GS1 Switzerland

WANDER

ovomaltine

Strategic Alignment and Category Insights:

How OVOMALTINE drives performance in the ready-to-drink category with shopper insights

6 November 2024

WANDER AG + GS1 Switzerland

MicrosoftTeams

Welcome to category management with OVOMALTINE

Introduction and contact details

Q: „How do you pronounce OVOMALTINE and what does it mean?

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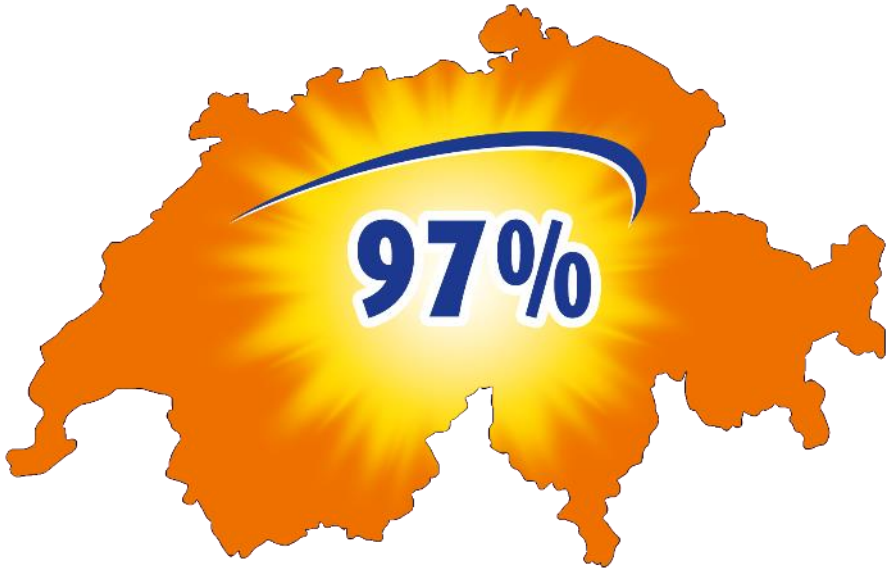
OVOMALTINE – what makes the brand unique?

- **Unique combination of malty taste and (mostly) crunchy texture.**
- **Long brand history – first product was launched in 1904.**
- **One of the top Swiss love brands.**

Brand awareness



Brand penetration

OVOMALTINE – a unique brand across categories

Drinks

Ready to drink

NEU

NEU

Powder

Breakfast

NEU

Müesli

Breadspread

Croissant

Seasonals

Advent calender

Easter

Core

Powder

Snacking

NEU

Muffi

NEU

Chocolate

Biscuits

Bars

Ice cream

Specialities

NEU

OVOMALTINE – dominating categories, driving category growth

Breadspread

8

9

Cereals

6

Powder

Chocolate tablets

22

RTD Choco

4

Bitesize

6

Branchli

6

Biscuits

7

Source: Nielsen Retail Sales cw32/2024

OVOMALTINE as best practice from Switzerland

Agenda 6 November 2024

DEFINITION STEP 1 and 2 of CATEGORY MANAGEMENT PROCESS	OVOMALTINE BEST PRACTICE in CATEGORY MANAGEMENT	LESSONS LEARNED & KEY TAKEAWAYS
Introduction to category management • What is a category and what is category management • What is the 8-step-process in category management and what are its basic principles • What is „strategic alignment" and why is it necessary • What is „category insights & definition" and why is it necessary	**Introduction to OVOMALTINE and category mangement by WANDER** ✓ • What is OVOMALTINE and why is it important in the Swiss market • How does WANDER engage with retailers in Switzerland to develop the ready-to-drink category (step 1: strategic alignment) • How does WANDER generate category insights for ready-to-drink category (step 2: category insights & definition) • What are key insights for future performance of ready-to-drink category in Swiss retail	**Key insights from Switzerland** • How to align your organization on category management to best support retailers • How to address challenges in strategic alignment to build trust and create momentum • How to generate shopper insights and align category partners on the strategic importance of such data

Switzerland in need of category management

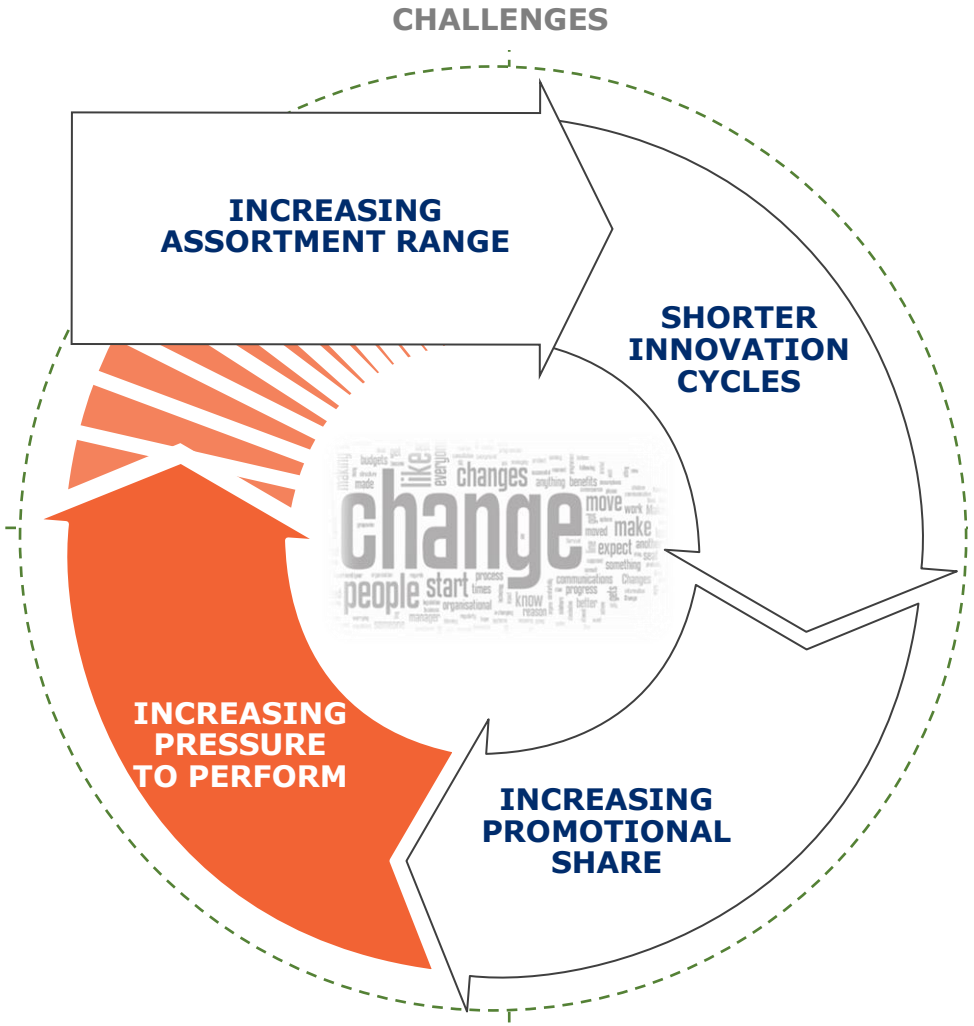
CHALLENGES: category management 2024++

LARGE ASSORTMENT RANGE

- Convenience Shop: ca. 500 SKU
- Specialty retail: ca. 1’000 SKU
- Supermarkte: ca. 10’000 SKU
- Department store: ca. 50’000 SKU
- Online retail: > 500’000 SKU
- Platform retail: > 5’000’000 SKU
- Amazon: >490’000’000 SKU

