



In this world fresh thinking is needed

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Growing Categories and Changing Shopper Behaviour

Author: Christine Edwards CEO - Big River Solutions



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“Clients know their ROI increases when the changing behaviours of shoppers, the evolving demands of channels/customers and the emerging needs of consumers are met”

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Introduction

With the world becoming more 'instantly accessible' finding new products and experiences could not be easier. However today, CPG customers, retailers and shoppers have never been more disconnected and keeping ahead has never been more complicated.

Now, shoppers expect continuous deflation, customers seek promotional uplift and footfall, and brands want profitable sales. As more discounters and disruptors enter our markets, unprecedented change continues.

So how should companies respond?

By using existing tools and practices optimally and by implementing new technologies, practices and processes, companies can meet the changing behaviours of shoppers, the evolving demands of channels/customers and the emerging needs of consumers.





When was the last time you challenged the obvious?

Let's take data.... How do we know that what we have is a true representation of the segment, the position or the market? Data dependency in some retail organisations is at a dangerous level. Like any drug, it can be classified as substance abuse!

There is a growing belief within category development that relying on data is for the risk adverse. Why? Because data only determines what has happened in the past. It's history. To quote Henry Ford, "If you continue doing what you have always done, you'll always get, what you always got."

Data dependency isn't progressive. It only allows business to steal market share, which is not very cost efficient and doesn't grow the brand conversation. However 'growing the pie' is the alternative. Taking data, mixing it with gut feel and intuition and a future perspective. This is category development and this is where we believe the future lies.

The USA

I was speaking to someone recently about Big Rivers intentions to expand into the USA. I was asked, "Why would you want to do that, surely you can't teach the Americans anything about retailing?" Now, I recognised that this statement was not directed at the capability of Big River Solutions, but that it was a more general comment relating to the perception that the Americans are great retailers and that we in the UK are only a nation of shopkeepers, so what could we possibly hope to offer them?

I found myself explaining that the UK retailing industry is one of the most sophisticated and progressive. Plentiful data, combined with our highly integrated supply chain infrastructure and the unusually competitive market place, puts the UK at the forefront of retail innovation. A loud boast I know, but one that in this instance, is true.

The irony is that category management was defined in the USA. Dr. Brian Harris practically invented category management single handily. He utilised his love of data and his experience in developing the 'Apollo Management System' (software that could calculate the optimal level of space for products on a store shelf per category of product), to develop the eight steps of category management in 1990.



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The methodology was written to allow the supermarkets and FMCG manufacturers to collaborate and to ensure a cohesive growth plan was created for all. The problem today is that this proven methodology has not evolved to meet new market demands. And we prove this time and time again in workshops, when we play ‘the teeth cleaning’ game.

Oral Health

Aimed at the category team within the client business, these workshops form part of a training programme that addresses process, procedure and people development skills within the category development discipline. The workshop element is designed to build understanding and skills. In one of the breakout sessions, we ask the following question: What products are part of the Oral Health category?

Chances are your list would include toothpaste, flosses, mouthwashes, denture hygiene, electric devices and toothbrushes. But, what of the humble apple? Arguably, that’s a teeth-cleaning product too.

We play this game as part of step one of the category management eight-step process. Data alone would not have identified the apple, that’s experience. Without identifying the role that an apple has to

play and then discounting it because of practical and pragmatic reasons, step 2 – 8 would be flawed.

Summary

Computers and data are essentially merely tools. Throw in creativity, a thirst for knowledge and exploration into the mix and category development is formed – a blend of gut and data.

Note: Background Information: Dr. Brian F. Harris

In the late 1980s, Harris originated the concept of category management. The concept has evolved over time, however the most commonly used category management model was developed into an eight-step procedure by Harris in 1997 and is called the ‘Brian Harris Model’. The basis of category management, according to Harris models, is to: force consumer focus during retail decisions; create strategy for differentiation and competition; provide a model for collaboration; promote information sharing for the sake of better decision-making; provide strategic logic when developing tactical decisions; clarify decisions when it comes to asset allocation; and clarify employee responsibilities. Source: Wikipedia



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Rebalancing Resource™ Matrix

Category Development - Strategic

A forward looking view of the category tomorrow, based on an understanding of the trends that will affect it – lifestyle, shopper, food, environment, consumer etc. A way to ensure that a category is on the 'front foot', able to address the trends and maximise opportunity.

