



Online Category Management

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We have a global team with extensive retail strategy and omni-channel expertise in place

A.T. Kearney's global retail and digital practices

- A.T. Kearney supports its clients with a network of **58 offices in 40 countries**
- Is together with consumer goods the largest practice, accounting for **more than 25% of work globally** (2013 YTD)
- Serves **leading retailers** and whole-salers in every major sector (food and non-food) and in all regions of the world
- Supported **more than 250 retail projects** (thereof ~150 in food retail) in only the last three years
- Has a **dedicated team of 300+ experienced retail consultants** with deep strategic and operational expertise
- Developers of ICE approach (Integrated Channel Engagement) approach, assessing over 150 retails (5 countries) on their **omni-channel performance**



Framework: Online Assortment

Chapter	
1	Online Channel Strategy <i>define</i> your business model
2	Online Assortment <i>shape</i> your assortment
3	Website User Experience <i>enhance</i> the user-experience
4	Digital Content <i>showcase</i> your products
5	Pricing & Promotion <i>boost</i> your sales
6	Inbound Marketing <i>enhance</i> the user-experience
7	Customer Retention <i>drive</i> sales & customer loyalty
8	Order Fulfillment <i>expedite</i> your distribution
9	Advanced Analytics & KPIs <i>analyze</i> your data
10	The Digital Organization <i>build</i> your team

Online Assortment	
2.1	Category Tree Design
2.2	Assortment Reduction & Completion
2.3	Assortment Prioritization / Order Rational
2.4	Supplementary Services

2.1 Retailers that base their category structure on Customer Decision Trees (CDTs) outperform the industry average

Stages of Excellence: Assortment Segmentation

	Basic	Standard	Advanced	World Class 2015
<p>Standardized (utilized by default for all customers)</p>	<ul style="list-style-type: none"> • Base category structure created by marketing department based on static product taxonomy or copied from other websites • No detailed category level: category ends with last level of product taxonomy (e.g. "Cotton Shirts") 	<ul style="list-style-type: none"> • Base category structure is derived from product taxonomy, further manually optimized with regard to depth and size • Detail category level is based on: <ul style="list-style-type: none"> – product brands (e.g. "Red-Bull") – satisfied needs (e.g. "Stay Awake") – product attributes (e.g. "with Caffeine") 	<ul style="list-style-type: none"> • Base category structure is build through analysis of Customer Decision Trees (CDTs) • Offline CDTs are used to define category structure • Last category level is entirely based on most detailed levels of CDTs • CDTs form categories that are MECE 	<ul style="list-style-type: none"> • Base category structure is based on optimized CDTs: <ul style="list-style-type: none"> – Optimized for target audience – Optimized max. category depth • Detail category structure is ordered based on popularity (sales, not margin) • Optimized CDTs are not necessarily MECE (e.g. overlapping categories)

Leading retailers are designing their categories according to customer decision trees and customer search behavior

OCADO – Category Design Comparison

Category Structure follows the «Application Context / Usage», in this case Baby Bath time, Baby Dental Care, Baby Playing / Toys

Category Structure follows a classic «functional» Category Management set up: Still Water, Sparkling Water, Flavored Water etc...

2.1 Incorporating alternative category structures based on customer choice/experience can drive avg. market basket size

Case example: Theme-based category structure



Framework: Website User-Experience

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Online Assortment	
3.1	Landing Page (Call-to-Action)
3.2	Catalogue Browsing (Product Discovery)
3.3	Category Behavior Profiles
3.4	Site Search
3.5	Product Pages (Cross-sell Triggers)
3.6	Order Process
3.7	Device Optimization

