The actionable guide to category management for the digital shelf

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Introduction

To win on the digital shelf, your category strategy needs to be omni-first.

But, we believe not enough attention is being paid to what the shift to online means for category management.

Category manager skills are needed more than ever to drive omnichannel growth. In fact, category managers that 'get ecommerce' are at the leading edge of taking their brand and retail partners into the future of commerce.

Forrester estimates that by 2027, US online retail spending will reach $1.6 Trillion. And Gen. Z's influence on the changes on the path to purchase is already dramatically different: They show predominantly digital research and buying behavior with 25% discovering food brands on TikTok and YouTube.

In category, the rise of private label brands continues to be a threat: Circana (formerly IRI) data shows private label now accounts for 37% of FMCG value sales in the UK, up 4.3% compared to last year and a study by the Food Industry Association revealed that 83% of US grocers plan to increase their investment in own label. Lastly, the rise of generative AI in retail has become ubiquitous.

For category managers to stay relevant they must quickly plug the skills gap and accelerate the learning curve to go from ecommerce category management survival to leadership.

Use our guide to:

1   **Explore today's changes and challenges for category management**

2   **Deep dive into five category driver critical for winning the omnichannel**

3   **Show how to boost your category performance with digital shelf optimization**

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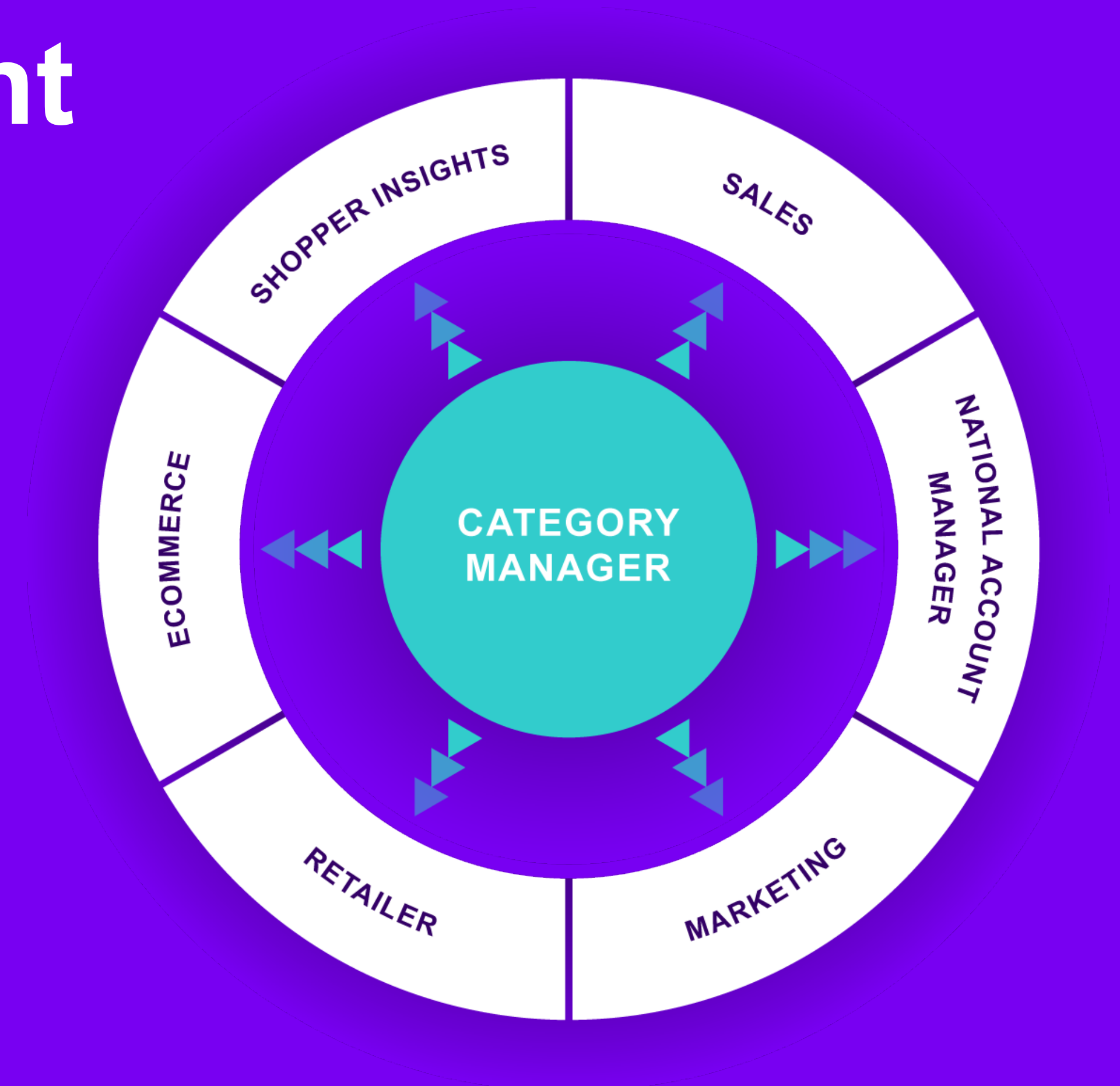# 1. Changes and challenges across category management

Category management has changed how we know it. But in what way?

