



Like it or not, retailers are the route to your consumer

Amanda Howe runs Oblique Solutions, specialists in the training and development of Category Management (CM) practice and processes. She has been working in and training CM with global FMCG players – suppliers and retailers – in Europe, Asia, Australia and New Zealand for the last seven years. Amanda draws upon this real world experience to offer insight and stimulate questions about what is still a largely unexplored area in Australia.

By Amanda Howe

Article Precis

In my last series of articles I spoke about how well CM is working and identified the three main approaches to CM in Australia.

In brief, these are:

- The "Catastrophe Theory" approach, ie., waiting for something to happen before becoming more effective category managers
- The "Big Bang" approach, ie., trying to do too much too quickly with CM, and
- The "Strategic Step Approach", ie., understanding your position and taking your next steps one at a time

(For a copy of these see www.obliquesolutions.com.au). These stimulated feedback about how CM deals with real world issues such as Everyday Low Price (EDLP), with some businesses even questioning the point of effective CM in an EDLP environment.

In this series of articles I will demonstrate why, now more than ever before, the need is to be more effective Category Managers.

I started off by posing your questions to Bernie Brookes, Chief General Manager Buying & Marketing for Woolworths Supermarkets, to find out whether he believes more effective CM is required in our market.

Part 1: Effective CM & EDLP – What do Woolworths think?

Part 2: EDLP – the phrase on everyone's lips but what's your strategy?

Part 3: Is your business effective enough?

Part 4: Practically implementing more effective CM.

Part 5: Like it or not, retailers are the route to your consumer.

Part 6: Anticipating tomorrow's consumer today is the path to your future success.

Part 7: Staying at the Top.

Last time I looked at how to ensure knowledge for what to do about tactics such as EDLP – information from your Category Strategy Plan – flows through your business; specifically how to structure your teams, assign roles and responsibilities and set up standard processes and procedures. The key point was that everyone in your business needs to be on the same page and working towards the same category objectives if they are to be achieved; leading by example to show the trade why your business is the Category Leader.

But why bother? The retailers aren't exactly a shining example of effective CM are they?

- Applying EDLP across the board regardless of category suitability
- In-store conditions that certainly do not hold the consumer as King with queues out the door and still no in-store toilet facilities?
- Shelving that daunts rather than inspires with tower blocks of capping obscuring what little light there is while customers fight their way from one narrow aisle to the next.

Getting this right is the basics as far as effective CM is concerned, so if the retailers are so far off the pace, why should suppliers invest their time and energy in effective CM right?

Wrong. Like it or not the bottom line for a supplier is that – at the moment – the retailer is the route to your consumer and if retailers are not

making the difference at the Point of Purchase, then your consumer and your business is losing out. The two choices from here are to sit around and complain about the retailer's approach to CM or take ownership and drive their understanding. The latter option poses three questions:

1. What are the benefits of taking ownership for effective CM?
2. How to do it?
3. Where to next?

The benefits of taking ownership for CM with the retailer are threefold. First and foremost is the fact that not many suppliers within Australia are applying CM effectively, evident in how many suppliers are currently struggling with EDLP. What this means for suppliers who do know what to do about EDLP, who have accepted the fact that they are not going to change the retailer's strategy and are managing their total portfolio accordingly, is that big steps forward over the competition can be made.

The second benefit of taking ownership for effective CM is that typically retailers do not have the specialised resources, and therefore the knowledge, to understand which levers to pull to drive the category forward.

Category knowledge is one of the biggest strengths a supplier has over the retailer, but astonishingly one of the least used. So again those suppliers who use this knowledge effectively will make big steps forward over the competition.

Most importantly however should be your business' desire to lead your competition – before it's too late.

Picture the scene. You're walking into the buyer's office at category review time, armed with a presentation and new lines for the year, and sat across the desk with the buyer is Competitor Number one. How far away is this scenario? Within the UK and US, CM relationships have already evolved with retailers such as Wal-Mart and Tesco, to a level where the supplier – the Category Captain – makes decisions hand in hand with the retail buyer.

The future retail environment within Australia is not known, however global expansion is the word on everyone's lips and although Australia has not been targeted up to now, it cannot be ruled out – especially considering how retailer shareholders are vying for global expansion as the key to fuel future growth. All things considered, competing on a global scale will mean that securing Category Leadership is vital and should be a key target for your business.

As with your own team, becoming more effective at managing the category is to show how and why to make the step change. This means working with the retailer to build the necessary knowledge, tools and processes. The people at the top of the retail ladder may understand where EDLP fits in to their total Category Strategy but does the "implementing team"?

Some buyers are more capable than others, but many are simply doing as they are told – and this is where suppliers can help out. The most effective method of doing this is to train your retailer contacts to the same global FMCG standard that your business has been trained in, (Figure 1.)

It may sound like the impossible, but it isn't and indeed many suppliers already successfully conduct off-site product days or factory tours with their trade partners, why should a Category Strategy Planning session be any different?

Both Coles and Woolworths currently have business plans in operation, the key is to use them more effectively. As Ian Dunn from Woolworths told us, "[The Woolworths business plan] establishes the platform on which to work cooperatively with suppliers by finding areas of mutual benefit, and not be distracted by endless haggling". Mr Dunn admits that full understanding of these plans could be improved and is certainly worth the investment.

