enable consumers prepare more healthy meals with less cooking time, offer good value for money and at the same time bring new users to the category. Moreover, this proposition can offer to the Greek retail environment significant premiumization for the category and help total RICE to have a sustainable and profitable growth in the years to come, delivering Incremental Value.

**Describe your target market for this project.**

Target market for this project is generation Z & Millennials consumers that seek something healthy and at the same time easy to prepare. It is more focused on the younger generations that tend to be more careful with their health & wellness, they are willing to pay more for “better for you” products but at the same time they are too busy in their daily routine.

For those consumers the new segment of Rice in 2’ (Ready to Heat) can inspire them to cook more in the kitchen and find new ways of rice consumption. At the same time, studies have shown that women tend to spend less and less time in the kitchen while in Greece there is also very steep decline of food delivery at home (i.e pizzas). Consequently, this segment can offer the solution in the daily dilemma between easy & fast vs Healthy & nutritious.

**List and give a brief overview of the main objectives of this project.**

The focus of category collaboration efforts with our partner My Market had the following objectives

- ▶ Build Rice in 2’ segment within Rice category in a sustainable way in order to come on top of TTL consumption and unlock new consumption moments
- ▶ develop and implement shopper marketing plans to offer meal solutions that would generate trial of more healthy eating
- ▶ Help our Partner My Market to gain share in RICE category
- ▶ Help our Partner customer to get out of the vicious cycle of a commoditized category and premiumize the segment of RICE
- ▶ Use an innovative packaging that can promote new consumption moments of RICE which can be also out of home
- ▶ Make segment to have a critical size in order to be realistic for the retailers to further support it and then further expand it across all Greek market

**What KPI’s were used to measure the project outcomes?**

The project success would be measured around the following KPIs

**Shelf space:** Since it was a new segment within rice, the challenge was to gain from zero the respective shelf share within category, building a brand block of at least 5 skus. In collaboration with the retailer, we structured the planogram, placing the skus within differentiated rice.

**Incremental growth:** key success of the project would be to bring incremental value not only to Uncle Ben’s but also to rice category. This means that it shouldn’t dilute our core base (Dry rice) but bring incremental value share to our brand.

**Distribution:** 3 SKUs to reach 100% ND / 2 SKUs 83% / 1 SKU 70% / 1 SKU 45%.

**Choose the right skus:** Among an assortment of more than 100 skus in a European level, it was a challenge to decide which flavors would be relevant for the Greek consumer as we should match them with the local hero meals and nutritional trends as well. Following the preferences and the routines along with the health & well-being trends we managed to launch a well - balanced portfolio, covering all the above.



**Describe the project framework and what tools you used.**

The tools we used for this project

- a. Category vision deployment for Rice Category
- b. Category insights from Global team
- c. Local consumer & shopper insights from various sources
- d. Customized Promotional plan for this new segment in order to drive Trial and penetration
- e. Sampling & product tastings
- f. Customized Planogram proposal in order to depict this new segment in the optimum way
- g. Second displays in high traffic and also near Fresh & Protein in order to exploit the opportunity behind "Meal preparation" shopping trip
- h. Last but not least, we implemented all key learnings we had from other markets as prerequisites for success,
  - i. Right Range (at least 5 SKUs)
  - ii. Right Price point
  - iii. Right Distribution levels
  - iv. Focus behind second displays as the segment leads to impulse purchase



**Briefly describe the key steps taken to complete the project.**

The 1st step was to re – define our strategy in Food segment, giving priority to the Ready to Heat (RTH) segment with all tools & framework as described in previous section.

The second phase was the engagement of our partner customer behind our Category Vision for Rice category based on trends in the category and consumer and shopper insights from global team. Based on those insights, growth opportunity was clearly defined behind propositions that can help consumers eat healthy & nutritious meals with easy and quick involvement.

The third phase was the agreement between Mars and My Market behind specific KPIs regarding excellence in execution

- ▶ Shelf Layout Proposal
- ▶ Secondary Displays execution
- ▶ Promotional Plan
- ▶ Sampling
- ▶ Assortment optimization

The increase in price per kg of Greece Rice category while with the launch of RTH managed to climb at +2% vs avg price per kg of Greece Rice. The increase in price per kgr was 13% with RTH segment contributing 50% of that.

**Describe the brand resources assigned to the project.**

- a. Multi-functional leadership team had the responsibility to align on connecting the company's brand building strategy with the go-to-market strategy. This team comprised:
  - b. Marketing Director & Sales Director
  - c. Brand Manager
    - i. Overall strategy around product , pricing, promotion, place, along with total ATL & BTL plan
  - d. Category Manager
    - i. provide concept selling story
    - ii. Provide key directions regarding planograms in order to optimize placement of this new segment & focus behind Distribution built up
  - e. Customer Marketing Manager
    - i. develop shopper marketing plans, focus behind second displays
  - f. National Account Manager and key Account Manager

**RESULTS**

**What were the key quantitative results?**

**Incremental Growth:** The new segment of Rice in 2' (Ready to Heat) has managed to show very successful results in the first two years of Launch in My Market. From practically a non-existent segment, it has managed to be 4,3% of TTL Rice category and be the main reason (40% contribution) for My Market Rice category increase by 10,5% while rest market growth was 4,5%. Moreover, UB DRY segment increased by 26% and following this increase, UB Brand reached a Value Share of 16,3% from 11,6% two years ago increasing by 74% in Sell out. Finally, My Market was -6% vs avg price per kg of Greece Rice category while with the launch of RTH managed to climb at +2% vs avg price per kg of Greece Rice. The increase in price per kgr was 13% with RTH segment contributing 50% of that.

**Describe the retailer resources assigned to the project.**

A cross functional team from the side of the customer was behind this project while there was support from higher management as well. The key elements that customer offered for this category project were the following

- ▶ High distribution for our SKUs even in smaller stores
- ▶ Right placement in the Aisle
- ▶ Focused secondary displays near Fresh & Protein
- ▶ Product tasting and sampling in specific stores
- ▶ Collaboration of Marketing departments regarding the digital communication of the products

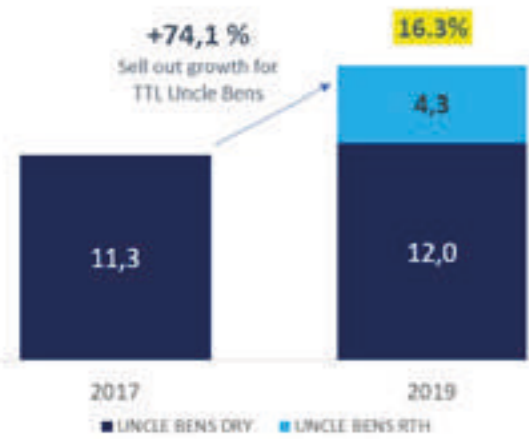
**Distribution:** We managed to reach agreed targets in all SKUs (3 SKUs to reach 100% ND / 2 SKUs 83% / 1 SKU 70% / 1 SKU 45%.)

**Shelf Space:** We managed to gain 17% of shelf share with vertical placement of all UB Brand. RTH SKUs were also placed by 50% on Diamond area

**Right SKUs:** We managed to have a balanced portfolio under RTH segment with all SKUs being equally successful not having huge differences in the value share they built.



Uncle Bens Value Share in My Market  
2017 - 2019



TTL GR vs MY MARKET RICE CATEGORY PRICE PER  
KG EVOLUTION



### What were the key qualitative results?

It was the 1st time that our Food segment invested so much in a strategic collaboration with one retailer, providing an exclusivity of a new range – an innovation within Rice category. It proved to be a win – win collaboration as the retailer trusted our Category Vision, implementing all relevant KPIs that would make the project successful.

We managed to build a much stronger in-store presence for the total range of our Food portfolio, leading to successful results not only for RTH but also for Dry Rice, *improving the planogram for total Category.*

The support of the retailer in 2nd placements next to fresh & protein was a key to success, leading to inspiration for meals, then to trial and most important: penetration growth, which is our main purpose for the long-term viability of the product.



## KEY LEARNINGS

### What were the major barriers faced during the project?

- ▶ Engage Leadership team and overall internal stakeholders & Key Accounts team behind a segment that was simply non-existent in the RICE category. Time & budget resources should be devoted in order to make it work and this was also another big challenge. At the same time mindset in commercial team had to swift to really focus behind RTH segment since traditionally all the focus was on DRY Rice.
- ▶ Engage customer behind this new segment that can unlock RICE category through premiumization. It was very difficult to convince local buyer to give the right focus on all elements of Aisle, Distribution, Displays & Promos behind such a small segment

### What would you do differently if starting the project again?

Highlight more to the regional team the importance to share more tangible results from other countries that had launched earlier. More data & strategic guidance would help us build stronger background when preparing for the national launch.

### What key advice would you offer to your peers who are considering investing in Category Management?

- ▶ It is essential to build your Marketing plans based on deep category insights behind consumers. It is also pivotal to have the knowledge behind shopper habits and plan accordingly the go to market strategy
- ▶ Deep knowledge behind category segments and how each segment is linked with consumer insights and macro trends is crucial. Having this mindset, the outcome will be to define a clear category strategy in order to unlock a sustainable category growth and get out of a vicious cycle that can lead to commoditized categories
- ▶ All the knowledge behind category and shopper insights should be frequently shared with strategic partners (retailers) in order to build a trusted collaboration that can lead in more fruitful way to do business and both parties think more strategically and less tactical.

### Include any links that lead to more information about the company, project, website etc.

Please find below some relevant links where you can see more information about the project and the products.

[www.productoftheyear.gr/nikites-2019/](http://www.productoftheyear.gr/nikites-2019/)

[www.supermarketawards.gr/past-winners/](http://www.supermarketawards.gr/past-winners/)  
(Optimum collaboration between Suppliers & FMCG supermar)

[www.unclebens-specials.gr/](http://www.unclebens-specials.gr/)





## COMPANY BACKGROUND

**This case study is submitted by:**

Bárbara Ribeiro, Gabriela Machado and Juliana Kauffmann

**Title:**

Category Management Manager, Coordinator and Analyst

**Company Name:**

Nestlé Brazil

**Product Name & Relevant Category:**

Category: Infant Nutrition

Four major sub-categories:

- ▶ Infant Formulas
- ▶ Formula for Young Children and Milk Compounds
- ▶ Baby Food, Infant Cereal and Baby Snacks
- ▶ Infant Supplements)

**Location of Marketplaces:**

All states across Brazil – according to the clients' representativeness.

**Annual Local Market Sales:**

> €1 Billion

**How many employees work in the relevant marketplace?**

Around 20,000

**How significant is your product within your chosen product category?**

Extremely significant; Nestlé is the leader player in Infant Nutrition in the selected marketplace and is continuously growing beyond the market.

**How advanced is Category Management within your company?**

Very advanced; The team is structured with a leader, two coordinators (each focused in one channel – Pharma or Supermarket) and eight category experts, considering all different categories that Nestlé works with.

