

Igniting Collaborative Category Management in SA's retail sector



Article 2

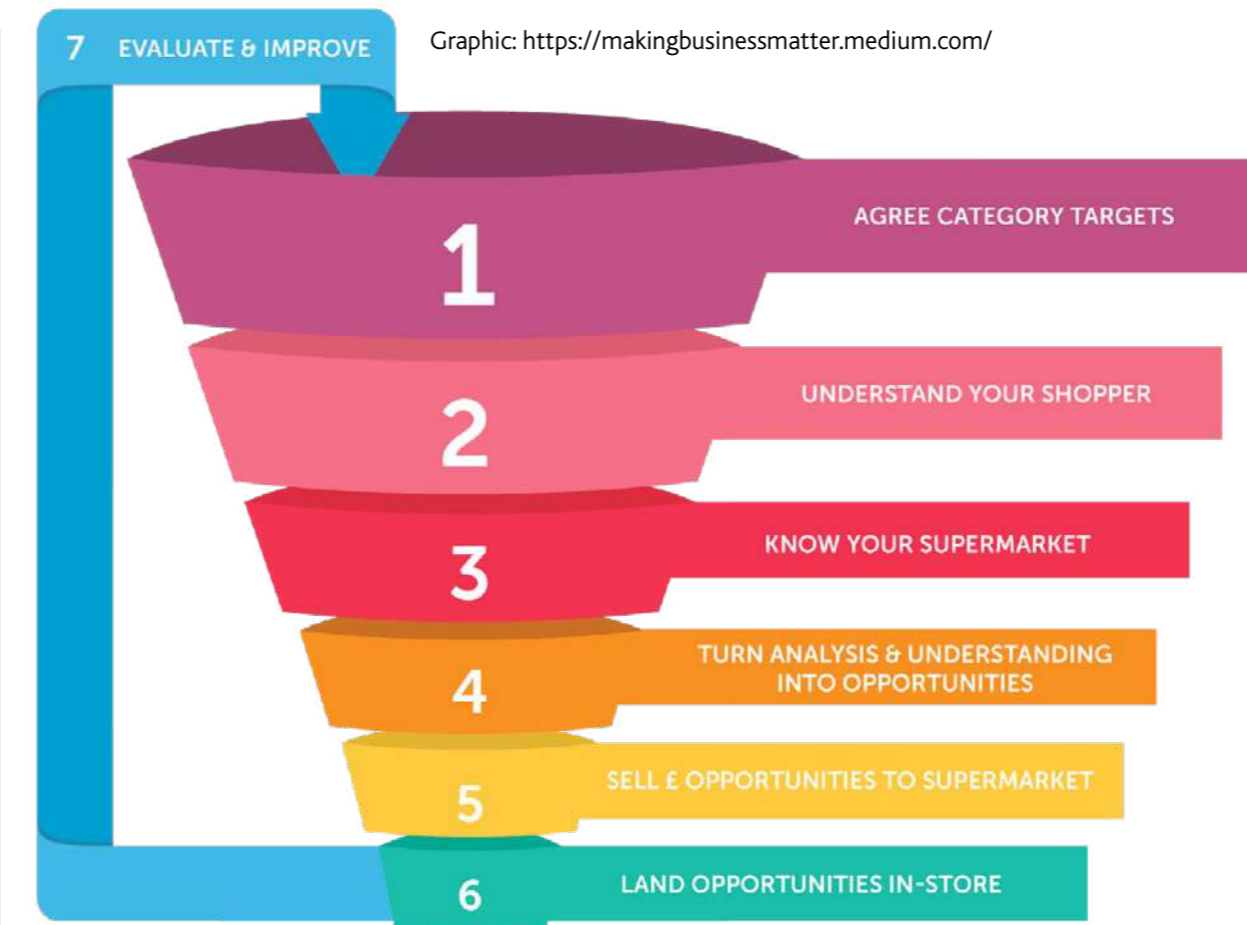
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Category Management.

My previous article in issue 10 of *Supermarket & Retailer* revealed the barriers to the uptake of Collaborative Category Management (CM). I will now outline how these criticisms can be addressed to unveil a gem of a system capable of delivering significant benefits to retailers including lower inventory, enhanced sales, and greater shopper satisfaction.

Open Communication.

Open communication is important both in initiating and sustaining successful category management collaboration. From the outset it enables suppliers and retailers to align their objectives, identify opportunities plus gaps, decide on resource allocation, and agree on key performance indicators.

This forthright approach reduces risk and sets the stage for effective action. As the collaboration continues, open communication is crucial to success through regular evaluation against metrics and timely adjustments to strategy, where necessary. This provides a platform for



The 73% Funnel

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Caption: www.blackflowercontentwriting.services

resolving conflict and adapting to changing market conditions. Moreover, it keeps all stakeholders engaged and accountable, whilst also fostering a sense of trust – important for long-term partnership success. In essence, open communication serves as the lynchpin for initiating and maintaining collaborative efforts, ensuring alignment, adaptability, and mutual trust throughout the relationship.

Complexity? Technology to the rescue.

