# Chapter 8
# Digital Category Management:
## How Technology Can Enable the Supplier-Retailer Relationship

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## ABSTRACT

*The internet of things (IoT) is transforming the way consumers shop at stores, how shoppers collect information, and how they take purchasing decisions. The way manufacturers and retailers respond to the digital enabled shopper is key to ensure positive implications for revenues and profits, ensuring that the collaborative relationship focus on providing shoppers with a better customer experience. Category management is at the center of the manufacturer-retailer relationship, urging for a transformational turmoil that enables a prompt response to the digital enabled shopper. This chapter discusses the implications of the new digital empowered shopper for the traditional category management demand-side aspects underlying the need to enhance business results by focusing on higher collaboration and automation.*

## INTRODUCTION

Two decades ago, Category Management came as the solution to the challenges of a highly demanding consumer that required increase attention and a better customer experience in food and groceries. That was the time when internet was the engine for business landscape transformation, enabling and requiring not only a different set of relationship between businesses and the consumer, but also between the different business players in each market. Retail has suffered a dramatic change over the last two decades and, like before, there is a need to adapt to a consumer that requires an increasing attention from manufacturers and retailers, delivering a better customer experience in a context where consumers are armed with information that enables them to take better informed decisions. The communication and commerce paradigm established two decades ago by the development of the internet with an infinite

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number of possibilities has been fulfilled and in an undisputed way has been the foundation of a digital age and a digital shopper. But there is a new paradigm, the Internet of Things (IoT).

For years IoT has been growing silently in many industries – agriculture, energy, transportation, smart cities – and has been reshaping the way companies operate and use information. IoT is not the next stage of the internet, it has been transforming the world as we know, opening new possibilities and creating new businesses.

As the relationship of food and grocery manufacturers with retailers achieves a new challenge due to the increasing low price and high promotion strategies, it urges for a way to respond to the needs of a consumer whose decisions are made faster and in a better-informed way. The traditional Category Management definition needs to gain speed and respond faster to an ever-changing consumer, allowing a higher degree of constant change that can only be enabled through a higher collaboration between manufacturers and retailers. For that is paramount that information flows within and between companies, that the unimaginable amounts of data can be analysed to make better decisions, improve brands and stores performance, generating profits to grow.

All these transformations require that the relationship between manufactures and retailers is based on digital category strategies that are based on the consumer decision journey, independently of the final purchase decision being made online or at the physical store. Digital Category Management is the next stage of Category Management, building on the transformations IoT is causing to the way data is exchanged and used. While previously data would come from traditional sources or internet devices that were used to access data, currently IoT enables data to be generated real-time, therefore needing a new set of analytical tools and technologies.

The case for Category Management and for Digital Transformation has been widely done in literature, being the purpose of this chapter to develop the urgency for the creation of Digital Category Management, a central component of the relationship between retailers and food and grocery manufacturers, going beyond the basic automation of processes and generating more insights that enable brands and stores to deliver a higher customer experience, generating better results for all stakeholders.

Traditionally, Category Management has been criticised due to the "project silo" mentality, where both manufacturers and retailers would collaborate to develop category development projects but being unable to incorporate the results into daily practices that would be sustainable and could drive the day to day business. More than just automating data collection and analysis, Digital Category Management needs to be set as a collaboration approach that would employ real-time data, transforming the way manufacturers and retailers generate insights and, therefore, respond faster to consumers in an omnichannel retail environment.

## BACKGROUND

The Internet of Things (IoT) is transforming the way consumers shop, requiring a new paradigm the way food and grocery manufacturers establish their relationship with retailers. At the heart of this transformation, Category Management plays a significant role.