There are also third party members (three) that assist with the databases' development and management as well as with the planogram-making phase.



**How many people work on the Category Management team that delivered this project?**

Three people; Infant Nutrition Pharma Channel Category Management team – all based in Brazil.

**List the retailers or suppliers you worked with on this project (list in order of involvement where possible):**

- ▶ Direct Channel: Brazil's main Pharma chains – 91% NNS coverage. Objective: proximity, assortment/planogram development and shopper insights.
- ▶ Indirect Channel: training to more than 200 drug chains (partnership with Febrifar and Retail Farma). Objective: providing information to retail.

## PROJECT METHODOLOGY

**Briefly describe the project background/challenge and the rationale that led the team to propose this project.**

Infant Nutrition execution in Brazil's Drug Chains and Pharmacies is particularly important since it corresponds to, on average, 80% of all the category sales (when compared to the other channels in which it is present).

It is a challenging category for numerous reasons. Firstly, it has had great results throughout the years, since it is a category driven by necessity. This makes it hard to keep reaching higher numbers.

Secondly, it is a fact that birth rate is decreasing (parents are having less children), which directly affects the number of consumers.

At last, there are increasingly high regulatory limitations when developing execution strategies for the Infant universe – especially Formulas, which is the segment that represents the most in sell-out.

Nestlé complies with the Brazilian legislation implementing the WHO Code, as well as with the provisions of the Nestlé Procedures. Therefore, no promotional activities are performed for such category. In addition, company personnel do not have contact with pregnant women or mothers of infants and young children in order to directly or indirectly promote Infant Formula.

Due to that, Category Management has proved to be a strategic milestone to optimize sales whilst driving value to clients, based on three main pillars:

1. Assortment optimization, considering prime items in NNS and strategic ones (e.g.: innovations)
2. Perfect Execution on the POS, according to the category's building blocks and the shopper's behaviour.
3. Shopper/Market insights



**Describe your target market for this project.**

Infant Nutrition's target shopper are mothers and fathers with babies from age 0 to 5 (or expecting).

**List and give a brief overview of the main objectives of this project.**

The main objectives of the project are/were:

- ▶ For Infant Formula, increase Market Share
- ▶ Building/strengthening relationships with clients
- ▶ Reinforcing leadership perception within the category in question
- ▶ Generating shopper/market insights to make the category evolve consistently
- ▶ Guaranteeing excellence in execution
- ▶ Providing capacitation to retailers

**What KPI's were used to measure the project outcomes?**

- ▶ Number of captaincies acquired
- ▶ Number of planograms developed
- ▶ Number of implemented stores
- ▶ For Infant Formula, increase Market Share
- ▶ Other CRM growth KPIs: increase in penetration, sales frequency, average ticket, etc



**Describe the project framework and what tools you used.**

The project counted on a series of actions:

**1. Define Scope:**

- ▶ Category: Infant Nutrition
- ▶ Clients definition and prioritization, based on representativeness in NNS and structure capabilities

**2. Deep Dive:**

- ▶ Understanding shopper/market trends. For example:
  - (i) Infant Formulas is a segment driven by medical demand, which means that the POS must contain a complete assortment, so that the shopper can make his decision based on previous guidance – if the POS does not contain the item, he/she will more than likely migrate to a different one.
  - (ii) Milk Compounds is the segment that contributes the most to the category growth, but still has opportunities in penetration, considering its relevance versus regular cow milk.

- (iii) Baby Food and Baby Cereal need to be developed in Brazil, following more mature markets such as Mexico and the US – Gerber. Both have huge potential in increasing the shopper’s spending ticket and providing a complete solution for infants.

- ▶ Channel/category specifications. For example:
  - (iv) Pharma channel’s mission is to provide convenience and specialized nutrition.
  - (v) Infant Nutrition category is considered “destiny” in the channel
  - (vi) It is highly emotional category – the POS must reflect that so that the shopper feels sheltered.

For this step, we have had integrations with the multifunctional team (trade, marketing, CMI, sales) and used other research platforms (Nielsen, dunnhumby, Close-Up) in order to gather as much information possible, to then develop a Sellingstory to present to retail.

**3. Contact with clients**

For this step, we guaranteed alignment with the sales team member responsible for the account, so that we would understand the client’s background and opportunities.



**Briefly describe the key steps taken to complete the project.**

**Step 1:** First contact with client: Selling Story presentation and explanation of execution rational, based on three pillars:



**Step 2:** Confidentiality Contract: written agreement for the client to provide sell-out information – cannot be shared with other areas within the company.

**Step 3:** Development of the diagnosis: category performance in client versus market in question.

**Step 4:** Assortment analysis and definition: based on the items representativeness in each of the defined clusters. The clusters usually contemplate the size (store space to execute the category), socioeconomic profile and region. Metrics utilized are 60% of sales in value (R\$) and 40% in volume.

**Step 5:** Planogram analysis and definition: the items disposition in the planograms must reflect their representativeness in the defined clusters. It must also follow the category’s rational:

- ▶ Execution must follow the consumer journey – according to the suggested age of use (Infant Formulas > Baby Food, Infant Cereal and Baby Snacks > Milk Compounds > Infant Supplements)
- ▶ Infant Formulas must be segregated into Special Infant Formulas and Regular Infant Formulas
- ▶ Baby Food, Baby Cereal and Baby Snacks must be positioned in a space with good visibility, in order to boost impulse sales
- ▶ Rational must consider shopper’s behaviour and guarantee more visibility to segments that add value to the category (e.g.: Premium and Super Premium segments)

**Step 6:** Development of the execution guides: compiled file for the merchandising team to implement

**Step 7:** Implementation in-store

**Step 8:** Continuous monitoring: monthly sending of One-Page with category results and deeper analysis three months post roll-out





**Describe the brand resources that were assigned to the project.**

**Project Manager** – experienced manager brought from the market to re-build the Category Management area in the company

**Project Coordinator** – role of assisting the Category experts in the conduction of the projects by conducting periodic meetings and coordinating the schedule

**Project Expert** – analyst responsible for the direct contact with each one of the clients and development of the assigned tasks (e.g.: analysis, assortment/planogram development, constant meetings, etc)

**Third parties** – employees that assisted with the operational process (databases setup, planograms adaptation, etc)

**Describe the retailer resources that were assigned to the project.**

**Project Manager/Coordinator** – member guiding the project and responsible for establishing goals

**Project Expert** – person closer to the operation; assisted with regular touchpoints and project progress

Nestlé is the leader player in Infant Nutrition in the selected marketplace and is continuously growing beyond the market.

**RESULTS**

**What were the key quantitative results of the project?**

The quantitative results in one year of project were:

- ▶ 10 captaincies (+ 5 additional projects) within the Pharma channel: coverage of 91% in NNS – direct channel

- ▶ 254 different planograms: considering specific clustering (category size in store/region/ socioeconomic profile)
- ▶ Implementation in over 5K stores
- ▶ An average result of 2.7 x sell-out growth, and a significant increase in Market Share for Infant Formula.

Before



After



**What were the key qualitative results of the project?**

As mentioned before, the key qualitative results were:

- ▶ Building/strengthening relationships with clients
- ▶ Reinforcing leadership perception within the category in question
- ▶ Generating shopper/market insights to make the category evolve consistently
- ▶ Guaranteeing excellence in execution
- ▶ Providing capacitation to retailers

**What were the major barriers faced during the project?**

The limited space to expose the whole category, most of which consists in two modules. There, different products, sizes and colours share the same shelves, making it difficult to provide a pleasing shopping experience.

Also, the lack of information – from the shopper of the category, the clients and the store staff.

From the shopper's perspective, there is a significant challenge, since there are restrictions in terms of direct contact with the shopper, considering both the Brazilian legislation and Nestlé Procedures for the implementation of the WHO Code.

Regarding the client's/store staff's perspective, the lack of information makes it a challenge for them to correctly execute and maintain the category's rational, whilst also providing the information that the shopper needs.

**What would you do differently if starting the project again?**

Starting the project with a smaller number of clients to then expand the business model.

**What key advice would you offer to your peers who are considering investing in Category Management?**

Search for as much information as you possibly can, regarding the category, the shopper and the channel you are working with. This helps in not only being more assertive in your decisions, but also bringing credibility to the retailer and a sense of partnership.



Nestlé is the leader player in Infant Nutrition in the selected marketplace and is continuously growing beyond the market.





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# TECHNOLOGY IN CATEGORY MANAGEMENT

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# To be fit for the future, Category Management must embrace the power of customer insight

dunnhumby

It's no overstatement to suggest that when Dr. Brian Harris first introduced his eight-step Category Management model back in the early 1990s, it was a watershed moment for grocery retail. Here, for the first time, was a unified framework around which retail buyers and suppliers could both rally, one that would allow the former to draw on the innate expertise of the latter and imbue a culture of collaboration based on the accomplishment of common goals.

Two decades on, and even with the introduction of a refined, more customer-centric framework in the mid-2010s, the opportunity to inject something fresh and powerful into that model has never been greater. Thanks to the explosive growth of ecommerce and rapid gains in insight gathering capabilities, retailers now have a chance to fundamentally rethink their approach to Category Management by making it customer-, not product-, led.

While this may sound counter-intuitive for a discipline that is, at its core, product-centric, the need to make that shift is growing by the day. Although the eight-step model that many retailers have come to rely on over the past 20 years continues to be a valid framework, it was developed in a retail environment vastly different to the one we see today. Ranges are broader, margins tighter, and customer needs are changing faster. Category Managers now need to make quicker, smarter decisions than they ever have before.

Far too often, they are left to make those decisions without a clear view of how they will impact the end customer. While they might have access to more data than ever, without the structure to consistently turn customer insight into action, even critical steps like category roles or determining which levers to use require Category Managers to rely on prior experience and interpretation at best and pure guesswork at worst.

As a result, making confident decisions about fundamental elements of a Category Management strategy can become a laborious, time-intensive task that still doesn't come with any guarantee of accuracy. For Category Management to be fit for the future, this has to change.

## The absence of fine-grain insight hampers nuanced thinking

One of the many benefits that the latest customer insight approaches bring is the ability to make even more nuanced decisions about customer needs than ever before. And when that insight is absent from Category Management, it can leave many decisions looking like they were made with blunt instruments rather than surgical tools.

Let's take Category Roles as an example, and the "destination" role specifically. Historically, traditional logic here suggested that, if they wanted to make or maintain a destination category, retailers needed to lead





the pack on every lever they could pull. Not only would they need a great, competition-beating assortment, they also needed to allocate a disproportionate amount of shelf space, over-invest in prices, run regular promotions, and open up a constant line of communication with customers about that category.

Let's be clear, this approach probably would have worked. Moreover, it would have been a fair strategy to adopt when access to granular insight was still limited. Today, however, it would rightly be called out for being hugely expensive and ultimately unsustainable, and that's because it's founded on the assumption that each of these levers is equally important to every customer, rather than a data-driven view of what actually matters.

