#ECRCATMANNETWORK

Focus on the impact and implications of inflation.

Highlight how Category Management and better collaboration can help address the current inflation situation

What are the Hot Topics facing Category Managers across the world?

Dr. Brian Harris & Luc Demeulenaere

HOT TOPICS

1. The Impact of Covid and Implications for Category Management

2. Collaboration and Managing Inflation

3. Opti-Channel, Omni-Channel and Online Category Management

4. New Technologies

5. Organizational Requirements

ECR COMMUNITY
EFFICIENT CONSUMER RESPONSE

#ECRCatmanNetwork

HOT TOPICS

1. The Impact of Covid and Implications for Category Management

How has the pandemic changed consumer and shopper needs and expectations?

What will be the key long term impacts on consumer and shopper behavior?

What role can CM play to capitalize on these changes?
How has the pandemic impacted retailer-manufacturer relationships? Will it lead to a new and more effective collaboration models?

THE IMPACT OF COVID

- Significant changes in consumer – shopper values, expectations and behavior have occurred; some will have short term impact; others will be long term changes

- "Back to Basics" principles and process of Category Management provide sound approach for adapting to new environment and for avoiding under or over reactions

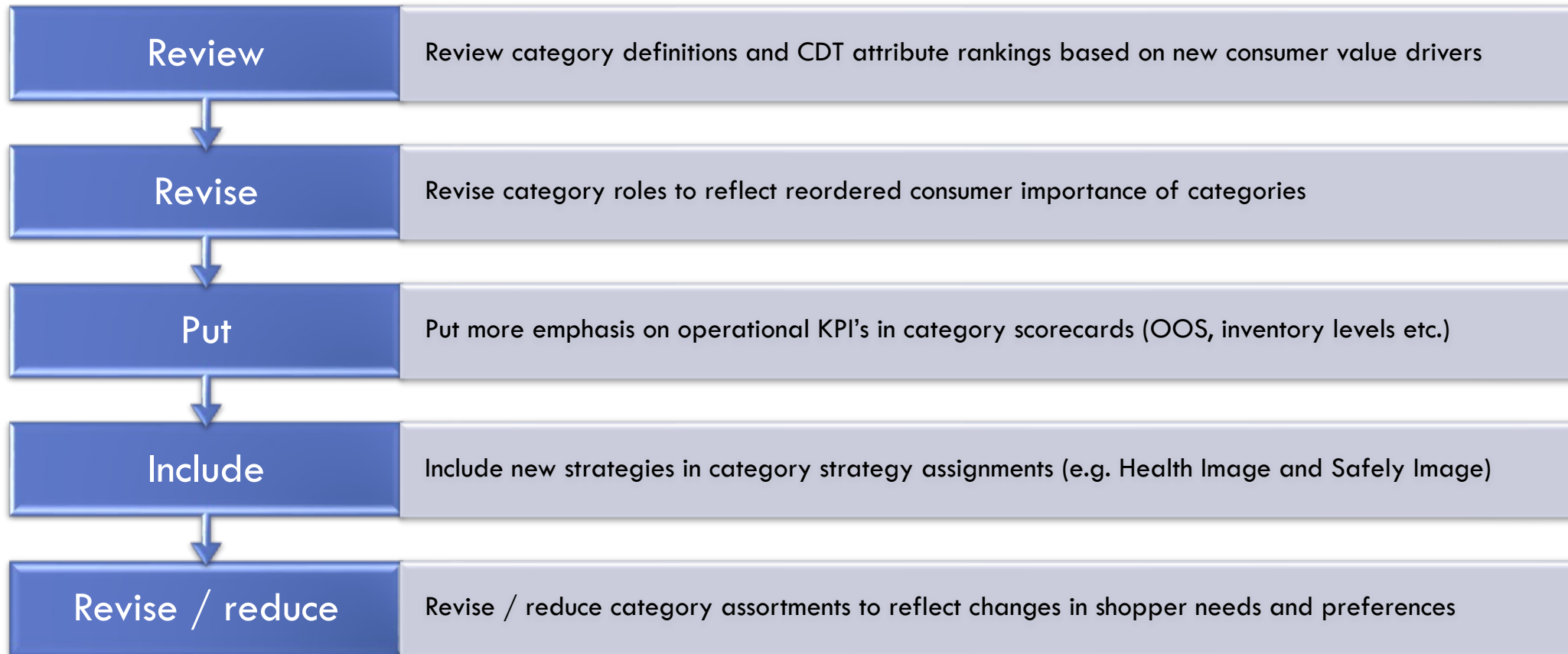- Most obvious learning - need for more effective collaboration

