

The Grocer

Decade of Disservice

Disillusion over the application of category management runs deep and it's time to find a new approach, say Jonathan Smith and Julie Craig.

It is about 10 years since category management first started to be actively pushed in the UK. At its most basic, the concept is impossible to argue with. The idea that suppliers and retailers should work together to develop category profits by better understanding and serving the shopper is pure commonsense.

If operated in a focused, practical, and flexible way, category management has great potential to improve profits. And yet 10 years on, progress is disappointing.

Millions of words have been spoken, hundreds of conference presentations given, and forests of paper printed on the subject. And yet many manufacturers have still to be convinced that category management can work for anyone but the biggest suppliers.

Only a minority understand the process and how to go about it.

Of the top 2,000 significant suppliers to the UK grocery trade, it would be hard to identify more than a couple of hundred that have grasped category management and achieved results. This leaves 90% of the industry disengaged from the process.

While some suppliers have achieved good results from category management, the experiences of many who have set off down the path have been disappointing and many are left wondering why little has been achieved for their bottom line. So how did this sorry state of affairs arise?

One reason for the disappointment has been the growth of a "category management industry" which has done a great disservice to the idea.

This "industry" comprises a number of management consultancies, conference-organising companies, business journals, and bodies such as the IGD and ECR Europe/UK.

Each has inadvertently contributed to the problems that have limited the spread of category management.

From the start, jargon-ridden language, impenetrable to hard-pressed managers wanting to improve the bottom line, was used in explaining category management. Too much emphasis was put on rigid processes and far too little on answering the fundamental questions such as "how does this make us more money?" and "how do we get started?"

Management consultancies put too much emphasis on detailed process, complexity and jargon. Their aim, presumably, was to try to 'own' a version of category management to differentiate themselves from other consultants. Flow charts, templates, and process diagrams were continuously churned out and numbers were endlessly crunched. It is still going on today.

Conference seats have been sold to managers eager to discover the latest wisdom on category management, but these conferences only hindered the cause

and did much to ensure that category management is seen as a big-boys- only game.

Conference agendas packed with speakers from the likes of Bird's Eye Walls, Procter & Gamble and Walkers do nothing to encourage the average food supplier to believe the company can tackle category management. The big boys inevitably describe a form which involves many people, masses of data, and levels of cost which are out of reach of a big majority of suppliers.

Trade journals have carried many articles by consultants and big-company players that have added to the overall impression of category management as inaccessible, jargon-ridden, and for the blue-chips only.

Bodies such as the IGD and ECR Europe/UK have done valuable work in shaping the theory and spreading best practice among the biggest players. But they have done little to make it clear how category management can be used successfully by the majority of companies.

The sensible fundamentals of category management and the fact that there are workable approaches for suppliers of all sizes have been lost.

More should be said about the practicalities, and greater emphasis placed on implementation at the supplier level. Just how do suppliers go about getting started? How do you get buy-in from the many people needed for success? What are the tactics for ongoing success? And just how does the analysis of data turn into action and improved profits? Few managers move easily from filling in templates of data to taking action. That's not how most people naturally work.

Implementation of plans at store level has often been patchy and brought disappointing results. There must be an emphasis on follow-through to store level and ways of getting store staff to make things happen. How to review,

modify and update category management work has also been an area of neglect. Complex, bulky processes are a deterrent to keeping the process going.

The major multiples have sometimes failed to make the most of its potential. They must address the need for clear and consistent communication to suppliers on what is expected of them. Smaller suppliers, in particular, have not been kept properly informed about the process, and the absence of information has led to suspicion and concern. Retailers also miss out on the specialised knowledge and capabilities of smaller suppliers if they fail to involve them effectively. Smaller suppliers will often have greater expertise in a sub-category or sector than the larger companies which are typically given the role of overall “category captain”. Furthermore, smaller suppliers are often much quicker to act and more focused in their innovation efforts. Retailers fail to tap these rich veins at their peril.

In some cases, excessively complex and burdensome methods have been employed by retailers. The highly structured, data-intensive approach adopted by Sainsbury’s has been found by many suppliers to be cumbersome. The emphasis appears to be on data analysis at the expense of rapid action. According to one senior sales manager, the experience has been “more than a tad disappointing. It took a lot of effort and investment from suppliers and nothing came back in return”.

The process at Safeway was also seen as slow and, according to one commercial director, “bogged down in dogma”.

The power of the big suppliers to push their cause at a senior level within a retailer can lead smaller suppliers to suspect that pursuing category management may be a lost cause. Category management, of course, means a major change to how retailers and buyers work together and many retailer staff remain unenthusiastic, if not hostile. To the more traditional buyer, category management means moving to an uncomfortable style of working and a dilution of their power to make decisions based purely on their judgement. The relatively low time-in-job of many buyers can lead to a feeling of dependency on data and suppliers, rather than judgement based on experience.

Negative perceptions about category management have

built up over time among suppliers. Many have wrongly concluded that if they are not designated “category captain” by the retailer, then they have no role in category management. The reality is that all suppliers have a role to play in developing the category. The challenge is to work out how best to contribute to that development.

Category management has been seen by many as a death threat to smaller suppliers. While it is true that a number of smaller suppliers have suffered, many small suppliers have thrived in a category management environment. The threat is really to those suppliers who have nothing special to offer to their category.

Some believe that category management applies only to branded suppliers. This is, quite simply, wrong and probably derives from the fact that it is branded suppliers which have been seen to be involved in category management and that many own label suppliers do not have the skills and resources to undertake large-scale category management work.

It’s hardly surprising, then, that the track record of category management over its first decade in the UK has been poor.

A significant number of suppliers, large and small, have achieved positive results. However, many others have been switched off. If the second decade is to be more successful, category management will need to get more practical, be stripped of harmful jargon and complexity, and start being practised by a wider range of suppliers. It can be done. Will the ‘category management industry’ help it to happen?