Foreword

CatMan 2.0™
Driving Growth in a Shopper-Centric World

Best Practice Unit
Category Management Association
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The purpose of this introduction is to address the community's questions about CatMan 2.0™ and by so doing facilitate its deployment for the overall improvement of the category management discipline by every member of the community. We have organized this introduction around the principal questions that have been asked about CatMan 2.0™.

WHAT IS CATEGORY MANAGEMENT AND WHAT IS ITS PURPOSE?

Category management is a process whose purpose is to create a comprehensive plan that meets shopper needs in a superior manner thereby producing superior business results for retailers and manufacturers. Category management is a holistic approach, it is not about any single step in the process such as creating a category decision tree or a superior planogram rather it is about developing a comprehensive plan based on facts, insights, sound strategies and proven tactical success models.

WHAT IS CATMAN 2.0™?

CatMan 2.0™ is a comprehensively redesigned modernization of CatMan 1.0 which revolutionized the planning process between trading partners and as a result, dramatically improved the shopping experience for millions around the globe. CatMan 2.0™ embodies the success models developed over the past 20 years, the remarkable improvements in data and analytics as well as all the game-changing influence of the digital revolution.

CatMan 2.0™ is built upon the foundation of CatMan 1.0, one of the most successful business processes developed in the 20th century. The "remodelers" have retained many familiar elements and much of the nomenclature of CatMan 1.0. The best analogy to describe CatMan 2.0™ versus 1.0 is the evolution of a language over time. A person from Elizabethan times could easily understand today's English but would need a dictionary to recognize some new meanings and words developed over the last 400 years. Practitioners familiar with CatMan 1.0 will have no difficulty adjusting to the new concepts introduced into the process even though they may not be immediately familiar with them.

WHY CHANGE CATMAN 1.0?

If CatMan 1.0 was so successful, why change it? CatMan 1.0 needed to be modernized because everything in the marketing environment has changed since the early 1990s when CatMan 1.0 was developed. Specifically:

DATA

Today we have infinitely more data than in the early 1990s. The data is different quantitatively and qualitatively. We have point-of-sale data by individual store location down to the level of individual items. Household panel data is much more robust reflecting over 100,000 panel respondents thereby permitting much more granular analysis of particular value in calculating leakage between banners. Loyalty card data which was an artifact of a few chains in the early 1990s is now shared by retailers having nearly 50% of all commodity volume in most categories. Other major retailers have developed surrogate loyalty data using credit cards or sophisticated basket analytics.

A tsunami of data from unstructured internet resident social media is now available along with various proprietary studies made possible by the ubiquity of addressable respondents of every imaginable description and the low cost of internet driven studies. An example is McKee's rapid analysis of pantry inventory of their Little Debbie products by heavy, medium and light users.

ANALYTICS

In the early 1990s when CatMan 1.0 was developed, analytics were relatively primitive. Time series data, which drives so much of today's analytics, was not available in the abundance that it is today. Moreover, computer hardware and software were still challenged to make sense from the limited data that was available. Today laptop computers have infinitely more analytical horsepower then many mainframe computers in the 1980s.

Additionally, software analytics packages have improved to the point where sophisticated multi-variate analysis revealing the relative response of multiple simultaneous marketing stimuli can be purchased off-the-shelf. As a result, analyses that were only dreamed of as recently as 1995 can now be performed in a matter of minutes from rich data sources. Presentations of remarkable sophistication can be assembled rapidly and then continuously updated by banner and category from multiple data sources.

RETAIL DIVERSIFICATION

Today's retail environment is more diverse than in the early 1990s. Supercenters have grown dramatically, the dollar channel, hard discounters and warehouse clubs have also grown to complement traditional supermarkets and drug chains. As these formats have evolved, each has begun to sell merchandise that was previously the exclusive domain of another channel with the result that shoppers now choose among the channels based

on personally defined trip missions augmented by their experience with individual channels and banners. This new multichannel shopping environment encourages the leakage among channels and banners. This, in turn, imposes new challenges to category management practitioners.

SUCCESS MODELS

After more than 20 years' experience with the discipline of category management, practitioners have developed a more detailed knowledge of what works in assortment, pricing, in-store merchandising and promotion. These success models have become so ingrained in the category management practices of many retailers and manufacturers that practitioners hardly realize this knowledge did not exist as recently as five years ago.

