

How 'Green'
Can Mean
More Profits

What's Inspiring Us...
A Fantastic Journey
Through Underland

Sourcing
China's New
Challenge

***Has The Race
to the Bottom
Bottomed Out?***

**7 Steps to More
Profitable
Category Management**

Francis Reisa/AFP PHOTO

THE WAR ON THE FLOOR

New strategies for developing a more profitable, consumer-centric selling floor. BY MICHELE KANTRA

SEVEN STEPS to category development is an updated approach to managing categories, formulated for today's retail environment. The original 8-step model for category management has been around since the early 70s, but consumer trends have changed dramatically in the past several years.

"The tools that we created yesterday will not solve the problems that we have today," said Albert Einstein. Marketing expert Inez Blackburn and retail operations expert Matthew Deeter recognized the need for a new strategy which they describe in their new book *Pride Passion Profit – 7 Steps to Category Development* (Pride Passion Profit Publishing, January 2010).



Inez Blackburn

The book provides an insightful look at today's retail customer and the current retail environment. Blackburn and Deeter offer guidelines for retailers, including checklists, how-to implement new strategies and real-world examples. The book also includes two information packed appendixes "The Role of Technology" and "New Ways to Working Together, Preparing our People for the New World."

"Your customers (and trading partners) may forget what you said, or forget what you did, but they will never forget how you made them feel. This is the era we are in today, it goes way beyond price," says Ms. Blackburn.

PRIDE
Passion
PROFIT

7 STEPS TO
CATEGORY
DEVELOPMENT

INEZ BLACKBURN
MATTHEW DEETER



APP PHOTO / STAN HONDA

Victoria's Secret store in the SoHo section of New York.

Customer-Centric Retailing

Becoming aligned with what the customer wants

First, category *development* replaces category *management*. The focus becomes advancing, rather than controlling. Rather than having categories determined by a battle between volume and profit targets, brand equity, shelf space and SKUs, the new system leverages consumer-centric practices.

For example, retailers usually study the performance metrics, the number of units sold. What this doesn't show is what customers came in asking for, but that you didn't have, and left without buying. Communication with your front-line staff is critical, only they can tell you this.

What Should We Be Doing?

Sell Solutions not products. Retailers need to solve their customers' problems.

Edited Retailing. More choice is not always better. Unlimited choices can be confusing. Consumers are looking for the retailer to provide solutions, effectively and efficiently. Simplify choice-making, provide advisors.

The 4 P's are replaced with the 4 C's. Product, Price, Position, and Promotion have been the traditional formula. The new era we are in, calls for the 4 C's: Consumer Solution, Cost, Convenience, Communication.

Current Consumer Trends

Era of postponement. Impact of the recession and lost wealth has caused focus on necessities. 56% of disposable income spent on necessities.

Purchases must be *relevant* and deliver against expectations.

Consumer more demanding, less forgiving. They want quality, value, price, and service at all points of contact.

Consumers are *time-stressed*, and bombarded with advertising and information.

Emotions are at an all-time high. Share of heart is more important than share of wallet. It's all about how you make your customers feel.

THE 7 STEPS TO Category Development

In all of these, the bottom line goal is customer satisfaction. The belief is that what's good for the customer is good for business and profits.

1 Validate and Collaborate. Reconcile category plans with current operations. Collaborate with your trading partners and internal support departments so that your category objectives are in alignment with your corporate mission and objectives. Buyers and sellers are focused on long-term performance improvement rather than short-term financial objectives.

2 View and Perspective. Improve your situational awareness. Look at a category from the perspective of the consumer. Consider what consumers want to buy rather than what you want to sell. Offer relevant products that fill a demonstrated need. We are in a collaborative phase where companies co-create with their consumers.

3 Myth or Reality. Identify your best development opportunities. Always listen to the people who are customer-facing and competitor-facing. Their insights can tell you which categories are declining and which are growing.
Reconnect with what you do best, and determine if this still resonates with your customer. Look at how you serve your customers and accept when change is necessary.

4 Mirage or Oasis. Set your category goals and strategies. First, look at a SWOT analysis: Strengths, Weaknesses, Opportunities, Threats. Market and economic conditions today change at a much faster pace than 10 yrs ago. A target and plan developed at the beginning of the year may no longer be valid 6 months later. The current economic climate and corresponding volatility have compressed the life span of any business model or strategy. Accept that category strategies may need to be flexible in order to meet category goals.

5 Need or Desire. Identify and communicate your category solutions mix. Does your category assortment address current economic realities? In this postponement era, reality dictates action: desire and impulse are second to need. The era of self-indulgence has passed as consumers focus on who they are and what they truly need.

6 Greed or Growth. Position for profit. Understand what your customer values. Cutting costs in areas that affect quality and service, is an example of greed, not conducive to long-term growth.

For example, customers want knowledgeable staff that understands who they are and how they want to shop. Try to merchandize an entire outfit for an event rather than a single item of clothing. Merchandize an item in several ways to appeal to different types of customers. An 18-year-old and a 40-year-old can buy the same sweater, but will wear it in a different outfit mix, suggests Ms. Blackburn.

Customers today want to look good on their own terms, despite an era of restraint. They want quality and assortment in an environment that makes them feel good about who they are.

7 Formalize and Integrate. Complete your category development plan.

- Evaluate category performance, customer relations, and employee satisfaction. Balance performance metrics with non-financial measures like customer satisfaction.
- Create a strong value proposition for a well-defined target customer.
- Integrated positioning: analyze categories in tandem with each other rather than in isolation.
- Customer-centric information is shared and leveraged throughout the organization.
- Understand the capabilities you have, and the capabilities you need to develop.
- Corporate accountability: for service, product quality, value proposition, and environmental responsibility.



Shoppers scramble for merchandise at H&M's new shop in Israel.

AFP PHOTO/JACK GUEZ

New Forces that affect Value Chain and Category Development

- Sustainability Index. More demanding and socially conscious consumers.
- Emergence and convergence of technology, as well as new retail sales channels.
- Demographic shifts and affluence of emerging economies.
- Distribution economics and going global.



Jeans section at Uniqlo in Paris.

AFP PHOTO / ERIC PIERMONT

The War on the Floor...where the casualty is often the customer

- Too many products, not enough space
- Too many promotions, not many solutions
- Performance driven by metrics, detached from customer experience



Sonia Rykiel capsule collection at H&M.

AFP PHOTO / FRED DUFOUR