NielsenIQ

Category Management In 2023 | A Guide

How to Optimize Your Category Management Plan

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2022 was a rocky year, will 2023 offer relief for category managers?

Introduction

Category management is a big job, even when the markets aren't under enormous pressure.

But 2023 brings with it a range of additional challenges for emerging and growth brands. Inflationary pressures, changing consumer behaviors, and more competition than ever are making it a struggle.

With so many factors impacting demand and retailers looking for the best return from products, where do you start?

To make the process a bit less convoluted, we wanted to share some insights into the state of the markets and how they impact category management.

We also want to simplify the process and share some of the hard-earned lessons from brands like yours.

Keep reading to learn more about category management and get some tips on how to make the most out of your category management plan in 2023.

Some of the key category management topics we'll cover in this eBook are:

- Challenges in 2033
- The Category Management Process
- Best Practices
- Tips for Emerging Brands
- Omnichannel Management

46%

of consumers list financial health, job security, and mental and physical wellness as their leading areas of importance in 2023.

(https://nielseniq.com/global/en/insights/analysis/2023/consumer-outlook-2023-the-unsettled-state-of-global-consumers/)

The State of the Industry

The State of the Category

The CPG industry as a whole is facing challenges in 2023. At the forefront, is eroding consumer confidence in the economy.

Nearly two in five global consumers (**39%**) feel they are in a worse financial position this year. And of those consumers, **74%** say that increased costs of living are to blame for their recent financial struggles.

This strain on consumer wallets means they're shifting their spending behaviors. This means category management is becoming more important as brands seek to maintain margins.

In fact, a mix of financial and health-focused priorities is what's setting the spending tone for 2023.

When current events exist in such extremes, it skews our sense of normalcy. It's hard to know whether you feel healthy or safe while still shell-shocked from pandemic impacts. Similarly, it's difficult to feel true monetary freedom with prices and interest rates skyrocketing beyond that of wage growth.

As a result, the financial focus of today's consumer outlook comes to the forefront. No matter your category, understanding the strain on consumers is key.

In 2023, consumers will continue to balance their wallet costs by adjusting purchasing habits.

Different tactics include:

- Changing the frequency they shop
- Buying more on promotion or in bulk
- Switching brands or to private label
- Exiting certain categories
- Shopping across more retailers or channels

59%

of U.S. consumers believe we're already in a recession.

(https://nielseniq.com/global/en/insights/analysis/2023/consumer-outlook-2023-the-unsettled-state-of-global-consumers/)

Category Management Challenges

Category Management Challenges

You need to understand the challenges you face before you can start establishing a game plan for category management in 2023 and beyond. Challenges may be external and outside of your control, within your operations or assortment, or even within your own planning methods. The key to proper category management is identifying these challenges early.

Though every industry and category will have unique challenges in the year ahead, there are a number of overarching themes that every category must deal with. By identifying these challenges, you can begin to develop a plan to overcome them going forward. Just remember, category management is an ongoing effort. You won't create the perfect plan for 2023 in Q1 and never have to look at it again.

With that in mind, here are four of the biggest challenges emerging and growth brands will need to consider when performing category management:

1. Dealing with Inflation

Undoubtedly, the first challenge for category managers this year will be dealing with the impact of inflation. Failing to consider the change in buyer behaviors and increasing costs will eat your margins quickly.

Category managers will need to pay attention to these economic indicators and refresh their cost models frequently. With more than **62% of consumers** believing we're already in a recession, economic factors are playing a major role.

They'll also need to navigate cost increases during a time of uncertainty. In November 2022, the average price of CPGs in the US increase **+12%**. If you don't account for these increases, you'll run into issues.

(https://nielseniq.com/global/en/insights/analysis/2023/consumer-outlook-2023-the-unsettled-state-of-global-consumers/)

Category Management Challenges

2. Keeping Retailers Engaged

With so many products failing to stay on track in 2023, your relationships are more important than ever. Category managers need to find ways to connect with the retailers and meet whenever possible. Use the opportunity to visit stores together and collaborating out in the field. The benefits for the retailer of meeting and consistently working together is high.