SHOPPER DIVERSITY/EMPOWERMENT

Perhaps the most important change since CatMan 1.0 was developed is the remarkable change in the shopper universe. Today's shopper is more diverse demographically and attitudinally than ever before. But even more important, today's shopper is empowered with significantly more information about the choices available to meet her needs. The ubiquity of internet-enabled information about virtually all aspects of any given category has revolutionized the marketing environment. Now the rapid growth of online commerce is creating yet another challenge for today's category management practitioner. Any one of the changes mentioned above would have required some modifications in CatMan 1.0 but taken together they require a comprehensive remodeling of the process which we refer to as CatMan 2.0™.
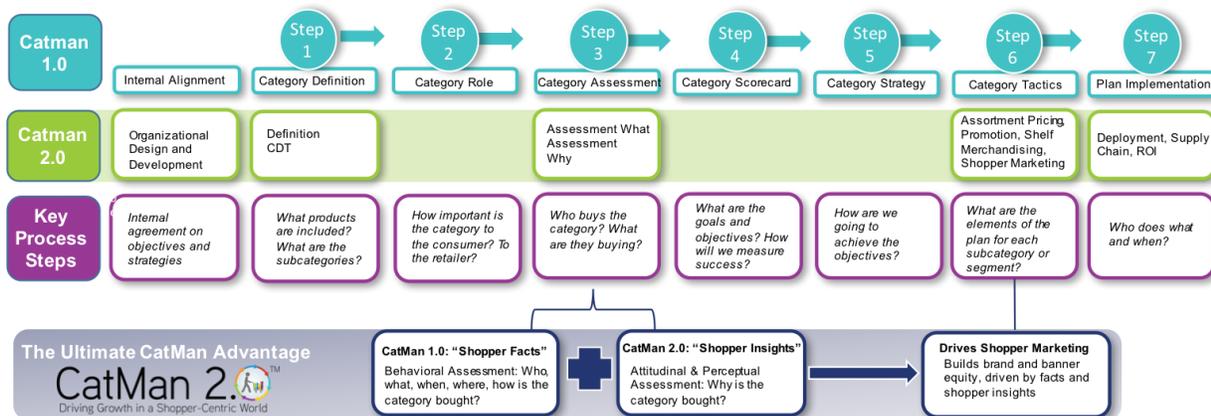
The steering committee which created CatMan 2.0™ did step back and ask whether or not the industry should discard category management as outmoded and embrace some other organizing schema. In the final analysis, the committee chose to modernize category management rather than embrace other alternatives.

Our reasoning was as follows: both manufacturers and retailers continue to organize their business around categories. The major syndicated data suppliers organize data by category. Besides that, category management from the very outset was oriented around the shopper, more specifically the behavior of the shopper, as manifested in the category. Subsequently, as more attitudinal shopper data became available, practitioners began to integrate it into category management. In CatMan 2.0™ we have formally added a robust section on shopper insights into the assessment step and also included a shopper marketing component into its logical place in the overall process, the tactics step.

Any other competing organizational schema has serious shortcomings. For example, neither manufacturers nor retailers can or should organize themselves around "shopper marketing" because shopper marketing is essentially campaign oriented and tactical in nature. It can only succeed within the broader context of the retail experience and the category toward which the campaign is focused.

Others may argue that retailers and manufacturers should organize around need-states that transcend individual categories and focus on the shopper for example: healthy aging, family care and wellness. Certainly such large multi-category need-states do exist.

Unfortunately, they are extremely difficult to address within the retail environment because practitioners are not organized around need-states nor is the data available around need-states and there isn't a prescribed process for addressing these macro category need-states. Some retailers are creating the internal capability to deal with a few large important need-states such as infant care and health and wellness. Even these, must be implemented in-store within the operational confines of the category. Separate organizational groups who develop insights and campaigns focused on these need-states are emerging but they are a complement to and not a substitute for category management. (Please see the Shopper Marketing section in the CatMan 2.0™ database which addresses "need-state marketing").

HOW IS CATMAN 2.0™ DIFFERENT?

Virtually every aspect of CatMan 2.0™ has been changed versus CatMan 1.0. Most of the changes reflect the enormous improvements in data and analytics. Some reflect whole new process steps that were either ignored or were sadly underdeveloped in CatMan 1.0. Beyond these important content differences is a major difference in presentation format. Unlike CatMan 1.0 which was presented in a static printed monograph of some 80 + pages, CatMan 2.0™ is offered in a more contemporary digital format that has several advantages.

- It's easy to update and change as new success models, software and data are developed in a rapidly changing marketing ecosystem
- It's searchable. Users may type in search words to locate a concept or issue of interest.
- It's transparent and free to CMA members and available to non- members at a nominal charge. CatMan 2.0™ will be maintained and updated by the Category Management Association to ensure its continual relevance as an aid to improving the retail experience of shoppers.
- It's organized around specific tasks within CatMan 2.0™. This accelerates acceptance and usability by allowing the users to focus upon specific issues of immediate concern.

HOW DOES ONE USE THE CATMAN 2.0™ DATABASE?

