



Category Management **PLAYBOOK**

TABLE OF CONTENTS

→ **The ROLE of
CATEGORY MANAGEMENT**

→ **The FUNDAMENTALS of
CATEGORY MANAGEMENT**

→ **The FUTURE of
CATEGORY MANAGEMENT**

The **ROLE** of **CATEGORY** **MANAGEMENT**

EXTERNAL

**Category
Management
is the trusted
partner for
retailers**

Category Management as an **EXTERNAL ROLE**

- ✓ The Category Management team serves customers as a trusted partner and advisor to build the best category set regardless of own brand
- ✓ The Category Management team is the expert on the category at the retailer, understanding shopper behaviors, competitor shifts and category impacts
- ✓ The primary functions are category reviews, assortment optimization, category and shopper dynamics, and space management.
- ✓ With Non NDA customers, the Category Management team should serve as a copilot with Sales to review and understand the category and provide actionable insights while the Sales Team drives branded growth opportunities

The **ROLE** of **CATEGORY** **MANAGEMENT**

INTERNAL

**Category
Management
drives category
understanding
and impacts for
internal teams**

Category Management should be relied upon as an INTERNAL CONSULTANT for strategy and decision making for Internal teams



Maximize First Party Data Investments – while Category Management teams are the primary users and owners of first party data like Luminate or 8451, internal teams should be leveraging this data. Inform and guide cross functional teams on shopper behavior, channel implications, and category trends to uncover opportunities for growth and efficiency



Innovation Pathways and Pipeline – Category Management's knowledge of category dynamics, shifts in buyer patterns, new entrants, etc. should be a key input into the innovation process



Innovation development should start with the white spaces and unsolved needs of consumers that are often identified through Category Management's data and insights



Category Management should be relied upon to identify key positioning and placement of new product launches



Supply Chain Management – Category Management uniquely understands sell through and can provide early reads on inventory issues and data for supply chain management.

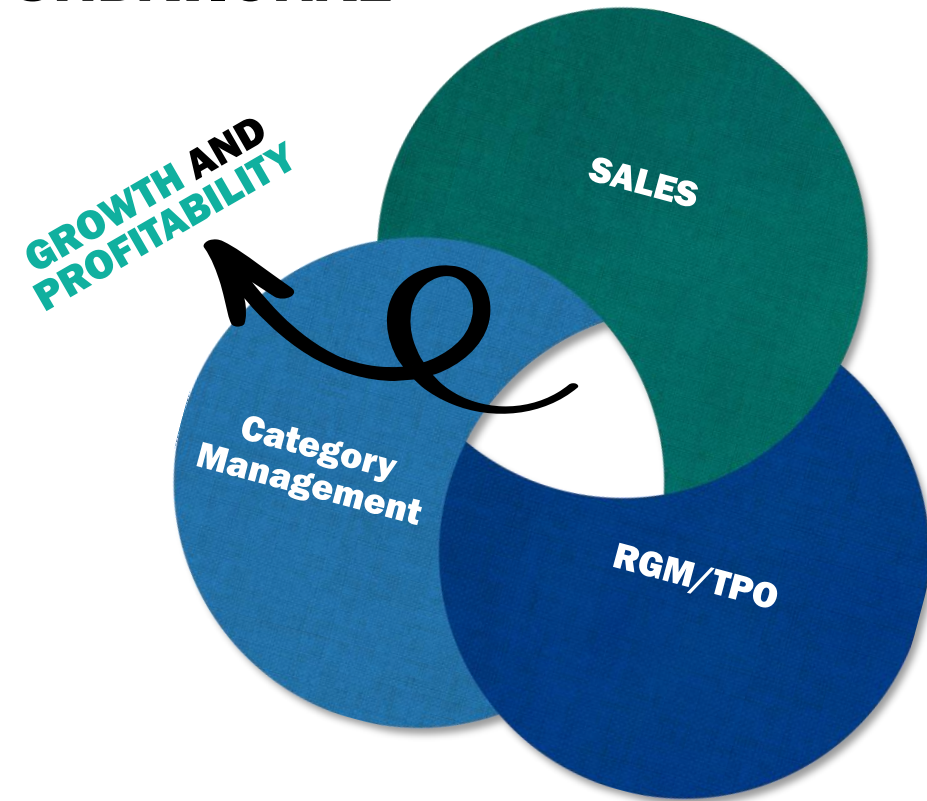


30,000 Foot View – Category Management often has a unique perspective in taking a broader look at the aisle, category and store than Sales, Marketing or Innovation might. These views can guide opportunity development and identify consumer trends earlier than might otherwise be spotted.

