

# Category Management Best Practices

Whether you are a merchant at a retailer or a category manager for a supplier, it is your responsibility to ensure your category excels. This is a difficult challenge given the amount of competition within each product category. For retailers, specific product categories have to perform well against not only competitive retailers, but also against other items on the shelf within their own store. Suppliers face competition in the form of other suppliers, as well as other categories that impede efforts to drive sales for the product category. Add to the mix the confluence of print and digital promotions and understanding how to best approach the challenges that come with managing a category is difficult.



In this guide, we will recommend some best-in-class analyses to address these challenges. We will cover:



## Importance of Promotions

The role of promotions share in helping grow category sales



## Pricing Projections

Methods for projecting the competitiveness of planned pricing



## Promotion Timing

The timing of promotions and how competitive activity should inform planning decisions



## Promotion Frequency

Optimizing promotional frequency to avoid damaging the impact of your promotions

## Useful Insights for Category Managers



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# Promotional Share vs. Competition

The role of share of promotions plays in helping grow category sales

## Manufacturers

One of the top challenges facing category managers and the sales teams they support is ensuring their brands and products are receiving, at a minimum, their "fair share" of promotions. "Fair share" means your brands and products receive the same promotional share as your market share. For example, if your brand or product makes up 15% of the market for a particular category, then your promotional share within your category should be at least 15%. This seems like a simple equation, but all too often manufacturers find that their market share vastly outpaces their promotional share.

To address this challenge, we recommend Numerator's recurring weekly and monthly ad share summaries, which show:

- Whether your ad share is increasing/decreasing
- Whether competitive ad share is increasing/decreasing
- Which competitors are taking share from your brands and products
- Which accounts are increasing/decreasing support for your brands and products

### Competitive Ad Share Summary

Software/Business Category

	BRAND	LAST MONTH	LAST MONTH YA	% CHANGE
Retailer A	Kaspersky Lab	4.0%	6.5%	2.5%
	Symantec Norton	22.0%	17.2%	-4.8%
	Microsoft	10.0%	29.0%	19.0%
	All Others	64.0%	47.3%	-16.7%
Retailer B	Kaspersky Lab	12.5%	4.7%	-7.8%
	Symantec Norton	18.8%	20.3%	1.6%
	Microsoft	14.6%	18.8%	4.2%
	All Others	54.0%	56.2%	2.2%

## Retailers

For retailers, category management poses a different set of challenges. It takes consistent effort to win ad space for your category. The more ad space your merchandising managers afford your category relative to other categories, the better. The tough part in this process is building the case that your category should continue to receive the same level of exposure, or even gain share.

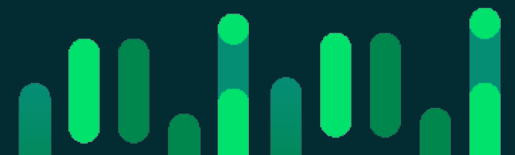
Numerator recommends incorporating competitive promotional insights into your pitch for ad space, including:

- By week, how much ad space do competing retailers allocate to your category
- Highlighting the most competitive promotional weeks for your category, during which it may be difficult to win shoppers
- Identifying new opportunities by highlighting ad weeks with lighter competitive promotional

### Department Ad Share Trend

By Competitor

		2016		2017		
	DEPARTMENT	ALL	Feb 7-13	Feb 14-20	Feb 5-11	Feb 12-18
Retailer A	Apparel	60.0%	6.5%	6.5%	6.5%	6.5%
	Electronics	7.9%	17.2%	17.2%	17.2%	17.2%
	Furniture	8.3%	29.0%	29.0%	29.0%	29.0%
Retailer B	Apparel	60.0%	6.5%	6.5%	6.5%	6.5%
	Electronics	7.9%	17.2%	17.2%	17.2%	17.2%
	Furniture	8.3%	29.0%	29.0%	29.0%	29.0%



# Pricing vs. Competition

Methods for projecting the competitiveness of planned pricing

## Manufacturers

Pricing remains the most influential factor for shoppers when deciding where they shop and what they buy. It is a good bet that if your competitor's promoted price is lower than yours on a given week, you may not see the expected lift from that promotion. Conversely, if your product is promoted at too low a price too frequently, there is a risk of inadvertently resetting shopper expectations of how much they should be paying for your product. The difficult part is monitoring your retailer's execution of that pricing relative to your competition, and adjusting the execution if needed.