CatMan 2.0™ is organized by tasks following the general path of the revised CatMan 2.0™ process. Here is a brief summary of each section in the database. Each can be accessed by clicking on the underlined words below.

CATMAN 2.0™ PROCESS

The process embodied in CatMan 1.0 is one of the most successful business processes developed in the 20th century. It is not broken but it needs to be updated based on everything we have learned over the last 20 years. CatMan 2.0™ adds three important steps to the familiar original seven step process: (1) an upfront internal alignment step; (2) a new "assessment why" section addressing the development of shopper insights; and (3) a new tactical step described as shopper marketing and the path to purchase. In addition, the new process dramatically enhances many of the practices in the familiar steps of Assessment "What", Strategy and Deployment as well as suggested approaches to developing the ROI of category management.

ORGANIZATIONAL DESIGN AND DEVELOPMENT

One of the most frequently asked questions of the Category Management Association is "what is the ideal organizational design for category management?" The exceptional variation in company circumstances across the CPG ecosystem makes a company specific answer literally impossible. In this section of CatMan 2.0™ however, we offer a theoretical and practical approach to address this complex issue.

INTERNAL ALIGNMENT

Category management 1.0 totally ignored the issue of internal alignment required within retailers and manufacturers to be effective partners in developing category plans. CatMan 2.0™ addresses this issue by creating an entirely new process step that precedes the collaboration between trading partners to create a category plan. In this section of CatMan 2.0™ we identify those issues around which both retailers and manufacturers must be aligned internally in order to be effective partners in developing winning category plans. One major issue for manufacturers is customer resource allocation. How should manufacturers allocate scarce resources across the retail customer universe?

CATEGORY DEFINITION AND THE CATEGORY DECISION TREE (CDT)

Agreeing what items are within the category and the correct category decision tree is fundamental to the success of the category plan. Over the last 20 years, new data and processes have been developed to augment the initial approaches used to develop a Category Decision Tree. These approaches include attitudinally based cluster analysis often enabled by new digitally empowered research tools. Today, CDT's are enriched by techniques such as ethnography and in-depth interviews. The CDT section of CatMan 2.0™ describes the new approaches and identifies when they may be more appropriate than the original behaviorally based approaches in CatMan 1.0.

CATEGORY ROLE DEVELOPMENT

Category Role is an expression of the retailer's strategy guiding deployment of assets toward the attainment of the retailer's overall plan. This section of CatMan 2.0™ reviews how the new data and analytics can help practitioners create a better role development process in an era of retailer and shopper diversity.

ASSESSMENT "WHAT"

In CatMan 1.0, the assessment step focused entirely upon what had happened historically from a behavioral standpoint. In CatMan 2.0™ we maintain a focus on past performance but augment that with new data sources, more granular data and with the development of an analytical pathway that can help lead practitioners to a clearer understanding of category performance.

ASSESSMENT "WHY" / SHOPPER INSIGHTS

CatMan 1.0 almost totally ignored why a specific behavior had occurred. In CatMan 2.0™ we add the concept and process for developing shopper insights, the "why" driving shopper actions during the path to purchase. This is an important addition into CatMan 2.0™ because it provides material for the development of more robust strategies and various shopper marketing programs.

SCORECARD

The scorecard step in the category management process is the critical connection point between the initial foundational and assessment steps and the two final steps in of strategy development and tactics creation. The scorecard step has sometimes been neglected or poorly developed by practitioners who adhered to inadequately developed CatMan 1.0 approaches. This expanded section of CatMan 2.0™ offers detailed instruction on how to develop a more robust approach utilizing the new data and analytical tools now available.

STRATEGY

CatMan 1.0 offered a relatively primitive approach to category strategy by suggesting that each category have a balance of segments or brands that were "traffic builders, profit builders, transaction builders, and excitement creators." CatMan 2.0™ takes a much more sophisticated approach utilizing data from the "what and why" assessment steps. For example, category managers may embrace a strategy of leveraging emotion, providing education, trading up, saving time, etc. In CatMan 2.0™ strategies are more creative and insightful and much less mechanical than they were in CatMan 1.0.

SHOPPER MARKETING

Integrating shopper marketing and the path to purchase into category management is one of the principal objectives of CatMan 2.0™. Shopper marketing has grown into a marketing imperative, in some cases, because practitioners became confused about the relationship of category management and shopper marketing. CatMan 2.0™ emphasizes that shopper marketing can only succeed if it is integrated into the retailer's annual category plan as a tactic with explicit activities executed in-store. CatMan 2.0™ clarifies this relationship and also harmonizes the processes used to develop shopper marketing programs and category management.

ASSORTMENT AND SPACE

The growing diversity of the shopper universe plus the multiplicity of retail formats has dramatically increased the practitioner community's interest in neighborhood-based assortments. CatMan 2.0™ offers a detailed discussion of best practices in this critical area of the discipline.

