

Satisfy customer needs

Category management is the 'Real Thing'

By TOM RAFFERTY

CATEGORY management is a technique that many in the FMCG sector use. An excellent definition is: "A process that involves managing product categories as business units and customising them on a store-by-store basis to satisfy customer needs." *

Satisfy customer needs ... the world is round after all. And what goes around comes around. This is the pointy end: Is category management part of supply chain, or is supply chain part of category management? Please don't answer that; I was only kidding.

I suspect the people at Coca-Cola have a black-belt in category management; either that or they are just screwing with our minds. I was trying to explain category management to some people involved in the fresh produce business and I was not getting anywhere fast.

So instead of more definitions, we took a trip to a supermarket. This is what we found. First, we had a look at the dog's breakfast that is fresh produce.

Now if you want to see a display of fresh produce that is attractive (I define attractive as "Wow, that looks good, I think I'll buy some"), do not go into a supermarket. Try your local greengrocer. These guys usually understand that people buy fresh food with their eyes. Anyway, first we observe the produce and then we take a trip around the store.

In fact, we went straight to the soft-drinks aisle, or should I say, the "Coke aisle". The first thing that hits you is about 30-

odd-foot of the black stuff. Placed at eye level, the two-litre bottles of a dentist's dream each retails for \$2.43. There was so much of the stuff they were almost daring you not to buy it.

But before we took the 30-odd-foot journey, I asked the produce grower who was with me to turn around. What did we see? A refrigerator ... more correctly, a Coca-Cola refrigerator right at the checkout. I wondered why they put it in there.

What was in this fridge? Coca-Cola and other Coca-Cola products ... and nothing else. (Memo to other drinks businesses, especially in the dairy sector: When are you going to get this right? All you have to do is copy the dynamic ribbon. Stop thinking, start climbing to the summit.)

This is the funny bit. In the fridge immediately available for my pleasure was a chilled bottle of Coke. Size: 600 millilitres; price: \$2.40. Welcome to the twilight zone ... but wait, there's more.

As we took the 30-odd-foot journey, what did we discover? This stuff is available in cans too. Now, this is another story entirely.

There was a pack with 30 cans at \$12.98 (that's about 43 cents per can). There was another pack with 12 cans at \$9.99 (that's about 83 cents per can). There was another pack, my "fridge buddy", which contained 10 cans and was priced at \$9.99 (\$1 a can, give or take).

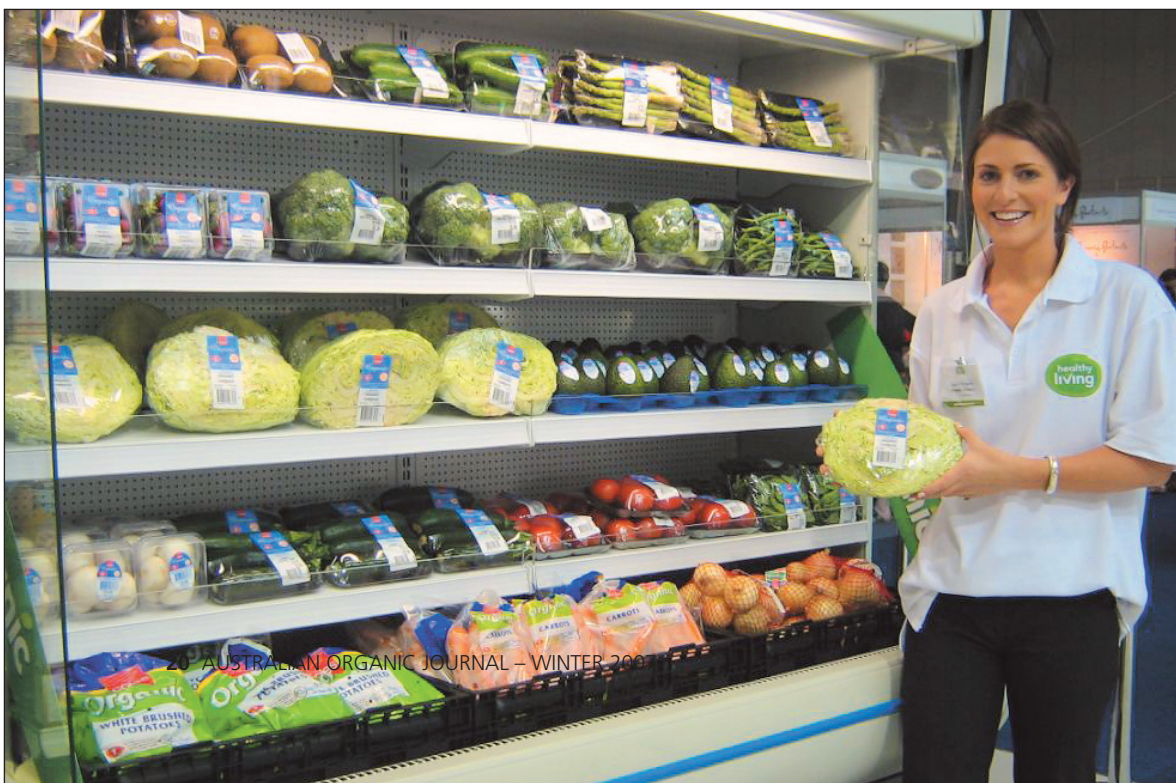
At another location in the shop that was not anywhere near the rest of the soft drinks, there was a whole pile of 1.25-litre bottles of coke. They were not on the shelf; they were just

on the floor, at the beginning of an aisle. They were in the way.