SALES, Category Management AND RGM ARE THE FOUNDATIONAL PILLARS OF MODERN CP ORGANIZATIONS

Three critical functions drive the sales and growth engine in most CP organizations. Aligning these teams will strengthen retailer relationships and maximize sales and margin opportunities.

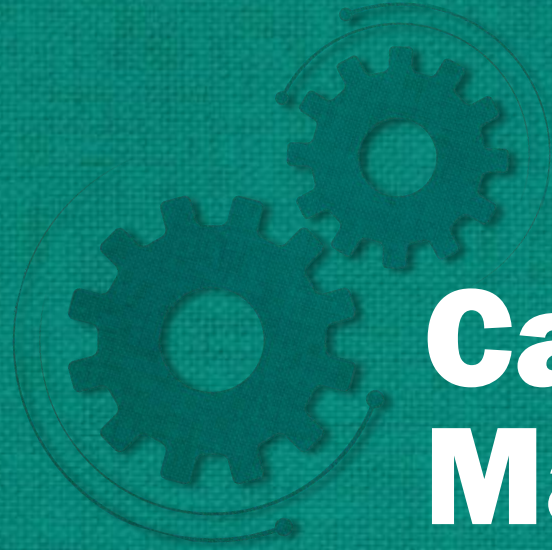
- 1. CATEGORY MANAGEMENT:** Defines and owns the category. Looks at how to make the entire category win, focused on performance, assortment, space management and shopper insights
- 2. REVENUE GROWTH MANAGEMENT:** Owns the price and promotion levers. Puts into place guardrails, and guidelines and reviews price and promotions to achieve a balance of profitability and volume. RGM and Category Management should have a strong relationship to fully optimize all the levers of influence – price, promotion, placement, and product
- 3. SALES:** Owns the selling in of owned brands and items. Sales needs to have a strong category understanding to make the case for their items in the context of the category and with RGM to ensure the right product at the right price on the shelf



CONSIDERATIONS AROUND RGM AND Category Management

The Intersection of 2 Growing Trends in Consumer Products

- Traditionally, Category Management included price and promotion levers, but with the growth of RGM, those have largely shifted. Still, Category teams will have insight on the pricing levers as part of the overall category review so aim for a close connect between the teams.
- Evaluate roles & responsibilities among the three core teams to function seamlessly together
- Ensure close connects between the three teams so that no one is operating in a silo



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**The FUNDAMENTALS of
CATEGORY MANAGEMENT**



70%

More than 70% of the major CP organizations in our benchmark survey use a COE to provide centralization

The COE plays a critical role to drive macro trends, integrate insights, and build standardization and automation for the field teams

Most major CP organizations rely on a COE to provide centralization of key roles, serving as the liaison for the internal organization and back to the field teams

- Collect, translate and deploy **NATIONAL INSIGHTS** to field teams
- Drive efficiency, optimization and analytics of the **POG PROCESS**
- **INTEGRATE OMNI AND SHOPPER INSIGHTS** for field team deployment and to develop true Omni Category Leadership insights and recommendations
- Drive **STANDARDIZATION AND AUTOMATION** of category reviews and key reporting data

CATEGORY and CUSTOMER SEGMENTATION is critical to keep teams focused on the RIGHT CUSTOMERS and RIGHT CATEGORIES

Some considerations around segmenting decisions:

1. CATEGORY SEGMENTATION

For organizations managing multiple categories, prioritization is critical to focus resources. Consider criteria such as size of business, opportunity for growth and brand share

2. CUSTOMER SEGMENTATION

Not all customers warrant Category Management resources. Focus on those that offer the most value today and in future. Establish metrics to guide your segmentation including size of category, retailer market share, data availability, strength of relationship and ability to execute