Not too mention, failure to meet these retailer needs means you may be charged upward of **20%** of an invoice when products don't meet their standards.

3. Understanding the Shopper

Today's CPG brands have more access to data than ever before. But, many fail to take the time to look at data regarding their shoppers, not just their sales.

Consumers are changing the way they shop, where they shop and how they consume, and a lot of that modification is based on where people are moving to and from. If you can't identify how your shoppers are changing, you can't adapt to meet their needs.

By leveraging first party panel data, and gaining a full view of the consumer, you can continue to grow.

4. Staying Flexible

The biggest challenge many brands face is failing to stay flexible. No matter how well tailored a category management plan is, something will throw a wrench into things.

The last couple of years have seen incredible changes across the globe. But, many brands fell behind and are struggling to keep up.

Category management plans need to be reviewed often to ensure they are relevant to the current market. Adaptation is key to success.

https://nielseniq.com/global/en/insights/education/2022/retailer-chargebacks-and-how-to-avoid-them/)

Category Management Process

Category Management Process

Category management can help you optimize the way you invest in and distribute products, maintain retailer relationships, and execute the procurement process. While category management can be done alone, it's most effective when part of a complete product lifecycle management strategy.

But a plan is only as good as the process that creates it. By following a predetermined process, you can lower the chance of mistakes and create an effective category management plan more quickly. This will be very helpful when you have to revise the plan as well.

With that in mind, here are seven steps that should be a part of every brand's category management process:

1. Define the category

Many CPG brands sell products that fall into multiple categories. The more granular you can get, the most accurate and effective your plan will be. How your customers shop each category can inform your product assortment, pricing, promotion, and many more.

2. Assess the category's role

Not every category has the same value to your bottom line. You need to maintain focus between the category and your overall assortment. Investing more in the most effective sales drivers can be a great way to weather shifting sentiments and avoid losses on less popular products or categories.

Category Management Challenges

3. Keeping Retailers Engaged

Brands aren't the only people affected by their category management, retailers are too. Once you've picked the category and products you're looking at, you should get the retailer engaged to share their own insights.

Share and compare market performance, retail performance, and other category data to optimize the revenue for you both. And with slotting fees for a new product around **$250-$1,000** per item per store, being on the same page can help.

4. Set goals and objectives

Any business plan needs to have clearly defined goals to achieve success. Category management is no exception.

You need to start by defining your objectives and benchmarks to set each category's key performance indicators KPIs. This may include sales volume, assortment, and market share. As little as a **2%** increase in on-shelf availability can translate toa **1%** sales lift. The more granular you can get into the category and your brand position, the more likely you are to set and hit achievable goals.

5. Planning your strategies

Based on your goals and KPIs, You'll next need to establish the strategy to achieve them. Consider what marketing and product strategies need and what in-store processes will be used for each category.

Of particular note, you'll want to look at your pricing and promotion strategies. With **41%** of consumers focused on paying off debt and **36%** increasing their spending on grocery and household items, pricing will be key. Overcoming economic belt-tightening requires keeping margins strong.

(https://nielseniq.com/global/en/insights/education/2023/demand-forecasting-emerging-brands/); (https://nielseniq.com/global/en/insights/analysis/2022/the-value-of-data-infographic/); (https://nielseniq.com/global/en/insights/analysis/2023/consumer-outlook-2023-the-unsettled-state-of-global-consumers/)

Category Management Process

6. Establish action plans

At this point, you need to get into the nitty-gritty of how to put the strategy in motion. Set repeatable and clear actions for your category strategies and establish who will own what.

Consider the steps involved, the parties who will need to be informed, and how often you'll review. Some categories need more oversight than others due to shifting demand. Build out as many processes as possible before launch so everyone knows what's expected going forward.

7. Implementation

Now that you have an actionable plan in place, it's time to put it into play. Let your retailers know what your plan is and get to work on shifting pricing, promotion, distribution, and more to hit your goals.

Remember, you'll need to continue to review and revise your strategies throughout the year. Set up reviews regularly and look at the data to see what's working and what's not. Don't be afraid to shift focus entirely if the data supports it.