For one of our clients in Brazil, a restructuring of its pharma category around shopper missions generated a 4.3% sales uplift. In Canada, a 12% reduction in dairy assortment fuelled a 3% increase in sales alongside a rise in customer satisfaction.

This is a long-acknowledged problem, and some parties have tried to solve it by ensuring that customer data becomes part of the Category Management process. Together, consultancies, data providers, CPGs, and retailers have all endeavoured to embed more customer data into category management processes. The key, however, lies not in more data but greater insight. Sustainable successes have been few and far between because efforts have focussed on putting the customer into the process, rather than building the process around the customer.

A genuinely customer-centric approach is where I believe the future lies for successful Category Management. Approaches that use advanced analytics and allow teams to rapidly identify what matters most to customers at an almost microscopic level, with the structure to leverage this for advantage, can provide the insight needed to make truly smart decisions about category levers and how to adjust them.

Modern retail is built on data, and the time for Category Managers to use that foundation for their own purposes is increasingly overdue.

### Certainty through structure

As mentioned above, the traditional Category Management model follows an eight-step process. In recent years, some consultancies have created their own interpretations that have cut this down to five or six steps. Our own model doesn't discard the eight-step process but aims to strengthen it, improving the effectiveness of category strategies and planning through customer insights. Data science enables us to create category plans through a customer lens based on four key steps; determining category roles, establishing levers' importance in each category, the creation of category lever strategies, and assessment planning that guarantees insight drives the right action.

The truly important thing here, however, is not how many steps you need to take, but what you can accomplish with each. We use the transaction and loyalty information provided by our retail clients in combination with our own data science to do a lot of the heavy-lifting, reducing the need for inefficient data crunching, interpretation, guesswork or assumption.

That doesn't mean that we're handing control over to a machine, or removing choice from the equation, it just means that we're able to quickly establish what really matters to shoppers – and that's something that empowers Category Managers to make faster, better decisions.

Rather than leaving Category Managers to agonise endlessly about gigantic questions – “how do I know if I'm doing the right things in my category, what are the actions that I need to really focus on to move the needle, am I doing too much or too little?” – a data-driven approach to customer insight provides a direct line to the people who can give them genuine, up-to-the-minute answers about all of those things and more.

The beauty of putting customer data at the heart of their Category Management processes is that, rather than adding additional complexity to an already intricate process, most retailers will actually be simplifying things in doing so.



This isn't information they need to procure or source, it isn't something they need to poll customers on or leverage third parties for; in the vast majority of cases, the information required will already be flowing through their systems. It can be complemented and refined with additional input, of course, but the core information that can help them make better decisions almost certainly already exists.

### Changing needs need a changing approach

Let's go back to that earlier example, the destination category, and the blunt assumption that by cranking every lever to the max we create a winning situation.

What if it transpires that, actually, low pricing and promotions are the only factors that truly matter to customers here? How could the shelf space we can free up be used? To what extent could we tighten assortment? How much could we save by scaling back on communications? What could we do around pricing and promotions to create an unrivalled reputation as the go-to chain for this category?

We've seen first-hand how powerful it can be to have those questions answered definitively. For one of our clients in Brazil, a restructuring of its pharma category around shopper missions generated a 4.3% sales uplift. In Canada, a 12% reduction in dairy assortment fuelled

a 3% increase in sales alongside a rise in customer satisfaction.

By allowing customer behaviours to inform category roles, lever importance and strategies, we can help Category Managers jump ahead to much more interesting and productive concerns. Rather than limiting their agency and creativity, we're refocusing it where it matters most – giving them the certainty they need to make smart choices about strategies that will deliver genuine differentiation based on current and future customer needs.

Category Management techniques that fail to put customer insight at their core are no longer effective at helping retailers make choices. Data-driven ones are. And with customer needs and behaviours changing faster than ever in recent times, the need for Category Managers to have a deeper connection with, and understanding of, those factors has never been greater. As we move into a period of economic uncertainty, that will only intensify further; hard times call for harder choices, and only with razor-sharp understanding can they be made well.

By infusing Category Management processes with customer insight, retailers will give themselves the ability to do more of what is right – not just for their customers, but for their suppliers and themselves as well.



# Meatsnack Shopping 2020 - Perfect Shelf

Andreas Luppold, Yagora  
& Robin Betz, Jack Link's

## MANAGEMENT SUMMARY

Snacking is trendy and the category "meatsnacks" is delivering growth year after year. However the category was often underrated in German retail. Visibility instore and on shelf needed improvement. As the market leader, Jack Link's intended to make the category even more attractive in order not to block further growth. In a comprehensive 5 stages shopper study designed and executed by the shopper research specialist Yagora the category (shelf and secondary placements) was optimized and tested in REWE and EDEKA supermarkets. The effect of the optimization was enormous with +18% growth for the category "meatsnacks" in comparison to stores in a comparable control group. Until today Jack Link's rolled out the "Perfect Shelf" in more than 2.000 stores in Germany.

## ABOUT YAGORA

Yagora was founded in 1997 as a data analytics company focused on category management projects under the name "gps dataservice". Since then Yagora has developed into a leading expert for data-driven shopper insights to optimize the interactions between shoppers, cpg producers and grocery retailers.

Yagora's HQ is based in Germany with subsidiaries and a network in further European and SEA countries. Over 80 experienced experts from FMCG, Retail and Science provide customer centric solutions proven in over 1000 successful PoS / Shopper Projects.

## ABOUT JACK LINK'S

Jack Link's is the global leader in branded protein snacks. Jack Link's is a family owned US business, grown from scratch, now under the second-generation leadership of the CEO, Troy Link.

Jack Link's takes a long-term view of driving sustainable growth and has a worldwide presence with 3,500 team members, and major footprints in the US, Europe (EMEA), Latin America and Australasia.

The EMEA division of Jack Link's acquired the BiFi and Peperami brands from Unilever in 2014. EMEA represents approximately 10% of global sales and is growing double digit.

Jack Link's has a strong presence in Germany, the UK, Belgium, and the Netherlands, selling high quality salami snacks and beef jerky.



Shopper. Data. Knowledge. Actions.

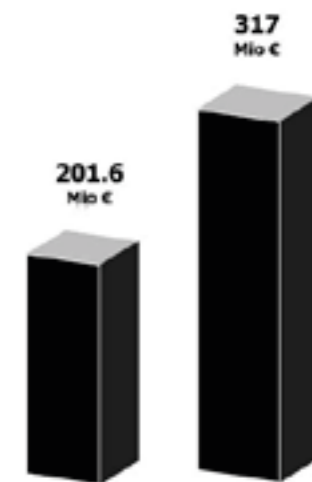


## PROJECT BACKGROUND

The category "meatsnacks" is a disregarded category, although it is delivering growth year after year. Since 2015, sales of snacking products in the German food retail sector have increased by more than 50 %.

However, the growth category meatsnacks has not previously been in the focus of retailers. So far, the category meatsnacks had no consistent placement with the result that the category had various different touchpoints and was mixed with other durable meat products.

The whole category was way below its opportunities and retail execution needed to be improved in order not to block further growth of the category.



Category is way below its opportunities and retail execution to be improved



As the market leader in the category with the strong brands Bifi and Jack Link's in 2018 Jack Link's EMEA Category Management with the help of Yagora started the project:

## 'Meatsnack Shopping 2020 - Perfect shelf'

### a. The mission



### b. Research concept



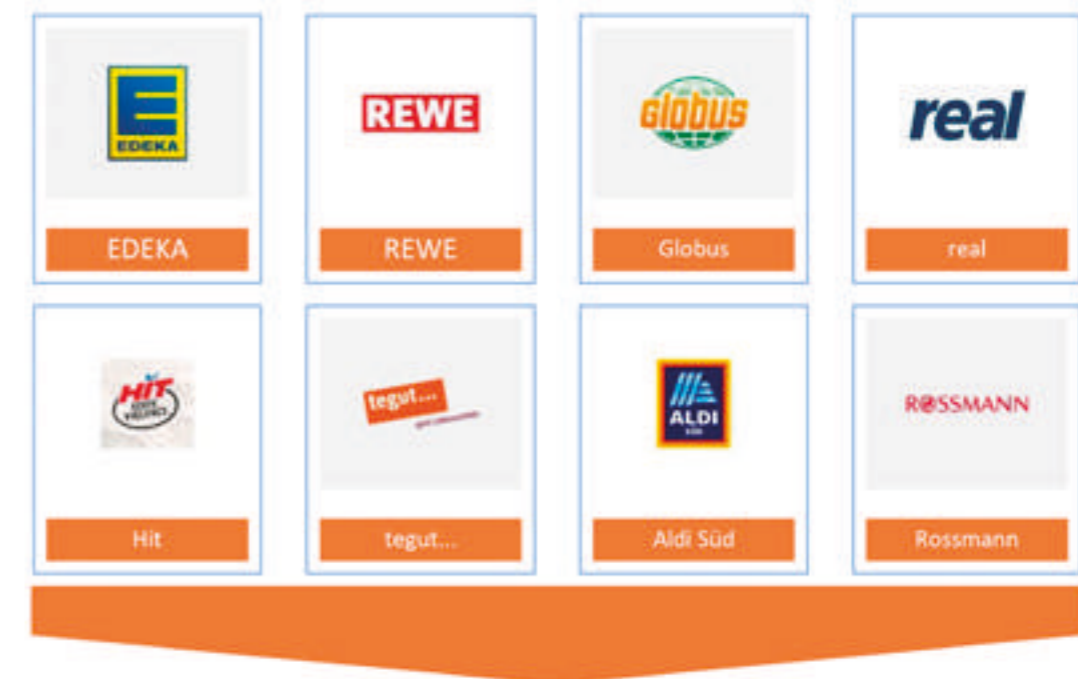
The basic idea of the research concept was to collect basic knowledge about the instore situation and the shopper, followed by a quantitative research and analysis. All insights were then transformed in a new shelf and second placement concept which was then tested in real stores throughout a period of 3 months.