The application of technology to tackle perceived complexity or time consumption issues, is one of the best ways to address this. Specialised software can automate various aspects of the process, from data gathering to strategy implementation. Utilising advanced assortment, space planning and data analytics tools not only makes the process quicker but also more accurate. The seamless



integration of these solutions with Enterprise Resource Planning (ERP) systems, along with the synchronisation of diverse data sets, leads to enhanced productivity, streamlined tasks, and data-rich feeds which in turn support collaborative decision making and execution efforts.

These solutions make complicated tasks and data analysis easier. This simplifies collaborative interactions between retailers and suppliers, particularly in the areas of data sharing, co-discovery of new opportunities, and measurement of the effectiveness of mutually agreed-upon tactics.



Image: <https://boardroompro.net/>

Conflict of interest between retailers and suppliers.

Development of well-defined governance structures is essential to avoid this. The creation of equally representative joint committees accountable for the success of the collaboration and empowered to make binding decisions is a successful strategy. Additionally, clearly defined project charters that outline the roles, responsibilities, and expectations of each party can act as a framework for managing potential conflict.

Image courtesy of <https://merval.fr/>



Remaining focused on the shared primary objective serves as a cohesive force within a team. When everyone is aligned on a central goal, which is – meeting shopper needs while promoting category growth, it creates a common purpose that can help minimise conflicts stemming from differing priorities or objectives.

Periodic Reviews and Adjustments.

Implementing a system of regular reviews of collaborative efforts can help in making real-time adjustments. This is particularly important to ensure that both parties remain aligned in their objectives and that the strategies employed are yielding the expected outcomes. If the metrics indicate customer satisfaction is waning or ROI is not meeting expectations, timely adjustments can be made.

It is for this reason that clear performance metrics/ key indicators should be decided upon in advance. This provides a quantifiable basis for assessing the efficacy of the collaboration and offers a roadmap for necessary strategic change.

Below are examples of how this can be applied in Collaborative CM:

- **Customer satisfaction:** Measure customer satisfaction through post-purchase surveys. If the score starts to dip, this is a signal to review the product range or merchandising strategies.
- **Inventory turnover rate:** Track how quickly products are sold and replenished. A slow turnover might indicate overstocking or misalignment in product offerings, necessitating a change in inventory strategy.
- **Gross margin return on investment (GMROI):** This reveals how much profit is made for each Rand invested in inventory. A low GMROI may indicate inefficiency in product mix or space allocation, requiring a reassessment of underlying strategies.
- **Gross margin per square meterage:** This can show how effectively the retail space is being

used. If the return per linear space is increasing, it indicates that the product assortment and placement strategies are effective in driving sales and, by extension, category growth.

- **Category growth rate:** Compare the growth rate of your category against other categories in the same sector, against a control group of similar stores where the strategies haven't been implemented, or against market averages. If your category is underperforming, it may indicate a need to pivot or refine.
- **Collaborative CM** drives competitive advantage.

Retailers and suppliers who adopt Collaborative CM are often better positioned to adapt to market changes quickly, giving them a first-mover advantage. In a world where prices and shopper expectations are rising virtually exponentially, improved shopping experiences are shown to lead to enhanced loyalty. This makes it difficult for competitors to lure customers away.

Effective collaboration enhances the ability to identify opportunities plus gaps, engage in joint research initiatives, execute trial implementations, and optimally allocate shared resources towards a common goal. This in turn yields edge over the competition still operating in silos. Moreover, shared insights derived from pooled data can offer a significant advantage over competitors who lack this ability. This enables more targeted and effective strategies.

In terms of driving home brand strength in the market, effective collaboration can amplify

Image courtesy of <https://procureconasia.wbresearch.com/>



marketing and branding initiatives. This establishes both the retailer and the supplier as market leaders in their respective categories.

In conclusion, retailers and suppliers adopting a Collaborative CM approach can turn the

collaboration into a strategic asset. This is achieved because both parties become more invested in each other's success, thereby making it harder for competitors to disrupt this powerful coalition. **SR**



The concept of Category Management or Category Planning originated in the late 1980s. It followed the research of Brian F. Harris, a former professor at the University of Southern California. It delivered a big change in the way retailers and suppliers worked. Instead of competing with each other, it encouraged suppliers to work together with a focus on the consumer when making retail decisions.

For the first time, the range of products offered for sale by a retailer was grouped together with similar or related products based upon the consumer need that they met. These 'product categories' were then managed as a strategic business unit (SBU), and no longer as stand-alone products or brands.

According to Harris, the reasoning behind Category Management is the following ...

- Force consumer focus when making retail decisions.
- Develop a strategy for differentiation and competition.
- Provide a model for collaboration.
- Promote information sharing to help better decision-making.
- Provide greater strategic logic when making tactical decisions.
- Clarify decisions about asset and resource allocation.
- Help further clarify employee responsibilities.

This process allows for better management of the relationship between customers, retailers and suppliers. Ultimately, all three parties moved towards a win-win-win situation. <https://makingbusinessmatter.medium.com/category-management>