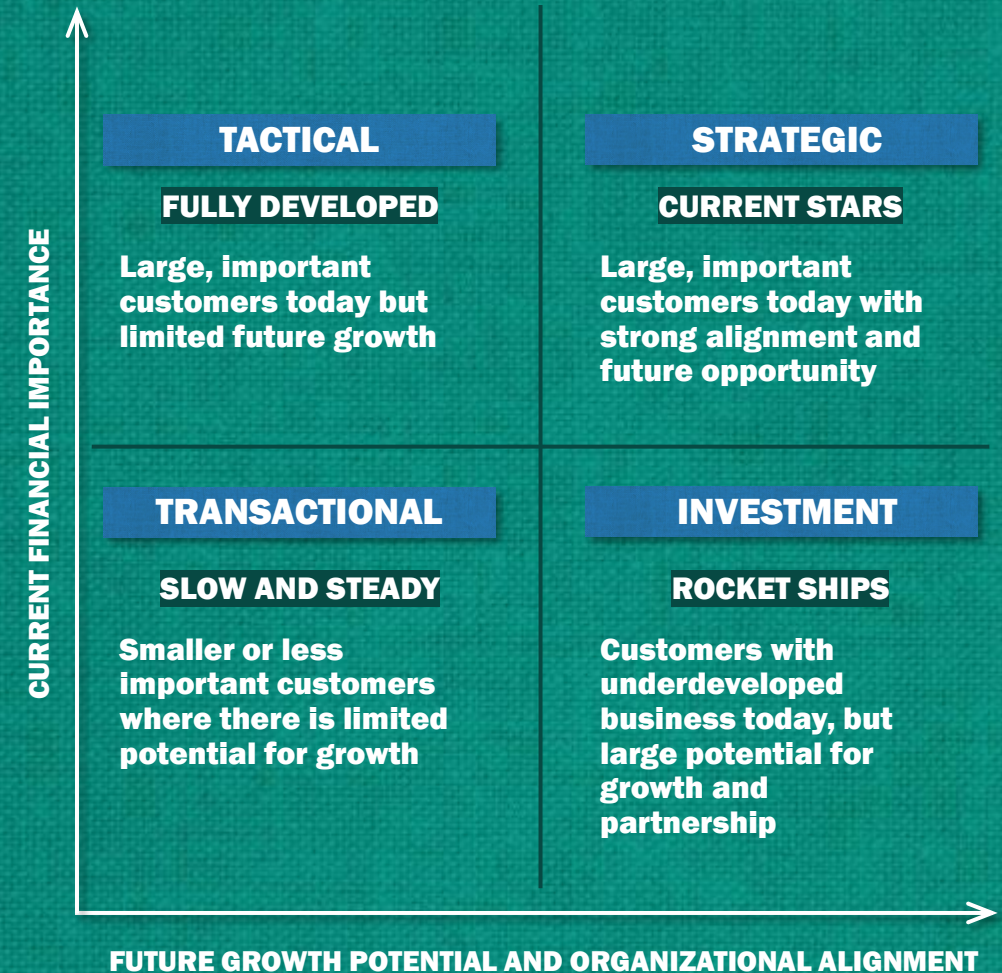
3. DETERMINE THE LEVELS OF SERVICE FOR EACH SEGMENT

Define what levels of service will be provided based on segmentation including dedicated or shared resources, customized research/data, and POG expectations

4. REVIEW THIS SEGMENTATION ON AN ANNUAL BASIS AT MINIMUM

Category and customer priorities change so review this regularly to ensure you continue to maximize value add

SAMPLE CUSTOMER SEGMENTATION



Over 60% of CPGs surveyed are segmenting customers and/or categories with different levels of service

STANDARDIZATION AND STREAMLINING OF REPORTS AND ANALYTICS

- Are your customer teams all starting from scratch for reporting needs vs some standardization or templatization?
- Does everyone have their own templates?
- Are Category Reviews different for each customer and category?

COMMON REFRAINS

"My customer is different."

"My data is different."

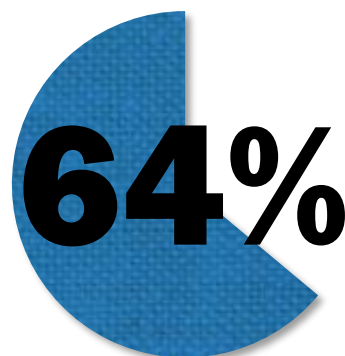
"My retailer's category definitions are different."

Despite differences there are still ways to streamline reporting to allow for:

- More knowledge sharing
- More cross team analysis
- Deeper dive on trends

How to Start...