Wallet shifting impacts categories in different ways

44%

of consumers are choosing to spend less on out-of-home dining or eating

37%

Expect to continue to spend more on fresh produce throughout 2023

40%

Are cutting back on spending for clothing and apparel

(https://nielseniq.com/global/en/insights/analysis/2023/consumer-outlook-2023-the-unsettled-state-of-global-consumers/)

Category Management Best Practices

Category Management Best Practices

On its most basic level, category management comes down to optimizing your four P's: Product, Placement, Price, and Promotion.

Product

Then, think of your marketing messaging, packaging, and trending attributes your product may meet. Define your product and what problem it product solves for your customers.

If you can identify your product differentiators and how it fits into the market, you can better highlight these features to consumers and meet shifting demand.

Placement

The key to product placement lies in shelf space optimization. That is, the process of identifying the best location for every SKU you have to maximize sales.

You should use sales data, panel data, and category data to build a planogram that optimizes their product assortment. This will also open the door to more shelf space and distribution in the future.

Product

To create a strong CPG pricing strategy, you'll want to use the tools at your disposal to pick the prices for each product to maximize sales and profits.

It can be a complicated endeavor and requires looking at data and consumer trends to do effectively. You also need to understand the small CPG landscape, so you can meet changing consumer trends.

Product

The easiest way to entice retailers is to leverage price and offer your products at a discount. The primary benefit for the retailer is that it can increase its profit margin or extend the deal to customers to build loyalty.

However, poorly executed promotions can eat into your margins for little gain, so you'll want to review every promotion closely to optimize the following ones.

Category Management Tips

Category Management Tips

Now that we've covered the basics of category management, the real question is how do you actually do it well?

There are a number of factors to consider, but it all starts with looking at the current state of the industry and your brand. Let's take a look at a few ways to do that.

Here are our 5 top category management tips for emerging and growth brands:

~50%

of all promotional sales are sales that would have occurred regardless of the promotion.

1. Work with Your Retailers

This might seem like a no-brainer, but you need to have a good line of communication with your retailers. Especially if you want to get the most out of category management. Like manufacturers, retailers are consistently performing category management to keep from having excess stock build up on the shelves and hurt their bottom line.

If you have a good line of communication with your retailers, you can work together to identify issue areas and get the most out of your products. This will also help you better align with the retailer regarding product shipments and target inventory levels.

2. Don't Be Afraid to Make Cuts

Though most brands look to product pricing and promotion first, assortment optimization may be the area you need to focus on. Sometimes, it requires cutting underperforming products, a task many brands find difficult.

In fact, retailers have found that **over 50%** of the shelf-reset products are unsuccessful and, actually, after the reset they generate less revenue than before. Optimizing retail assortment is an important step to take in 2023 as we grapple with the long-term effects of inflation and consumer behavior shifts.

https://nielseniq.com/global/en/insights/education/2023/5-top-category-management-tips-for-emerging-brands/)

Category Management Tips

3. Innovation Can Open New Doors

CPG manufacturers and retailers are constantly innovating to stay ahead of shopper needs in new ways. Luckily, there are many categories of product innovation at your disposal. This may be through new variations of old favorites that disappear after a limited run or entirely new categories.

Innovation can also play a major factor in long-term product success. We've found that the best-performing product formulations have **7x** the potential to survive in the market after three years, compared to less acceptable formulations.

4. Understand Your Market, Region, and Consumer

Not every market or consumer is built the same. Your products often sell in different places for different reasons, even if you don't know them. You should be looking at the figures from multiple angles to get the best sense of what is impacting your product sales.

This way, you can build a stronger category management plan and avoid having to rapidly change plans at a later date. Your brand will be impacted by both micro and macro issues, so understanding the various factors is key.

5. Build on the Back of Data

Acting on sub-par data usually leads to sub-par success. Unfortunately, for many emerging and growth brands, the idea of spending their budget on data and insights can seem like more trouble than it's worth. This means they can never act on complete data and get the most out of their products.