3.1 Landing Page Call-to Action

Person A View

The screenshot displays the FreshDirect website's landing page. At the top, the 'freshdirect' logo is on the left, followed by a search bar with a 'FIND' button. To the right are icons for 'DELIVERY INFO', 'QUICK SHOP', 'COUPON SAVINGS', 'YOUR ACCOUNT', and 'GET HELP'. A shopping cart icon shows '0 item' and a 'checkout' button shows '\$0.00'. Below this is a green navigation bar with categories: FRUIT, VEGETABLES, MEAT, SEAFOOD, DAIRY, DELI & CHEESE, KITCHEN, BAKERY & PASTRY, FLOWERS, GROCERY, FROZEN, PET, and WINES & SPIRITS. A secondary row of navigation includes QUICKSHOP, DEALS, PRESIDENT'S PICKS, TOP-RATED, IDEAS, NEW, LOCAL, and FRESH-OLUTIONS. A welcome message 'Welcome to FreshDirect!' is followed by a link to 'Learn more About Us, or get Delivery & Pickup Info.' A large banner features orange slices and the text 'TRY SOMETHING New! Fresh inspiration for the New Year.' with a 'SHOP NOW' button. Below this is a carousel for 'Pinot Noir' with a 'UP TO 20% OFF' badge, a 'START SIPPING' button, and a 'freshdirect WINES & SPIRITS' logo. To the right of the carousel are three promotional cards: 'see what's on SALE PRESIDENT'S PICKS', 'try DeliveryPassSM for just 1¢ UNLIMITED FREE DELIVERY', and 'you ask, we listen NEW PRODUCTS'. The bottom of the page shows a row of food images: a bowl of oatmeal with blueberries, a roasted chicken, and fresh vegetables.

3.1 Landing Page Call-to Action

Person B View

The screenshot shows the FreshDirect website interface. At the top is the FreshDirect logo and a search bar. To the right of the search bar are utility links: DELIVERY INFO, QUICK SHOP, COUPON SAVINGS, YOUR ACCOUNT, and GET HELP. Further right are a shopping cart icon showing 0 items and a checkout button showing \$0.00. Below this is a green navigation bar with categories: FRUIT, VEGETABLES, MEAT, SEAFOOD, DAIRY, DELI & CHEESE, KITCHEN, BAKERY & PASTRY, FLOWERS, GROCERY, FROZEN, PET, and WINES & SPIRITS. Underneath is a secondary navigation bar with options: QUICKSHOP, DEALS, PRESIDENT'S PICKS, TOP-RATED, IDEAS, NEW, LOCAL, and FRESH-OLUTIONS. The main content area starts with a 'Welcome to FreshDirect!' message and a link to 'Learn more About Us, or get Delivery & Pickup Info.' Below this is a 'MOST POPULAR' carousel. The carousel items are: Boar's Head Lower Sodium Deluxe Ham (\$11.99/lb), Poland Spring Natural Spring Water (\$6.99/cs), FreshDirect Oven-Ready Butter Croissants (\$5.49/4pk), Yellow Bananas, Bunch (\$1.99/bunch), FreshDirect Naturally Hardwood Smoked Bacon (\$11.99/lb), and Greenhouse Cucumber, Medium (\$2.29/ea). A product detail overlay for 'Yellow Bananas, Bunch' is open, showing a quantity selector set to 1, a total price of \$1.99, an 'Add to Cart' button, and a 'save to list' button. The bottom of the page features a 'FRESH FOODS, SPECIALS' banner.

3.3 Cross-Selling approaches need to differentiate between categories with high vs. no repeat purchases

World Class: Category Behavior Profiles

Product Category	repeated purchases?	of same product?	in regular intervals?	Behavior Profile ¹	Category Strategy
Printer Cartridges	yes	yes	yes		<ul style="list-style-type: none"> Send timed reminders Promote item on 1st page
Books	yes	no	no		<ul style="list-style-type: none"> Send update for new items Promote entire category
iPads	no	no	no		<ul style="list-style-type: none"> Promote related products from other categories

Category Behavior Profiles can increase the relevance of promotions for customers by customizing the promotion strategy by category

1. Category Behavior Profile
Source: A.T. Kearney

Framework: Digital Content


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Online Assortment	
4.1	Product Presentation & Content
4.2	User-Generated Content
4.3	Third-Party & Supplier Content Integration

Product presentations need to deliver pleasant reading experiences

DO: Transport emotion and information

e Experience



Perfect for reading

Reads Like Real Paper. No Glare Even in Bright Sunlight
Kindle uses an electronic ink screen that looks and reads like real paper. The matte screen reflects light like ordinary paper and uses no backlighting, so you can read as easily in bright sunlight as in your living room. Unlike tablet screens, Kindle has no glare.