1. Inventory all reports being used. Who is using it? How often is it done? How long does it take?
2. Prioritize most common reports across all teams – performance, distribution, voids, etc.
3. Start with most common data sources and ones that have or can be integrated into your data lake
4. Look at tools like Power BI to leverage different data sources and integrate AI learnings to summarize and prioritize findings



64% of CPGs in our survey report that category reviews have some elements of standardization or automation

ENABLING SPACE MANAGEMENT CAPABILITIES

**Assortment
optimization, space
management and
space analytics
are table stakes in
Category
Management**

- Category teams own space management and assortment optimization
- Even if you are not a category captain, understanding the fundamentals allows you to influence the category, space allocations and assortment decisions
- Technology is a critical enabler of data and time intensive space management functions

Key Guiding Questions as you consider technology's role in space management functions:

- ? What activities are taking the most time for your team?
- ? What resources can be leveraged for repetitive work to free up your team to do more strategic work?
- ? How do you demonstrate competency to gain captaincy and advisorships with technology as an advantage?

SPACE MANAGEMENT CAPABILITIES TODAY

Planogram and
space management
are frequent topics
of technology
solutions, AI and
automation.

Below are some common areas where we see CPGs looking for time savings and efficiencies. Integration among these areas is key to success.



Best in Class or Most Common POG



Store Level POG



POG Versioning



Inventory Management



Assortment Optimization



Compliance and Proof of Performance



Store clustering

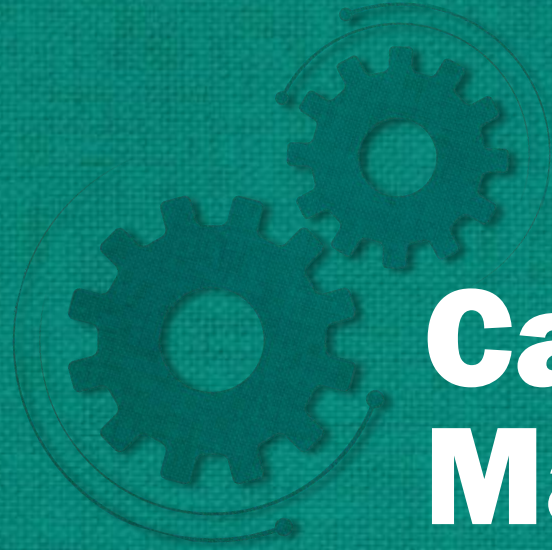
A note on POG AUTOMATION:



True POG automation, meaning “no touch,” is still just out of reach. Tools today can streamline and automate portions of the process but still require human intervention. Ensure you have a clear understanding of what the technology will be able to do for you.

70%+

More than 70% of CPGs surveyed are using some form of technology to streamline or automate parts of the POG process



