



David Bartolini is principal at Bartolini Consulting in Toronto
bartolinibrands.com

VENDORS TAKE THE WHEEL

Retailers must grow profits. This requires category experts. It's time to welcome vendors to the party **BY DAVID BARTOLINI**

When I was a category manager a couple of years ago, I made it my business to understand the products that fell under my purview. Besides analyzing trends and assortments, my role included understanding how demographic changes might affect my category, item-movement forecasting, market analysis and a lot more. Category managers today can relate. But what if I told you that this work could soon fall on vendors?

As a retail merchandising and branding consultant, I spend a lot of time with both suppliers and retailers. Increasing pressure to deliver profits has retailers relying more on their suppliers. But it's no longer just listing fees they're asking for. They're also craving deeper category financial analysis and consumer and market insights. For the purposes of this article, let's call these types of vendor-to-retailer services "third-party category management (CM)."

Under third-party CM, suppliers will eventually assume nearly total category stewardship for retailers. They'll evolve from being accountable for their own products, to total category accountability. Likewise, retailers will rely on their vendors for critical decision-making information. Even vendors that aren't category captains will be expected to provide much more insight for retailers.

So, what's driving the change in the supplier's role? Competition, of course. With the recent acquisitions of Shoppers Drug Mart and Canada Safeway by Loblaw Companies and Sobeys respectively, it's an understatement to say the Canadian retail landscape is heating up. A few years ago, following Walmart's move into groceries, pundits were



already saying that Canadian retail was supersaturated. And this was before Target moved in.

Without a doubt, it's getting tougher for retailers of any size to win market share. Meanwhile, grocery-store prices have been flat or deflating. That has made it difficult to grow profits simply by selling more. With little sales growth, retailers have had to cut employees and increase back-end and head-office efficiencies to widen their profit margins.

And that's where the suppliers come in. Retailers are applying more pressure on them to help offset profit erosion and spur growth. This is what third-party CM offers.

I can imagine some suppliers groaning at the thought of it all. Retailers already charge you to put your products on shelves. Now they're going to want you to act as some sort of personal

category consultant? Yes. But as I'm about to argue, this is a good thing.

Suppliers who are able to exhibit both financial acumen and market savvy will differentiate themselves from competitors. They will offer invaluable services to their retail-partner well beyond just "product management." In other words, they will become irreplaceable.

So, what kind of expertise will these savvy suppliers deliver? I've outlined some key areas, below.

Merchandising assortment: Vendors who embrace third-party CM will work a lot more closely with retailers to get the right products on shelf, and at the right times. They'll do more of the heavy lifting on item-movement forecasting and creating planograms. And they'll make recommendations on what to list and delist; and when to delist, be it Christmas or other selling periods.

Consumer expertise: Vendors should bone up on Canadian demographic and census data. As retailers rely more on vendor expertise, vendors can offer advice on which products to carry. For instance, which pack sizes will work best for boomers, Canada's largest and wealthiest demographic?

Market intelligence: If Loblaw in week 52 last year sold clementines for, say, \$3.99, it might duplicate the ad this year. Thus, a supplier might suggest \$3.49 to Sobeys for week 52. Vendors don't do exact-week tracking yet. But they could help retailers get their promotions just right.

Yes, third-party CM is going to be more work for suppliers in the grocery trade. But suppliers who get it right can win the day with retailers and get even more business from them. And who can argue with that? **CG**