Lighter Than a Paperback
Less than 6 ounces, Kindle is lighter than most paperback books, and weighs half as much as many tablets, making it easy and comfortable to hold in one hand for extended periods of time.

One-Month Battery Life
Kindle also has the advantage of significantly lower power consumption than tablets. Kindle does not require power to maintain a page of text, allowing you to read for up to a month on a single charge, with wireless off and

Sharp, Clear Text
Kindle uses actual ink particles and proprietary, hand-built fonts to create crisp, print-like text similar to what you in a physical book. The screen's 100% aperture ratio means no gaps between pixels. The blacks and whites on the screen are uniform, improving image quality.

Easy on the Eyes
Every time your eyes switch from a bright screen to a dimmer, ambient room, your eyes have to adjust, which may result in fatigue. With Kindle the page is the same brightness as everything else in the room so there's no adjustment needed.

Read in Any Position
When you read for long periods of time you often switch positions to get more comfortable. Kindle has a uniform contrast ratio that does not change with your viewing angle, so you can read in any position.

High quality detail pages that convey technical details as well as emotions to make browsing the content a pleasant experience

VS.

DON'T: Focus only on technical aspects



CoopMobile Abo
 > CoopMobile Prix Garantie Prepaid
 > Gesprächsguthaben
Coop Bücher
 Meine Produkte
 Letzte Einkäufe
 Meine Listen
 Einkaufszettel

iPhone 5S 16GB silber Abo surf 24 Monate / CHF29.90 pro Monat
 ★★★★★ 1 Bewertung(en) Bewerten ★★★★★
 Keine Kommentare [Kommentar schreiben](#)
 Gratis telefonieren mit allen Orange- und CoopMobile-Nutzern. 500 Mb freie Datennutzung pro Monat.

Produktinformation	Details
Allgemeine Informationen	
Netz:	GSM, UMTS, LTE (EDGE, GPRS, HSDPA+42 Mbps, HSUPA 5.76 Mbps, LTE 100/50 Mbps)
Frequenz:	QuadBand 850/900/1800/1900 MHz, UMTS 850/900/1900/2100, LTE 850/900/1800/1900/2100/2600
Bildschirm:	4 Zoll Retina Display, Multi-Touch Screen 640 x 1136 Pixel (326 ppi), 16 Millionen Farben
Kamera Auflösung:	8 Megapixel (3264x2448), 1.2 Megapixel Frontkamera für Videotelefonie
Interner Speicher:	16 GB Audio/Videoplayer und Editor, iBook Applikation, FaceTime Videotelefonie über

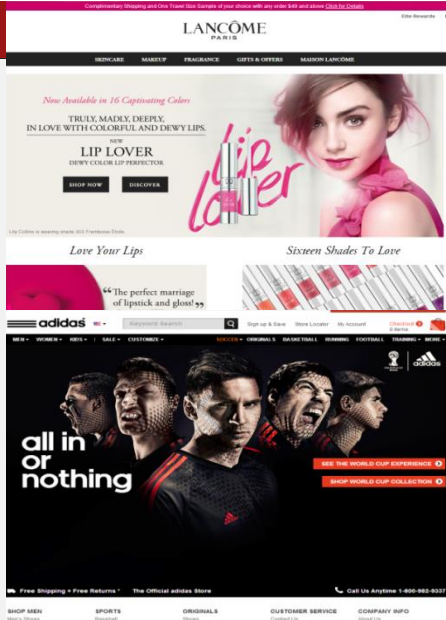
Detailed, flat product pages that focus exclusively on technical aspects with minimal multimedia content and no emotional content

Providing detailed product information is important to improve browsing experience

Lancome and Macys & Adidas and Dicks Sporting Goods showcase how brands & retailers can integrate to support each other