### PROJECT STAGES

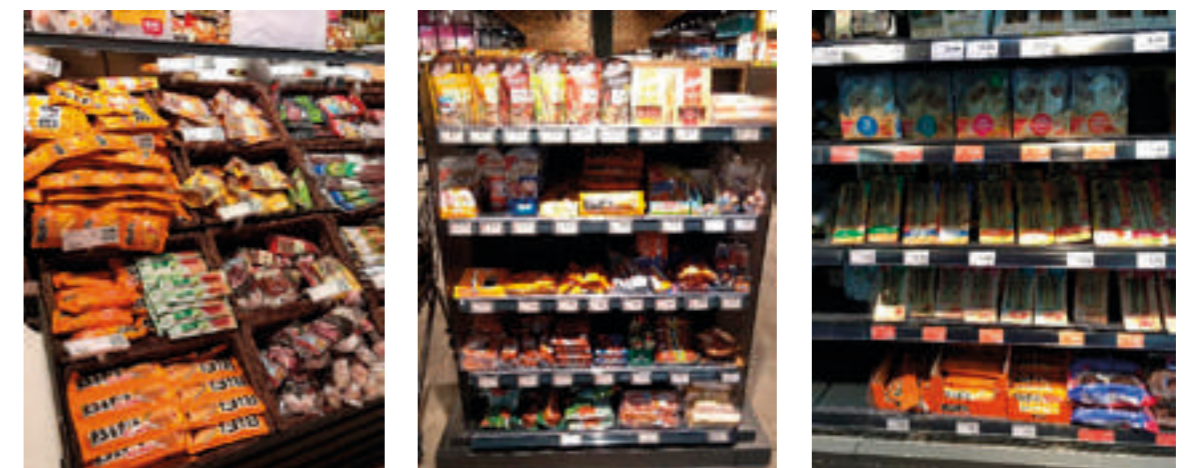
#### Stage 1

#### National pre-check with around 2.500 pictures from the POS

In order to collect basic knowledge about the instore situation in 8 different key accounts more than 2.500 pictures from the POS were collected via crowd sourcing which have been analyzed and discussed in a project team workshop.



More than 2.500 pictures from the POS at 8 key accounts



Extract of pictures at EDEKA

The national pre-check provided a comprehensive picture of inconsistent product presentation of meatsnacks with varying placement.



## Stage 2

### 4 Group discussions and 50 accompanied shopping trips

In order to get first impressions of shopper and consumer opinions concerning the category, we conducted four focus groups with regular and non-regular meatsnacks buyers and accompanied 50 shoppers at the POS. Through this qualitative research we got first indications on their expectations regarding the category and product placement which was later quantified via the online research.



But:

- ▶ Visibility needs to be improved. Although meatsnacks are an impulse category, they are quite often not placed in the main shopping aisle / shopper flow.
- ▶ The shopper orientation on the shelf is poor because the products are often presented lying down and not in an upright position
- ▶ Therefore, the Bifi trays have been changed from "lying" to "standing" and also the presentation of all other products in the shelf have been changed if possible.

### Key findings:

- ▶ Bifi is the anchor brand for meatsnacks
- ▶ Meatsnacks should be separated from other durable sausages products (either with two different shelves or within one shelf)
- ▶ Meatsnacks should remain in the meat-/sausages department

During the qualitative research shoppers confirmed that the category meatsnacks should remain in the meat and sausages product area. However, women and men had different reasons for this:

- ▶ Women: practical component – "All meat and sausage products on my list I can find in one area of the store"
- ▶ Men: emotional component – "After I bought a steak at the fresh meat counter I can treat myself with a meatsnack".





**Stage 3**  
**Online survey with 1.635 snack shoppers**

Within the online survey 1.635 snack shoppers were interviewed. More than 40 questions were answered to check the results of the qualitative study design in Stages 1 and 2 through a quantitative research methods.

Key finding: Shoppers are different. In the online study, we identified 7 different shopper types based on a factor

analysis. Afterwards we developed ideas for shopper marketing initiatives based on their needs and shopping behavior.

This shopper segmentation was matched with an existing consumer segmentation to make sure that the departments Marketing, Category Management and Trade Marketing within Jack Link's have a mutual view on shopper and consumer and are able to work better together.



Segmentation



Example for one shopper segment: Diversified meat snack enjoyment

**Stage 4**  
**Scanning data analysis and optimizing visibility**

The insights of the first three stages were used to build the perfect shelf. Based on the Shopper Decision Tree the shelf was structured. Then we analyzed Nielsen Data, matched it with sales data of individual stores to optimize assortment, space and visibility using our "Visimeter".



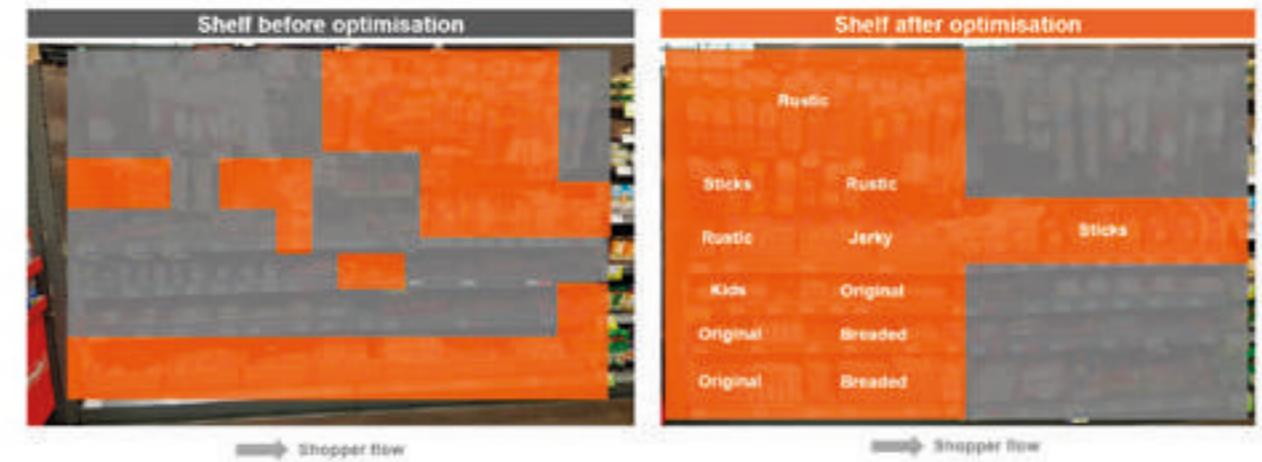
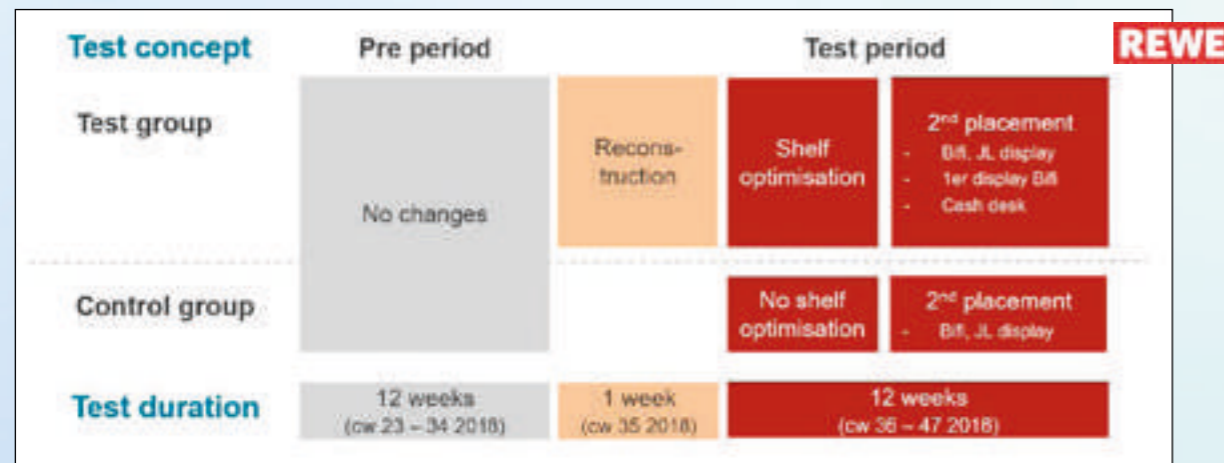
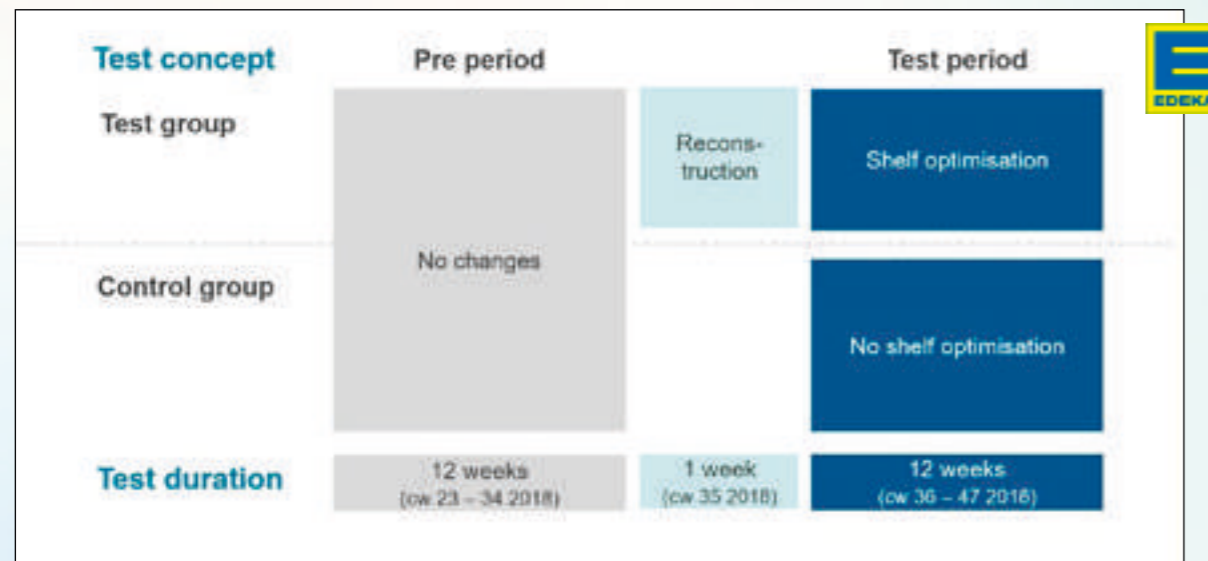


**Stage 5**  
**Controlled store test over 12 weeks across 2 key accounts**

In stage 5 the new shelf layout and second placements were tested in 6 EDEKA und 6 REWE stores over a period of 12 weeks. EDEKA and REWE are the major supermarket chains in Germany with more than 7.000 stores most of them run by individual owners.

After optimizing the shelf a controlled store test is the ideal solution for testing the new layout under real-life conditions in order to later convince the retailers with "hard data" to start a national roll-out.

For the controlled store test, stores from the Yagora panel were selected. They were equally divided into two groups, so the control and the test group contain the same number of stores which are structured similarly in their core features. Because sales development of products is often influenced by e.g. seasonal effects, these effects must be observed in a control group to be able to calculate the isolated effect of the test activity. The controlled store test is divided into a pre period and a test period. During the pre period no changes are made in the store. As part of the test period, the new shelf and the optimized range will be implemented within the test group.