Category Management - Tactical

A historical review of what has happened to inform range selection and fixture led activation.



Shopper Marketing - Strategic

Activation focused with a key business issue at the heart of it. An understanding of who we are trying to influence and what we are trying to achieve (what behaviour we are trying to change), customised for a specific customer.

Shopper Marketing - Tactical

Short term promotional activity designed to deliver volume and trading requirements

This image identifies the four key activity areas for a business. Areas that we believe any business needs to be active in, in order to be successful, reduce risk and grow.



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Today's activities

Activities are currently all focused in the “red box”. Our contention is that for long-term growth and business health, focus needs to be shared across all four quadrants. All 4 boxes have an equally important role. How an organisation spreads its resources depends on its situation, however it is key that a business finds the right balancing point.

We need to move resources from the red box, increasing our strategic focus and prioritising category growth plans.

Businesses thrive when both category management and shopper marketing are working well – category management driving an impartial category agenda and shopper marketing a brand led process. Both need to deliver on a strategic and tactical basis, with long-term shopper behaviour change at the heart of the strategic role and more short term wins at the tactical end. Let us not forget that an overarching category vision identifies category-enhancing activity for both category and shopper by delivering more homogenous solutions with increased ROI. So let us review each of the boxes in turn.



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Category Development, the blue box

“If you always do what you’ve always done, you’ll always get what you’ve always got” - Henry Ford.

This is a quote I love as it highlights the output from category management.

To quote our website – “Whilst others settle for Category Management, at Big River Solutions we drive for Category Development.”

Our belief is that category development delivers more, and has a greater effect than just taking the purely historical view produced by category management. We acknowledge that a review of the past has a part to play in creating a level of retrospective understanding. However, predicting and anticipating the trends that are ensures that your category retains its relevance. Aligning expectation to market conditions, which are shaped by the customer, shopper, consumer and the environment, allows clients to identify new opportunities, including NPD, brand extension opportunities, and shopper marketing.

The problem with this is that it requires a business to take a long-term view and for all departments to be signed up to it, it is not

only the responsibility of the category team. It can also take a long time to gain some of the benefits (though technology and appropriate processes can speed this up), and this can be seen as a deterrent.

The cost of data or research, and an organisations capability at mining it to provide real insights, can challenge some companies, but this shouldn’t be a barrier, you don’t have to buy all the data that is available, you can undertake category development, whoever you are. It is not just for the big companies, smaller companies can play a valuable role too.

At the same time shopper marketing has become a focus area for businesses, understandably trying to maximise the returns from shopper activation, but this too has been put under pressure as the need to see volume today has led to less ‘shopper behaviour changing activity’ and more ‘selling lots of volume activity’.

Recruiting good quality category managers is hard, you only have to look at how many jobs there are on LinkedIn and speaking to recruiters, there is just not enough talent in this area, as employees have succumbed to applying for ‘sexy’ shopper marketing roles, rather than category manager roles.



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In these times of disruption and change in the marketplace, it is easy to become short termist, but this only causes problems later on, when we have no plans that deliver growth or deliver against evolving shopper and consumer needs. Lack of development of channel or customer plans lead to missed opportunities and concentration of dependency on specific customers.

As we say on our website predicting and anticipating trends from three points of view is required, and having elevated insights and plans that deliver in the sweet spot at the centre is what delivers significant business and brand growth – that's Category Development.





Category Management, the yellow box

In February I did my usual monthly store checks. I avoided doing them in December as the stores would be full of Christmas stuff and going around stores in January, they were still full of Christmas items. I thought that in late February they would be back to 'normal'.

I visited the big 4, plus discounters and Waitrose, and was astounded by what I saw: empty shelves everywhere, poor quality srp, no logical layouts (in many instances) and little or no effective signage and sku's that should be adjacent, at opposite ends of the fixture or even opposite each other.