IMPACT ON CONSUMERS AND SHOPPERS

- Increased emphasis on value – more price sensitivity

- More focus on local shopping – fewer trips, bigger baskets, shopping closer to home

- Shifting formats and channels – increase in shopping smaller formats, in one store only and online shopping and delivery

- Increase in food@home – more cooking, more eating at home

- Elevated interest in personal and societal wellbeing

Source – dunnhumby research surveys

GETTING "BACK TO BASICS"

Review	Review category definitions and CDT attribute rankings based on new consumer value drivers
Revise	Revise category roles to reflect reordered consumer importance of categories
Put	Put more emphasis on operational KPI's in category scorecards (OOS, inventory levels etc.)
Include	Include new strategies in category strategy assignments (e.g. Health Image and Safely Image)
Revise / reduce	Revise / reduce category assortments to reflect changes in shopper needs and preferences

HOT TOPICS

2. Collaboration and Managing Inflation

Category Vision is a hot topic on the manufacturer side – what are the key elements of a Category Vision?
How to use it as a key element of an effective collaborative platform?

How to deliver more value in inflationary times? How is the role of private label and promotion changing in this inflationary climate?

What does effective collaboration mean today?

What are the barriers to better retailer – manufacturer collaboration and how can they be addressed?

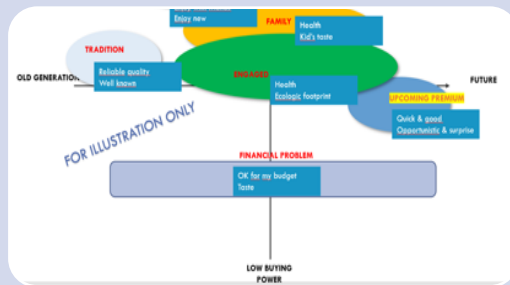How can CM best support range optimization, sustainability and Revenue Growth Management?

War and Inflation

Quotes from the business situation

"The inflation that they have taken to their Retailers is over 30%, with about 4 weeks notice. The world of 12 weeks notice for a 2% cost increase is long gone. Reduce the time by two thirds and add a zero to the % increase."

"I was asked why some Retailers are having gaps on shelf. It is quite simple, Suppliers are not delivering unless there is acceptance, in full, on the required date of the cost price increase."

Developing the Category Vision — Key Workblocks

Key stakeholder segments and their value drivers:

- quantified

- current/future generation

- up/down – market (spending index)