An easy way to get them out of the way was for each shopper to move one as they passed by. The easiest way to move one was to put it in the very convenient shopping trolley that the supermarket had so thoughtfully provided.

Not only do we shop here, we tidy the place up as we go, and then

Cassia Ferguson, of Organics Direct Produce, with packaged produce ready for sale in Australian supermarkets.



Five real things about category management

1) DEMOGRAPHICS: Who buys the product and where do they buy it from? The successful category manager understands the demographic profile on a store-by-store basis. People in the western suburbs of Sydney buy, and behave, differently to the people who live in Toorak.

2) Response: How do consumers “shop” the category? How do they behave to a price change to promotional material, to merchandising activities? Have a look at Coca-Cola the next time you’re in a supermarket. It is in an aisle, it is in a fridge near the checkout, and it is outside the store in a vending machine. Three places, three prices, same stuff — no accident.

3) Plans: The successful category manager has category plans. They are shared with the retailer and they demonstrate that if the product is merchandised and displayed in



‘Coke is it’ ... but how much is it?

certain ways, certain results follow. Big companies provide “merchandising support” — a euphemism for “they go in and pack the shelves too because if it is not on the shelf, the customer cannot buy it.

4) Discipline: Once you implement category management, you have not finished, you have only started. You will need to keep working on it, keep checking the merchandising and display, because if you do not, someone will steal your spot and your sales will drop. So you need people on the ground to check and to keep checking.

5) Data: It is hard to make good decisions with bad data. Most companies do not have a good-enough handle on where their product ends up, who buys it, or when they buy it. Mr Coke does, Mr Kellogg does and Mr Cadbury does. Is that why they make billions?

we give them our credit cards because they already have all of our money. Speaking of which, the 1.25-litre bottle was \$1.42.

The very next day, I went back to the store because I missed one of the prices. Wait for it — they had a “big end” offering of three two-litre bottles for \$4.98. If you are not confused by now, I want a double of whatever it is you are drinking.

So, we have different sizes, in different places, at different prices, correct? Not quite, it is essentially the same stuff. Yes, the pack size is different but it is all the same stuff, and it is ruinous to your teeth and most spirits.

(OK, I made that bit up. Most people add coke to rum or whisky to enhance the experience, it has got nothing to do with the fact that they do not like the taste of rum or whisky, it has got nothing to do with the fact that you can get tanked quicker if it tastes sweet. You see, things do go better with Coke.)

Actually, this is where category management really comes into play. If this product in its many manifestations was essentially the same, why would the Coca-Cola Company go to all this trouble? To screw with your mind, maybe, but we are going down the conspiracy theory road here.

(It’s a little-known fact that Lee Harvey Oswald and Jack Ruby both drank Coke — conclusion: all Coke drinkers are assassins. You have no idea how much money the Coke spin doctors have spent trying to keep this out of the media since November 1963 — you read it here first. If you want to avoid being arrested under the new sedition laws, drink ginger beer.)

I suspect that it is a conspiracy of sorts. They have figured out that if they merchandise and display this stuff in a certain way, we buy more. Fiends. So the supermarkets and Coke are conspiring to sell us more stuff ... who would have thought they could stoop so low?

As we left the supermarket in disgust because we had tumbled their little plot, we could not help noticing there was a vending machine right outside the checkout. Guess whose name was all over the vending machine? That’s right, Coca-Cola. It contains chilled cans, ready to drink, at \$1.40 per can.

They put this vending machine right outside the shop for one reason only ... you might like to buy a can of Coke. I guess they figure that it is convenient to have the machine just outside the supermarket checkout — it means you do not have to

spend a lot of time queuing inside to buy just one drink — so you will pay (boy, will you ever) for the convenience.

Of course, there is another reason. You might not have noticed all that Coke in the supermarket. Or maybe it is a bit more sinister. You cannot get outta here without buying Coke.

At this point, we were feeling violated. So we went to a nice café for a coffee. You will not believe it, but the café has glass bottles of Coke for sale and it is the same price as the coffee — 250ml at \$3.70. We made our excuses and left.

On the way back to the car, we passed four more vending machines ... you’ve guessed it again ... all Coke. They were in the hallways, walkways, and even some car parks.

Now I know why Coke outsells other similar products. You cannot see the other products. You cannot find the other products. You do not know the other products exist.

Now, we found Coke all over the place at the supermarket. But it is everywhere. It is at the service station, in fridges inside, and in big things that look like Eskies out on the forecourt.

Interestingly enough, I was talking to a guy that runs a snack bar in an industrial suburb. He stocks Coke but he buys it at the supermarket, not from Coke. Why? Because they do not want to sell it to him.

Now they will sell it to him but the price they want to charge is crazy. Why? Because they do not want to sell to him. Getting involved in the route trade is expensive. Making lots of small deliveries to lots of small businesses and then having to collect the money is very messy.

But, I just told you, Coke was for sale in a café for \$4 a pop, as opposed to \$1.40 a can. So where is the margin? It is not in the product, it’s in the management of the category. Now, that is the Real Thing. ■

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* Nielsen Marketing Research (1992) *Category Management – Positioning your Organization to Win New Jersey p9*