This begs the question – are we engaged in category management, which is designed to deliver efficient layout and range in store? From what I saw, I would challenge maybe not.

Category management has been evolving since its inception, with the longwinded 8-step approach becoming less manageable for many suppliers. The change in shoppers, the addition of the channel disruptors, technology advances and lifestyle changes have meant that traditional shopping occasions have changed, but the basics of CatMan are still needed. Delivering against shopper needs of ease of shop, clarity of fixture and simple directional signage, delivers enhanced sales and at least delivers against shopper's most basic needs.

When shoppers have less time than ever to shop, online is a viable alternative, and loyalty for retailers is reducing, retailers need to make it as easy as possible for shoppers to complete this task and even make it pleasurable, a task which is not onerous, but requiring some thought.

And lack of data is not a problem; in fact we are now drowning in data, in so many forms. Yet it seems as though this increase in data does not lead to an increase in insights that are being reflected in store. I have had many conversations over the last few weeks about a general difficulty in changing data into actionable insights. As a result of this, we have just created a training module to help develop skills for a client. Also remember technology can be an enabler, helping develop insights, faster.

In addition let's create a specific approach for online. With more shoppers (who are younger, with higher income), buying their main shop online, it is not acceptable to just do what we do in store, online. We need a specific solution. How do we help our customers thrive online and create growth strategies and tactics to deliver in this vastly different environment?

So let's get back to basics. Dust off the shopper research you commissioned, create some action plans from this, engage with customers and deliver in store or online (which is in itself, an article for another day...). Let's reflect shoppers' needs on fixture: simplify our offering, optimise range, lay it out correctly and promote in the right way. By doing so we will convert more shoppers into buyers.



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Don't think that this is the only preserve of the big suppliers. All manufacturers have a role to play, with smaller suppliers potentially having a key role in niche or growing segments.

When c.70% of decisions are still made in store, this is where shoppers' needs are fulfilled. Let us not forget to do this most basic work, well.





Shopper Marketing – Tactical, the red box

Now let's turn our focus to the red box, which is all about what is happening 'now'. Since we first published our 'Rebalancing Resources Matrix' in August last year, it would appear that the emphasis is starting to shift away from the red box, which we believe will only be beneficial.

Below we have identified the key characteristics of those who operate in the red box, namely:

- A short term focus on promotions to drive volume (definitely not value) to defend against the disruptors
- Category initiatives losing out to shopper marketing
- Value enhancing, long term shopper marketing initiatives converted into short term promotions
- Conversion of promotions into value eroding price reductions.

Our belief is that this is an unsustainable approach to the current market conditions.

In a recent Kantar report * (which supports our findings first published in August 2016), over a third of all spend is now on items on offer and this has grown since 2007.

We need to accept that the consumer goods world has changed in the last 10 years and therefore we have to adapt our approach. The route to market is suffering from a significant change in circumstances. We must evolve to deliver against this new world, delivering what shoppers want, allowing us to prosper. This requires a change of approach, but also a need to be more challenging and discerning.

Considerations include:

- What are the right promotions to use?
- How often should we promote?
- What will contribute to longer-term growth?
- What activities deliver the behaviour change in shoppers we have identified?

Not forgetting there is a need to:

- Hit our numbers
- Deliver against our RTM needs.
- We should remember that short term; tactical promotions are a part of the mix of activities and not the only tactic. We need to implement promotions that are worth doing and dare I say it, evaluate them afterwards and learn from it.



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We should not forget that promotions play an important role in generating trial and up-weighting volume purchased. We should ask ourselves:

- How much of it would have been sold anyway?
- Does more stock in home encourage use/consumption or are you just pulling forward volume at a reduced price?
- Are you encouraging loyalty or switching?

From the perspective of an account manager, promotions can be part of the activities done whilst running to the next activity, with little thought or consideration of them (not always the case). The account has asked for a promotion and the supplier delivers it. How do we break this cycle?

