

The Scorecard: Misunderstood and Misused

Of all the steps in the category management seven-step process, I believe that the scorecarding step is the most misunderstood and misused. That is because the scorecard step is the linchpin of category management. It connects the opening more theoretical and analytical steps in CatMan (category definition and segmentation, role development, and assessment) to the later, more practical and action oriented steps (strategy development, assortment, pricing, in-store presentation and promotion). When the scorecard step is neglected or abused as it is in 95% of all category management plans, both the retailer and the manufacturer sub-optimize the entire category management process. The theoretical and analytical gets disconnected from the practical and action oriented components of the process. The plan that results lacks focus, direction or a means to measure success.

This case study demonstrates how the proper use of scorecarding can unite the retailer and manufacturer to drive superior results.

The Frozen Entrée Case Study

Retailer Fundamentals

The retailer had approximately 100 stores. Virtually all of them located in middle to higher income neighborhoods. The target consumer for the retailer was a 40 year old wife and mother who worked outside the home. She has one overwhelming problem: time deprivation. Every hour of her life is jammed with dozens of tasks.

From the food retailer's standpoint, this time deprivation created a major problem... too many meals eaten or prepared outside the home. To the target shopper, eating out at restaurants meant saving time. Eating-in meant lengthy meal prep plus time consuming clean up. Besides that, many of these women were not confident of their scratch cooking skills. She knew her family preferred eating at Appleby's, Denny's, Friday's, and Chipotle Grill. As a result, the restaurants were gaining share of the family's food budget. You might say that the restaurants were stealing the food retailer's lunch money!

The retailer knew that the key to increasing food purchases from the store was creating more meal occasions at home. From the retailer's perspective, key was the frozen entrée category to attracting more in-home dining occasions – these entrées are quick and easy to prepare and cost about 25% of a comparable restaurant meal. Moreover, because of the astonishing variety of entrée SKU's, all family members can choose a meal to their liking, just like ordering from a restaurant menu. For these reasons, the retailer decided to make frozen entrées, especially premium entrées, a 'destination'

category. This meant allocating lots of resources (inventory dollars, promotional dollars, in-store space and fixturing) to this strategically critical category.

Manufacturer Fundamentals

The manufacturer had excellent insights regarding the target shopper. They knew she made the family dinner meal decision on the spur of the moment, often after opening the freezer to find a non-existent or inadequate supply of frozen entrées suitable for her husband and children. She knew her family liked frozen entrées but that each family member preferred different entrées; therefore, her discovery of an inadequate inventory of entrées often triggered a decision to carry in or eat out so that each family member could find a satisfactory menu item.

Additionally, the manufacturer knew the housewife's taste palate and that of her family had been broadened by dozens of restaurant eating occasions featuring every kind of basic protein enhanced by a United Nations of sauces and seasonings. The family liked lots of different items and was willing to experiment within known cuisine types (Italian, Chinese, Mexican, etc.).

The Scorecard Measures Driving the Plan

The retailer and manufacturer wanted to develop scorecard measures that would drive specific behaviors addressing their insights about the target shopper. They wanted to develop a complementary set of metrics that would drive decisions in key category tactics from assortment to promotion. Here are the metrics they settled upon and why.

Scorecard Measure No. 1 – Retailer share of frozen entrées in the trading area

The manufacturer and retailer agreed on this measure because it represents the best gross measure of the overall competitive appeal of the frozen entrée offering to the target consumer. Growing share in this destination category requires an aggressive assortment, very competitive prices, eye catching in-store merchandising and frequent, creative promotions. If any of these were competitively unsatisfactory, the share measure would reveal a problem and trigger a review of the competitive offering in each tactical area.

Scorecard Measure No. 2 – Percentage of trips with an entrée purchase

The insights provided by the manufacturer indicated a major problem in freezer inventory. Having proper freezer inventory was critical to the target consumer's last-minute decision to eat out or at home (where other food items bought at the store would also be consumed). The retailer's loyalty card analysis indicated that the target consumer was coming to the store twice a week but that she still had an entrée inventory problem.

The manufacturer and retailer agreed that they needed to attack the freezer inventory problem by encouraging the target consumer to visit the frozen entrée aisle and buy several items on every trip. In-depth analysis by retail location revealed two stores that had a higher than average historical record of baskets with entrées. It turned out that managers at these two stores had placed small promotional coffin freezers near the express checkout lane to encourage buying entrées on fill-in trips. This tactic subsequently found its way into the final category plan.