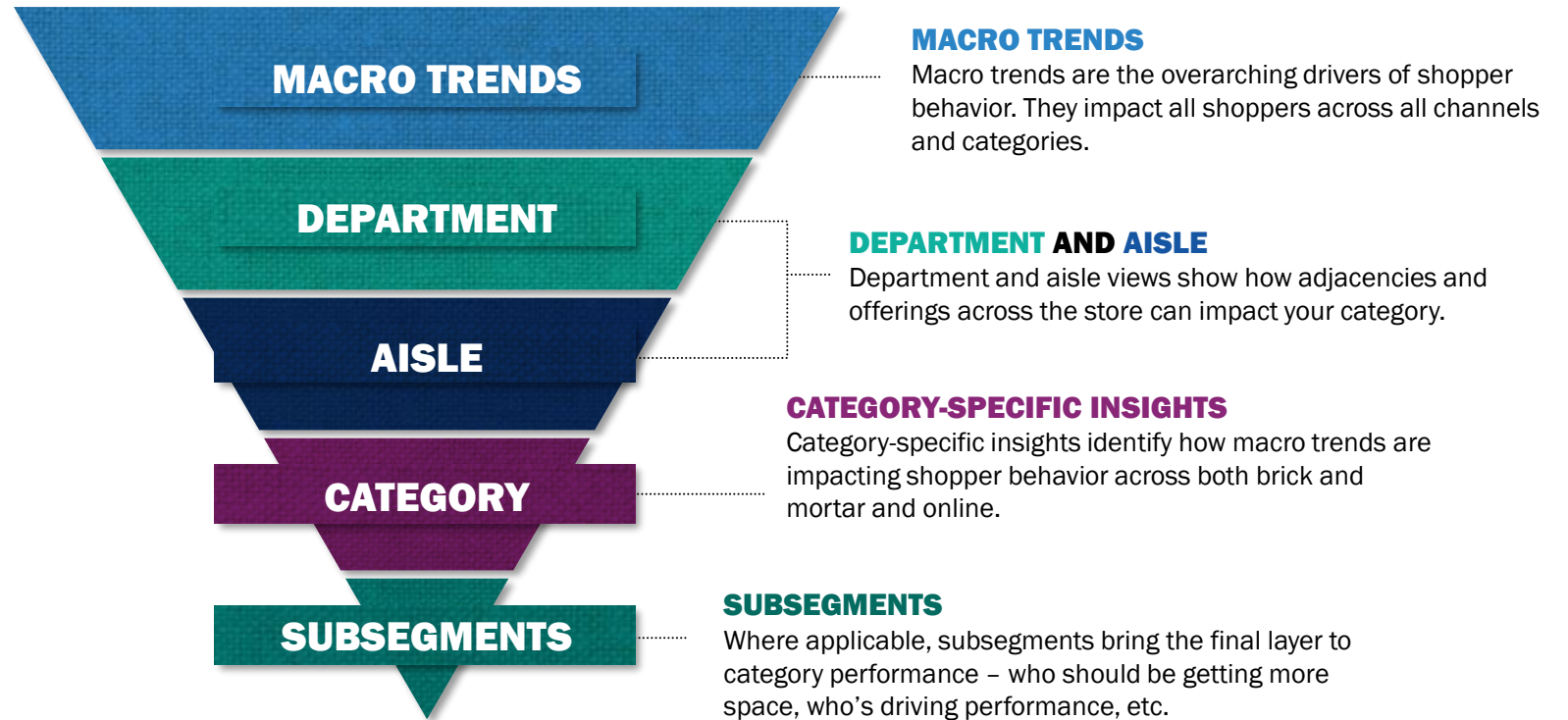
Category Management **PLAYBOOK**



**The FUTURE of
CATEGORY MANAGEMENT**

THE NATIONAL CATEGORY STORY IS THE FOUNDATION FOR THE ORGANIZATION TO BUILD THEIR CUSTOMER LEVEL CATEGORY REVIEWS

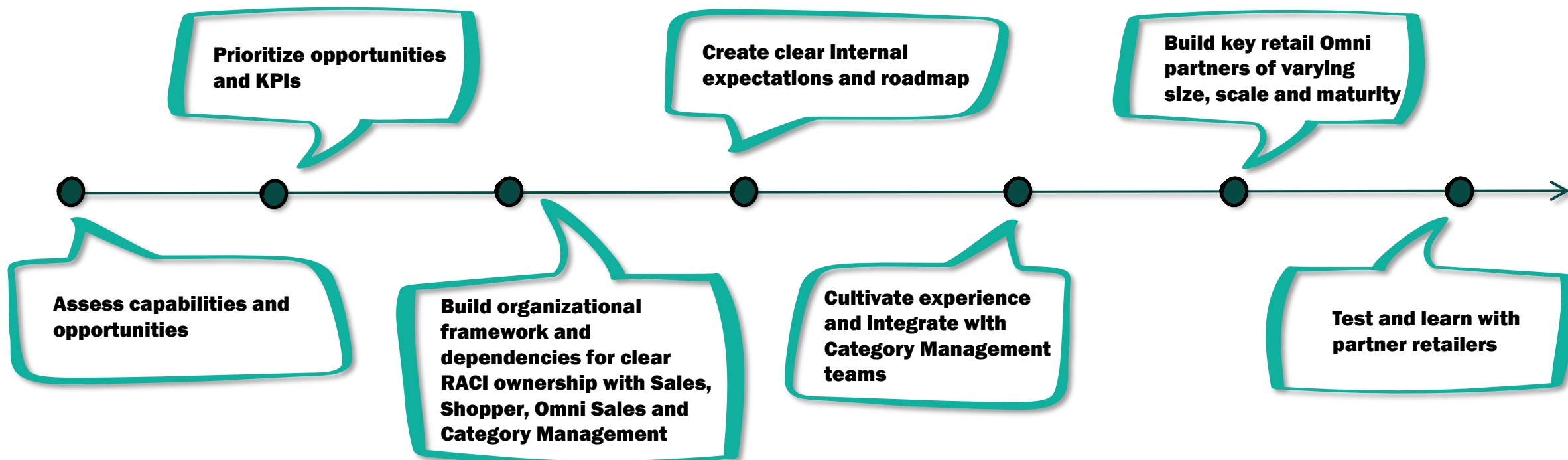
National Macro trend learnings are applied both internally with senior leadership and externally with retailer partners for account planning and category reviews