COMPETENCE of COMPETITION

- Large suppliers build broad category management teams as a competitive advantage
- Large retailers continuously qualify category management teams



HIGH ASSORTMENT TURNOVER

- FASHION: 1 year before placement presentation to retailers by supplier; 1 year before presentation to retailers planning with manufacturers (PKZ, GLOBUS)
- FAST FASHION: 2 assortment changes per season (Zara, H&M)
- NEW FASHION: launch of small series (50-500 SKU) in production week (Shein, Temu)

HIGH PROMOTIONAL PRESSURE

- Black Friday: 49 percent of Swiss consumers participate
- Cyber Monday: 23 percent of Swiss consumers participate
- Singles Day: 14 percent of Swiss consumers participate

Source: amrein+heller Marktforschungs Treuhand, «Schweiz. Promo-Report 2023», 2023

Category management what it’s all about

Definition category and category management

Category	Category Management (CM)
A category is a definable, independently controllable group of products and/or services that customers recognize as belonging together and/or interchangeable to satisfy their needs	Category management is a process in which categories are managed as strategic business units in order to achieve improvements in results by increasing shopper benefits

Category management process in a nutshell

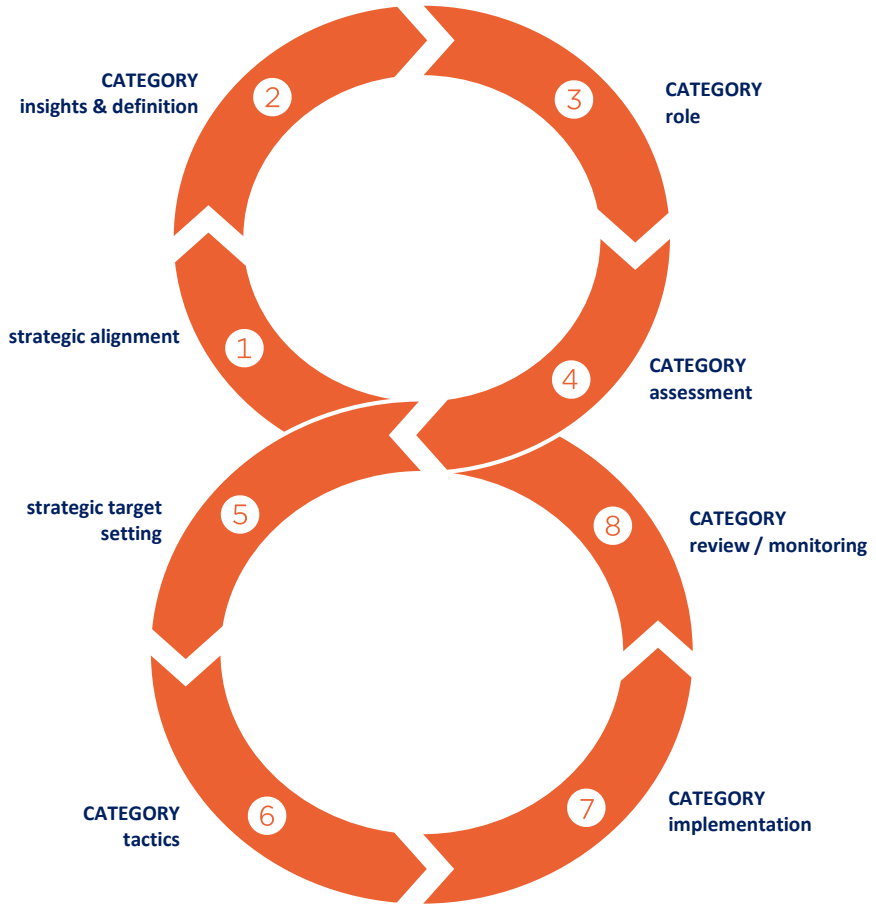
Basic principles of category management

category management is a…

+ **structured and permanent process** in
+ **cooperative collaboration** between industry and retail
+ on the **basis of measurable data** with the aim of
+ **better satisfaction of shopper needs** (customer centricity) to increase the
= **sales of the category sustainably.**

The 8-step-process of category management

Introduction category management process ECR



Standard category management process

STEP 1: Align category management partners strategically

STEP 2: Understand shopper expectation of the category (need statement, decision tree etc.)

FOCUS

STEP 3: Understand the importance of the category for the individual retailing partner

STEP 4: Assess the potential of the category for the individual retailing partner

STEP 5: Set SMART goals for category for the individual retailing partner and define strategies to achieve these goals

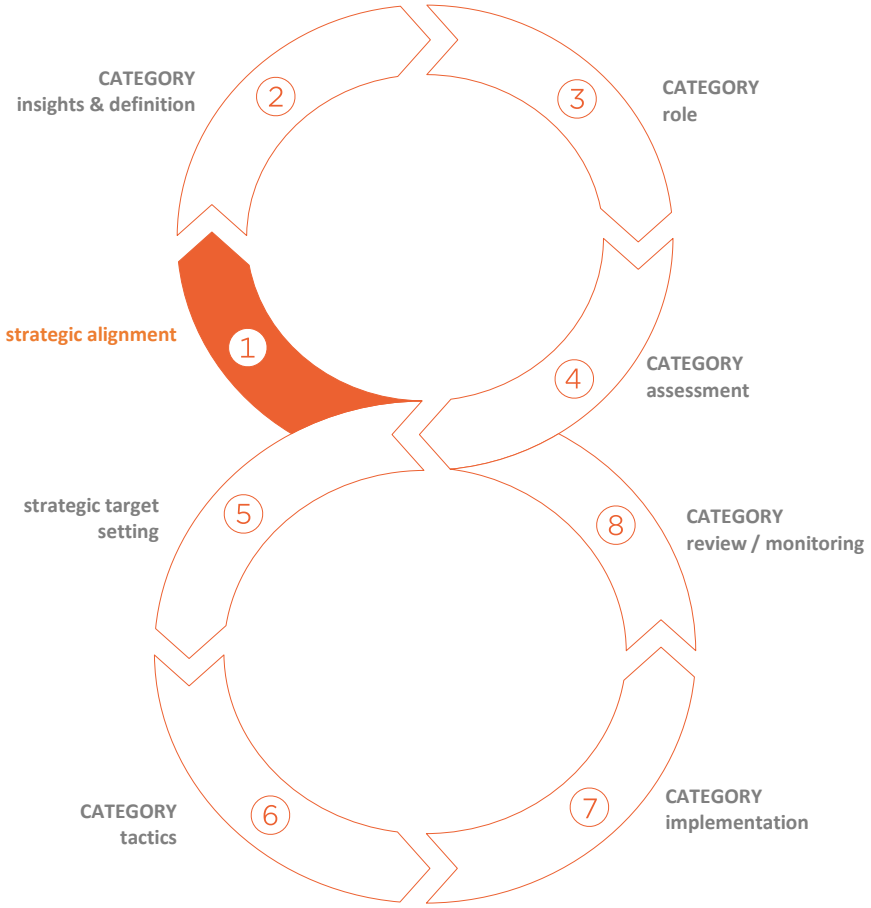
STEP 6: Define strategic levers to be implemented at the point-of-sale (store or website) with respect to assortment, price, placement, promotion