Category managers act as a connector between different business units which means they need to understand what matters to each team (goals and insights).

In their aim to grow the category, they're building the overall understanding for the company of who the customer is and what the customer is doing. For this, they too often rely on data insights pulled from multiple sources which just isn't fast and accurate enough.

While consumers are using ecommerce channels with a degree of confidence, many category managers are still scrambling to understand how to build competitive advantage online.

No longer can category managers ignore the ecommerce teams or how retail search works. Learning how to drive category growth online and using the right tools to track, measure and optimize has become non-negotiable.

SHOPPER INSIGHTS

SALES

NATIONAL ACCOUNT MANAGER

MARKETING

RETAILER

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2. Omnichannel, the must-win opportunity

Forrester predicts by 2027, US online retail
spending will reach $1.6 trillion.

Infrastructure investments by Walmart and Kroger and the ever-growing
popularity of pure-play marketplaces like Instacart and Getir are strong
indicators that ecommerce has reached a sticking point.

According to NielsenIQ, only 14% of consumers are still solely shopping for
products in brick-and-mortar stores. Ensuring an effective online category
presence is key to building a competitive advantage.

And "meeting consumers where they shop" is absolutely essential for
unlocking growth opportunities today and in the future.

Let's look at omnichannel as a must-win opportunity on the next page.

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Opportunity	What's happening	What brands can do
Retail search	• Retailers continue to evolve capabilities driving shopper search, making navigation and personalization a point for differentiation • Tech developments are starting to guide purchases more directly	• Manage search proactively: The majority of 'add to basket happens in positions 1-4 • Make sure your keywords resonate with shoppers: Amazon and Walmart persona may differ in what keywords appeal to them • Build internal training capabilities to support understanding of digital marketplace and shopper habits evolution
Availability & assortment	• Retailers remain keen to attract people into stores while continuing to fulfill curbside pick-up and online shopper needs (quick commerce) • Retailers are rationalizing assortment to simplify picking and reduce costs • Shoppers only see a fraction of a brand's assortment (desktop or, more likely, mobile phone view) • Often little overlap between top selling SKUs online vs what people see in store • Stockouts get highest penalty online (lost sale and lost position)	• Be ready to continuously defend distribution • Drive product innovation around pack size to match new habits, diversify price span to defend against own label and cater for 'lipstick effect' to include premiumization on smaller items • Use analytics and retailer search results to discover gaps in your assortment vs competition • Use conventional POS data alongside online search results to identify sales opportunities (virtual bundles) & threats (new value pack & price configs that appeal to different consumers)
Price & promos	• Retailers are looking for new ways to leverage consumer brands' retail budgets • Walmart, Kroger and Instacart and others continue to innovate, showcasing new advertising avenues to target consumers through personalization	• Understand that promotions react differently online = considerable trade spend is driving out of stocks • Manage availability closely as propensity to switching online is significantly higher than in-store • Test & learn what works across global retail media networks (RMNs) from Amazon, Walmart Connect (US); Criteo, Citrus (UK); Pacific GrabAds, Carousell Media Group or Panda Ads for APAC.
Retailer online marketing services	• Retailers are increasing pressure on suppliers to invest incrementally in their online marketing services • Retailers are becoming more omnichannel operations, Walmart leading the charge in consolidating teams into one, investing in being able to offer omnichannel media ad offering and shopper & performance insights	• Gain advantage by knowing which assets to pay for (email to seasonal events pages), how to leverage and optimize them • Source digital shelf optimization tools with banner tracking, market share and multi-location availability insights to monitor campaigns and calculate your ad spend ROI

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3. Accelerate category growth with digital shelf optimization

Category managers who 'get ecommerce' are critical to winning the omnichannel. But they need the skills and tools to do so at scale.

There's only a few growth levers you can pull: retain search visibility in position 1-4, sell more through larger sized packs, get people to buy more frequently (as you defend against private label) or enable people to buy better (premium / 'lipstick effect').

Retail category managers should experiment with these strategies quickly to understand what works for their categories on the digital shelf.

The quicker brands understand what drives the greatest returns, the faster they can build their competitive advantage online for the long term.

To measure the effectiveness of your experimentation efforts you need insight tools to monitor, measure and optimize your activity. It's why digital shelf optimization (DSO) is quickly becoming indispensable for future-success focused brands.

Let's take a deep dive into the five category drivers to illustrate the power of digital shelf optimization (DSO).