In closing, consumer goods channels have changed their needs, in many instances converting promotions into price. Suppliers need to find a way to balance this with longer-term initiatives.

We need to ask ourselves:

- How can we truly grow our category?
- How can we deliver value added options?
- What role do promotions play for us / our brand?
- How do we reduce our dependence on promotional volume?

Source: Kantar World panel – Promotions do you know what you don't know? Nov '16





Shopper Marketing – strategic, the green box

Shopper Marketing we define as:

Activation focused with a key business issue at the heart of it

- With an understanding of who we are trying to influence,
- What we are trying to achieve (which behaviour we are trying to change),
- Customised for a specific customer/channel.

It is key that there is a clear focus on who you are targeting using the 5 w's and 1 h – specifically whom do we want to 'talk' to.

This is about implementing activation plans that seek to change shopper behaviour long term, to enhance overall brand health. It requires us to single-mindedly targetting one shopper behaviour change either:

- More people – penetration
- More often – frequency
- Or more packs – AWOP.

Trying to deliver against more than one objective is too scatter gun and implies that you are hedging your bets, not being targeted enough or not clear on what you are trying to achieve.

You also need to know where you are starting and what is your target – a 'from' 'to' measure, so we can evaluate the activity afterwards and ask ourselves, did it work? And why? We need to capture learning's for next time and share the good and the not so good, particularly with customers, as ultimately in many cases they are the facilitators, the implementers.

In store activation needs to include a mix of tactical price promotions and more strategic shopper marketing. Both have valuable roles to play, with significantly different objectives. A promotional solution that blends both activities, should lead to enhanced sales and a better long-term outcome.

Understanding why we are undertaking activity and being honest in our appraisal of the situation allows a clear set of objectives to be set. This means that when the ROI is calculated we can honestly appraise the activity and ask 'did it work'.



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In summary

Our contention is that for long term growth and business health, resources need to be shared across all four quadrants. All four boxes have an equally important role. How an organisation spreads its resources depends on its situation, however it is key that a business finds the right balancing point.

We need to refocus resources implementing strategic and tactical plans, delivering for shoppers, consumers and customers.

Big River Solutions can help you develop strategies, tactics and actions to deliver category growth, shopper behaviour change and improve the shopper experience in store (and online).

Big River Solutions can help you understand capabilities and create a road map to address development needs.



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About the Author

In 2004, Christine Edwards swapped her executive desk for the kitchen table and created Big River Solutions.

It was a time when technology and the recession were creating a perfect storm in terms of changing shopper behaviour and expectations. Christine saw that the world of FMCG business was struggling to find a way through this maelstrom to survive and thrive and knew she could help provide the way forward.

Christine has decades of experience operating as a key player in the evolution of category management and shopper marketing. She was – and remains – equipped with the expertise to provide practical solutions that enable businesses to enhance their brand positioning and so boost sales and profitability.

Fast-forward to today, and Big River now comprises a team of 16 experts, each handpicked to enable us to provide creative and practical solutions in the fields of Shopper Marketing and Category Development. Each selected to enable us to build the long-term client relationships for which we have become renowned. Each chosen to ensure we can provide the perfect team for every individual project. And each committed to exceeding expectations wherever we work.

Big River now has a stable of FMCG clients, large and less so, operating in the UK, Europe and/or globally. They include everyday and niche brands.





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“Rarely is fun and ambition risk-free, but we should encourage both”

Fresh thinking...two common words ...that together sets a big expectation

These are two simple words that can make a difference...that can shape our success... that embody the authenticity of what we do at Big River Solutions.

Everyone has his or her own version of ‘fresh thinking’. Everyone says they know what it is, that their company is the best at it or their team invented it.

We tend to forget however there are three key behaviours that wrap themselves around those two clear words that define who we are. To us all at Big River Solutions we know that “Fresh thinking” depends on the three behaviours of “trust”, “collaboration” and “transparency”.

We employ a three step process for all projects: **Explore | Enable | Empower**

to understand the current situation and needs, provide processes, practices and tools at the right level of complexity and people support to maximise impact and ROI.

To find out more go to www.bigriversolutions.com

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