To address this challenge, we recommend category managers leverage Numerator's price alert reporting to understand:

- At what price point their products and competitive products have been promoted
- Whether their scheduled promotion ran above or below pre-defined pricing thresholds
- Price trends within your category over time, identifying when pricing is most competitive
- On which weeks competitors had a better price the previous year to help refine planned promotional prices

### Promoted Pricing Weekly Trend

By competitor



UNIT PRICE	WEEK 1	WEEK 2	WEEK 3	WEEK 4	WEEK 5	WEEK 6
Most Frequent	\$2.99	\$2.99	\$3.00	\$3.49	\$3.99	\$3.00
Average	\$2.51	\$2.80	\$3.50	\$3.25	\$3.37	\$3.25
Highest	\$3.99	\$3.99	\$3.99	\$3.99	\$3.99	\$3.99
Lowest	\$0.90	\$0.78	\$3.00	\$1.99	\$1.00	\$3.00
Total Promos	51	22	6	35	16	4



Most Frequent	\$2.99	\$3.99	\$3.99	\$3.50	\$2.29	\$3.50
Average	\$3.35	\$3.18	\$3.56	\$3.56	\$2.64	\$3.35
Highest	\$3.99	\$3.99	\$3.99	\$3.99	\$2.99	\$3.99
Lowest	\$2.99	\$1.99	\$2.99	\$3.50	\$2.29	\$2.50
Total Promos	7	6	7	9	2	14

## Retailers

How your promotional prices compare to competition can determine the success or failure of your promotion in driving traffic and sales. To proof against competitive price threats, you should review when and where you have won or lost on price historically. For instance, knowing at what price competitors have featured items within your category over the past two years will allow you to be reasonably confident that the action you take based on that information will keep you competitive.

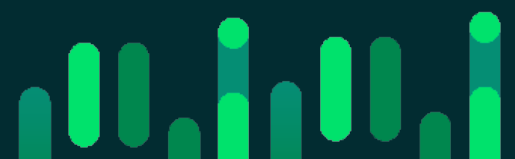
Numerator's best practice pricing summaries allow retailers to:

- Project competitive promotional prices based on past execution.
- Minimize promotional pricing losses to improve the impact of your promotions.
- Plan future promotional pricing with more precision and confidence.

### Pricing Win/Tie/Loss Summary

By Product

OUR PRICES				COMPETITOR EXACT ITEMS			
BRAND	MODEL #	AD DATE	SALE PRICE	RETAILER	AD DATE	SALE PRICE	% DIFF
Brother	MCFJ4510DW	12/2/16	\$149.99	Competitor A	12/9/16	\$149.99	0.0%
Brother	MFCJ430W	12/2/16	\$59.99	Competitor B	12/16/16	\$69.99	14.3%
Canon	P100	12/2/16	\$199.99	Competitor B	12/2/16	\$199.99	0.0%
Canon	MXB92	12/2/16	\$149.99	Competitor B	12/2/16	\$149.99	0.0%
Epson	XP600	12/2/16	\$99.99	Competitor B	12/16/16	\$129.99	23.1%
Epson	XP400	12/2/16	\$79.99	Competitor A	12/2/16	\$79.99	0.0%
Epson	XP400	12/2/16	\$79.99	Competitor A	12/16/16	\$69.99	-14.3%



# Ad Frequency vs. Competition

Optimizing the frequency of your promotions to maximize their impact

## Manufacturers



Each year manufacturers with a tradespend or co-op program allocate funds to their retailer partners in exchange for promotional placements. Whether those funds translate to a handful of placements in print, a few in online, and some in email, it is ultimately the retailer that determines when and how often your products are placed. As a category manager, ad frequency affects how well your category performs throughout the year. The goal is to find the optimum frequency to maximize the lift of your promotion.

To address this challenge, we recommend Numerator's recurring weekly and monthly ad share summaries, which show:

- Whether your ad share is increasing/decreasing
- Whether competitive ad share is increasing/decreasing
- Which competitors are taking share from your brands and products
- Which accounts are increasing/decreasing support for your brands and products

### Competitive Ad Frequency

By Media Type

	MEDIA TYPE	WEEK 1	WEEK 2	WEEK 3	WEEK 4	WEEK 5
 My Brand	Insert – Digital	0	0	2	0	2
	Insert – Paper	0	0	0	1	0
	Website	0	0	2	0	0
	Email	0	1	1	0	1
	All Types	0	1	5	1	3
 Competitor Brand	Insert – Digital	0	2	1	0	0
	Insert – Paper	0	0	0	1	0
	Website	1	1	0	1	1
	Social	0	0	0	0	0
	All Types	1	3	1	2	1

## Retailers

The goal of a competitive ad frequency analysis is to make educated decisions on how to promote your category based on the historical tendencies of your competition. Category merchants face different challenges with respect to ad frequency. Understanding when to promote different brands at the right price point and on the right cadence is a difficult balancing act for merchants.

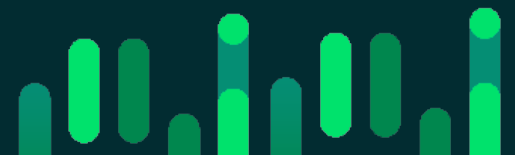
Numerator ad frequency reporting helps merchants build their case for more optimized ad frequency by providing:

- Insight into the average, high, and low competitive promoted prices within your category, by week.
- Competitive promotional pricing by week for specific brands and products.
- Summaries of how your competitors promoted the category, including page positioning, offers, and ad sizes.