Finding the key Growth Platforms

- stakeholder segments

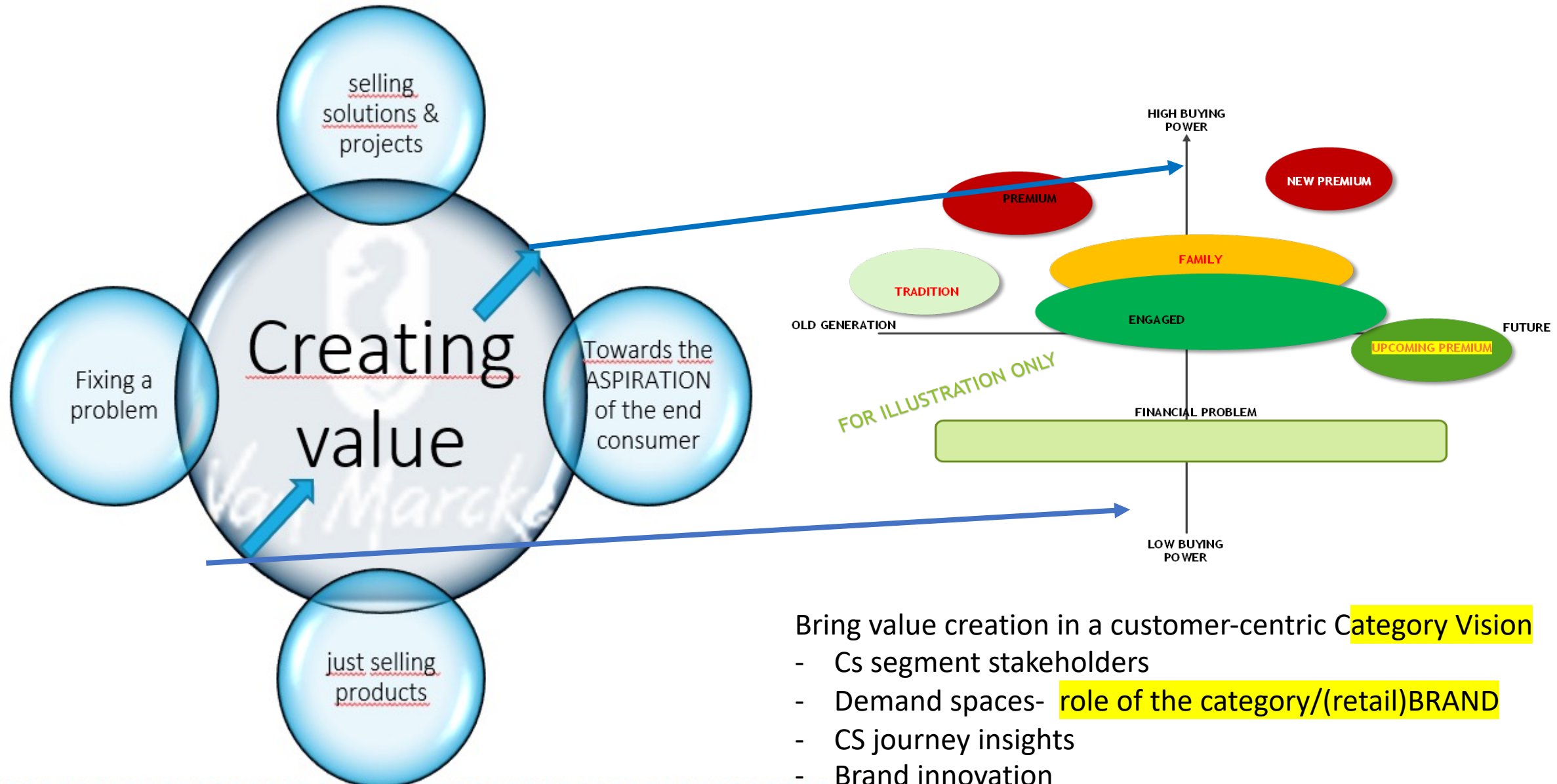- needs, trends, aspirations

- user occasions

CS - Journey architecture:

- Shopper Marketing to activate the growth platforms (who, where)

- The Shopping Mission / Role of the category

- Category Management Strategies & Tactics

Innovation:

- Win in front of new consumer and most value creating stakeholder segments

- Win in front of Shopper

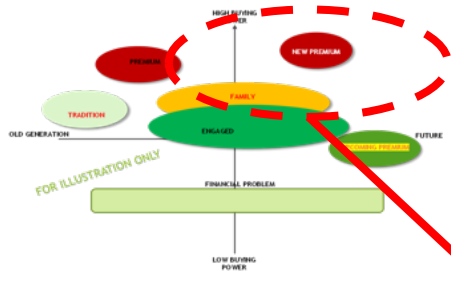- Game changing consumption solutions

How to deliver more value in inflationary times? How is the role of private label and promotion changing in this inflationary climate?

selling solutions & projects

Fixing a problem

Creating value

Towards the ASPIRATION of the end consumer

just selling products

HIGH BUYING POWER

NEW PREMIUM

PREMIUM

FAMILY

TRADITION

ENGAGED

OLD GENERATION

FUTURE

UPCOMING PREMIUM

FOR ILLUSTRATION ONLY

FINANCIAL PROBLEM

LOW BUYING POWER

Bring value creation in a customer-centric Category Vision
- Cs segment stakeholders
- Demand spaces- role of the category/(retail)BRAND
- CS journey insights
- Brand innovation

The Role of the Category

Destination   **Routine**   **Seasonal**   **Convenience**   ...