STEP 7: Implement strategic levers

STEP 8: Monitor results and make adjustments

Step 1: strategic alignment

Overview strategic alignment



Coordination of the scope and type of CM cooperation between dealer and manufacturer

Objective

- Identification of potential areas of conflict in CM cooperation before the start of operational work

Key questions

- Are there **conflicts** regarding the strategic directions and objectives of the category management process partners?
- Is there an agreement about the alignment of category tactics?
- How are personnel resources and tasks planned?
- Are there other **potential areas of conflict** that could lead to challenges in the context of category management cooperation?

Step 1: strategic alignment

Dimensions of strategic alignment – areas of conflict

Framework conditions for cooperation

- Partners' experience in category management
- Partners' expectations for the project
- Partners' availability of (human) resources
- Partners' willingness to invest
- Availability and willingness to share data and insights
- …

Corporate strategies and objectives

- Strategic direction of the partners (visions)
- Financial and market-related targets
- Partners' target end customers
- Business type/sales channel strategy
- Retailer's main competitors
- …

Category-related strategies and goals

- Assortment policy / product range policy
- Placement policy
- Promotion and communication policy
- (Pricing policy → competition law)
- …

Logistics strategies / objectives

- Procurement organization
- Sales organization
- Order processing and fulfillments
- …

Strategic alignment at WANDER

OVOMALTINE's challenges in strategic alignment – ready-to-drink

Framework conditions for cooperation

- Powerful brand OVOMALTINE but still **limited (human) resources** for category management projects – is our market too small to justify investments?
- **Data restrictions** and limited data representation – not all retailers share scanning data and reporting limited to SKU bundles (due to competition law)

Corporate strategies and objectives

- **Duopoly in Switzerland**! MIGROS + COOP account for roughly 70 percent of MGD sales – is market coverage method for assortment building at its limits?

Category-related strategies and goals

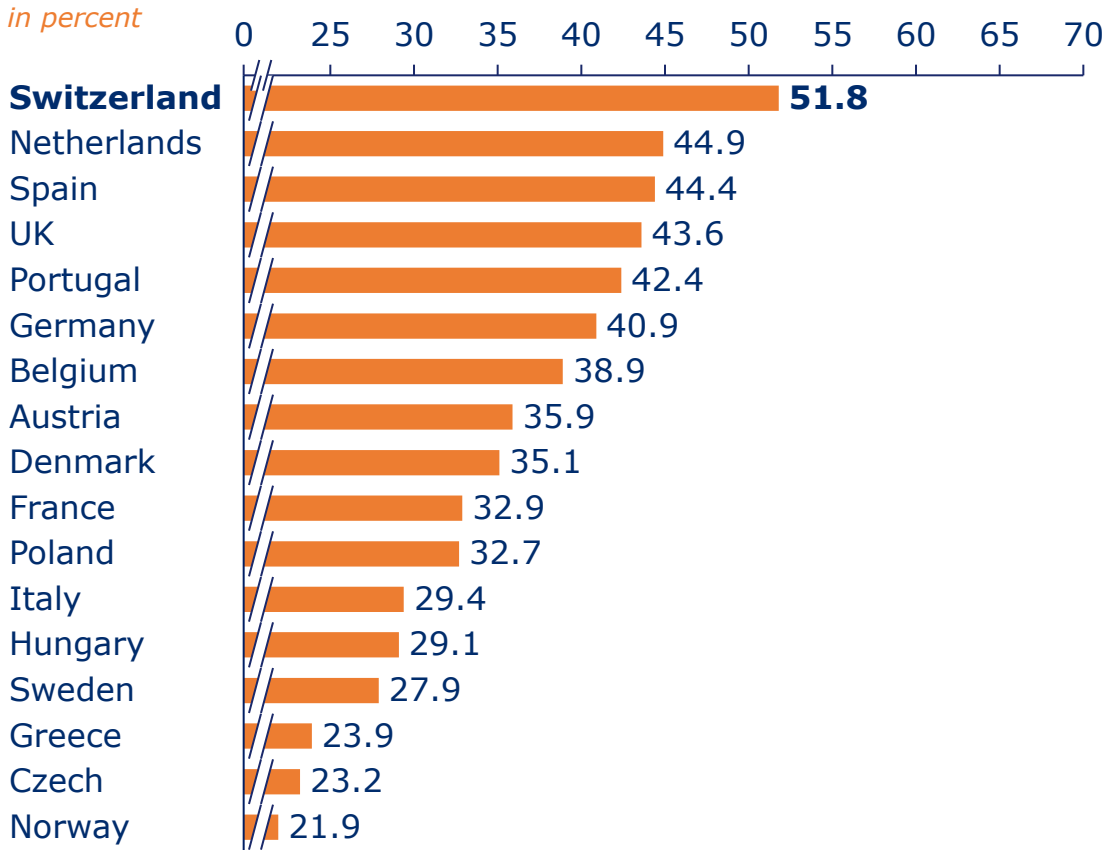
- Relatively low market share of OVOMALTINE in categories such as ready-to-drink due to **high private label share** in Switzerland
- Main branded competitors are also private label manufacturers for multiple retailers + vertically integrated retail-manufacturing structure (e.g. ELSA at MIGROS)