### Category Ad Frequency & Pricing

By Competitor

	UNIT PRICE	WEEK 1	WEEK 2	WEEK 3	WEEK 4	WEEK 5
 My Retailer	Total Items	90	468	174	222	205
	No Price Given	76	247	73	75	58
	Most Frequent	\$449.99	\$449.99	\$549.99	\$279.99	\$349.99
	Average	\$592.85	\$558.23	\$573.23	\$427.89	\$518.69
	Highest	\$819.99	\$819.99	\$999.99	\$849.99	\$849.99
	Lowest	\$449.99	\$309.99	\$399.99	\$349.99	\$349.99
 Competitor	Total Items	64	459	193	344	187
	No Price Given	54	190	59	73	59
	Most Frequent	\$499.99	\$529.99	\$329.99	\$379.99	\$399.99
	Average	\$499.99	\$551.41	\$533.62	\$546.28	\$639.44
	Highest	\$499.99	\$749.99	\$781.99	\$999.99	\$579.90
	Lowest	\$499.99	\$299.90	\$329.99	\$329.99	\$349.99



# Ad Timing vs. Competition

Using timing and competitive promotional activity to inform planning decisions

## Manufacturers

Ad timing can easily be mistaken for ad frequency, but they are two separate and equally important challenges facing category managers. Timing differs from frequency in that the focus is around key promotional events throughout the year - for example, Back to School for the office supplies category, Black Friday for electronics, etc. How your promotions are timed in the weeks leading up to important holidays can determine how you perform against your competition. For many manufacturers, these key calendar events can make or break their sales year in only a matter of weeks.

Timing varies from industry to industry. Our key event reporting provides key insights that can help improve ad timing, including:

- Which competitors have been on ad during key events in years past
- When your brands and products were promoted leading up to your top selling periods
- How ad support for your category has trended during key events in recent years, and how your brands and products have been impacted

### Perishables Category Ad Calendar

By Brand

June 24th	June 28th	June 29th	July 1st
   	   	    	  

## Retailers

As a merchant, timing of your category promotions during big calendar events is critical to the growth of your category, just as timing of the circular is critical to retailer's success. A category merchant for stationery products may want the bulk of their promotions to come during events like Back to School or Tax Season, whereas a merchant that oversees live goods such as flowers or plants may benefit from an promotional push during the spring and summer holidays.

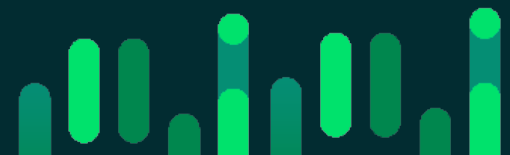
A great way to map out the timing of your category promotions is to create a category level promotional calendar. The calendar view provides:

- Insight into which months throughout the year your competition tends to feature certain categories
- Intelligence around when your competitors launch promotional campaigns for key events
- Insight into opportunity periods during which promotions are not as frequent or competitive

### Monthly Trend of Dept Ad Share

By Competitor

DEPARTMENT	RETAILER	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16
CPG	A	39.8%	39.7%	36.9%	38.1%	34.3%	41.3%
	B	49.9%	47.0%	33.5%	44.2%	48.7%	39.6%
Electronics	A	5.6%	5.8%	4.2%	4.4%	5.7%	4.6%
	B	9.0%	8.1%	1.1%	5.7%	4.2%	7.4%
Entertainment	A	14.5%	16.7%	9.9%	14.9%	13.0%	14.1%
	B	1.1%	4.6%	7.5%	5.5%	0.0%	3.8%
Housewares	A	11.5%	11.2%	8.6%	7.4%	7.2%	7.5%
	B	8.5%	11.4%	8.9%	7.7%	9.1%	7.2%



# Key Takeaways



This guide recommended some simple best practices to improve your understanding of the competitive promotional landscape. Below are some key takeaways for category managers and merchants to keep top-of-mind during promotional planning:

Increasing promotional share across both print and digital media can help grow a category. For both category managers and merchants, always include competitive promotional analysis to support your efforts to gain promotional share relative to your competitors and other categories on your shelves.

Losses on promoted price are predictable through the use of competitive promotional analysis. Retailers and manufacturers can minimize losses on price through historical promoted pricing analysis on like items within a channel and/or category.

Identifying and executing the optimum promotional frequency for a category or product is an effective way to drive growth. Be aware that it is not always best to be promoted more frequently, as the impact of your promotion may be diluted in the eyes of the shopper.

Make sure you are well-versed on competitive promotional timing in the weeks leading up to key calendar shopping events. A promotion run even a little too early or late may miss out on optimal lift during the most important sales periods of the year.

To learn more about our category management best practices, contact us at [hello@numerator.com](mailto:hello@numerator.com)