Direct consumption

For the day

2-3 days

Weekly

Bulk

Demand space driven shopping mission

Category tactics to reflect value drivers & role for the target CS segments

Consumer driven

Shopper driven

Consumption solutions
Preferred (Retailer-)brands
Preferred variant
Preferred packaging
Price elasticity
Promotion driven
Assortment choice
Puchase Decision Tree
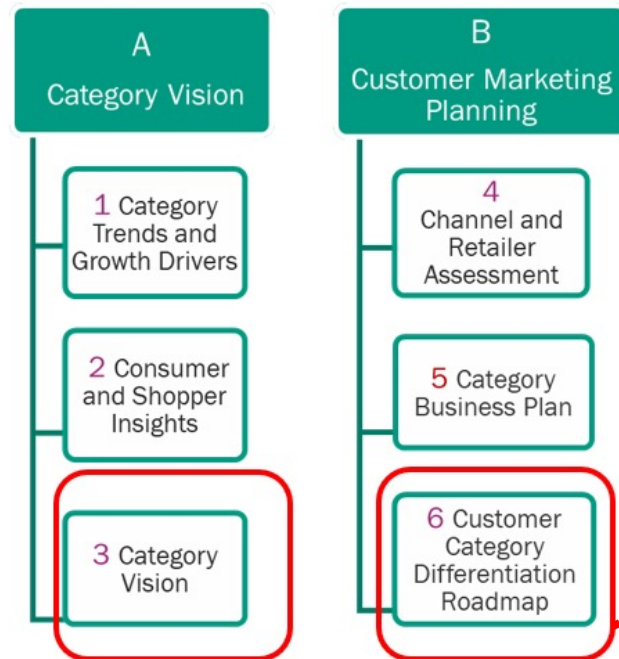...

What does effective collaboration mean today?

Equity pillars for integrated consumer-shopper marketing

Category strategies & tactics

Value of time – experience vs efficiency

HOW
...o they evaluate their purchase?

WHAT
...do they choose to buy?

Do it for me

6. Consumer/ Shopper evaluates the Purchase Decision

1. Consumer/ Shopper is consuming

2. Consumer/ Shopper is influenced

3. Consumer/ Shopper creates a Shopping Mission

4. Shopper makes a Channel and Banner Choice

5. Shopper makes a Purchase

The Consumer and Shopper Journey Framework

WHO
...are the Consumers and Shoppers?

WHY
...do they consume?
...do they plan a trip?

WHERE
...do they choose to shop?