Logistics strategies / objectives

Switzerland with high private label share…

Challenge 1: high private label share

PRIVATE LABEL VALUE SHARE 2022/2023



IMPLICATIONS

- **Switzerland** with the **highest private label value share** in Europe – only country in Europe with >50 percent private label value share
- Private label value share does not correlate with free disposable income of households across Europe – Switzerland is on top and Norway is at the bottom
- Private label value share is not a function of cultural closeness – Austria 35.9 percent vs. Germany 40.9 percent vs. Switzerland 51.8 percent or France 32.9 percent
- **QUESTION: Why does Switzerland have the highest private label value share?**

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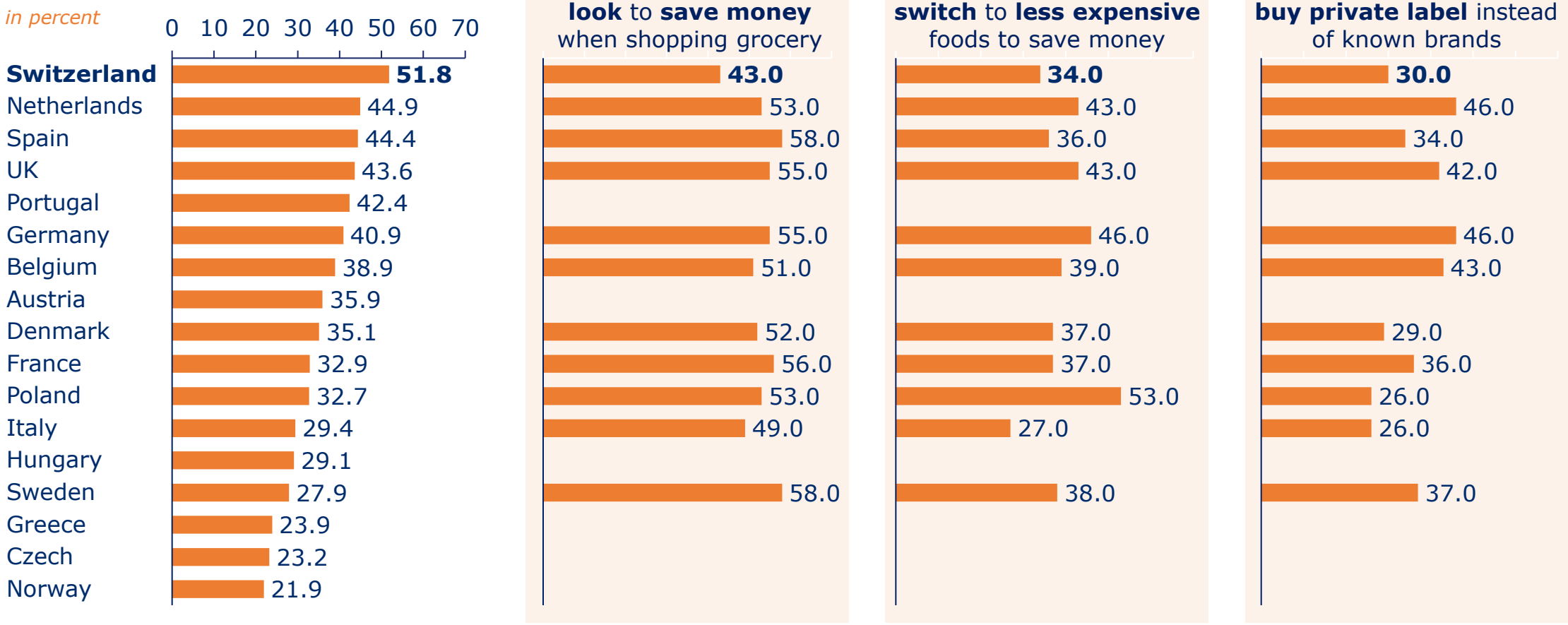
SOURCE: *PLMA, "Handelsmarken heute", 2023, Link*

REMARK: *database NielsenIQ, all food and non-food articles in modern grocery distribution channel*

...not only for consumers to cut costs...

Challenge 1: net intent of consumers toward grocery shopping in 2023 in Europe

CONSUMERS' INTENT TOWARDS GROCERY SHOPPING IN 2023



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SOURCE: *McKinsey & Company, "The State of Grocery Retail 2023", 2023, Link*

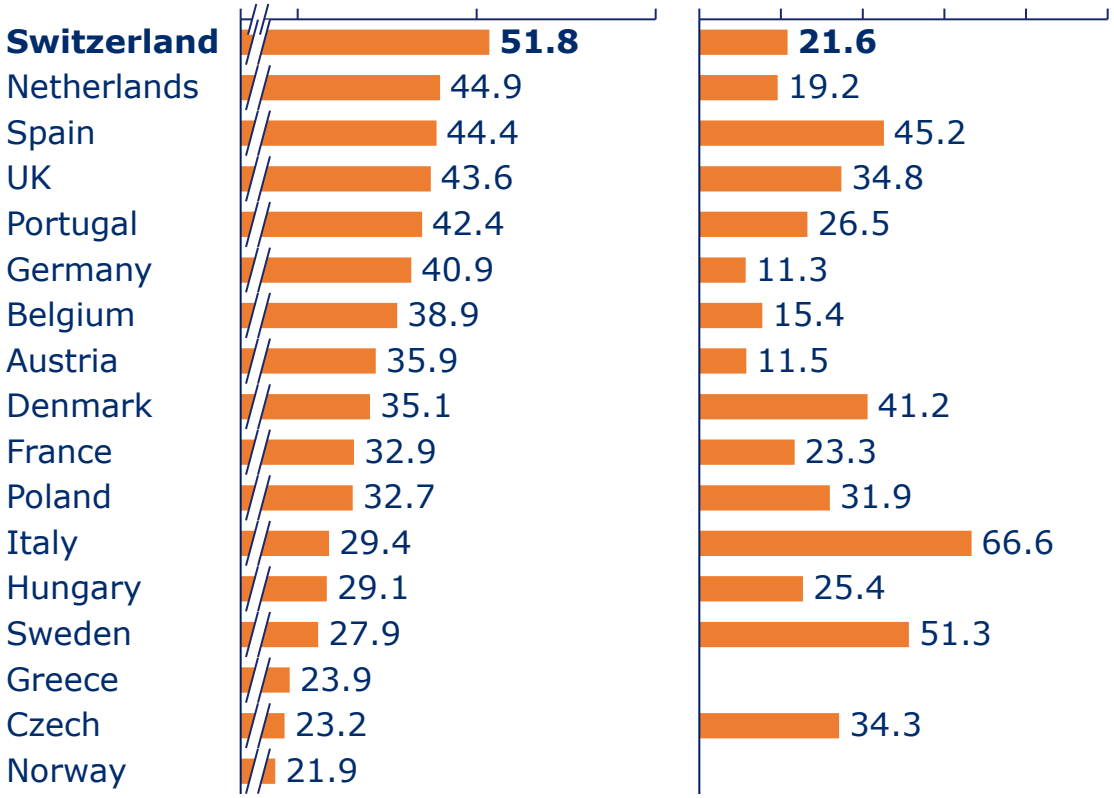
REMARK: *all categories in modern grocery distribution channel*

...not only reflecting discounters ALDI/LIDL...