**Key findings:**

- ▶ The test showed a high potential for sales growth with an optimized product assortment and shelf. The retail partner can therefore grow significantly on existing space by optimizing the shelf in the category.
- ▶ The controlled store test gave also interesting insights regarding secondary placement.
  - Regarding Jack Link's Beef Jerky the best performing secondary placements were next to the salty snacks as well as next to the fruit and vegetable department.
  - ▶ By placing smaller packaging units in the prepayment zone, lapsed users could also be reactivated.
- The best uplifts for Bifi have been achieved close to the cashier and next to bread and bakery department.





**Stage 6  
Roll Out**

Due to the fact that the instore situation varied a lot (even within the key accounts), the sales force of Jack Link's was given the so-called "Orange Rules" booklet. This booklet is a guideline in order to optimize the category depending on the individual in store situation.

Since 2018 the perfect shelf has been rolled out in more than 2.000 German supermarkets. Because of consistently positive feedback from the retail, the next step is to roll out the concept with the trade headquarters on a national level.

**Was tun bei Marktbesuch?**

Regal	Tisch	Andere Warenträger
<ul style="list-style-type: none"> <li>• 6-8 Regalböden</li> <li>• Breite 90cm-200cm</li> <li>• Dreht- oder Metallböden</li> <li>• Lochwände mit Hängern</li> </ul>	<ul style="list-style-type: none"> <li>• Lagernde Platzierung der Ware</li> </ul>	<ul style="list-style-type: none"> <li>• Klübe (auf dem Boden stehend)</li> <li>• Permanente Displays</li> <li>• Aufsteller</li> </ul>
<p><b>Kompletter Regalbau gemäß Planogramm</b></p> <ul style="list-style-type: none"> <li>• bei Platzierung Linkarten Höhe einfügen ohne Nippel</li> <li>• bei Platzierung in Klüben Boden einfügen mit Nippel</li> </ul>	<p><b>Platzierungsoptimierung</b></p> <ul style="list-style-type: none"> <li>• Orange Rules umsetzen</li> </ul>	<p><b>Platzierungsoptimierung</b></p> <ul style="list-style-type: none"> <li>• Aufhängen</li> <li>• Orange Rules bestmöglich umsetzen</li> </ul>

**Wie sucht der Kunde am Regal?** Die Suche verläuft

**Entscheidungsbaum des Shoppers**  
Umgekehrte Wurstwaren

Wurstwaren (Käse, etc.) → Fleischsnacks → Curry Würstchen (Käse)

Beim Kauf von Fleischsnacks, dem nächsten Regalabschnitt sind:

- Original Steak Snacks
- Fleischsnack Soße
- Spezial Snacks
- Fleischsnack Kinder
- Beef Snack
- Wurstknab Fleischsnack

**Planogramm - Platzierungsanleitung**

Wurstknab	Beef Snack	Original	Original
Spezial Snacks	Wurstknab	Wurstknab	Wurstknab
Wurstknab	Wurstknab	Wurstknab	Wurstknab

Legend: Wurstknab (red), Beef Snacks (yellow), Spezial (green), Original (blue), Wurstknab (red), Wurstknab (red), Wurstknab (red)



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# Using AI and Technology to create a better Dairy Category experience



## OPPORTUNITIES

**Key opportunities for performance improvement in Dairy categories were identified as:**

1. What should the retailer be doing to improve performance of Dairy categories given the trends occurring in the dairy industry?
2. How to reduce Yogurt Shrink and Shrink in the overall Dairy case?
3. Where are the opportunities to grow the retailer's Private Label Brand in Dairy?

**Key issues that impact performance include:**

- ▶ Space is limited, complicated and expensive
- ▶ Multiple owners of Dairy category assortments
  - Dairy Category Manager
  - Ethnic Category Manager
  - Store Operations
- ▶ Planogram process has many work arounds
- ▶ Current store clusters are Ethnic and Value Clusters only
- ▶ Shrink in certain Dairy categories is high without understanding why

Sustainability messaging and provenance are the new capabilities

## DAIRY CATEGORY TRENDS

Changes in consumer behavior and the industry landscape require the retailer to rethink its approach to selling its Dairy categories and products

### Consumer Trends

1. **Millennials & Gen Z consume less dairy (animal) and demand sustainability and provenance while looking for new product ideas**

Implications:

- ▶ Growth of Animal Free Product will continue to grow at a double digit CAGR
- ▶ Growth of start-ups focused in this area will create new item opportunities
- ▶ New items ideas emerge in Europe and Asia
- ▶ Sustainability messaging and provenance are the new capabilities

2. **Health concerns continue to grow and will become an even larger lifestyle purchasing trigger**

Implications:

- ▶ Proliferation of SKUs in this area straining the dairy case
- ▶ Calling out health benefits on packaging, in-store and across digital a must
  - Diabetes / Heart Risk
  - Healthy Additives
  - Digestive Health
  - GMO / RBGH Free





### 3. Preferences vary by ethnicity, and for immigrant populations, brands and product from their country of origin are sometimes preferred

Implications:

- ▶ Facing of base planogram must grow or shrink based on preferences of ethnic populations.
  - For milk alternatives, Hispanic customers over-index in preference for almond, coconut and soy
- ▶ At a certain index, integration of ethnic products into main set will drive sales

### 4. Grocery On-Line and Digital will grow post COVID-19 and potentially settle at a 100% increase in usage creating the opportunity for a Digital Dairy

Implications:

- ▶ The demand for additional SKUs with limited space makes the move to online only or the Digital Dairy as a solution
- ▶ The Digital Dairy can help execute the health and sustainability messaging across all customers
- ▶ Provenance will come to life in the Digital Dairy

## PRODUCT INNOVATION TRENDS

Global Data has identified five key innovation trends in dairy:

### 1. Functional Focus

Consumers have an improved understanding of how diet affects health, and are making food and drink choices based on their specific nutritional needs and health concerns.

Most relevant to:

- ▶ Milk
- ▶ Yogurt
- ▶ Dairy-free alternatives

### 2. The Pro-Plant Push

A pursuit of holistic health is prompting consumers to consider the broader environmental and ethical implications of their purchases, which is elevating the appeal of plant-based options.

Most relevant to:

- ▶ Dairy-free alternatives

### 3. The Next Cash Cows

Many consumers are looking for alternatives to cow's milk but still seek the nutritional benefits of animal-based dairy, creating opportunities for alternative animal-based milks.

Most relevant to:

- ▶ Milk
- ▶ Cheese
- ▶ Yogurt

### 4. On-The-Go Nourishment

Food and drink products need to adapt to the reality that traditional main meal consumption is declining in favor of smaller, simpler and more convenient options tailored to busy lifestyles.

Most relevant to:

- ▶ Cheese
- ▶ Drinkable yogurt
- ▶ Dairy-free alternatives

### 5. Foodie Flavors

The desire for novelty and surprise is evident among dairy consumers — a reality that is vital for traditional dairy manufacturers to acknowledge as plant-based options continue to proliferate.

Most relevant to:

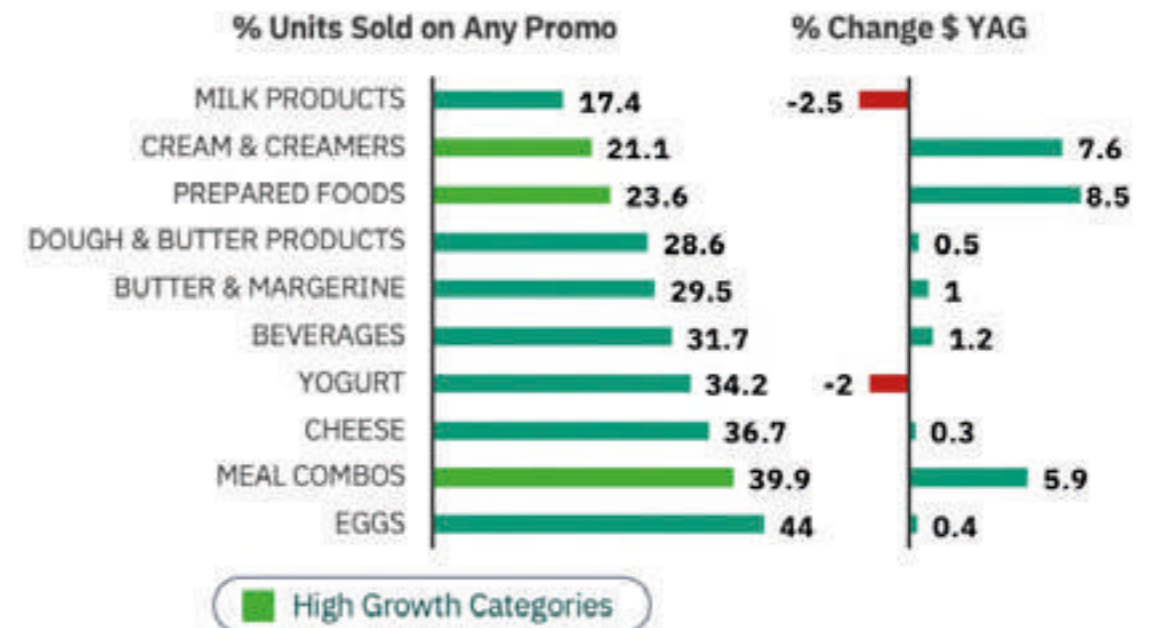
- ▶ Yogurt
- ▶ Milk
- ▶ Cheese

Consumers have an improved understanding of how diet affects health, and are making food and drink choices based on their specific nutritional needs and health concerns.