Divided shoppers

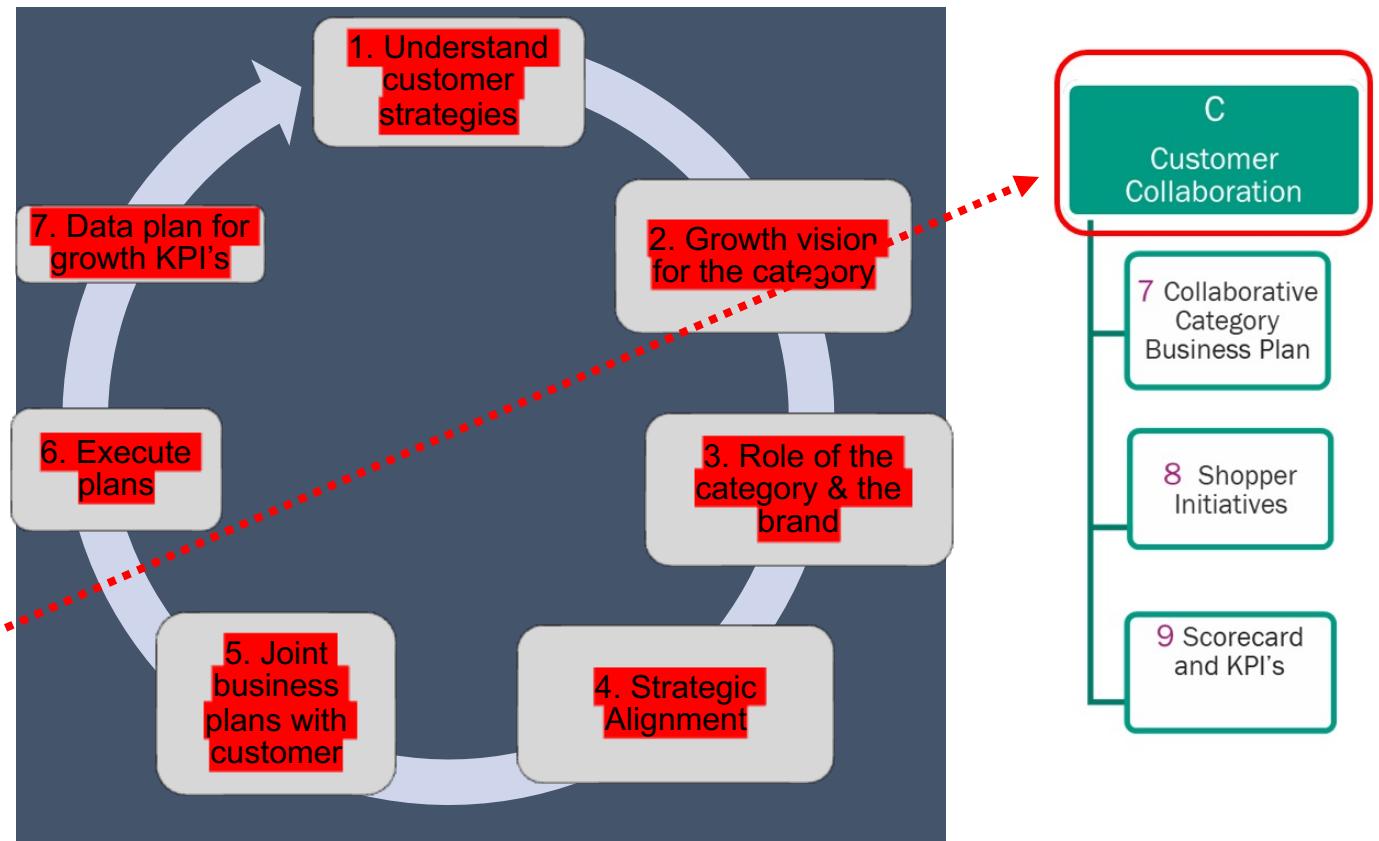Reactive shopping

Growth of disruptors

Preparing for Collaborative Work

From Category Vision towards Omni- channel gameplanning

Shopper-based Growth process with Retailer

How can Category Management best support range optimization, sustainability and Revenue Growth Management?

Retailers

- Have their own algorithm-driven range optimizer tools
- Store-by-store
- Based on own loyalty card data

Manufacturers

Need to bring Category Vision

- sku's preferred by category stakeholder segments today/tomorrow
- category/brand role in the category strategy to build retailer differentiation

HOT TOPICS

3. Opti-Channel, Omni-Channel and Online Category Management

Retailers are looking for a complete omni-channel offer - how do we bring this into Category Management and apply it on a global level? How does CM play into a cross-channel matrix?
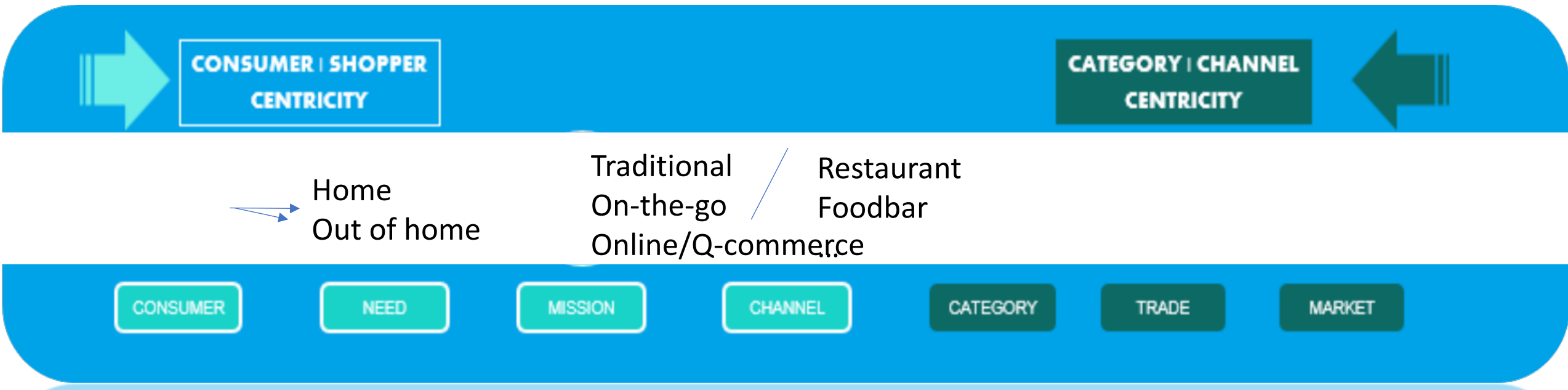
How is traditional CM adapting to support an "Online Category Management" model?