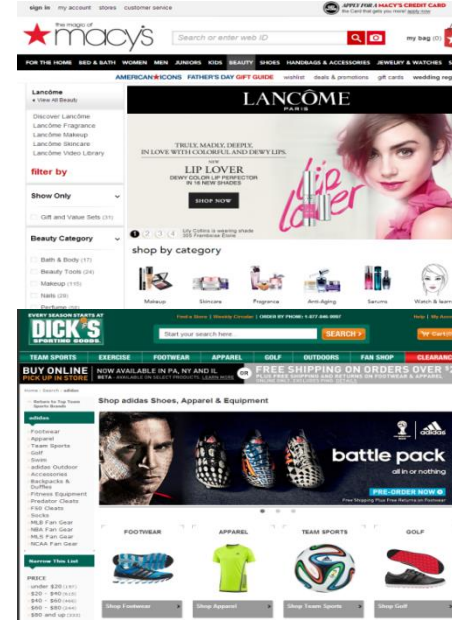
Brands provide

- Content
 - Ad's
 - Visuals
 - 'How to' **videos** – available through social media, mobile portal and website
- Special promotions
- Exclusive products, colors, packaging
- ...



Retailers provide

- Shared sales data
- **Consumer insights, reviews and ranking**
- Featured product placement
- Shipping details such as weight and restrictions
- ...



Seeding of emotional content in special interest groups quickly creates virality and desire

Project details

- **Product:** Springlane-branded high-temperature grill
- **Target group:** Men, 30 – 45 years, high income, “BBQ enthusiast”
- Traditional **marketing channels:** SEO, SEM, Direct
- **Content marketing:** Product video with Tim Mälzer, self written product description, magazine article, content seeding (communities, social media, etc.)
- **Revenues:** High six digits in four months



Relevant content

More than **60.000 views** in 5 months



Relevant content with innovative products leads to high buying intention

Framework: Pricing & Promotion

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Online Assortment	
5.1	Adaptive Incentives & Offers
5.2	Dynamic Pricing
5.3	Cross-Selling
5.4	Promotion Campaign Design

From our experience, well designed adaptive pricing & promotions can increase the online sales > 25%

5.1 Personalized promotions are increasingly used to trigger demand on the online channels



Digital coupons generate a more convenient shopping experience for customers, as the hassle of carrying or cutting paper coupons diminishes

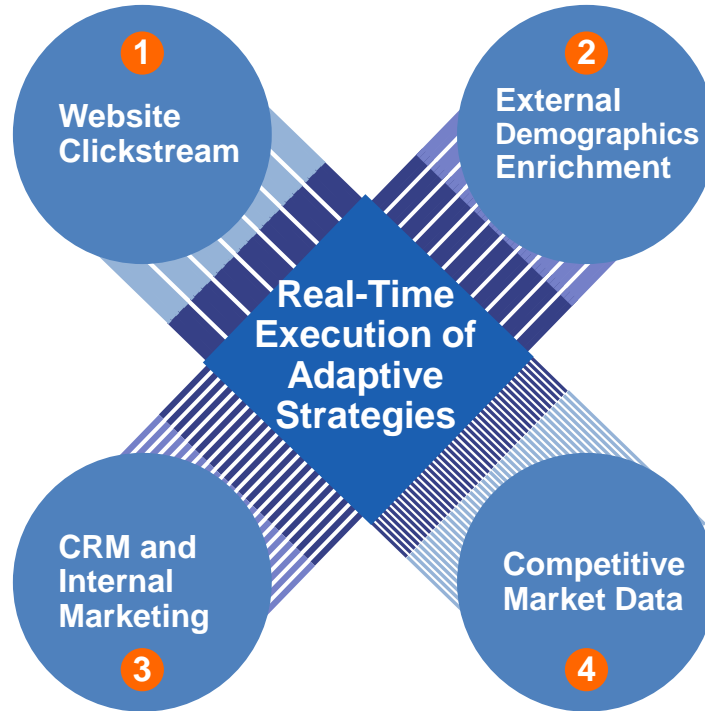
5.1 Adaptive Incentives combines diverse data sources and predictive analytics to discover latent customer sensitivities