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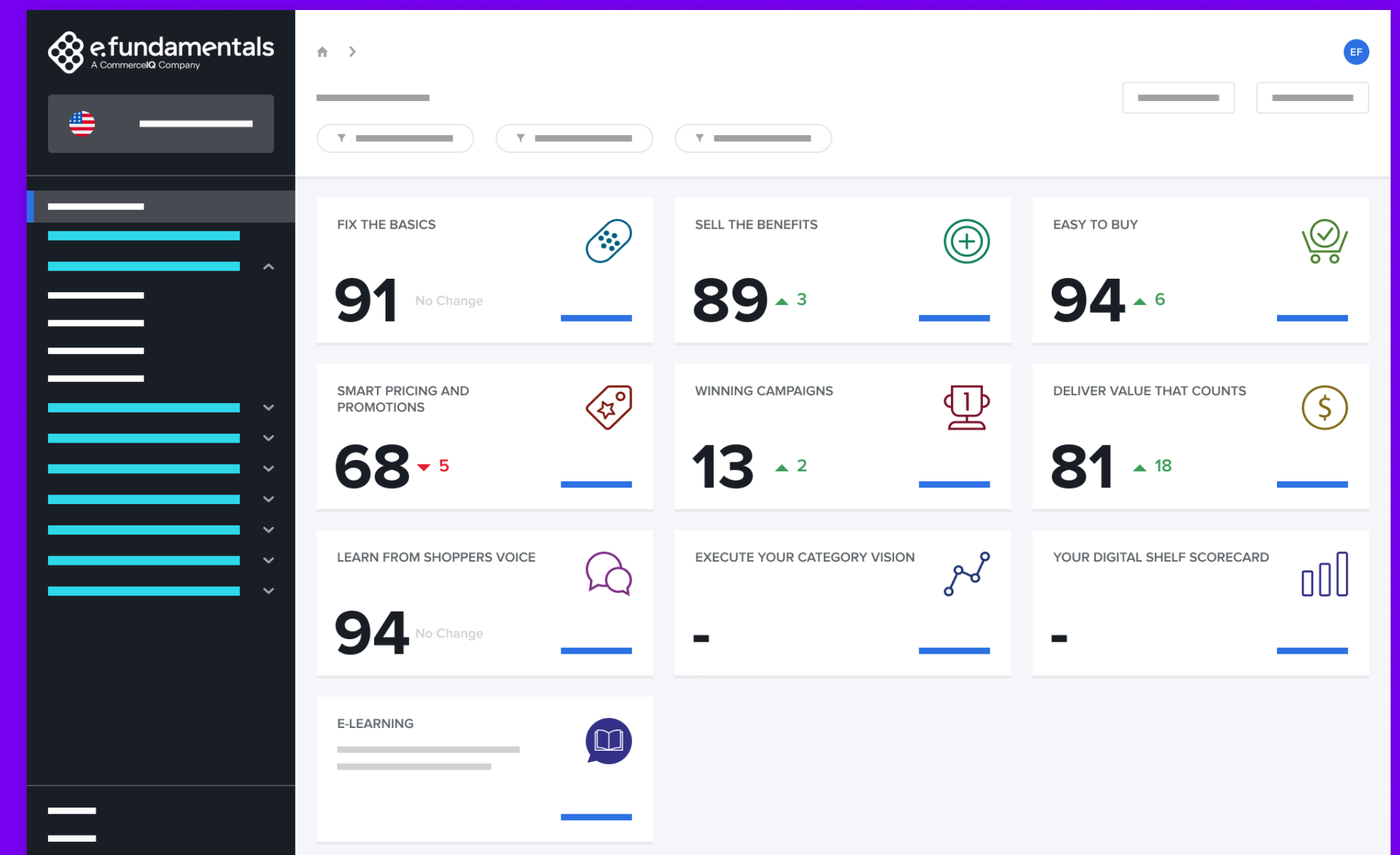
3.1. **Category driver:** Retail search

If you do one thing right on the digital shelf, it is to make it easy to buy for your shoppers.

Search is the gateway to discovering and buying products online. As a category manager used to negotiating shelf space in-store, this one can be hard to get your head around.

Shelf resets happened 1-2 times a year, now algorithms determine what the shopper sees and dynamic results pages change how a category is viewed as a whole.

While you may not actively manage product detail page content or adjust product titles, understanding retail search as a key driver allows you to discuss with your ecommerce team how to optimize your performance with insights and automations.

Use digital shelf optimization to:

1. Show how your products rank by keywords and across your retailers, can you see differences in which keywords work per retailer?