benefits of a NATIONAL CATEGORY STORY

- **ONE VOICE TO CUSTOMERS** – Consistent language, presentation template and story – If you have one category or 20, the style and insights are presented as one for your organization across all customers
- **DATA CONSISTENCY** – Sales and Category teams are working from the same source of data minimizing risk of differing findings or trends
- **NATIONAL CATEGORY STORIES SERVE AS A COLLABORATION TOOL FOR BRAND TEAMS** – Innovation needs, Marketing messaging, Sales goals, etc.

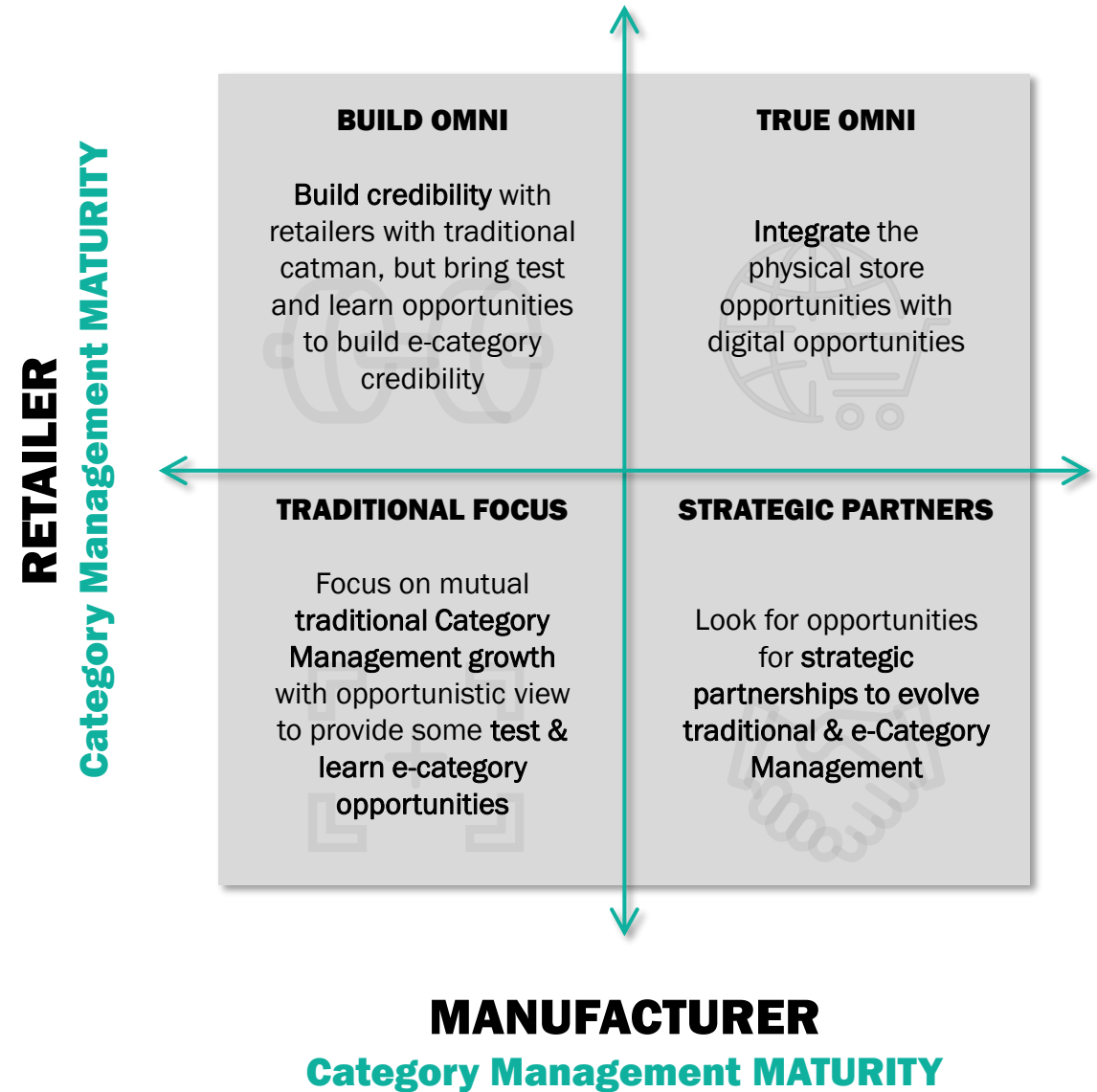
THE JOURNEY TO OMNI Category Management MATURITY REQUIRES INTERNAL ORGANIZATION, CLEAR OWNERSHIP, AND PRIORITIZATION OF CUSTOMER OPPORTUNITIES.