1 Customer & Browser Data

- Geo; city, area, zip code
- Device type, OS, Versions
- Screen resolution
- Referrer, traffic source
- Website usage patterns
- **Behavioral indicators**
- Visit Frequency
- New vs. Repeat Customer

3 Key CRM Drivers

- Past purchases, referrals
- Internal classifications and historical sensitivities
- Past direct campaign and marketing activities



2 External Demographics

Top Income Bracket



High Density of Competing Stores

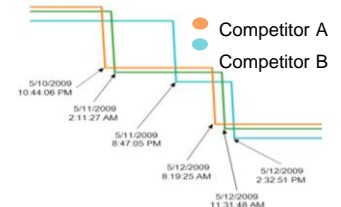
High Internet Penetration Area



High Retail Spend Index

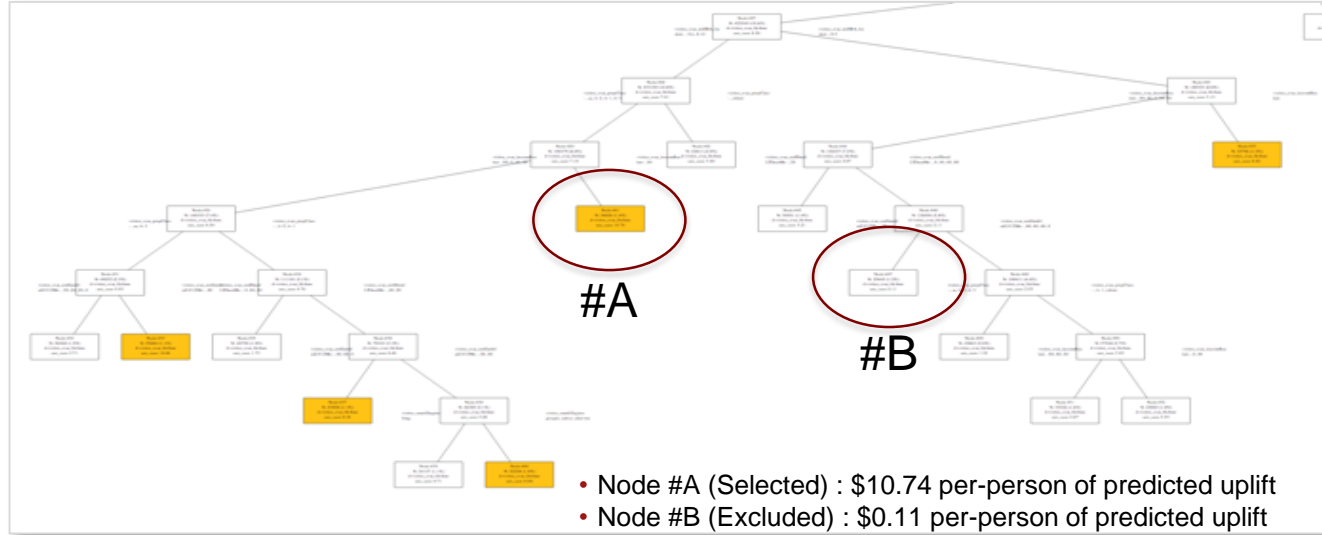
4 Real-time inflow of external signals

(i.e. competitor prices, industry position parity, product availability, customer reviews, scores).



5.1 Segmentation models can choose optimal promotion allocations among 200+ micro-clusters of customers

Example Customer-Incentive Model (Soostone “SelectTarget” Algorithm)

