

CATMAN 2.0

The Next Generation

The evolution of food retailing and technology requires a bold new strategy for engaging shoppers. BY JIM DUDLICEK



The shopper of today would scarcely recognize the shopper of two decades ago. Heightened awareness, sharpened connectivity and unique needs are challenging retailers and CPG manufacturers to move beyond what they think they know about consumers and develop new strategies to deliver on brand promises and stay relevant in a hypercompetitive environment.

The science of category management, revolutionary when introduced 20 years ago, is being redefined to keep pace with the evolving retail world. Although it's one of the most successful processes in all of busi-

ness, having been adopted by virtually every major CPG manufacturer and retailer globally, the marketing environment has changed dramatically in the past two decades.

CatMan 2.0, being developed by the Category Management Association (CMA), aims to bring marketers up to date on how best to serve shopper needs.

What a Difference 20 Years Make

What are the most important changes influencing category management?

In short: the proliferation of digital and all things online; Big Data (volume, velocity, variety and verac-

ity); technological capacity; and the newly empowered shopper who has emerged from these factors, along with changing demographics and shopper behavior (the “why” beyond the “what”).

“Today, the miracle of the internet gives the shopper more information and more choices than could have been imagined 20 years ago,” says Gordon Wade, managing partner and director of best practices for Minneapolis-based CMA. “The internet gives the retailer and manufacturer an opportunity to engage in a two-way ‘conversation’ with the shopper. This capability changes the dynamic of the CPG marketing environment.”

Manufacturers, and especially retailers, have much more data today than 20 years ago. “Retailers know basket content down to the level of the individual SKU; they know shopper buying habits down to the level of the individual shopper and SKU. Household panel data is now available to manufacturers and retailers at a level of granularity that enables them to understand leakage from channel to channel, banner to banner, down to the level of individual brands and category segments,” Wade says. “In addition, we can now capture shopper behavior on the path to purchase such that we know what marketing vehicles they are using to plan their shopping experience. We know the ROI of these multiple vehicles by market and banner.”

Remarkable improvements in software analytics have opened vast new opportunities as well. “Solution providers like IRI, Nielsen, Kantar Retail and JDA can make logical sense out of the new datasets,” Wade says. “The analytics can be done with the speed and power that is breathtaking to someone who wrestled with data 20 years ago. Entirely new analytic capabilities are coming on stream in the form of predictive analytics and propensity analytics.”

And because category management has been around for 20 years, retailers and manufacturers have accumulated masses of data indicating what works and what doesn’t in assortment variation, pricing, in-store merchandising and promotion. “Manufacturers can bring the success models to the table as they sit down with their retail trading partners to develop an annual category plan,” Wade notes.

David C. King, head of space management at Northbrook, Ill.-based drug chain Walgreens and CatMan 2.0 steering committee member, concurs. “With so many more data sources and new technologies available, and the need for retailers to offer precise solutions to the neighborhoods they serve, there are many more opportunities for retailers and suppliers to collaborate on category management projects,” King says.

Finally, the industry has given birth to skilled category management practitioners, who didn’t exist when the principles were adopted in the early 1990s — folks who are highly capable of taking them to the next level. “Today, thousands of people have devel-



oped unique skills in strategy development, tactics development, assortment rationalization and shopper marketing initiatives that are required components of successful category plans in virtually every category in every retailer,” Wade asserts.

Reflecting a New Environment

These factors have permeated every aspect of category management. So, how best to tackle the reboot?

“The most critical element of CatMan 2.0 will be appropriately balancing the key fundamental components of the original category management process that made it so successful, while also incorporating expanded definitions of each of the steps within the framework of the four factors mentioned above,” says steering committee member Prashant Jairaj, capabilities manager for Santa Monica, Calif.-based Red Bull North America. “CatMan 1.0 proved to be a successful business process that enabled retailers to create a long-term path to growth; CatMan 2.0 should aim to keep these core facets breathing, versus a complete 180, while layering on the business realities of today’s digital world and shopper within the base process.”