14%

Only 14% of CPGs surveyed have an Omni eCommerce function sitting within Category Management, revealing the gap and opportunity

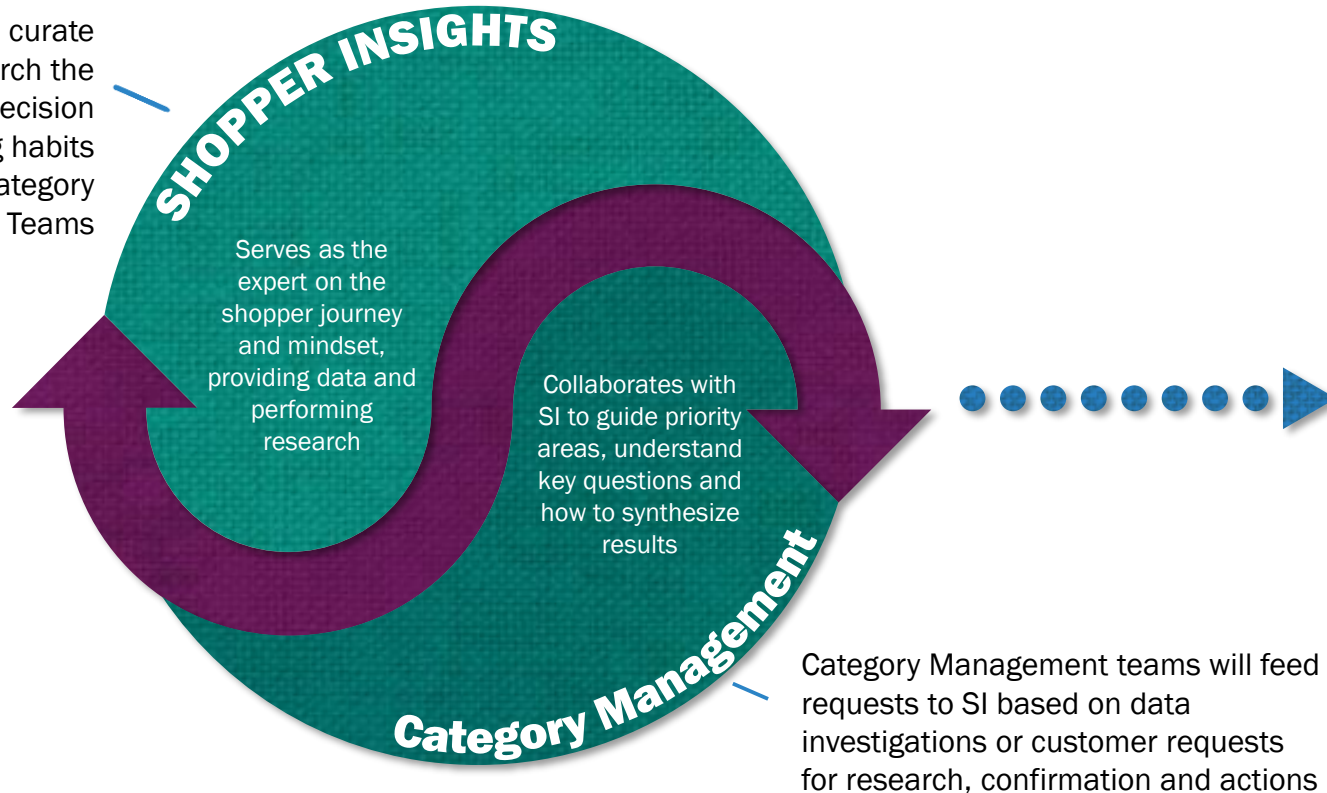
**BUILDING E-Category
Management
CAPABILITIES NEEDS
TO BE DONE
STRATEGICALLY BASED
ON WHERE YOUR
CUSTOMERS ARE
PLAYING AND
POSITIONED, AS WELL
AS YOUR MATURITY**