Challenge 1: capita per outlet ALDI/LIDL combined 2023 in Europe

POPULATION per OUTLET ALDI/LIDL IN 2023

in percent; in thousands of inhabitants



IMPLICATIONS

- **Switzerland** with average **coverage of population** by ALDI/LIDL in European countries – countries with higher coverage show lower private label value share
- Current presence of ALDI/LIDL in Switzerland does not explain the high private label value share

SOURCE: *GS1 Switzerland 2023; Eurostat 2023; GOV.UK 2023; BfS 2023*

REMARK: *# of outlets per country as per last publication by ALDI and LIDL*

…but showing appreciation by Swiss consumers

Challenge 1: most appreciated brands in Switzerland 2023 – top-25 ranking

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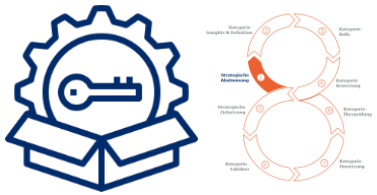
SOURCE: *Brand Indicator Switzerland 2023, Link*

REMARK: *study based on relevance ("How important is or will this brand be in your life?") and emotionality ("Please rate how much you like or dislike the following brand.")*

Key learnings strategic alignment

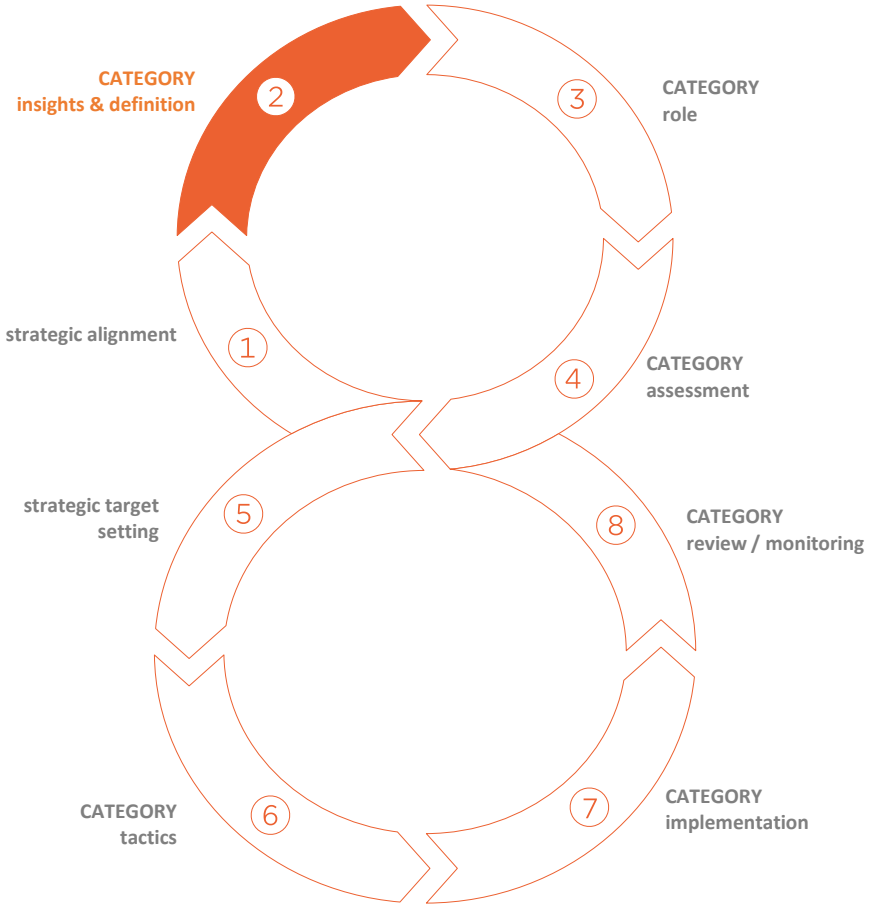
OVOMALTINE‘s takeaways – supplier‘s view



1. Don’t rely on panel data only! Data might not be easily available. Use primary market research to generate category insights! **Align research setup and get «buy-in» of your category partner**
2. Dare to do! Even smaler manufacturers/suppliers can generate category insights! **Ensure top-management support** to generate and utilize category insights.
3. **Take category perspective**! Do not mask selling your products as category management. Understand the importance of private label category segments (in Switzerland) in category management projects.
4. **Understand the importance of terms negotiations**! Conflicts about trading terms can block constructive dialog even at category level.
5. **Pick the right category partner**! Understand the strategic positioning of your competitors in forming partnerships with retailers. In a duopoly, aim for a big fish!

Step 2: category insights & definition

Overview category insights & definition



What do shoppers and consumers expect from the category?

Objective

- Gain a fundamental understanding of the **needs and expectations of shoppers** and consumers as well as the **purchasing decision process** on the basis of insights

Key questions

- **Phase 1:** What are the **needs and expectations** in the category?
- **Phase 2:** Which **articles** belong in the category?
- **Phase 3:** What does the **purchasing decision process** look like and how does it affect the category structure?
- **Phase 4:** How do shoppers and consumers **name the category** and the individual segments?

Step 2: category insights & definition

Overview research methods

The research methods are divided into method groups:

SURVEY	OBSERVATION	EXPERIMENT	PANEL RESEARCH
qualitative/quantitative	qualitative/quantitative	qualitative/quantitative	quantitative

The combination of methods delivers optimal results.

Step 2: category insights & definition

Details research methods

The research methods are divided into method groups:

SURVEY qualitative/quantitative	OBSERVATION qualitative/quantitative	EXPERIMENT qualitative/quantitative	PANEL RESEARCH quantitative
• Interview - standardized - in-depth interview - expert interview • Focus group / workshop • Mapping methods • …	• Eye Tracking • Shopper-Research-Box • Video observation • Accompanied shopping • Online Diary • Shopper journey study • …	• Store experiment • Laboratory experiment • Virtual experiment • …	• Consumer panel (NIQ) • Loyalty cards • …