New channels (e.g. Q- commerce) and players (e.g. Gorrilaz Germany, Get Here UK) continue to emerge – what is the role of CM in these channels and how can it help retailers to compete against these new players?

The CS Journey as the architecture to build your growth vision – THE *"WHERE"*

The Consumer - Shopper in search
for <u>new convenience</u> as RETAIL solution

WHO
...are the Consumers and Shoppers?

HOW
...do they evaluate their purchase?

WHAT
...do they choose to buy?

WHY
...do they consume?
...do they plan a trip?

WHERE
...do they choose to shop?

1. Consumer/ Shopper is consuming
2. Consumer/ Shopper is influenced
3. Consumer/ Shopper creates a Shopping Mission
4. Shopper makes a Channel and Banner Choice
5. Shopper makes a Purchase
6. Consumer/ Shopper evaluates the Purchase Decision

CONSUMER | SHOPPER CENTRICITY

CATEGORY | CHANNEL CENTRICITY

Home
Out of home

Traditional
On-the-go
Online/Q-commerce

Restaurant
Foodbar
...

CONSUMER | NEED | MISSION | CHANNEL | CATEGORY | TRADE | MARKET

Important sequence in the insight development to understand omni-channel

The incubators which develop the new channel dynamics
- CS-segments who kick off and influence
- The brands/categories which initiate the new channel behaviour
- The recruting factors

The size of the channel
- The retail leader and his equity success factors
- SWOT of omni-channel competition (M. Porter's strategic market drivers)
- Value share formula analytics (value share= penetration x loyalty x spending index)

The shopping mission definitions
- The Mission triggers (recruting techniques) / channel/segment
- The Role of the category / CS-segment
- The desired mission shopping experience

The differentiating consumer-shopper experience factors
- Differentiating factor analysis / channel
- In Online Category Management we deal with a different experience configuration in the CS Journey: different assessment, different shopper research methods, data,…

HOT TOPICS

4. New Technologies

What is the role and relevance of CM in the age of AI?

What new data sources, analytical tools and shopper behavior technologies are especially relevant for CM application?