CMA’s CatMan 2.0 steering committee has broken down the task of updating category management into 18 work streams. “In each of these work streams,” Wade explains, “the industry team working on that stream asks themselves what has changed in data, analytics, software tools, success models and the shopping experience that should be accommodated within this individual work stream, for example, the development of the category decision tree or the ideal organizational design or the development of shopper insights.”

Wade says the committee “will definitely retain most of the process framework developed in the highly successful CatMan 1.0, but we intend to look at every aspect of the process to ensure that

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North America

the various changes mentioned above are reflected in 2.0. Our intention is to ensure that every aspect of category management reflects the new marketing environment.”

Because category management is a collaborative process, the enhancements to the process incorporated in CatMan 2.0 can't be effectively deployed without the collaboration of all of the key participants: manufacturers, retailers and solution providers, including sales and marketing agencies.

CMA is partnering with Deerfield, Ill.-based Stagnito Business Information, publisher of *Progressive Grocer*, to familiarize the industry with the CatMan 2.0 enhancements. “The companies on the CatMan 2.0 steering committee will play an important role in leading the deployment of what is essentially an upgraded, more sophisticated ‘language’ with which trading partners communicate,” Wade says. “We anticipate that the changes in data and analytics will affect virtually every step in the process.”

Key Improvements

Wade notes that CatMan 2.0 will emphasize several areas that he acknowledges were neglected in CatMan 1.0.

“Specifically, we will be focusing on better internal preparation and alignment within both manufacturers and retailers,” he says. “We will be incorporating shopper marketing into the overall category management process, primarily because shopper marketing from the retailer’s perspective is a tactic incorporated within annual plans in various categories.”

Additionally, 2.0 will focus on improved deployment of category plans at the store level. “We will try to develop methods computing the ROI of category management, a particularly challenging but

highly desired aspect of CatMan 2.0,” Wade says. “Lastly, we are tackling the omni-channel challenge as it relates to category management.”

CatMan 2.0 is likely to play a significant role in defining what category management means for the next decade or so, Jairaj declares. “We are already seeing a tremendous shift from a procurement-focused process to a shopper-focused process, with retailers who are able to best execute this shift potentially possessing a competitive advantage in the industry,” he says. “CatMan 2.0 will better define the processes dictating that shift, and potentially even what could lie beyond.”

Making it Happen

What arguments are essential to persuading retailers and CPG companies of the importance of CatMan 2.0 standards?

“In the highly competitive CPG industry, the pressures of competition will drive industry participants to embrace best practices,” Wade says. “Inevitably, some participants will adopt the enhanced concepts in 2.0 more rapidly than others ... simply because virtually all the participants have a basic knowledge of category management, and therefore are not adopting a whole new ‘language.’”

Indeed, some leading-edge industry participants, both retailers and manufacturers, are already employing key components of the updated program, he notes, especially in the software and analytics areas. “But we anticipate that virtually every industry participant will take a close look at CatMan 2.0 to see where and how they will need to upgrade their practices and capabilities to stay competitive in the rapidly changing CPG environment,” Wade says.

Completing the complex and sophisticated overhaul is a “daunting challenge,” Wade acknowledges, adding, “We believe the entire task can be completed in the first quarter of 2016, including [deployment] of the new work streams in a digital database that can be searched at no cost by members of the CMA.”

Following an introductory webinar hosted by PG in early 2016, Wade anticipates a series of workshops to familiarize the industry with CatMan 2.0 toward the end of the first quarter of 2016.

Its adoption is crucial, King asserts: “Grocery retailers have more competition today than ever, from other channels and online.”

Jairaj adds: “The speed of change has been immense, and the life cycles of businesses across all industries, not just retail, continue to be compressed more and more than at any other point in history. The question really becomes, can you, as a retailer or manufacturer, afford to not adapt to such a drastically changing landscape by embracing a new perspective on category management that is just as dynamic as that landscape?” **PG**