Step 2: category insights & definition

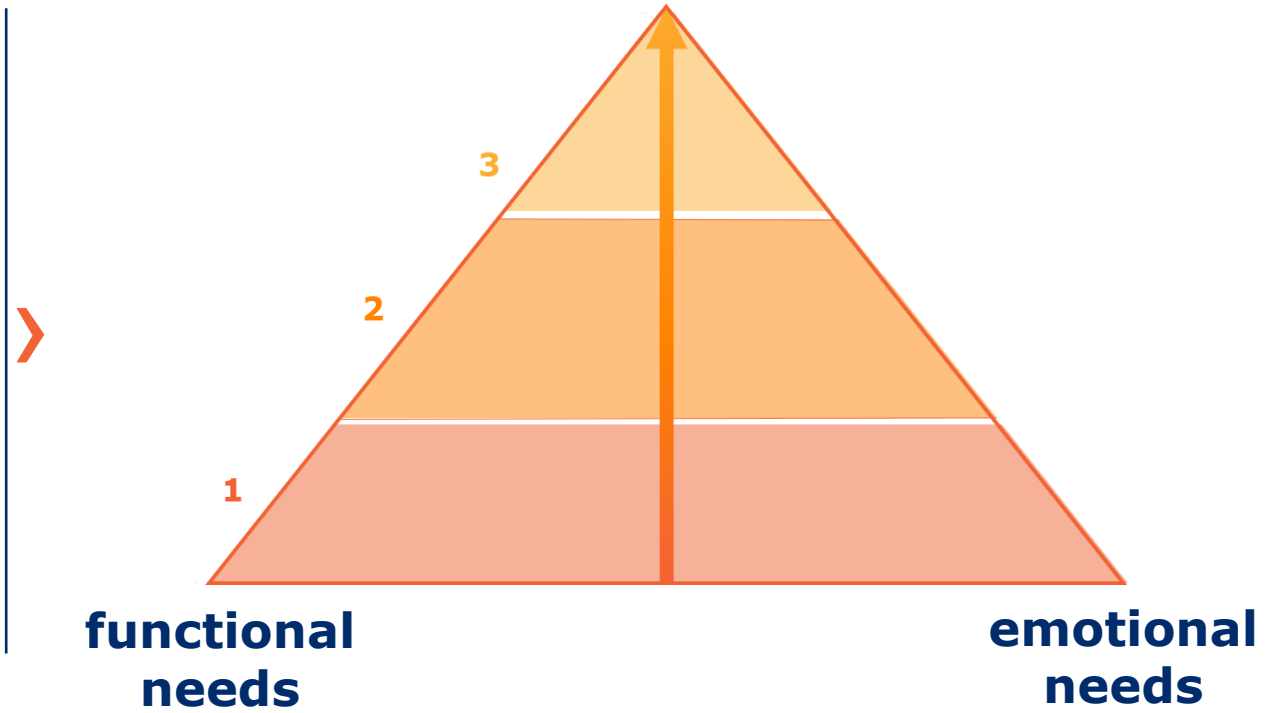
PHASE 1: pyramid of needs

First, the shoppers' needs and expectations must be identified!

NEEDS for the category

- What **kind of problem** or **expectation** do the shoppers have?
- What **solution** is the shopper for?

