



White Paper

Collaborative Category Management to grow Retail Sales

Successful category management of retail companies requires taking into consideration a vast number of information. We help establish operational procedures that strengthen the collaboration across the entire value chain and also with suppliers to maximize a category's manageability, sales and profitability.

A. Retailers can leverage on their internal and supplier Collaboration

Category managers are in the pole position to drive the success of the entire company. Because they have contact to the suppliers, access to all sorts of data and contact store personnel. They decide what to procure and what to sell.

Their Challenge however is:

SAP tells much about the past but nothing about what to do in the future.

Their Key Questions are:

How to facilitate growth in the future? Which forward-looking information is needed? Who has it? How can I make them to give it to me? How to get it regularly? How to bring it together on one table? Who can help me take the right decision? Are there principles helping my decision taking? How to make the most of it in the stores?

For many, the trick is a new type of collaboration – ranging from suppliers, all the way to the sales personnel in the store.

What are the cornerstones? Who to involve? What should they do? How to encourage it? How to implement it? How to institutionalize it?

These are the key success factors to create market-effective collaboration:

- *Partnership and concerted Action*

Suppliers and members of various departments need to understand themselves as partners, have to get involved and actively contribute to success

- *Increased Know-how about Sales Drivers*

Existing information about success drivers needs to be gathered throughout the organization, from suppliers and at competing retailer organizations

- *Specified Expectations and Roles*

The roles of the different involved parties have to be specified. These roles and tasks may well go beyond their current job profile

- *Increased Information Sharing*

More information needs to be shared and circulated among all partners about the past and future changes, with meaningful explanations and sufficient lead time

- *Effective Exchange Platforms*

Technical solutions and a scheme of personal exchange need to be provided as a necessary basis for exchange between the partners

- *Joint Learning*

Suppliers as well as representatives from different areas of responsibility need to jointly evaluate past performances, alternative options and forth-coming opportunities in order to reach market-oriented conclusions

- *Joint Action Planning*

Decisions need to be broken down into action tasks for each partner and involved department

- *Clear Methodology, Instruments and Tools*

The new methodology should be well documented and circulated. Tools and instruments need to be developed and provided to make its application operational and straight forward to introduce

- *Oversight*

Application of the new methodology and instruments needs to be monitored by the management

- *Collaboration Incentive Scheme*

Partnership is based on mutual contribution. Incentive and disincentive schemes help to

initiate change in environments where this working style has been less the case so far.

B. Measurable Improvement of Sales Performance

Retailers experience tangible improvements in their sales performance resulting from improved collaboration within their organization and with their suppliers:

Increasing sales volume in standard listings, stronger promotions, reduced stock levels, more top and less flop articles, less stock clearing sales, increasing margin levels, more appealing store presentations, improved profile against competing retailers, stronger bargaining power in price negotiations, higher continuity in supplier and product portfolio and higher productivity and job satisfaction of employees.

C. CoAct: Our Approach to create result-driven Collaboration

What unites all involved parties across the entire value chain is the success at the PoS. This is also the orientation point for CoAct projects.

We follow a clear project structure:

Understanding your Business

We analyze the volume, structure and portfolio of your business, stores and supplier profile and evaluate your corporate structure and organizational layout.

Heterogeneous Project Team

Involving representatives of each step of the value chain allows for different points of view and a wider range of suggestions for improvements.

Collaboration Profiling

We develop a profile of your current interactions. We take a look at frequency, timing, content and the parties involved in internal communication and with suppliers.

Benchmarking

We compare collaboration profiles internally between divisions, between stores and between suppliers and evaluate them with regards to their respective market success in the different product categories and stores.

Aiming for Excellence

Through a series of interviews with employees in the different involved divisions in the headquarter as well as interviews with store personnel and suppliers, we gain deeper understanding about the information requirement by each party regarding content, timing and flexibility as well as the level of accountability and reliability. We call it the yardstick of excellence. On this basis and in combination with the benchmarking and collaboration profile developed before, we SWOT the current collaboration scheme.

Blueprinting

We develop an ideal collaboration model based on the SWOT analysis and yardstick of excellence. We outline comprehensive and specific collaboration schemes for key working topics, such as brands and product management, supply management, activity management, etc. We define who has to do what, by when, where, how often, how detailed, using or providing what information, informing which people and discussing, evaluating and planning with whom.

Tool Building

We develop tools, templates and routines designed to facilitate the new collaboration model but whose implementation and application can also be monitored by the management.

Documenting

We document the collaboration procedures precisely so that the defined measures can be rolled out in a systematic, reliable and accountable way.

Sequential Implementation

We recommend a pilot phase with the possibility to carry out additional fine-tuning measures before full roll-out.

Enabling Scheme

A concise training schedule allows for rapid enabling of the participating members of the value chain as well as for the entire store chain and product suppliers.

Author

Stephan Lückenkötter

Partner

s.lueckenkoetter@tme-consulting.com

TME Consulting
Giselastraße 12 | 80802 Munich
www.tme-consulting.com