

Focus retail strategy and investment with defined category roles

BY JANET KIRKBRIDE

Category programmes are principally applied in the retail space to drive productivities and efficiencies in ranging and shelf layouts – but more advanced considerations can make valuable contributions to the development of competitive growth strategies.



Strategic category roles

Given that a multitude of categories are carried, it is not financially viable for retailers to give them equal attention and investment and so they need to select the most important ones to focus on.

The most important categories will be those making the most significant contribution to one or more of the key performance levers:

- Traffic
- Spend
- Profit
- Edge
- Loyalty

It is clear that an individual category cannot deliver at the highest level against all of these but having a relative strength in one area will ultimately define its strategic role.

It follows that a combination of categories is required to deliver the desired levels of business performance.

Traffic builders

Traffic builders are those categories, and often may even be single SKUs, that appeal to and attract the attention of a wide audience. They may be routine purchases that are bought very regularly such as the KVI's most commonly advertised by retailers, or alternatively they may be adhoc high interest items promoted occasionally such as digital games, music,

and movies; winter blankets and heaters, Back to School stationery, hindquarter packs of lamb, etc.

In these categories, range is not critical with the focus being on carrying the essential lines and keeping them in stock and well priced.

Spend builders

Once shoppers are in the store other categories need to be used to drive up basket spend. These would include categories where more than one unit is typically bought per trip, such as cold beverages and fruit and vegetables, or where large size units or multi-packs are available like 920g jams, 9-pack toilet rolls and 6-pack yoghurts.

Critically important here are categories that drive impulse or unplanned purchases such as: Snacks and treats, imported speciality jams, spices or sauces, banded packs of toothpaste and brushes, and general merchandise lines associated with regularly bought categories such as coffee mugs, pet toys, laundry pegs, and cleaning materials.

In these categories range becomes more important to encourage shoppers to buy a repertoire of products.

Profit builders

While maximising basket spend is important, it is also essential that purchases are not too heavily skewed to discounted or low GP lines. Categories

that assist to increase the profit mix of purchases are extremely important to profile and promote to shoppers (without using discounts!). This is the domain of speciality and unique products, as well as indulgent or aspirational lines where price is not a factor, such as convenience prepared meals, award winning wines, skincare and cosmetics, flowers and gifting.

In routinely bought categories, premium priced lines are important and retailers should maximise their visibility on shelf in order to convert shoppers to them over cheaper lines for example, speciality coffees and premium toothpastes.

This is where general merchandise lines play their most prominent role with a combination of mainstream lines, such as hairdryers, pots and pans, portable DVDs, children's toys, gifts and décor, and garden tools, as well as the big ticket items – TVs and white goods (obviously space permitting) all contributing to building the profit mix.

Edge creators

Establishing a competitive edge requires categories that are very important to target shoppers, most likely involving a strong emotional response! In these categories the retailer needs to be able to secure a leadership position in terms of range and pricing.

Fresh food departments, wine, baby, pharmacy and pet care have been increasingly used by retailers to stand out ▶

FACING THE SHOPPER ►



Categories that assist to increase the profit mix of purchases – prepared meals, cosmetics and flowers – are extremely important to profile and should be promoted to shoppers without using discounts.

and be different. Maintaining an advantage is essential but not necessarily easy.

Whichever categories are selected should be reflected in corporate advertising to define and communicate the brand positioning.

Loyalty builders

These categories need to build meaningful relationships with shoppers to keep them loyal to the store and may be similar to those used to build competitive edge in that they are important to shoppers.

They need not be emotionally significant and may be of low interest with the convenience of availability making the retailer the store of choice – examples here would be bulbs and electrical accessories, haberdashery, charcoal, and engine oil.

Exciting activities and promotions in-store also contribute to keeping shoppers interested. These do not need to be pre-advertised as the mystery and surprise element makes it even more important for shoppers to come to the store. Tactical killer deals, chef demonstrations, celebrity appearances, limited stock offers, on-the-spot prizes, samples and gifts, fashion show, kids entertainment, all create interest in the store.

Anything that makes the shopping experience easier or more enjoyable, or makes the shopper feel understood and valued will go a long way to creating meaningful bonds. Further, the more that a retailer can meaningfully contribute to the

lifestyle of their shoppers the deeper their relationship will build.

Baseline categories

Categories that do not make a significant contribution to any of the above performance levers will be unlikely to attract much resource or investment. Basic ranges will be carried and minimum shelf space assigned, with no exposure on advertising or in promotions likely.

Understanding and appreciating the distinct contributions of various categories in this way will enable a retailer to maximise their impact on the overall business performance, and to build an holistic 'category strategy' that will maximise the return on investment in marketing, discounting, space, and stock.



Janet Kirkbride has worked for more than 25 years in the FMCG industry with diverse experience across marketing, sales, manufacturing, and retail. She now runs Red Jersey Consulting specialising in category management/ marketing, shopper and channel marketing, shelf optimisation, and customer management. Visit her website – www.redjc.com, or give her a call for more information on the services that she offers – 082 491 8003.



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