

CATEGORY MANAGEMENT LEARNING FORUM

TOPIC: MAXIMIZING YOUR SEASONALITY (PAGE 1)

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Being from Canada, I know all about the 4 seasons. And right now, we're in the thick of the winter season, with sub zero temperatures and lots of snow. We tend to drink more hot beverages like coffee, tea and cocoa in the winter season, and more cold beverages like soft drinks and juices in the summer (assuming that the weather cooperates, of course!). The different *weather* of the seasons can have a significant impact on consumer purchase behavior, sales and profit, as can *holidays* or specific *events*. There are some things that retailers and suppliers need to consider about seasonality, to maximize sales and profit when "in season".



Retailers should assign a "seasonal" category role to categories that show prominent sales at specific times of year. Seasonal categories are of 2 kinds: 1) those that are available at specific times of the year, like Christmas, Halloween and Easter. These categories are in the store for a specific period of time, and then they are "over" until the next year; and 2) those categories that are more predominant in certain seasons. Examples would include items for the barbecue during barbecue season, school supplies in late summer and early fall, and suntan lotion in the summer season.

Capitalizing on seasonal categories when in peak demand through the 4 P's (product placement, product assortment, promotion and price) can drive incremental sales and profit for retailers. A combination of science (the analytics) and art (creativity) is really required to get the 4 P's right in-store, and will drive the success of the season for the retailer and their suppliers.



4 P's

• A strategic approach to the product assortment, placement, price and promotion that focuses on the shopper and trip missions will drive seasonal sales and profits.

1. Placement, or in-store display, can be effective for driving impulse purchases, and can also help increase in-store excitement for shoppers. By cross merchandising categories and items in the display, retailers can drive basket size and profits.
2. Product assortment includes not only item assortment, but category assortment. What categories could be included in an out of section seasonal display to increase impulse purchases and make the shopping experience fun for shoppers? In Table 1, you can see the "seasonality index" across the thirteen 4-week time periods for categories that relate to the barbecue season.
3. Promotions like flyer activity should be used to market the event, with price discounts on price sensitive items to build traffic in stores. To determine the proper items to price discount, it is helpful to drill into historical weekly sales data to understand which items got the biggest lifts from previous price discounts on the same week.

But seasonality doesn't end there. You need to think about the **shopper**, and about the different shopping missions that they may be on while in the season. For example, if there is a huge snowfall, and a shopper needs a shovel, they will most likely not even notice the price – it's a necessity. But they are purchasing a shovel in advance of the season, they may spend more time making their purchase decision. After a huge snowfall, retailers may want to immediately display the important items that shoppers may be looking for after a winter storm (gloves, hats, shovels) to anticipate their shopper's needs AND build impulse purchases.

Another example of a seasonal event is "barbecue" or "grilling" season, which typically relates to the warmer summer months. This "season" can span across several months (the length of the season varies based on your geography – in some parts of Canada, not so long). What categories come to mind when you think about "barbecue season"? Hot dogs, burgers, beer & soft drinks, snacks, frozen novelties? Or steak, baked potatoes, grilled vegetables and wine? The barbecue season shouldn't just be treated as an "event" – you need to better understand the shopper, and the type shopping mission that they are on. A shopping mission is defined by the motivational factors that drive shoppers to shop, the context in which they shop and the shopping behaviors that drive their purchase decision. Understanding shopping trip missions allows retailers and suppliers to understand how to better position products in front of the shopper on each type of

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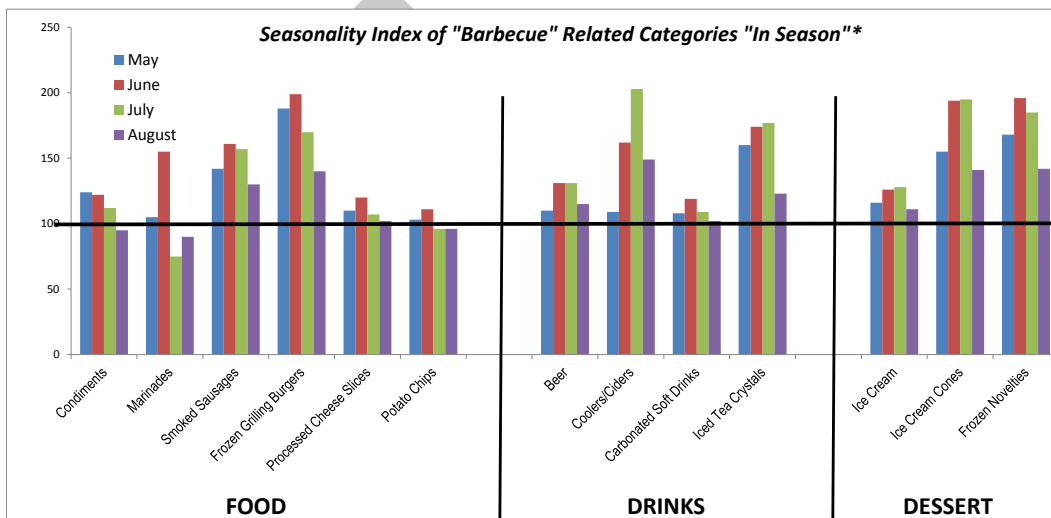
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trip. In addition, understanding trip missions gives direction on how to interact with the shopper prior to the trip to influence the purchase decision before they enter the store. For the shopper in the barbecue season, a mission may be tonight's meal, a birthday party, a holiday meal, a picnic meal, or a stockup shop to prepare for the season.

So generalizing "barbecue season" as one season with a static set of items to focus on limits the potential of a relatively long barbecue "season". Let's take a look at some sample data to show the importance of looking at data results from different perspectives. This sample data is only to be used as an example, and does not represent actual data. It includes some different categories that may relate to the barbecue season, including food, drinks and dessert categories. For each category, you can see the seasonality index (the calculation is the total monthly sales divided by the average annual monthly sales) across the summer months.



This graph captures the seasonality indices for barbecue-related categories in the summer months (May to August). The higher the index is over 100, the higher the seasonality is in that given month.

There may be some surprising numbers when you look across categories within a season in a trended view like this. In this example, shoppers stock up on condiments (mustard, relish) in the early summer months. They may purchase multiple items – one for home, one for the cottage, one for the recreational vehicle, which lasts them the whole summer. Other categories have much larger peaks (a higher seasonal index), like smoked sausages, grilling burgers, coolers/ciders, iced tea crystals, and ice cream cones and frozen novelties. Some other valuable information to make seasonal decisions may be:

1. Drill into each category to see if specific weeks (tied in with holidays or events) created a significant peak within that specific month. Also review the 4 P's in peak time periods to understand what types of promotion create the biggest lift.
2. Consider weather and environmental forecasts – weather and temperature can have a significant impact on some seasonal categories.
3. Analyze consumer shopping behavior changes and shopping basket information within those peak time periods, to understand other related barbecue items that are also purchased, to identify items that should be co-merchandised together to increase impulse purchases.
4. Consider the different shopper missions, and how to market based on these missions. For planned parties, offer meal solutions, innovative assortment and cooking demonstrations; for grocery stockup, offer recipe ideas, healthy options and grilling tips; and for indulgent missions, offer high end products and unique categories (e.g. grilling utensils).

The last important part of seasonal planning is effective forecasting, particularly in holiday seasons like Halloween and Christmas. Forecasting is costly for retailers and suppliers, and has higher risks for categories that have a majority of sales in a short period of time – too much stock results in markdowns as the end of the season, and not enough stock results in out of stocks and lost sales. Spend the time to complete post analysis from previous seasons, so that you can apply those learnings to future seasons.

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