Businesses that have embraced these fully with Woolworths have seen category growth by as much as 40 per cent – within already significantly large categories. Mr Dunn says: "This is the single most effective thing over the last two years to move our supplier relationships forward."

Once you have established the platform for the Category Strategy Plan, the next step is to agree on the contents, ie., taking what you know about the category and finding a common ground with your buyer that you can then begin to action together.

This does not mean that you are going to change your buyer's mind on EDLP – because EDLP is not something that your buyer has jurisdiction over – it's about agreeing the basics such as category segmentation, opportunities and putting an end to the "endless haggling" for you, the buyer and other suppliers to the category. This represents phase 3 in the effective CM Development Path. (Figure 2.)

As I said earlier, category knowledge is one of the biggest strengths that a supplier has over a retailer and this needs to be harnessed to take ownership and develop the retailer's view of the category. Remember, Category Leadership status is awarded

on trust, ability and on who can bring the most category knowledge to the party. This status is not about trying to hide the "ugly babies"; it's about winning the 50/50 calls and maximising the over and above through good route to market support.

Besides which, if your business is operationally effective – it will have no ugly babies to hide will it? As much as we'd like it to be otherwise, there are brands other than yours in the category and your approach to these must be from a category perspective. It is not efficient for the retailer to invest time with your business in building a Category Strategy Plan that the Number 2 brand does not agree with.

This will simply reflect badly on your business and will mean that despite all your hard work, you have lost the trust of the retailer. Trust in your business' ability to deliver is what will give you the edge over your competition in the future. In summary therefore, many suppliers do complain about the retailer's approach to CM, and it is true that retailers are not always category focused – but perhaps the truth is that many suppliers aren't either.

The decision you need to take is whether you are going to lead by example, or wait for another supplier to take the initiative as the only loser in this battle is the Point of Purchase (POP), therefore your consumer.

In preparation for the next article I'd like to ask that you picture a scenario where the shelf is as it should be, the range is efficient, the promotional programme is category driving and targeted at consumer demographic segments, in short that today's category is being managed effectively. Where next?

Strategic CM is the next phase for CM that is being adopted around the globe. Represented in Phase 4 of the CM Development Path, I look at how to use CM to integrate more with brand marketing and identify future category opportunities, the business result being brand innovation that delivers in line with future category needs and is welcomed by your trade partners.

"Anticipating tomorrow's consumer today is the path to your future success."

Figure 1: Global FMCG CM Process

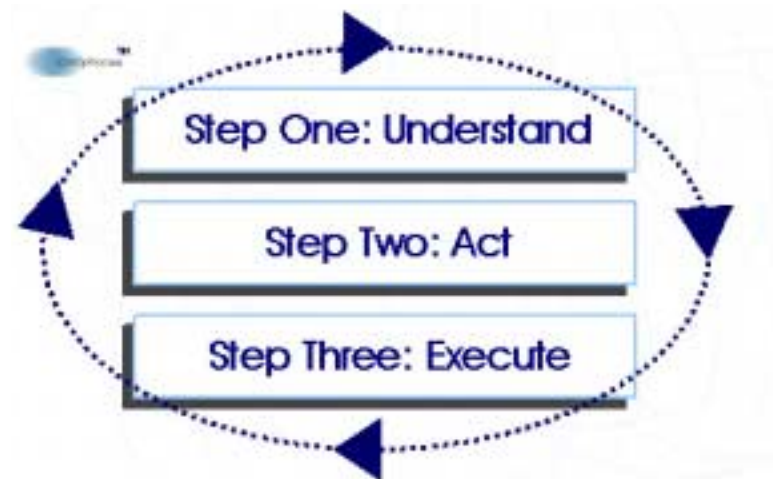
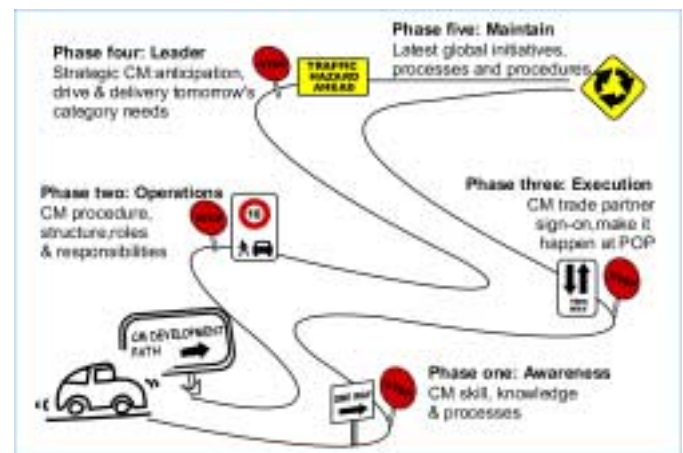


Figure 2: The Category Management Development Path



Contact me with comments at: info@obliquesolutions.com.au and to let us have your views on how retailers approach CM currently and what your business is doing about it. You can also find more information on our website: www.obliquesolutions.com.au