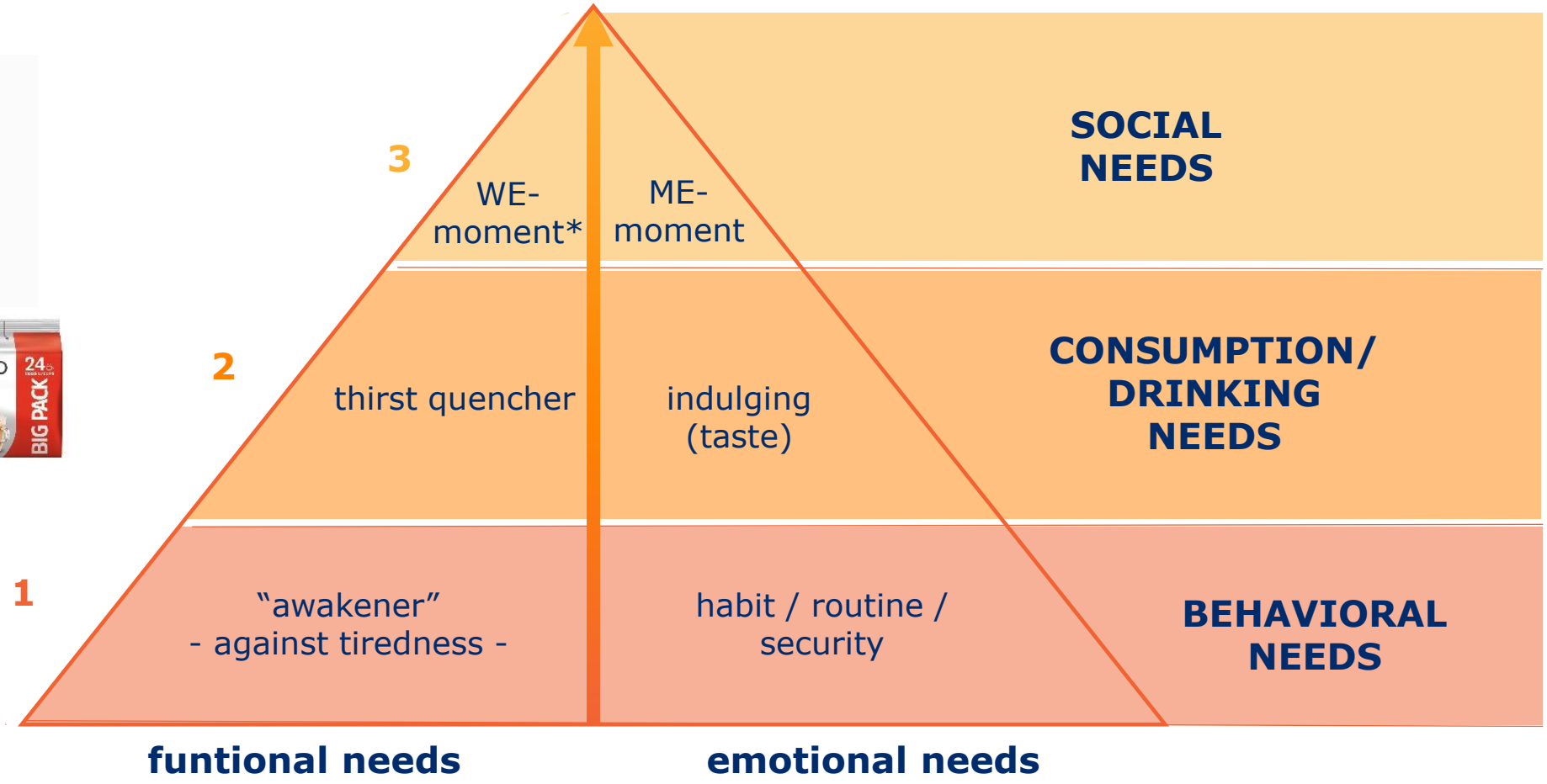
NEEDS of the shopper



Step 2: category insights & definition

EXAMPLE pyramid of needs

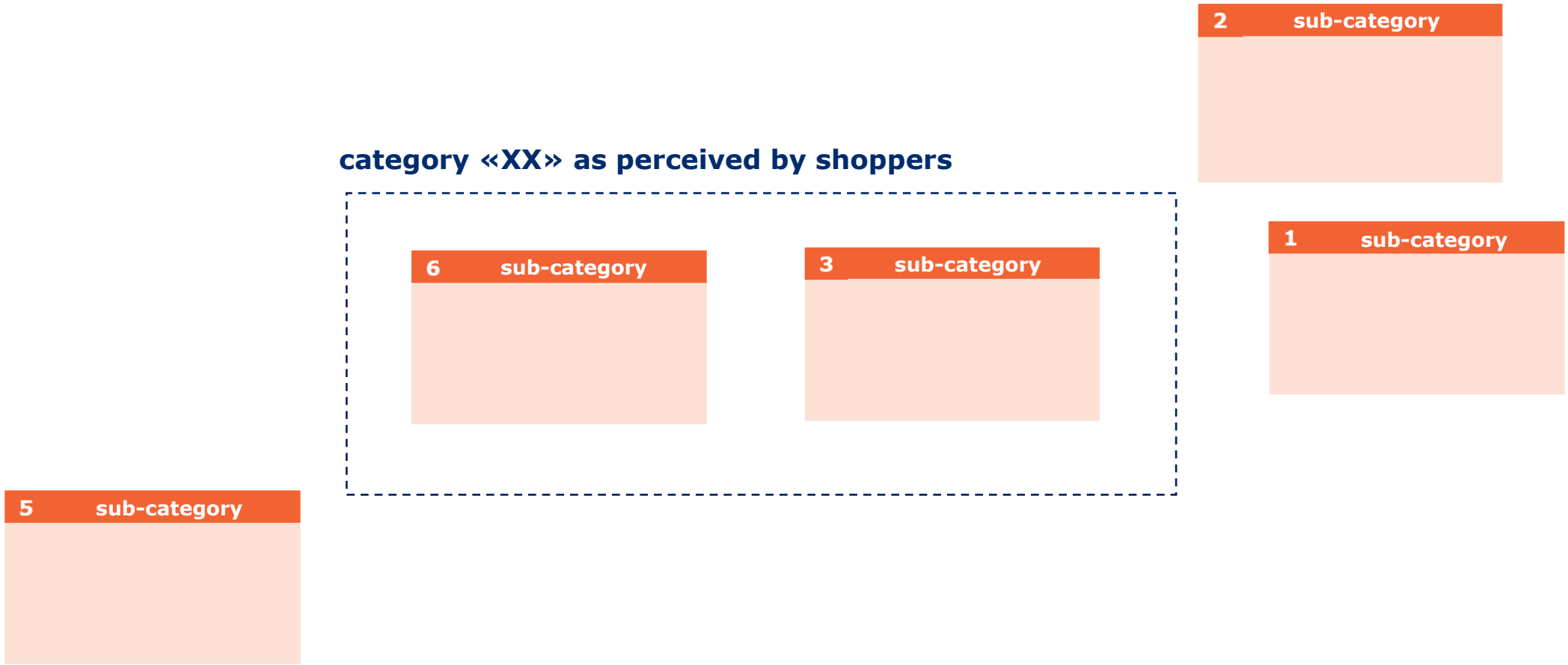
EXAMPLE



*= socializer

Step 2: category insights & definition

PHASE 2: category funnel



Step 2: category insights & definition

EXAMPLE category funnel / product clustering

EXAMPLE

category «COFFEE» as perceived by shoppers

2 instant coffee

1 ready-to-drink

6 traditional

3 capsules

5 grain coffee

Step 3: category insights & definition

PHASE 3: category decision tree

category	criteria 1 sub-category	criteria 2	criteria 3	criteria 4	criteria 5	criteria 6

- The category structure reflects the **decision-making process** that the shopper goes through when purchasing a particular product.
- This is illustrated in the shopper's "**category decision tree**".

Step 3: category insights & definition

EXAMPLE category decision tree

EXAMPLE

category	sub-category (usage/system)	brand	price	taste (strenght indication)	packaging	certification
COFFEE	coffee beans	Jacobs	>CHF xxx / kg	5	>= 1'000g	RF
	roast and ground	Lavazza	>CHF xx / kg	4	500g	BIO/ORGANIC
	Nespresso	Chicco D'Oro	>CHF x / kg	3	250g	Fairtrade
	Delizio	La Sameuse		2	(capsule-weight)	BIO+Fairtrade
	other capsules	Mövenpick		1		
		Tchibo				
		Nespresso				

Step 2: category insights & definition

OVOMALTINE's approach to generate shopper insights

SURVEY qualitative/quantitative	OBSERVATION qualitative/quantitative	EXPERIMENT qualitative/quantitative	PANEL RESEARCH quantitative
• Interview - standardized - in-depth interview - expert interview • Focus group / workshop • Mapping methods • …	• Eye Tracking • Shopper-Research-Box • Video observation • Accompanied shopping • Online Diary • Shopper journey study • …	• Store experiment • Laboratory experiment • Virtual experiment • …	• Consumer panel (NIQ) • Loyalty cards • …

Step 2: category insights & definition

Capturing as-is situation at COOP

September 2023

Step 2: category insights & definition

Capturing as-is situation at MIGROS

September 2023

Step 2: category insights & definition

Capturing as-is situation at DENNER

September 2023

Step 2: category insights & definition

Extensive online survey of category user – ready-to-drink

1.Bitte geben Sie Ihr Geschlecht an

Männlich	47.1%
Weiblich	52.9%
Divers	0.0%
Keine Angabe	0.0%
N	157

2.Wie alt sind Sie?

Jünger als 25 Jahre	35.7%
Zwischen 25 und 45 Jahre	44.6%
Älter als 45 Jahre	19.7%
N	157

3. Wie häufig kaufen sie Süssgetränke wie Cola, Citro, Fanta etc.?

Täglich	22.3%
Mehrmals pro Woche	23.6%
Einmal pro Woche	20.4%
2-3 Mal pro Monat	16.6%
Einmal pro Monat	9.6%
Seltener	5.1%
Nie	2.5%
N	157

4. Wie häufig kaufen Sie Fruchtsäfte?

Täglich	13.4%
Mehrmals pro Woche	15.3%
Einmal pro Woche	22.9%
2-3 Mal pro Monat	16.6%
Einmal pro Monat	10.8%
Seltener	15.3%
Nie	5.7%
N	157

5. Wie häufig kaufen Sie kalte Kaffeegetränke?

Täglich	12.7%
Mehrmals pro Woche	17.2%
Einmal pro Woche	16.6%
2-3 Mal pro Monat	15.9%
Seltener	22.3%
Nie	15.3%

6. Wie häufig kaufen Sie Milchmischgetränke (inkl. vegane Milchalternativen) mit Geschmack

Täglich	12.1%
Mehrmals pro Woche	14.6%
Einmal pro Woche	12.7%
2-3 Mal pro Monat	17.8%
Einmal pro Monat	8.3%
Seltener	15.9%
Nie	18.5%
N	157

7. Sie gehören zu einer Zielgruppe, die wir derzeit nicht weiter befragen. Bitte klicken Sie auf OK, um die Umfrage abzuschliessen.