SHOPPER INSIGHTS (SI) PLAYS AN INTEGRAL ROLE IN CATEGORY MANAGEMENT

- Most major CP organizations have shopper insights function sitting either outside Category Management as a close collaborator or within their COE
- According to the CMA-SIMA Annual Survey, more suppliers have separated the functions of Category Management and SI into separate teams that work together for key retailers with larger companies more likely to make this switch
- Advanced CP organizations also have SI team member embedded into key customers like Walmart to further integrate and collaborate
- The result of integrated SI functions in Category Management is maximizing research investments, learnings, data and resources across teams and better leveraging dynamic shopper rich data like Luminate or 8451 across the organization

Shopper Insights will curate information and research the shopper journey, decision making and buying habits sharing back to Category Management Teams



KEY CUSTOMERS

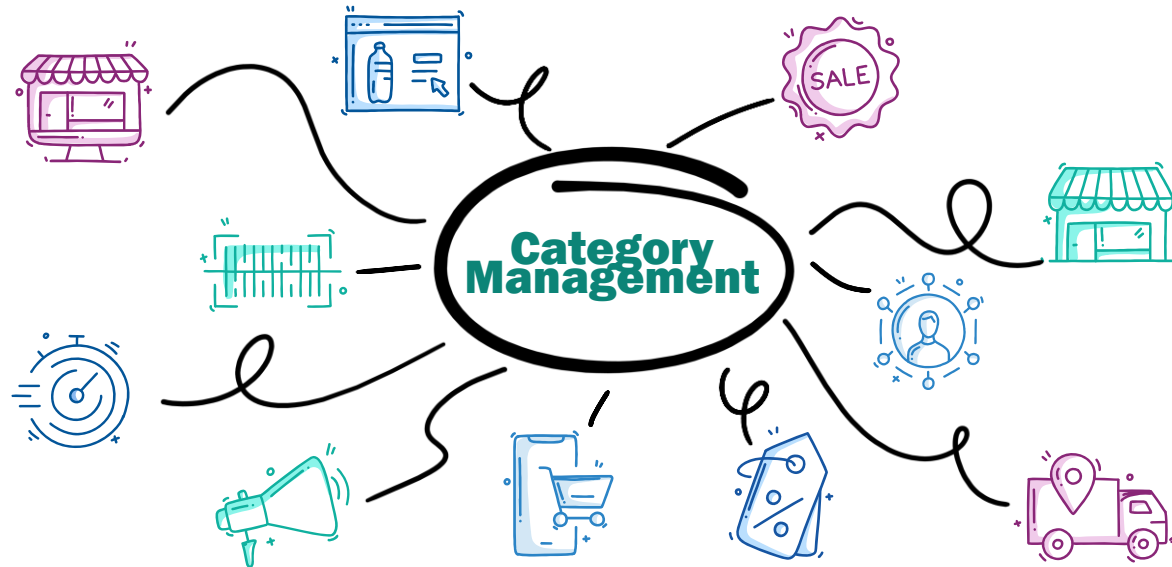
Serves as the expert on the shopper journey and mindset, providing data and performing research

Category Management teams will feed requests to SI based on data investigations or customer requests for research, confirmation and actions

BRINGING IT ALL TOGETHER

**Category
Management Teams
should be leading
your organization
into the future with
data, insights,
trends and
technology**

- Category Management is where it all comes together – **the central point and clearinghouse** to ensure your brands are positioned the right way in the **category, channel, and market for success**.
- Without a strong Category Management team you risk being too focused on your brand, losing sight of your role in the market and missing out on innovation opportunities.
- Ensure you have the **right organizational structure** in place to support the organization and that the critical teams are well connected in formal ways to **strengthen relationships, trust and knowledge sharing**
- Make sure you have a **continuous training and improvement model** in place to keep Category Management teams on top of trends, technology, solutions and relationships
- View Category Management as the **critical link to the customer and to your internal organization**





ABOUT CLARKSTON CONSULTING

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At Clarkston, your purpose is our purpose.

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