2. Compare your brands visibility versus competitors via a weighted share-of-voice report for your search terms

3. Measure performance across set time periods to understand what is affecting your search results

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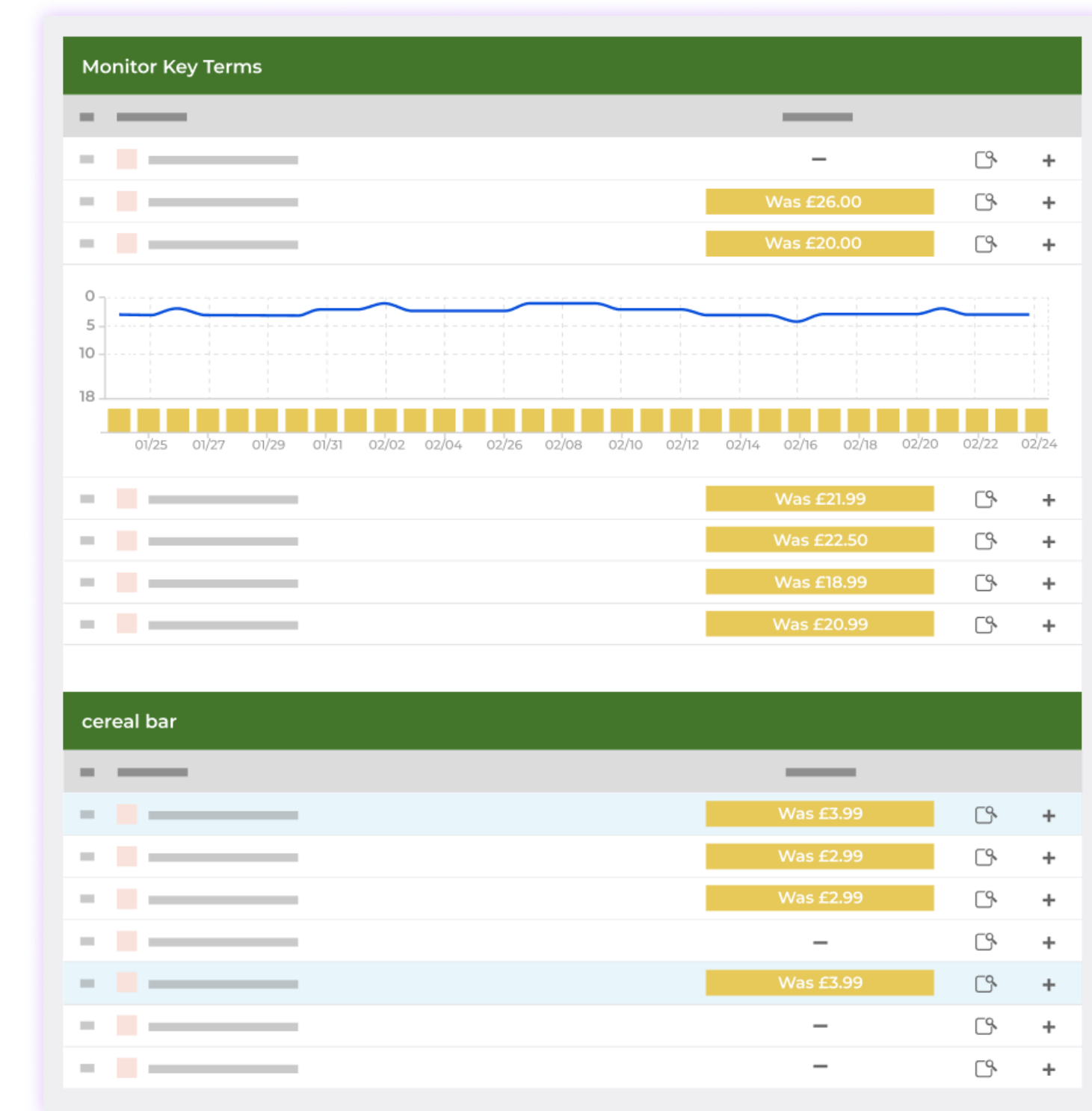
3.2. **Category driver:** Brand assortment vs own label

Cheaper options are thriving as consumers trade down. But brands can use data-led strategies to defend against the rising threat.

The launch of new budget-friendly private labels in several markets, such as Kroger's Smart Way brand and Just Essentials at Asda, clearly shows the direction of travel with recessionary shopping behavior on display everywhere.

This leaves consumer brands facing enormous pressure to demonstrate value to shoppers, hold their own against private labels and navigate tricky pricing conversations with retailers.

But, there are still opportunities to be had. People still want treats and they are not going out as much, creating demand that brands can meet much better than own label. The 'lipstick effect' is alive and certain categories can still play and win share.

Brands should also look for untapped (upsell) opportunities to use the ecommerce channel to drive weight of purchase. Shoppers are cost-conscious, but many still respond well to bigger buys and multibuys in an online environment because of the convenience of not having to carry home those purchases.

If you only did two things

1. Ensure the right range and assortment for the channel and the retailer

2. Tailor ranges to retailer demographics and regions, and shopper needs in your category for the channel

Our top 5 data-led strategies to defend against own label

1. Add own label to your core competitive set online

2. Know what cost price increases own label is getting away with

3. Understand how own label is winning in search

4. Leverage online ratings and reviews

5. Use great content to demonstrate value

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3.3. **Category driver:** Ratings & reviews and innovation

Ratings & reviews play a critical role in shoppers' online purchase decisions.