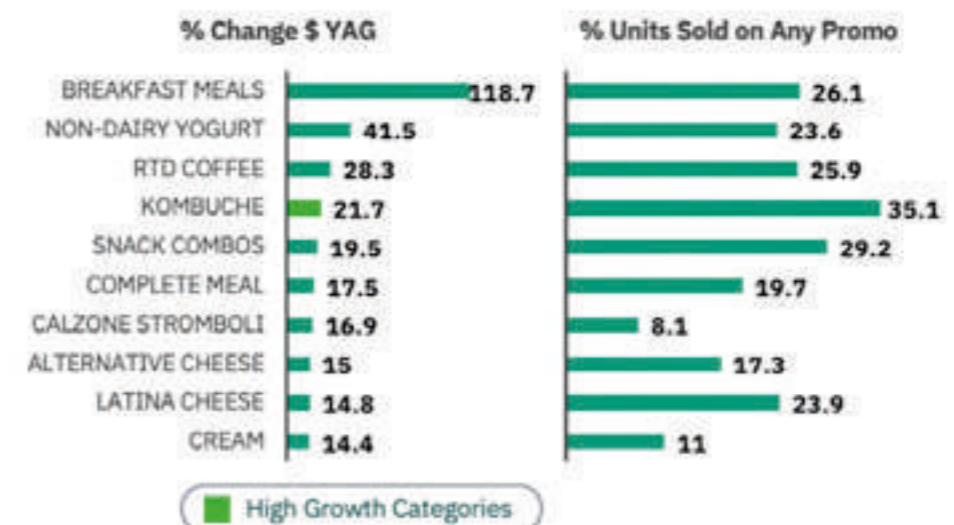
## RETAILER TRENDS

### 1. Promotional spending is not an efficient way to grow the Dairy Category

Level of Promotion Support is no guarantee of growth



Level of Growth Not Correlated with Level of Promotion Support. Of the 3 categories delivering real growth, 2 received very low support



\*With sales of at least \$30Mil

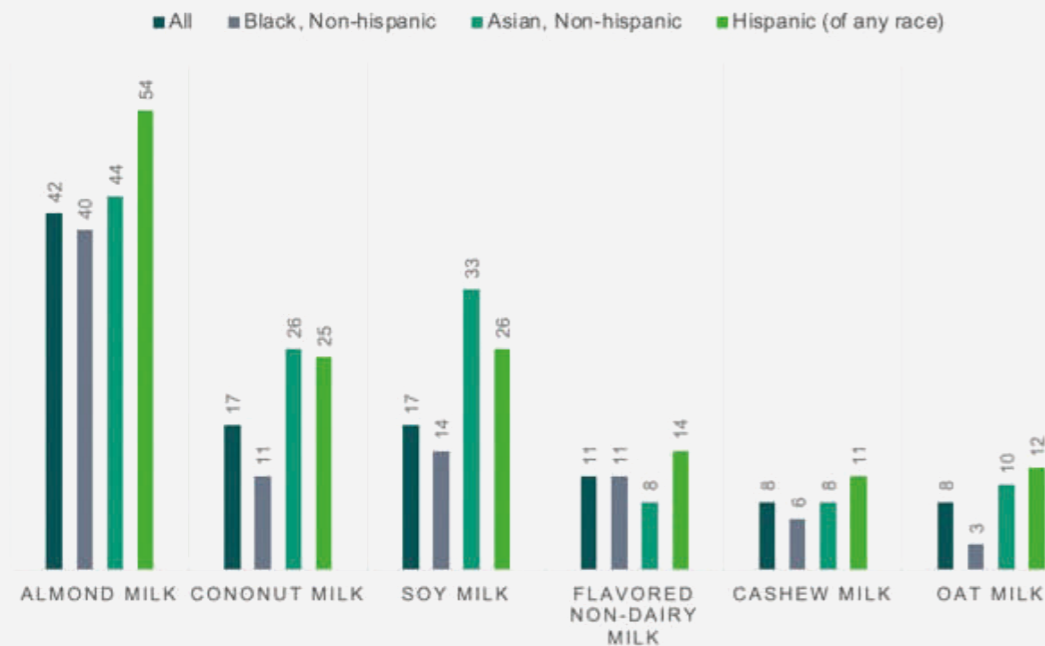


## 2. Shopper ethnicity plays a key role in product preferences

Non-dairy Milk Purchase, By Race and Hispanic Origin  
August 2019

### What non-dairy milks have you purchased in the past 3 months? (%)

Based on 2,000 internet users aged 18+  
Source: Lightspeed/Mintel

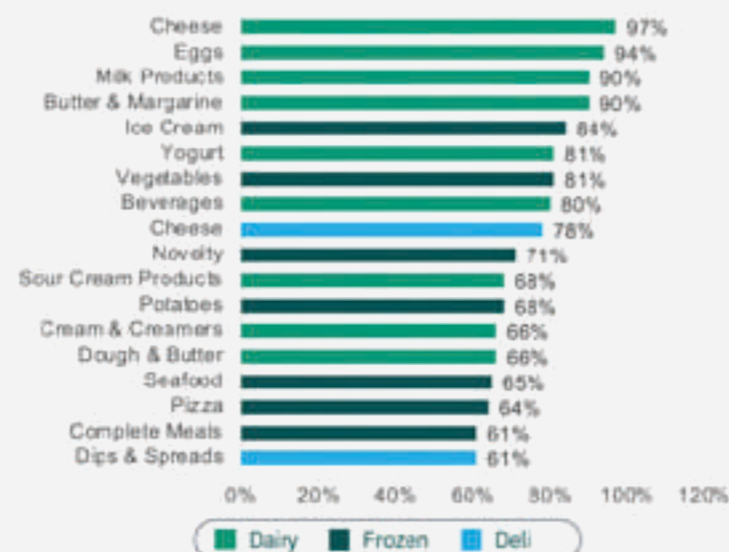


Although Almond milk is the most preferred non-dairy milk overall, Asian customers over-index in coconut and soy milk preference. Black customers over-index towards flavored options.

## 3. Dairy drives shoppers and trips

Large Dairy Categories Best at Attracting Shoppers

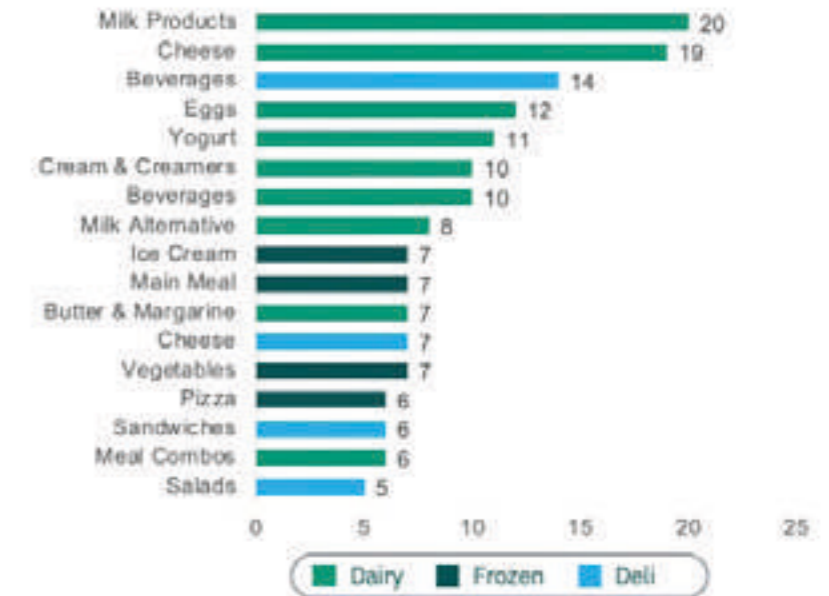
### Shopper Attraction – Best Super - Categories & Categories % Household Penetration



## 4. Dairy Categories Attract Trips

Trip Drivers – Best Super-Categories & Categories

### Trips per buying households



## POTENTIAL IMPROVEMENT ACTIONS BASED ON DAIRY TRENDS

### 1. Redefine the Assortment

Use localized consumer insights to...

- ▶ Understand the roles (e.g., trip driver) of various subcategories and products for each consumer segment
- ▶ Determine product range and space allocations
- ▶ Identify which products must be sold in store vs. online and by location
- ▶ Real Solutions to the plastic problem in dairy

### 2. Enhance the Shopping Experience

Use shopper insights to...

- ▶ Understand how to support single-channel and omni-channel shopping behavior
- ▶ Provide tools that enable product comparison and specialized selection (e.g., expiration date)
- ▶ Match shoppers to products suited to their needs and preferences

### 3. Align the Supply Chain

Ensure that supply adapts to changing demand

- ▶ Reassess supplier ecosystem to include new products and providers
- ▶ Establish supply chain transparency to better manage flow and risks
- ▶ Ensure adherence to quality and value standards, e.g., cold chain, animal wellbeing
- ▶ Ensure supply with strategic relationships and vertical integration

### 4. Optimize Operations

Adapt retail operations to support updated assortment and experience

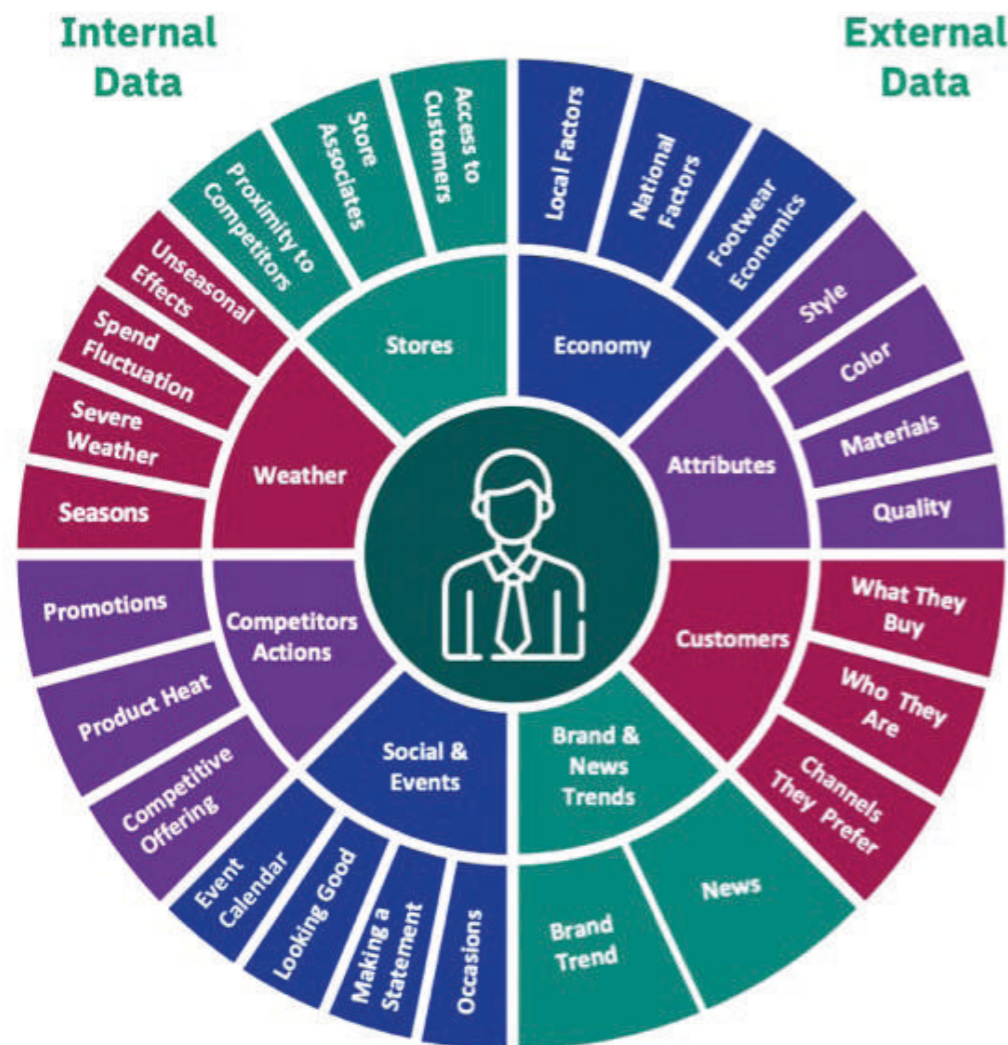
- ▶ Enable store and customer service associates with product knowledge
- ▶ Accommodate third-party picking operations
- ▶ Adjust sale/backroom space allocation to support new ways of shopping