Scorecard Measure No. 3 – Number of frozen entrées bought per occasion

This metric also targets the freezer inventory problem. Both the manufacturer and the retailer's data indicated that family members ate different entrées and therefore, the target consumer's freezer inventory must offer appropriate choices for each family member. This, in turn, requires the consumer to buy multiple packages on each occasion. This drove the retailer to offer multi-item price features (four for \$10, six for \$15, etc.). Subsequently, the retailer got creative by offering ethnic food promotional combinations, six Italian entrées, six Mexican entrées, etc.

Scorecard Measure No. 4 – Premium entrée share of market

The retailer and the manufacturer realized that the target consumer has a relatively sophisticated palate. The worst thing the retailer could do in the long-term was to encourage purchase of lower quality lower priced entrée items; therefore, the retailer needed to drive purchase of premium items with a higher taste profile. With this in mind, the manufacturer and the retailer agreed that share of premium entrées was an appropriate measure. Embracing this metric had a number of implications including: a larger assortment of premium items versus lower priced entrées, a lower percent gross margin on premium items, more space in the case and more frequent promotion of premium brands versus commodity items. Suffice to say that this metric caused major angst for the retailer but to their credit, they soldiered on.

Scorecard Measure No. 5 – Value perception on entrées

This metric is derived from the retailer's ongoing survey of its customers covering a range of issues from store cleanliness to checkout line length and in-store service. In this case, respondents are asked to rate frozen entrées as a value on a 5-point scale. The objective is to measure entrée pricing and assortment as well as shopper comparison of eating at home versus a restaurant experience. The assumption is that aggressive pricing plus continuously reminding shoppers of the cost advantage of eating at home will gradually improve attitudes towards eating at home and serve as a leading indicator of an increase in share of eating at home.

Scorecard Measure No. 6 – Category dollars purchased per household per year

This particular retailer has a loyalty card which enables measurement of their target consumer's purchases by category over time. The objective of this measure is to understand the overall appeal of the retailer's frozen entrée merchandising program for the target consumer. The retailer and manufacturer theorized that a consistent increase in the total dollars purchased in this category by the target consumer was the best way to measure the overall appeal of the entrée plan.

Plan Elements Influenced by the Scorecard Metrics

The retailer embraced a merchandising program aimed at meeting these category objectives.

Assortment

They increased the assortment to include more SKU's, especially of higher-end, high-taste profile brands and SKU's. The account was very aggressive in accepting new items, on the theory that consumers like variety.

Pricing

The retailer focused intently on consistently offering the lowest prices in the trading area especially on the 10 key items delivering nearly 20% of category volume. Communications targeted at key shopper groups consistently reminded the consumers of the value of frozen entrées vs. comparable restaurant offerings. Over time consumers began playing back that eating these items at home was a major savings in cost AND also in time!

In-store Presentation

Intensive shopper research had indicated the frozen department had the lowest scores for shopper satisfaction. The retailer had already begun a major remodel of the department focused on making the frozen entrée section much more shopper friendly. Space was expanded to reduce out of stocks of fast moving items. Promotionally oriented coffin freezers were placed in the center of the frozen aisle to attract impulse purchases. The small coffin freezers near the checkout lanes were mandated for every store and filled with the most popular premium SKU's. Overall, the retailer added 33% more space for frozen entrées. One entire door was devoted to new items from multiple brands. Shop-a-longs and intercepts were used to fine tune the new presentation.

Promotion

The retailer increased the frequency of frozen entrée promotion in the circular and in loyalty card driven targeted promotions. Multi-item promotions became standard with themes focused on popular regional cuisines (Italian, Mexican, Chinese, etc.) and basic proteins (beef, pork, chicken and fish).

Business Results

Almost immediately upon the plan's inception, the retailer began to gain category share especially in the premium segment which had been badly under marketed. The percentage of baskets with a frozen entrée increased noticeably but the real surprise was the dramatic increase in items purchased per occasion. From a base period average of 3 items/buying occasion, the average rose to 5 within 12 months, a testimony to the power of multi-unit pricing and promotion.

Even more importantly for the retailer, analysis of the loyalty card revealed that target consumers were spending more in the store apparently because the frozen entrée strategy was generating more in-home eating which in turn drove increases in side dishes, desserts and salads as complements to the entrées.

This thesis was eventually confirmed by the retailer's regular survey of shoppers which began to confirm a positive response to a critical question ('are you eating more or less meals at home'). At the annual line review, both the manufacturer and the retailer could see how choosing the right scorecard metrics had helped them build a successful plan around insights about the time constrained target consumer.

Retail Performance Group specializes in shopper marketing and category re-invention through a deep understanding of consumer and shopper behavior using the most advanced research techniques globally. RPG has worked in over 75 categories in numerous retail channels on 5 continents. RPG has helped brand owners re-invent over 20 categories at Walmart. The founders of RPG have been recognized by the Category Management Association for their contribution to the discipline.

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