The more information a consumer can gather about a product, the more likely they are to buy it. Our internal case studies suggest a +1% increase in ratings and reviews can lead to a +3% increase in sales.

Ratings & reviews are also a rich source of insight into shopper needs and priorities. They not only help surface issues with product quality, but also highlight unmet needs. And they're becoming increasingly important across all categories.

How do ratings & reviews drive ecommerce sales?

1. **Conversion:** Ratings & reviews give shoppers confidence to buy a product. Favorable ratings & reviews will lead to higher conversion vs. the competition, thus increasing your rate of sale (ROS)

2. **Visibility:** Higher ROS will feed into the retailer algorithms for search and shelf positioning. Consumers often filter by 'highest rating' which means the higher the rating, the more likely you will be in the top rows on page 1.

So, it's critical to have access to a digital shelf optimization tool to monitor and optimize your ratings & reviews and related strategy across your retailers.
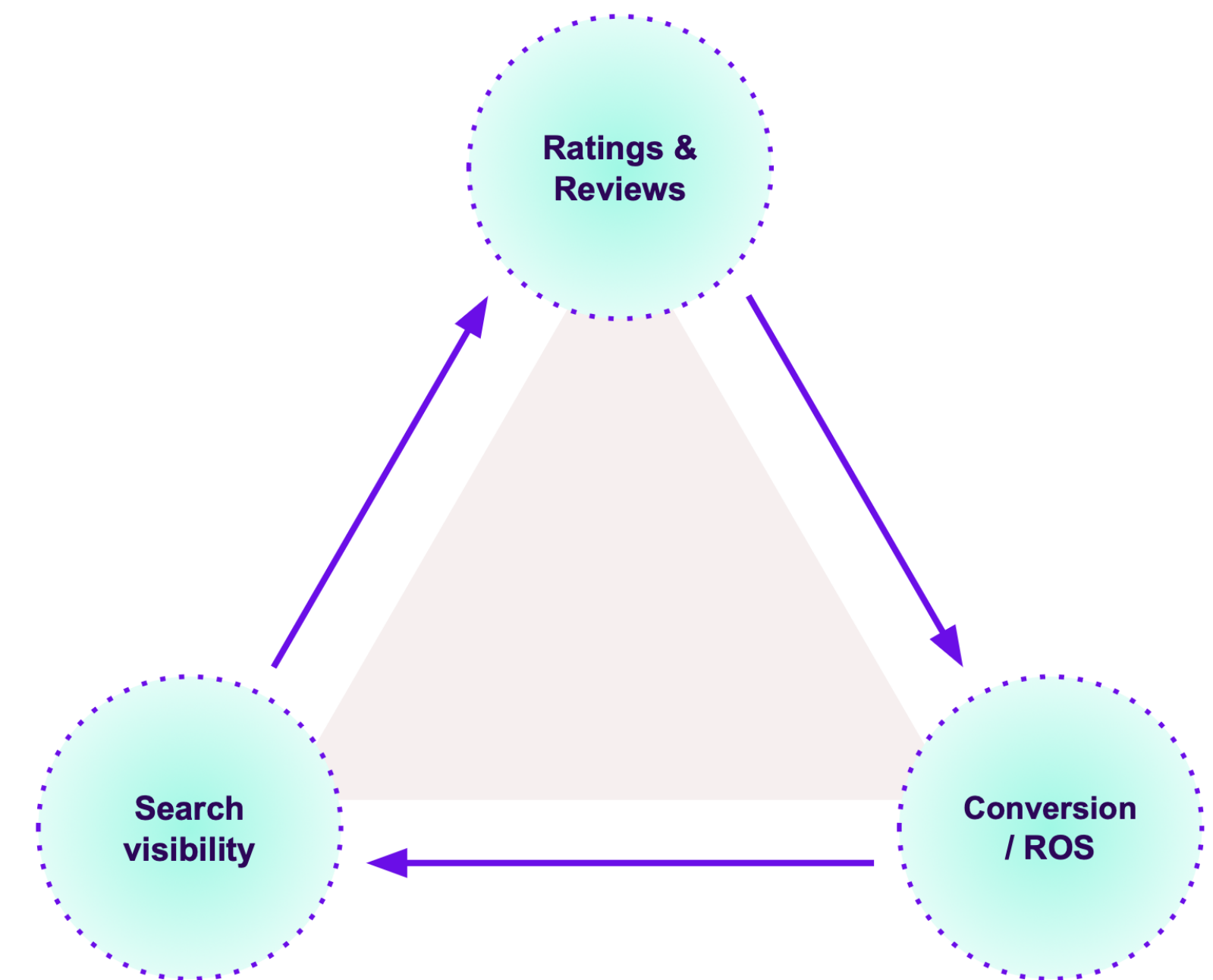
Ratings and reviews create a virtuous circle that increases visibility online. Products will only stay in top positions if there is continued conversion.