PRICING

For a variety of reasons, the pricing section of CatMan 1.0 was relatively weak. CatMan 2.0™ represents a quantum leap in sophistication by leveraging all of the incremental data now available plus the remarkable new analytical tools. This combination provides new insight into pricing elasticity and pricing response by channel, by segment, by shopper group etc. This section of CatMan 2.0™ represents a major step forward versus CatMan 1.0.

SHELF MERCHANDISING

CatMan 1.0 took a relatively simplistic view of shelf merchandising limiting itself primarily to the positioning of items, brands and segments within the category planogram. In CatMan 2.0™ we address multiple issues that affect the shopping experience beyond the conventional planogram. These include where the category is placed in the store, the relevant category adjacencies, how much space is provided to the category, how the space is divided among categories, how items and brands should be arrayed when the objectives of the category and the total shopping experience are balanced.

PROMOTION

Over the past 20 years, practitioners have developed and analyzed a myriad of promotion options. More recently, the growth of digital and especially mobile device driven promotions have been added to the portfolio of promotions available to practitioners. CatMan 2.0™ provides a perspective on these various alternatives that represent a significant advance versus CatMan 1.0.

DEPLOYMENT

One of the major failures of CatMan 1.0 was not addressing how the category plan gets deployed in a complex retail infrastructure. As a result, many category plans were either not deployed at all or deployed in a suboptimal fashion. CatMan 2.0™ offers organizational and process improvements to encourage efficient and effective deployment of the category plan down to the level of the store.

SUPPLY CHAIN

Category management is the primary demand side process within the overall CPG business model. But practitioners must recognize that the demand side cannot be optimized without the smooth integration of critical supply chain issues. CatMan 2.0™ addresses those supply chain issues and how it affects category management. One such example is the increasing demand for assortment optimization down to the level of the neighborhood store, a major challenge for the supply chain.

ROI

The single most frequently asked question of the Category Management Association staff is: "What is the ROI of category management?" Answering this question in CatMan 2.0™ is imperative because of the growth of "zero-based budgeting", a management approach which questions every line item in the overall business model during every planning cycle.

ECOMMERCE/ONLINE

Ordering one's groceries online either for pickup at a brick-and-mortar location or for delivery directly to the home from a remote supplier or from a local bricks and mortar chain is the most rapidly growing shopper behavior in the CPG universe. The initial review by the CatMan 2.0™ committee has found a remarkable dearth of information on best practices in this new area. Therefore, we have commissioned an intense effort to understand this complex new shopper behavior. One of the challenges is that online shopping creates major costs on the supply side that also affect the shopper experience on the demand side. Everyone is in terra incognita i.e. unknown territory. CatMan 2.0™ hopes to shed light on this currently opaque behavior once we capture more experience.

HOW WAS CATMAN 2.0™ DEVELOPED AND BY WHOM?

The development of CatMan 2.0™ was patterned after the development of CatMan 1.0. Specifically, a representative group of companies comprising retailers, manufacturers and solution providers as well as sales and marketing agencies were assembled to both oversee and provide input for CatMan 2.0™. Representatives of each company assembled under the overall leadership of the Category Management Association to identify the areas of CatMan 1.0 which needed to be updated and also begin the process of inputting data into each of the areas requiring improvement.

To facilitate the development of CatMan 2.0™ in an efficient manner, the overall CatMan 2.0™ steering committee organized itself into seven different groups each of which focused on a series of "work streams" comprising the issues requiring improvement in CatMan 2.0™. Each work stream followed a cadence of three meetings: (meeting one) in which the major issues regarding a specific work stream were identified; (meeting two) in which a draft summarizing current best practice was presented for the group's comments and improvement and (meeting three) in which the final draft was approved by the subcommittee for any given work stream.

The CMA solicited case studies and best practice examples from the CatMan 2.0™ steering committee members for each work stream. These case studies and examples are mounted in the database or are available from the websites of the individual company contributors. The links are provided in the database.

The companies who assisted in the development of CatMan 2.0™ are listed below:

RETAILERS	MANUFACTURERS	SOLUTION PROVIDERS AND SALES AND MARKETING AGENCIES
• 7-Eleven • Ahold • Sam's Wholesale Club • Walgreens • Walmart	• Church & Dwight • ConAgra • McKee Foods • Mondelez • Procter & Gamble • Red Bull • Reynolds Consumer Products • Republic National Distributing Company • Dannon	• Acosta Sales and Marketing • Brick Meets Click • Decision Insight • Interactive Edge • IRI • JDA • Kantar Retail • Learning Evolution • Market Track • McKinsey Periscope