### USE OF AI AND MACHINE LEARNING

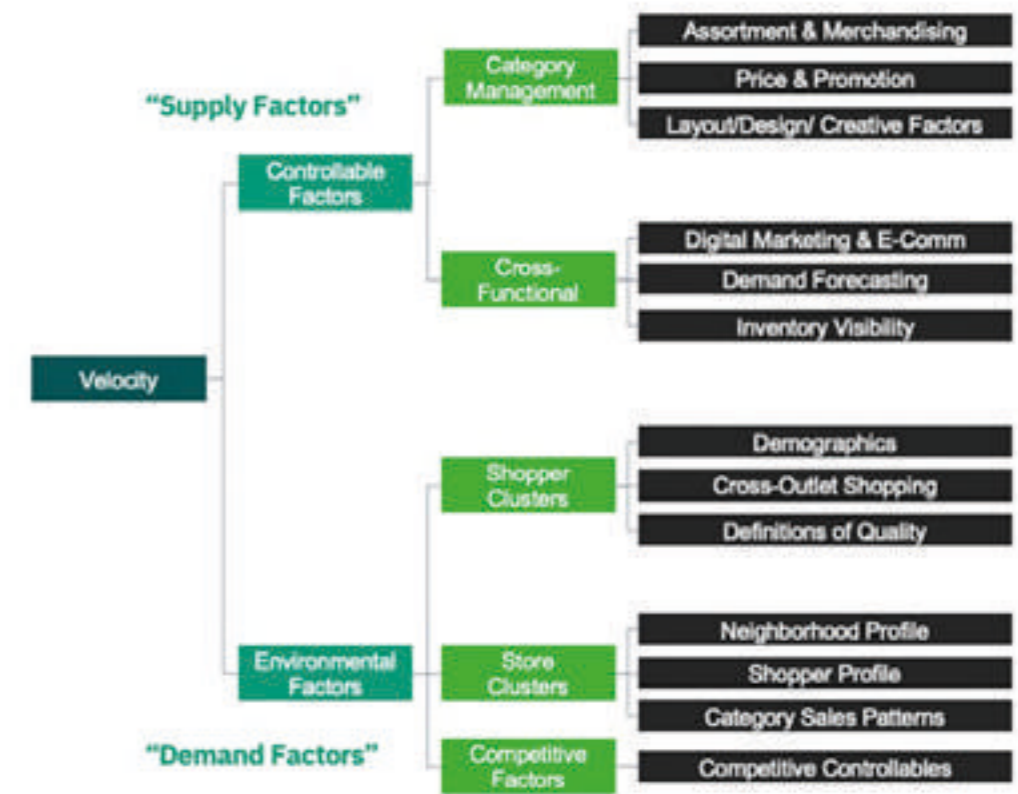
AI and Machine Learning allows us to create Category Plans, assortments and planograms based on large amounts of internal and external multi-source data.

AI, data and technology allows hyper-local analysis at the individual store level to drive assortment, pricing, promotion, and demand forecasting and develop the on-line Dairy program.

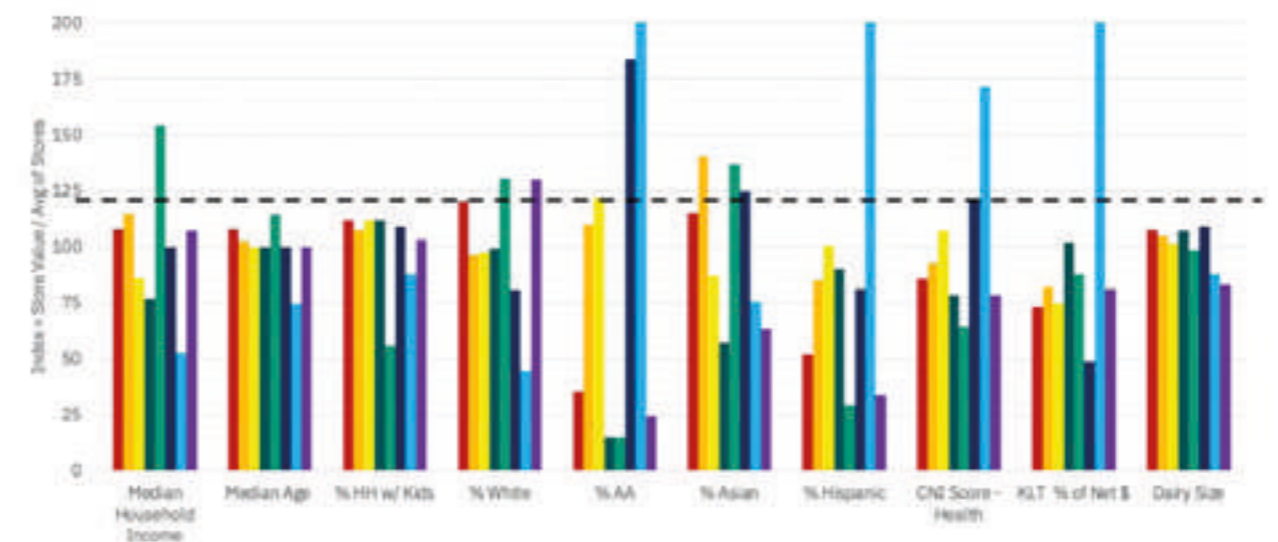


Store location	→ Store Location, demographics for the store location, etc.
Customer	→ Customer attributes, demographics, loyalty, preferences, etc.
Economics	→ CPI, Household revenue, Credit data, Saving rates, etc.
Weather	→ Temperature, pressure and precipitation trends and seasonality
News	→ News hits, trends and sentiment analysis
Events	→ Number of events, popularity, etc.
Trends	→ Web search hits, Web traffic, etc.
Social Media	→ Social Media hits and sentiment analysis

Dairy sales are determined by the match between "supply" and "demand" factors at each store. Getting the right match requires AI and Machine Learning.



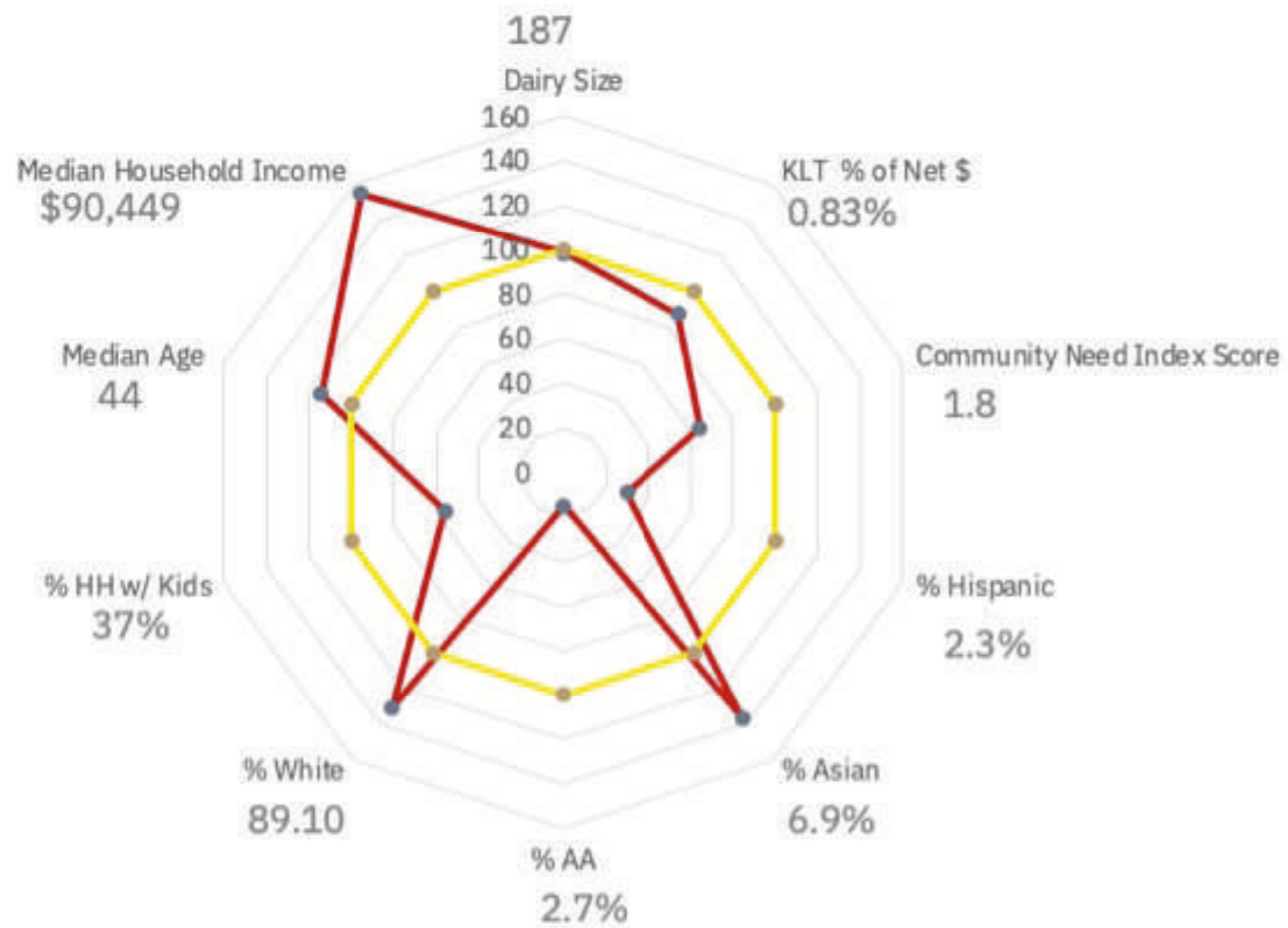
Basic data shows significant variation among store shopper bases which can be directly correlated to Dairy Department dynamics. Recommended actions must be store-by-store based. AI and machine learning tools provide the key insights.



Analysis based on of 8 Representative Stores  
Source: Demographics based on US Census for store Zip codes. KLT and Dairy Size provided by Retailer.