The true value of high-quality data and insights can be seen in your ability to identify emerging issues and trends and act on them.

https://nielseniq.com/global/en/insights/education/2023/5-top-category-management-tips-for-emerging-brands/)

Omnichannel Category Management

Omnichannel Category Management

We're breaking omnichannel category management out into its own section because there are a few unique considerations.

Omnichannel category management is an evolution in category management thinking. The fundamentals remain the same, but shopper demand and how they act have changed. For example, more than one in five **(22%)** shoppers now plan an in-store shopping trip combined with a prior online order. Factoring in these behaviors is key to your success.

Here are 5 considerations for omnichannel category management:

1. Identify Consumer Needs

The pandemic was responsible for much of the rapid growth of online and omnichannel shopping. But, will these trends continue in 2023 and beyond?

By getting a better understanding of your target consumer, you can identify the right channels to meet their needs. Don’t rely only on sales data to understand what’s going on in the market.

2. Understand Your Category

Every category is different and eCommerce works well in some and not in others. For example, **40%** of Health and Beauty sales occur online, but **50%** of consumers prefer to pick out personal care items personally in the store, even when collecting an order they made earlier.

If you can get a solid grasp on how omnichannel impacts your particular category, you can pick the best targets for maximizing sales in 2023.

https://nielseniq.com/global/en/insights/education/2022/omnichannel-shopper-behavior-shifting/); (https://nielseniq.com/global/en/insights/education/2023/2023-emerging-beauty-brands/)

Omnichannel Category Management

3. Utilize Product Attributes

Studies have shown that online shoppers dive deeper into product ingredients than their in-store counterparts. They also care more about label transparency.

By understanding growing trends and ingredient growth, you can make sure online product listings target the correct, valuable attributes. For example, the BevAl product claim of "carb free" is up **+353%** in dollar sales in the past year. Utilizing this trend can pay dividends. This also works on-shelf, where your packaging can highlight the most resonant attributes to increase sales.

4. Use Marketing Wisely

Since omnichannel consumers behave differently, you need to market your products differently. If a majority of your sales are in-store, failing to utilize in-store promotional marketing can leave money on the table.

Or, if eCommerce plays a role, improper targeting can mean you miss your audience completely.

Identifying where your dollars will have the biggest impact and highlighting price savings, product differentiators, and key attributes will be key.

5. Break Out the Channels

One area where many emerging brands struggle is separating online, in-store, and click-and-collect orders. When you can't separate the numbers, you risk investing in the wrong area and missing out on sales.

The key lies in accurate data that can clearly show what sales were made where and how. For example, NIQ Omnisales not only separates the data for each channel, it reconciles click-and-collect sales to avoid double-tracking. This is key to understanding how consumers are actually buying your products.

https://nielseniq.com/global/en/insights/education/2023/2023-hard-cider-trends-for-emerging-brands/)

What You Can Do In 2023

NIQ can help you get a Full View in 2023

When the market is shifting, you need to be on top of your game if you're going to come out on top.

NielsenIQ offers emerging and growth brands access to the same best-in-class, accurate data and high-quality insights that Fortune 500 brands leverage—at a price customized for their budgets.

We also know that businesses at different stages have diverse needs. Whether you’re looking to nail your next retailer pitch, are expanding distribution, or need to defend your turf, we have the data and tools you need to succeed.

Some of the solutions we can provide include:

- POS & Shopper Data
- Product Attribute Trends
- Omnichannel Sales Data
- Demand Forecasting
- Pricing & Promotion Optimization
- Assortment Optimization
- Expert Insights into Market Trends
- And More

Learn More About Our Emerging Brand Solutions

For more insights:

niq.com/global/en/insights/

About NielsenIQ

Arthur C. Nielsen, who founded Nielsen in 1923, is the original name in consumer intelligence. After decades of helping companies look to the future, we are setting the foundation for our future by becoming NielsenIQ. We continue to be the undisputed industry leaders as evidenced by our experience and unmatched integrity. As we move forward, we are focused on providing the best retail and consumer data platform, enabling better innovation, faster delivery, and bolder decision-making. We are unwavering in our commitment to these ideals and passionate about helping clients achieve success. For more information, visit: