CATEGORY MANAGEMENT –
COMMON LANGUAGE BETWEEN RETAILERS AND MANUFACTURERS
In the world of retailers and manufacturers, the conflicts regarding the renewal of annual cooperation agreements are seemingly inescapable. While the next year’s negotiation has been activated, manufacturers and retailers must cooperate closely to achieve the mutual goal. Besides product cost, payment terms, listing fees, and product launching schedules, what other factors must be considered when manufacturers and retailers decide to work together? How can these contracts be renewed in an amicable manner that meets the needs of both manufacturer and retailer?

Category management has the potential to inspire new ideas. By understanding the core values and processes of category management, both manufacturers and retailers are able to use common language to reach a solution. Instead of spending time arguing, time and energy can be used more efficiently to address rising issues. In any category management project, neither manufacturers’ revenue, nor retailers’ customer flow should be the only focus. The project must focus instead on the ultimate intent of the business: fulfilling shoppers’ needs, increasing shoppers’ satisfaction, and retaining target shoppers. By completing our TA’s shopping mission, the whole category can grow, not only individual brands. Optimization is reached when both manufacturers and retailers focus on target shoppers and work together to enhance shoppers’ satisfaction to ultimately increase category performance.
What are the major steps of a category management project?

There are many ways to establish a shopper-centric category management project. To ensure success, let’s get back to the eight fundamental steps of category management: Category definition, Category role, Category assessment, Category scorecard, Category strategy, Category tactics, Category implementation and Category review.

**Category definition**: Define a distinct, measurable and manageable grouping of products that the retailer and manufacturer will optimize by increasing their understanding of and meeting the needs of shoppers.

**Category role**: Outline the role that each category plays in the retail according to the type of store and target shopper. This process can explain the reason why some categories have clearance sales, while other categories are always priced on higher margin.
Category assessment: Assess the potential of the category from various data sources like shopper studies, retail indexes, and sales data. Locate the opportunities to focus on during the project, and forecast investment and return.

Category scorecard: Quantify a mutual KPI target determined by the assessment result, and specify the project length and due date. Assess and review the project target during the execution.

Category strategy: Provide strategic direction to execute tactics, and ensure consistency among roles, objectives and tactics. Category strategy also provides guidelines to allocate resources appropriately.

Category tactics: Reach the targets set in previous steps by using assortment, space management, pricing, and promotion tactics. Discuss and confirm all details of in-store BTL.

Category implementation and review: Incorporate all parties in decision making to ensure tasks and schedules are communicated and understood. Produce quarterly reviews for key categories to ensure long term success. Make sure the whole project runs smoothly toward the mutual goal.

Successful experience sharing

In a recent category management example from the U.S., a chain super retailer found that their chocolate category display made it difficult for customers to shop. This presented a challenge in converting traffic into actual sales. After cooperating with the manufacturer in a shopper study, in addition to analyzing market sales data, this retailer realized that, for chocolate, shoppers’ purchasing decisions are divided by different chocolate “occasions”. Knowing this, the retailer segmented their chocolate section into three “occasions”: functional, emotional, and social. By implementing this project and arranging the display, survey results showed that shoppers’
satisfaction increased 70%, and the overall category sales increased 15%.

By following the 8-steps of category management and setting the target at “fulfilling shoppers’ needs”, Both manufacturers and retailers can achieve their respective goals. In the end, the whole pie grows, and manufacturers, retailers, and shoppers win together.

Want to know more about the coming Nielsen Category Management Workshop held on September 11-12, 2014? Please contact:

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