3.4. Category driver: Pricing & promotions

Profitable ecommerce pricing & promotion strategies
are essential to winning leadership with retailers.

But it requires a promotional strategy that suits the channel and online
shopper missions, and is based on a full category view on promotions by
retailers and your competitors.

A tool like CommerceIQ's digital shelf optimization helps you to benchmark
your pricing and promo strategy by retailer and vs key competitors. Your
strategy needs to 1) ensure it drives sales and prevents last minute basket
drop-out rates 2) has competitive price points vs benchmark SKUs across the
category.

Our pricing and promotional calendar helps you understand elasticity and
pricing and pack architecture across your category and to monitor price
changes over time.

Use our platform to answers key questions:

1. Are competitors promoting more or less frequently?

2. How does my absolute promo depth and average selling price compare to
   competition / the category average?

3. Can I shift my product mix on promotions to drive more profitable SKUS?

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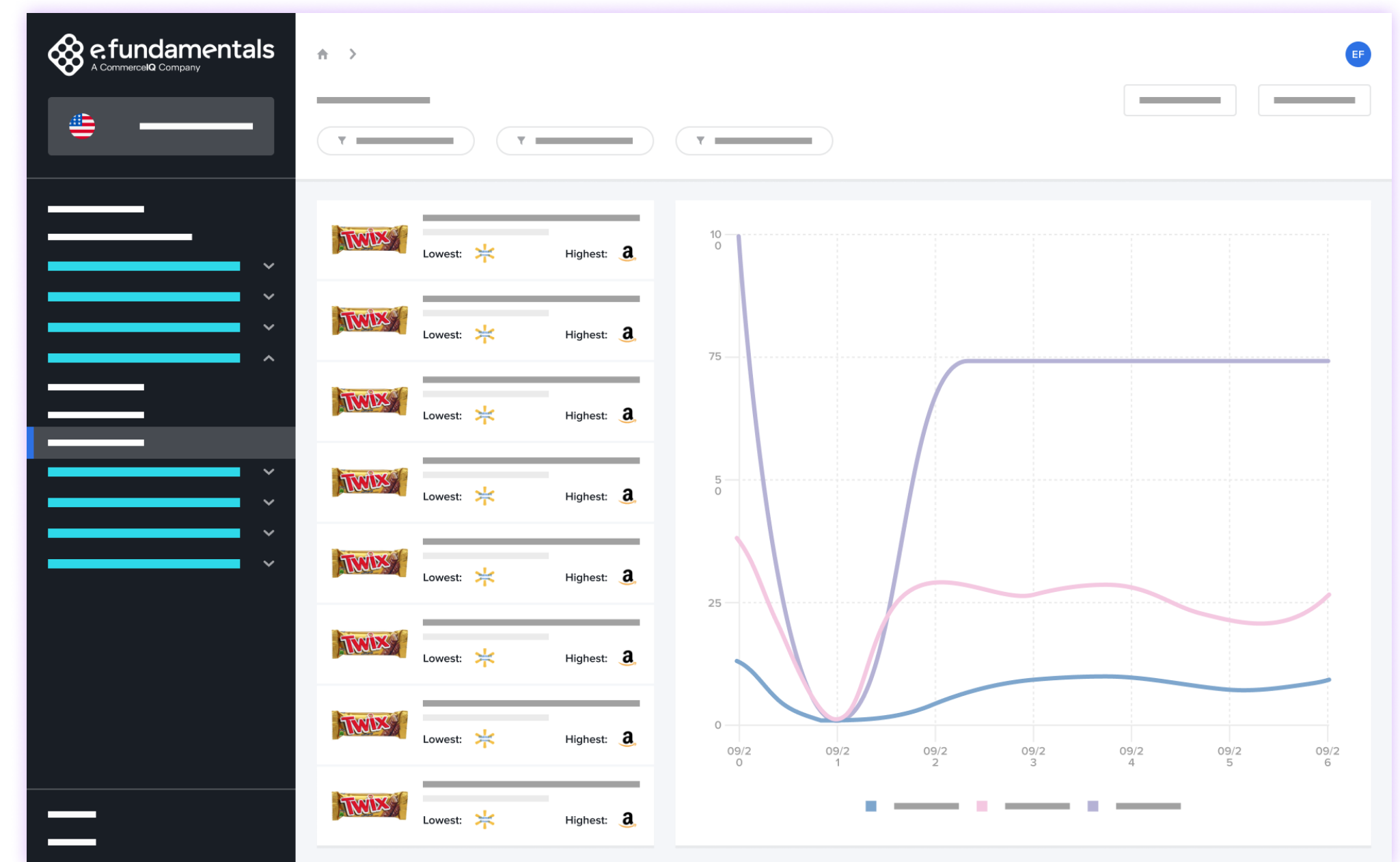
3.5. **Category driver:** Availability

Promotions behave differently online and they can quickly drive out of stocks.