Data and Tools in Category Management
Connecting the insight dots and building multi-source decision-making tools and AI intelligence for 1-1 interaction
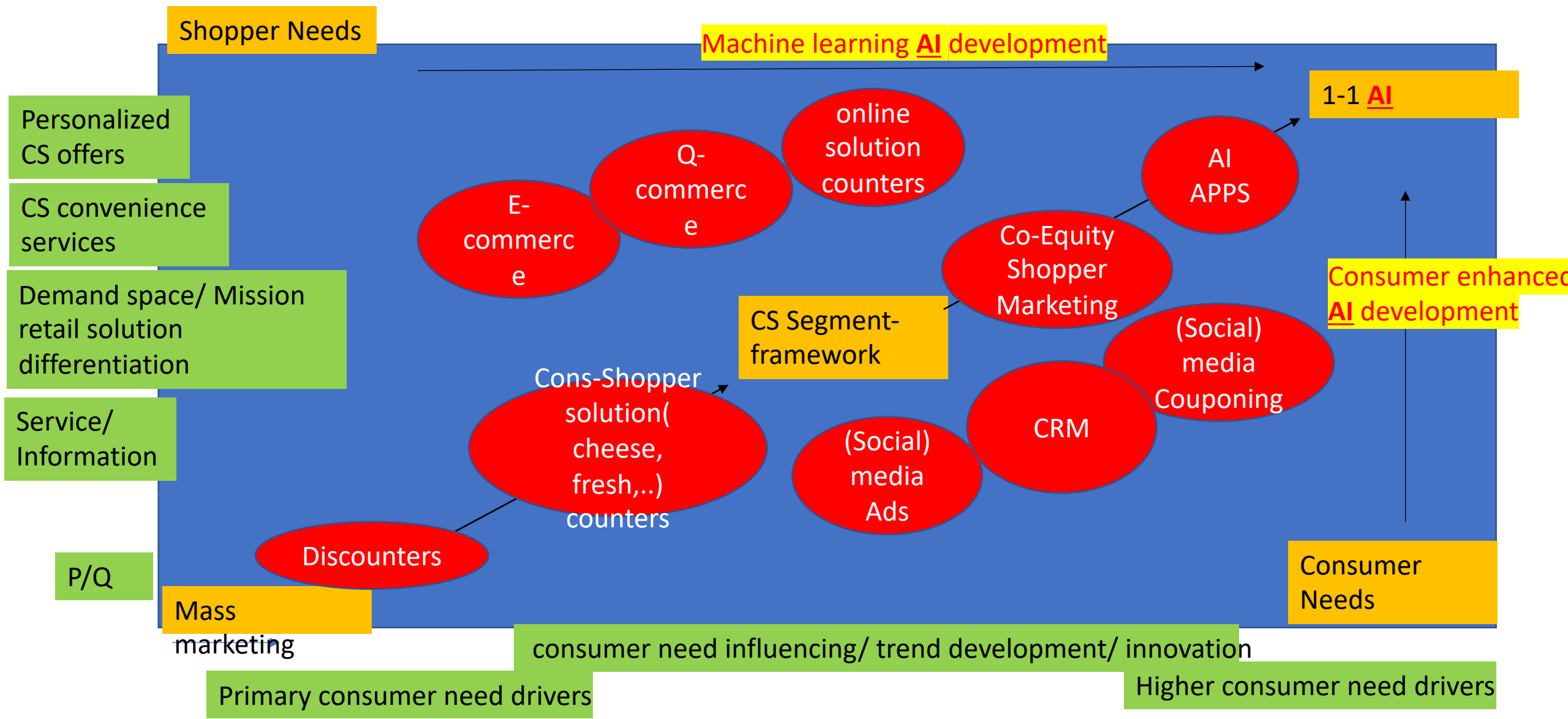
Data

- TOMarket data to find new dimensions in the omni-channel world, Out of/in – home consumption
- Household panel need single source inclusion of omni-channel tracking
- Consumer & Shopper qualitative research data to build insights we cannot capture from behaviour analytics (machine learning, loyalty card analytics)
- Tactical Price and Promotion Analytics
- Loyalty card data
- Online behaviour data, interaction with Consumer-Shopper for AI development
- Internet scraping data to build multi-source CS profiles

Tools

- Planogram & store-plan tools
- Virtual technology tools for virtual product, shelf, store visualisation
- Category planning tools
- Assortment tools based on purchase-data algorithms, geo-marketing
- Store interactive technology: cash free shopping, in-store communication
- Interactive App's for info & service on product, price, best offer,..
- Digital Asset databases & tools for cross-channel visual identity and 360° communication
- Social Media tools for promotion interaction

The Landscape to connect the dots and the buildup towards Artificial Intelligence in the coming years

Shopper Needs

Machine learning **AI** development

1-1 **AI**

Personalized CS offers

CS convenience services

Demand space/ Mission retail solution differentiation

Service/ Information

P/Q

Mass marketing

online solution counters

Q-commerce

E-commerce

AI APPS

Co-Equity Shopper Marketing

Consumer enhanced **AI** development

CS Segment-framework

(Social) media Couponing

Cons-Shopper solution(cheese, fresh,..) counters

CRM

(Social) media Ads

Discounters

Consumer Needs

consumer need influencing/ trend development/ innovation

Primary consumer need drivers

Higher consumer need drivers

HOT TOPICS

5. Organizational Requirements

What are the new capabilities and skills required by today's CM teams to be successful?

How should these teams be recruited and trained to do their jobs?

What are still the main barriers within retailer and manufacturer organizations that impact CM delivering its full potential benefits?

How to connect CM to senior management's priorities and goals?

HOT TOPICS

1. The Impact of Covid and Implications for Category Management

2. Collaboration and Managing Inflation

3. Opti-Channel, Omni-Channel and Online Category Management

4. New Technologies

5. Organizational Requirements

#ECRCatmanNetwork