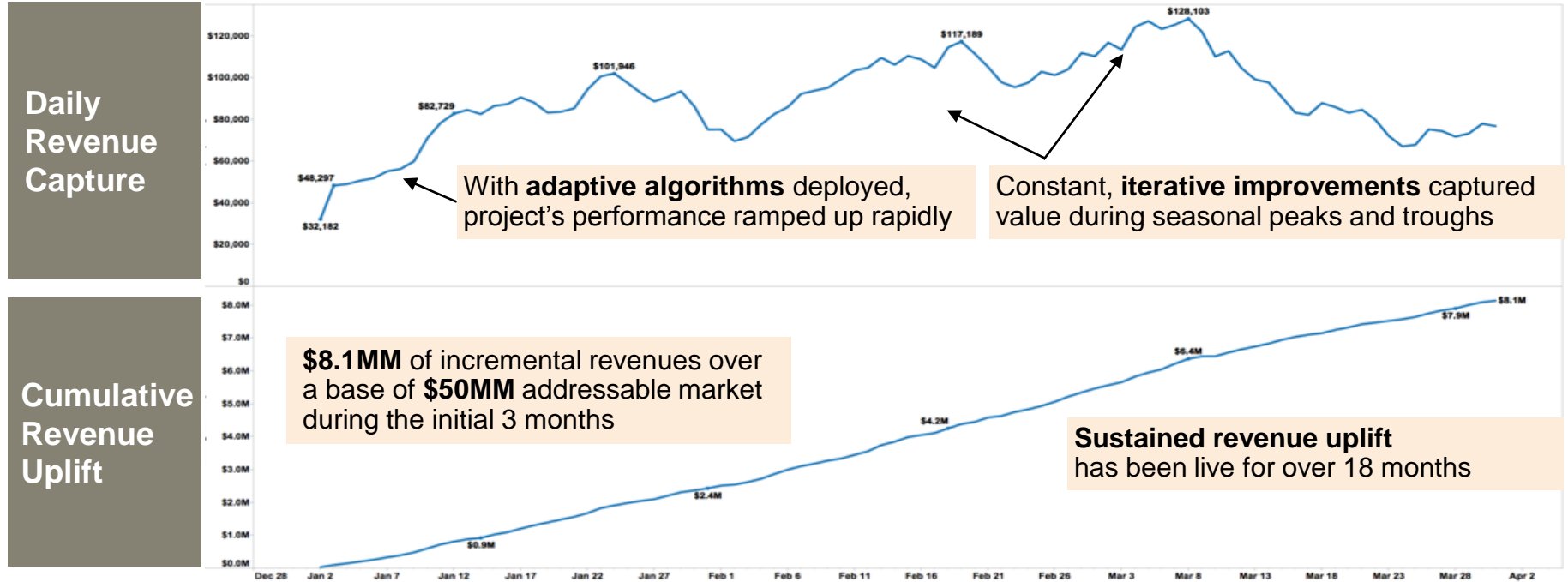


- Total of 2.1MM highly relevant **customer visits**
- **Model trained** on last 60 days of visit data
- Automatically formed ~150 **micro-clusters** for robust targeting
- Automatically selects top 30% of customers that **respond greatly to incentives**
- **Predicts outcomes** for new customers in real-time

By understanding how customers are likely to react to incentives/promotions, campaigns can be directly targeted with growth in revenue and customer base

5.1 Our past experience has shown very strong and persistent results emerge from an application of Adaptive Incentives

Project Performance During Initial 3 Months – Client Example



Framework: Organization

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To deliver an engaging cross-channel experience, players need to evolve its organisational approach

Organisational Approach


Key Element

Potential Initiatives

“Channel-neutral” culture

- Change mindsets from “channel-centric” view to “channel-neutral” view
- Example: incentives based on sales within a region (based on customers’ zip code), **regardless of the channel** 

Digital / e-commerce skills

- Enhance digital skill set across functions – online Center of Excellence
- Recruit personnel with a high level of e-commerce expertise and experience
- Example: **Digital Acceleration Team** (network of digital "champions" selected among "digital passionates" across all departments), **reverse-mentoring** (top management trained by internal digital experts) 

Test / innovate

- Support managers who accept to take risks and innovate

Question? Please do not hesitate to contact us directly...

A.T. Kearney Team Digital

Andreas Liedtke:

- andreas.liedtke@atkearney.com / +41 79 3454542

Eric Gervet:

- eric.gervet@atkearney.com / +33 6 30 21 60 21

Matthieu de Chanville

- matthieu.de.chanville@atkearney.com / +33 6 73 47 14 32

Flavie Nguyen

- flavie.nguyen@atkearney.com / +33 6 75 30 72 13

Pierre-Alexandre Koch

- pierre-alexander.koch@atkearney.com / +33 6 37 74 14 79