Omni-first category managers want to ensure strong online, in-store and mental availability. Forrester estimates US digital-influenced retail sales will top $3.8 trillion in 2027. So work with retailers and supply chain teams to prioritize availability online.

To boost mental availability and sales, brands will often run sponsored search placement, a retailer advert and a promotion. But they have little visibility on how these activities impact their performance.

Now, here's what's key for smart ecommerce category managers to understand: The penalty for an OOS online is high and it triggers a vicious ripple effect.

To avoid shopper frustration some retailers put competitor products in the shopper's basket and add them to their favorites. You risk hard won brand loyalty. What's more, you'll lose your listing and will have to rebuild your search position.

Make sure you have access to robust multi-location availability monitoring. It's a fundamental capability for optimizing your category on the digital shelf.

Use our multi-location availability feature to see:

1. If any promotions are driving out-of-stocks

2. Potential challenges across your retailer estate
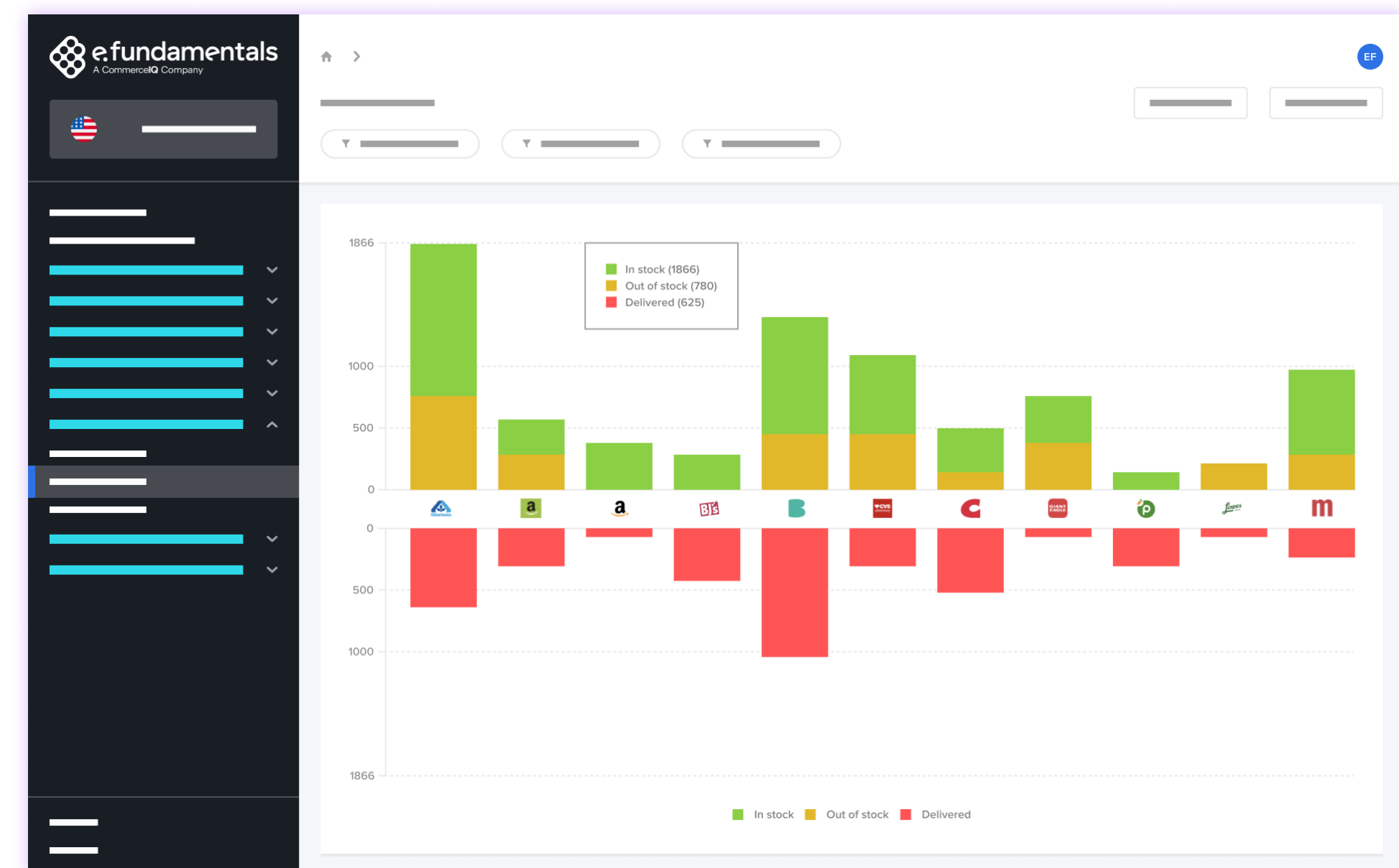
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4. Roadmap for transforming omnichannel performance

Retail category management is changing. Are you a leader or a laggard?

