



## Top Trends in Category Management: Accelerating Maturity & Sophistication Webinar Q & A

Will we be able to get a copy of this deck?

We are happy to provide an [Adobe Acrobat \(pdf\) version of the deck](#) but suggest that viewing the [on-demand webinar video](#) and reading [the two white papers associated with this presentation](#) may provide more value. The webinar and the two white papers, one written by Revionics and the other written by the CMA, are available under Resources at [www.Revionics.com](http://www.Revionics.com).

I was surprised when a lady at a store told my daughter to pull up a coupon for in-store discount and she looked around and found coupons you can send to your phone to use in stores!?!

Not only can coupons be delivered in-store on mobile devices in anonymous situations such as the one you are referring to, they can also be delivered in a targeted fashion and even loaded to shopper loyalty cards when shoppers, devices and transactions are linked through the establishment of digital bridges to shoppers via email and social networks. One example, Revionics Social Commerce, is a solution that is capable of creating and extending these digital relationships by providing relevant offers that resonate with loyal shoppers and their social graph due to a deep understanding of past purchase behavior and social interaction. Digital coupons can be used to drive traffic either online or in-store and can be tracked along the entire path to purchase to measure and improve effectiveness.

The ability to manage shopper categories with price/promotion etc. to clusters, how can you implement these 'suggestions' in real time to counter-act shoppers ability to compare prices?

Recent studies have shown that although many shoppers state that price is the most important component of their purchase decision process, shopper actions do not support those statements. Shopper loyalty is driven by delivering the shopping experience that most satisfies shopper needs – including not only the right product, price, promotion and place but extending to the right service levels, atmosphere, shopping assistance, etc. The ability to drive shoppers to the preferred point of purchase through the timely delivery of personalized pricing and promotions that understand past purchase behavior and resonate are a far better way to drive loyalty than to engage in the downward spiral of price and promotion competition that may drive a single transaction but leave no lasting impression.

How do category management rules change between retail stores and ecommerce websites for a retailer?

In most situations the same general category rules should work in the on-line world assuming they are truly rooted in on-line shopper behavior. While we use total brick and mortar selling space as a constraint when trading off category assortments, inventory and space to maximize performance of the physical store, more appropriate on-line constraints could be things like inventory investment budgets, average time spent and mission of the on-line shopping experience.

We have found that category pricing strategies can vary significantly online versus in-store, for example: Although price elasticity does exist online, we have found that the sensitivities are much higher; also, we have seen that there is an increase in the number of Key Value Items as well as difference in which items are selected as KVIs; and, due to the nature of online competition, competitors needs to be tracked more frequently and targeted at a very granular level to ensure that price image is maintained against all appropriate competitors.

What is the match up of each of the inputs to get them to an item or SKU or is the match up higher?

The inputs to our models include bottom-up (e.g. POS transactions) and top down (store size, category strategies, etc.). These are matched according to the defined top-down/bottom-up hierarchy when loaded into our cloud-based database.

For example the matching structure starts with the UPC and the transaction specifics (i.e., date, time, units purchased, price and discount, if any) along with individual household identifier and attributes (with the presence of a loyalty program) at the lowest level of detail. The UPC is used to link to category assignment, past performance history, cost and physical product attributes for each item from a data warehouse(s). Current space requirements are determined from a planogram database while current store layout and category spacing come from a floor planning database or store mapping data. UPC and category/sub-category identifiers provide linkage to competitive market data used in forecasting and assortment decisions.

All of these inputs are tied together by planning parameters that reflect how category strategies are to be applied. Models derived from the various data inputs and planning parameters are used by optimizing software that determines the appropriate amount of category space, assortment and shelf space needed to maximize performance of each product and category subject to constraining factors imposed by store operations, supply chain and budgets.

How does one ensure they are not cutting assortment too much in the way WalMart did?

There is always a risk of deleting too many brands or items when solely relying on ranking items by financial performance (e.g., sales, profits or both) for the purpose of assortment rationalization without considering "who buys what?" Cutting items that are regularly and even exclusively purchased from your categories and stores may risk alienating regular loyal customers. By determining which items are important to the most frequent and profitable shopper segments we are able to avoid inappropriately delisting them. Both loyalty and market basket data can be used in conjunction with the other optimization inputs to avoid this.

How is incrementality accounted for within the assortment model you use?

Incrementality is handled through marginal trade-offs between assortments as well as the inventory required to cover demand and the space needed. Importantly, demand forecasts need to reflect transfer effects as reflected in the substitution behavior of shoppers defined in the context of their individual consumer decision trees. Determination of these substitution effects is part of the services that augment our SaaS cloud-based tools.

Is Revionics a tool or a service?

Revionics provides valuable competitive advantage to retailers and their supplier partners through a combination of software-as-a-service offerings and thought leading analytical services which support the configuration of appropriate strategies and optimization inputs.