EXAMPLE - STORE 0272



Insights:

- ▶ Older population lives in this area
- ▶ Highest housing value - \$336,000
- ▶ Lowest CNI score indicating that overall community has good health

Improvement Actions:

- ▶ Limit yogurt, especially Child Friendly SKUs (Low Children)
- ▶ Limit almond, coconut, cashew, soy, flax, oat, pea-protein SKUs (Gen X and Older)
- ▶ Expand Digestive Health Products (Asian)

- ▶ Expand Eggs (Asian)
- ▶ Ensure base set has more facings of Soy products (Asian Preference)
- ▶ Increase SKU's and facings of Coconut Milk (High Income)

Expected Improvement Outcomes:

- ▶ 2-3% Sales increase
- ▶ 5-10% Gross Profit increase





# Using Blockchain to promote food category quality - Carrefour's Food Provenance Program



## Opportunity

- ▶ 71% of retail shoppers say traceability is important and that they are willing to pay a premium for it<sup>1</sup>
- ▶ 70% of grocery shoppers say it's very important to have accurate product information at the shelf or alongside the product<sup>2</sup>
- ▶ 49% are willing to pay for quality and safety standards (organic, hormone-free)<sup>3</sup>
- ▶ 30% are willing to pay for social responsibility (free-range, pasture-raised)<sup>3</sup>

In January 2018, Carrefour launched a transformation plan around 4 pillars. One key pillar is to promote Food Quality for all to drive customers to Carrefour stores and to win them over from the competitors who are cutting prices as a key strategy.

But shoppers no longer trust marketing messages so Carrefour needed a way to prove the quality, origin and claims of the products it sells.

## Approach

- ▶ Blockchain is the perfect technology to provide that proof. Blockchain technology is an innovative solution creating even greater levels of transparency in the food supply chain. It is a digital network which

collects data and interactions carried out by every participant in the food industry.

- ▶ After successful pilots on Spanish Chicken and on Nestlé Mousline, IBM built a platform to onboard a large number of suppliers and products on the IBM Food Trust platform and to communicate the key product information (provenance information).

## Results

- ▶ Marketing studies confirmed that shoppers prefer products that are on Blockchain over products that are not.
- ▶ Carrefour has seen a significant increase in sales of the pilot categories and a halo effect on store sales.
- ▶ Carrefour saw a 200% uplift on poultry and dairy by exposing provenance data to consumers with a QR code

<sup>1</sup> Haller, Karl, Jim Lee, and Jane Cheung. "Meet the 2020 consumers driving change." IBM Institute for Business Value. January 2020.

<sup>2</sup> Food Marketing Institute (FMI), Hartman Group. "U.S. Grocery Shopper Trends 2019." Food Marketing Institute. 2019.

<sup>3</sup> Nielsen, [https://www.nielsen.com/wp-content/uploads/sites/3/2019/04/Healthy20and20PremiumWeb\\_1000px-2.png?w=1110](https://www.nielsen.com/wp-content/uploads/sites/3/2019/04/Healthy20and20PremiumWeb_1000px-2.png?w=1110)





Carrefour and Nestlé are members of IBM Food Trust and are working together on food traceability. The Carrefour, Nestle and IBM partnership on the IBM Food Trust platform started with Potato Products and continued with Infant Powdered Milk.

Example: Where does this MOUSLINE® come from?



By scanning the QR code on the MOUSLINE® packaging, the consumer has instant access to a whole range of information detailing the product's entire production journey from farm to store shelf.

- ▶ The potatoes are processed and packaged in MOUSLINE®'s own processing plant in Rosières-en-Santerre in the Somme, which for most of the crop is close to where they are picked.

Available information:

- Production
- Quality control

Available information:

- Variety of potatoes
- Name of partner grower





# Enabling the Multi-Channel Customer Journey



Albertsons is one of the largest food and drug store retailers in the US. It operates over 2,250 stores under 22 different banners across 34 US States and the District of Columbia.

Following a period of rapid acquisition and expansion into new business models (e.g., Plated), costs and complexity were rising for Albertsons.

The digital ecosystem needed to support multi-channel shopping had not caught up, and Albertson's was operating multiple sites and apps per banner on multiple platforms.

This resulted in a fragmented customer journey and a tremendous amount of time and money to maintain the current infrastructure.

Meanwhile, market pressures and the Amazon acquisition of Whole Foods meant they had to improve agility and speed-to-market to keep pace.

It was clear that a new platform was needed to provide Albertson's customers with an effective multi-channel shopping experience.

Jewel-Osco

Amigos

VONS

Randalls



Albertsons

ACME

star market

CARRS

Market STREET

United supermarkets

SUPER SAVER FOOD

Huggen

United EXPRESS

Lucky

shaws

SAFEWAY

Tom Thumb

PAVILIONS



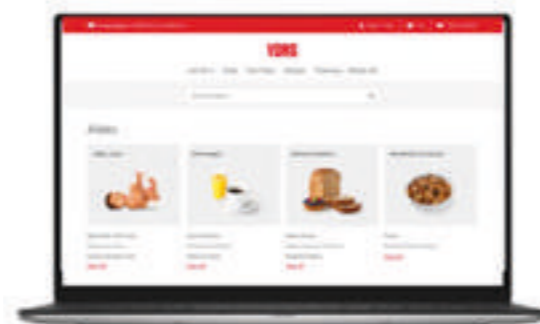
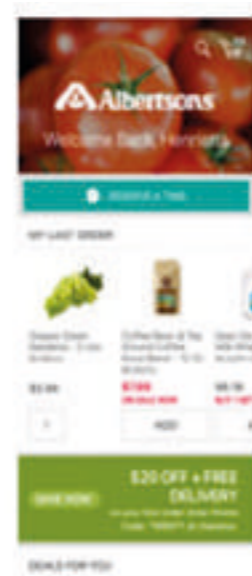


## OPPORTUNITY

In order to deploy marketing and Category Management methods at scale, Albertson's multi-channel capabilities needed to be upgraded and streamlined onto one platform, one design system, with shared content across the different Albertson's banners.

IBM was selected to provide expertise and project guidance. The overall multi-channel capability would be built in 2 phases -

- ▶ Phase 1 – Development of the new comprehensive e-Commerce Platform
- ▶ Phase 2 – Development of Personalized Shopping Experience Capabilities

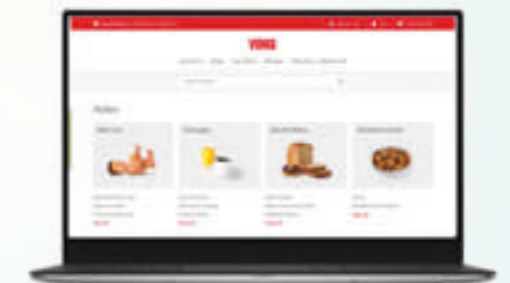


## PHASE 1

### 1. Development of the new e-Commerce Platform and Applications

Key tasks completed:

- ▶ Rolled out new Adobe Experience Manager (AEM) platform
- ▶ Launched first responsive framework for significantly improved mobile web experience
- ▶ Streamlined checkout process from six screens to one
- ▶ Enhanced the site appearance with custom photo shoot for ~120 aisles
- ▶ Launched a partnership with Instacart to expand the delivery footprint
- ▶ Created design system to support consecutive banner launches



## RESULTS

- ▶ 11% lift in orders and 10% lift in daily revenue.
- ▶ After launch, mobile and tablet device conversion rates have seen tremendous growth – up to a 318% lift in ecommerce conversion
- ▶ Mobile web revenue up 51%
- ▶ Conversion up 13%
- ▶ Checkout completion rate up 18%

### 2. Upgraded Native iOS and Android E-commerce apps

- ▶ Native app facelift to support consistent customer experience across platforms, with modern look and feel and functionality

### 3. Integrated Email and Marketing Content

- ▶ Redefined and streamlined process for consistent content production at scale
- ▶ Simplification and modular design system overhaul to appeal to a broader customer base
- ▶ Introduced authoring tool automatization for efficiency and time savings

- ▶ New user checkout completion rate up 73%

- ▶ Orders per day up 12.4%

- ▶ Optimization at scale resulted in cost reduction and better targeting and customization of content

- ▶ 50% reduction in client design team resources by putting dynamic team members around the business teams with the ability to drive results.

As Albertson's Digital evolves, IBM iX continues to be their transformation partner of choice.



## PHASE 2

### Development of Personalized Shopping Experience

#### - Opportunity

- ▶ Albertsons has invested in streamlining the digital shopping, marketing, and loyalty experience. This competitive advantage has helped Albertsons continue to expand its eCommerce presence with 30%+ YoY growth in digital commerce, loyalty registration, and drive-up-and-go sales.
- ▶ However, the US supermarket industry will continue to be disrupted as Amazon/Whole Foods matures and continued technical innovation evolves to meet desired shopping behavior.
- ▶ Albertson's needs to establish stronger repeat business (loyalty, basket size, and cross-sell) with a multi-faceted audience of "Everyday Life Jugglers" who are resourceful planners using multiple tools and methods to stay flexible in their shopping and life experiences while enhancing the Albertson's standing in digital channels.

With the redesigned e-Commerce platform now in place, Albertson's next phase is a personalization initiative to enhance their ability to engage shoppers with segmented and contextualized experiences and serve shoppers seamlessly wherever, whenever and however they want to shop with the aim to progress to deeper, more valuable engagement leading to higher levels of customer satisfaction and loyalty.

The core objectives of the personalization program are to:

- ▶ Enable consistency of multi-channel communications through a contextualized, personalized experience for each customer
- ▶ Increase basket size and conversions for online shopping experiences through improved loyalty and cross-selling
- ▶ Drive a shift to broader bundling and potentially Own brands
- ▶ Establish a stronger positioning for Albertson's among competitive entities including Amazon, Kroger and Walmart through a personalization strategy



### Development of Personalized Shopping Experience - What does success look like?

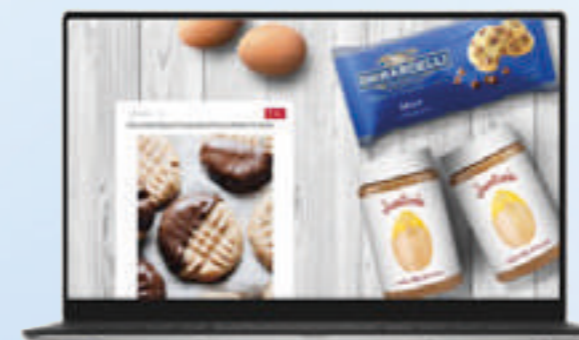
An integrated lifestyle and transactional experience supportive of distinct customer contexts across their shopping experiences. This experience will:

- ▶ Enable tailored offers and transaction flows for a given shopper context
- ▶ Prioritize and deliver personalization use cases including:
  - Abandoned Cart
  - Auto-allocation
  - First Time Shopper Loyalty
- ▶ Envisions a future that is not reliant on segmented targeting but is fully integrated with unified shopper data and profile information to drive individualized experiences based on shopper relationship context.

- ▶ Enable channel-specific experiences at scale through a personalization strategy that supports automated offer and customer experiences matured through machine learning capabilities and delivered across channels consistently.

#### Measures of Success

- Improved/increased customer conversion (including average order sizes and cross-sell)
- Improved/increased penetration across product categories (loyalty and cross-sell)
- Speed to market (increased efficiency of creation, production, and publishing/distribution of personalized experiences) across in-store and digital properties





# CATEGORY MANAGEMENT

## Yesterday, Today & Tomorrow

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An ECR Community Review of Current  
Practices in Category Management 2020



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