To be at the leading edge of ecommerce category growth category managers need to act at speed and scale if they want to take their brand and retail partners into the future of commerce.

The retail environment has become restless. It's why category managers now need to develop the right skills and mindset. But crucially, they need full category coverage, robust and actionable data from digital shelf optimization tools to keep ahead of the competition.

What are the next steps? Let's take a look at what category managers can do now, near and long term.

"

The front door to your shopping experience is no longer your flagship store. It's the mobile phone in the pockets of billions of consumers around the world."

Jason Goldberg
Chief Commerce Strategy Officer at Publicis

"

Consumers shop BOTH in store AND online, so brands need to look at brand strategies not from an online OR in store perspective, but rather online AND in store."

Todd Hassenfelt
Colgate-Palmolive, Ecommerce Director,
Growth Strategy & Planning

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What to do now	Near term	Long term

• Have quality standards in place to get past 'fix the basics' of content management quickly. Use <u>content automations features</u> of your digital shelf optimization tool.
 	
• Develop a clear point of view on how omnichannel will impact assortment and adjust pack size and pricing
 	
• Understand that promotions behave differently online and know how this affects your <u>retail media strategy</u>
 	
• Focus on optimizing availability; address supply chain issues and promotions to prevent stockouts
 	
• Develop skills urgently to manage search, performance and optimization
 	
• Develop strong relations with retailers by proactively sharing changes your seeing in search results, even suggesting virtual bundles (best sellers & adjacent categories)
	• Develop a test and learn mindset to figure out what works online to have a view on category drivers
	
	• Develop the ability to manage promotions and banner ads together
	
	• Know the value and range of of retailer's marketing tools and build these in to your promotional strategy planning
	
	• Master search. Understand keywords per retailers, what best-in-class PDP looks like and how it affects sales; this data will be invaluable when building relationships with retailers
	
	• **Keep your retailers informed, two data-led ways to be an omni adviso**r:
	  • Send monthly reports on newly listed SKUs seen in search across category competitors
	  • Do a quarterly audit on search terms per retailers (title, PDP, SKU bullets etc) most searched for / used by shoppers, any SKUs that could drive category growth if ranked higher?
		• Combine your data sets and build advanced analytics capability
		
		• Develop insights around valuable use cases and automate repetitive processes (content optimization, price alerts)
		
		• Test and learn across digital challenger channels like Instacart and other last miler
		
		• Foster strong relations with your buyers as they evolve their advertising offering. It may open opportunities for early capability and pilot project testing

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5. Summary

Category growth today must start by understanding how to drive sales on the digital shelf.

Consumer shopping paths and habits continue to evolve rapidly. So now is the the time is to go from category management survival to leadership.

It's imperative that category managers plug ecommerce skills gap and learn to use the critical tech stack — like digital shelf optimization — that helps brands build competitive advantage at speed and scale.

In this guide we explored:

1. Today's changes and challenges for category management

2. Five category driver critical for winning the omnichannel

3. How to boost your global category performance with digital shelf optimization

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6. Right range, right place? FAQs

How should category managers use CommerceIQ's digital shelf optimization?

Use our service in three ways:

1. Access the complete category view and competitor data to make strategic growth decisions around assortment mix, pricing and content optimization to increase visibility and conversions

2. Get executive-level scorecards and reporting to understand KPIs and profit opportunities

3. Unify teams around one 'data source of truth', automate and streamline processes to scale productivity

What are your mechanisms to "scrape" or "gather" retailer data?
CIQ's practices very careful data gathers from retailers' sites, being conscious not to interfere with peak traffic times and site speed. The platform is designed to foster your trade relationships, not harm them.

Where is your search data coming from?
The data is coming from the retailers. CIQ is working closely with clients to identify the keywords to monitor, measure and optimize. Daily insights are presented as a share of voice / shelf summary at retailer and SKU level.

Do you delineate between paid and organic promotions?
Yes, the service tracks who is placing display banner ads, their location and frequency. Retail media is an area where promotion management and trade spend are merging so access to digital shelf optimization is becoming even more critical.

How do you help brands influence retailer discussions?
By taking a complete category perspective category managers have a powerful tool to drive discussion based on detailed competitive insights. *'It's what you know together'* that will help you bring the category forward.

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About us

World-leading companies use e.fundamentals DSA by CommerceIQ to help analyze, mobilize and optimize their brands' performance across thousands of online stores around the world.

We offer retail category managers all the digital shelf analytics they need to succeed at speed and scale.

Why wait? Speak to our category growth focused experts today.

Book a demo today

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