OK	100.0%
N	32

8. Wie würden Sie das Regal mit den Getränken, von denen wir in dieser Umfrage sprechen, nennen?

Zuviele Antworten Ergebnisse in Origianl Auswertung

9. Welche der folgenden Marken von Milchdrinks kennen Sie oder haben Sie schon gekauft?

	Durchschnitt	N
Lattesso	1.56	125
Starbucks	1.34	125
Naturaplan	1.82	125
Caotina Drink	1.67	125
Comella	1.71	125
Chiefs	2.22	125
Qualité&Prix	1.86	125
Emmi	1.30	125
Ovomaltine	1.26	125

10. Lattesso

Lattesso	Prozent
Kenne ich und habe ich schon gekauft	60.0%
Kenne ich, aber habe ich noch nie gekauft	24.0%
Kenne ich nicht	16.0%
N	125

11. Starbucks

Starbucks	Prozent
Kenne ich und habe ich schon gekauft	68.8%
Kenne ich, aber habe ich noch nie gekauft	28.0%
Kenne ich nicht	3.2%
N	125

12. Naturaplan

Naturaplan	Prozent
Kenne ich und habe ich schon gekauft	32.0%
Kenne ich, aber habe ich noch nie gekauft	53.6%
Kenne ich nicht	14.4%
N	125

13. Caotina Drink

Caotina Drink	Prozent
Kenne ich und habe ich schon gekauft	48.0%
Kenne ich, aber habe ich noch nie gekauft	36.8%
Kenne ich nicht	15.2%
N	125

14. Comella

Comella	Prozent
Kenne ich und habe ich schon gekauft	52.0%
Kenne ich, aber habe ich noch nie gekauft	24.8%
Kenne ich nicht	23.2%
N	125

15. Chiefs

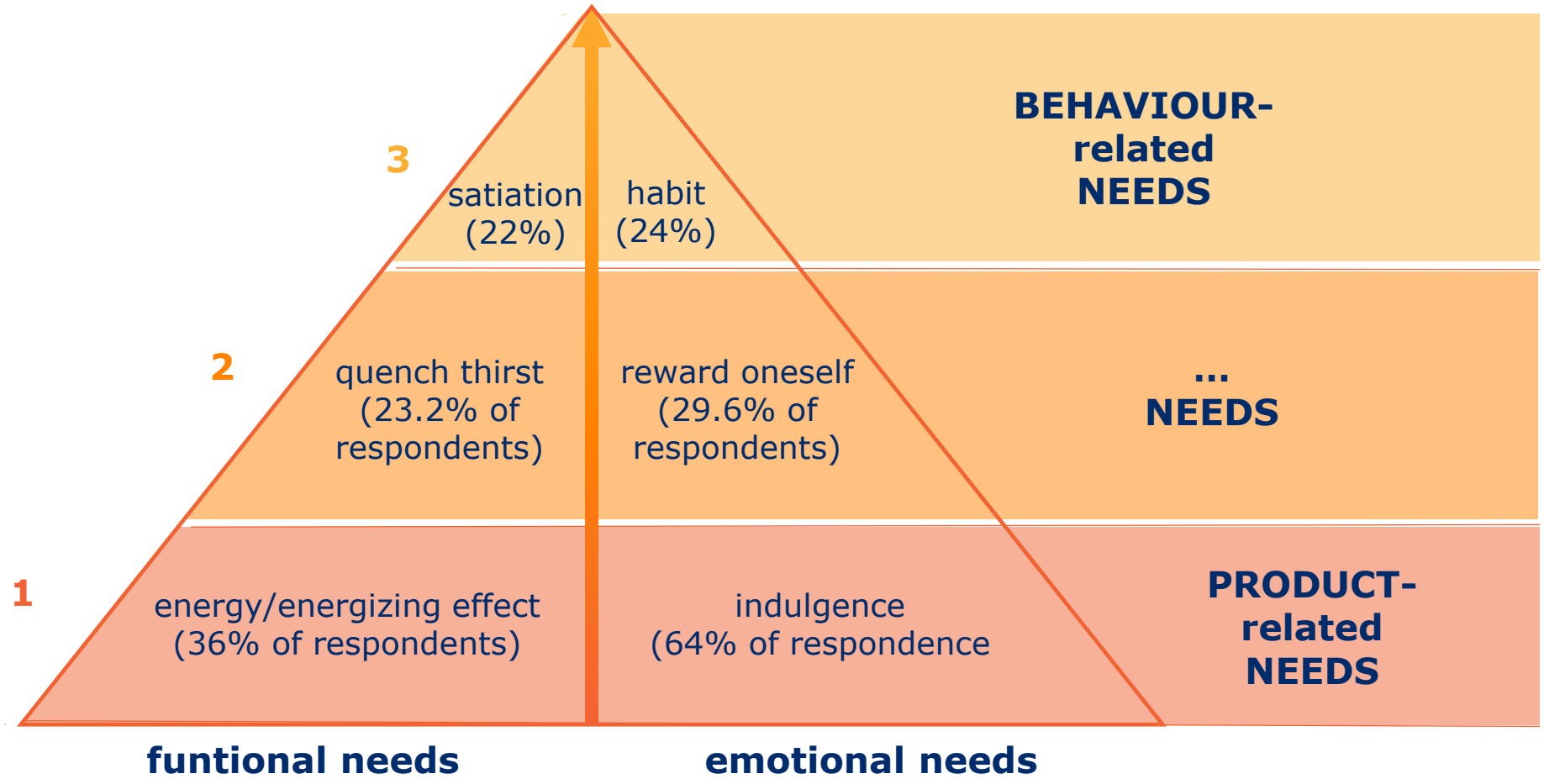
Chiefs	Prozent
Kenne ich und habe ich schon gekauft	24.0%
Kenne ich, aber habe ich noch nie gekauft	30.4%
Kenne ich nicht	45.6%
N	125

16. Qualité&Prix

Qualité&Prix	Prozent
Kenne ich und habe ich schon gekauft	35.2%
Kenne ich, aber habe ich noch nie gekauft	43.2%
Kenne ich nicht	21.6%
N	125

Step 2: category insights & definition

INSIGHTS OVOMALTINE pyramid of needs



Source: Kundenumfrage, Category Management Milch Mix Wander September 2023. Frage 19

Step 2: category insights & definition

INSIGHTS OVOMALTINE category funnel / product clustering

3 probiotic

6 milk

category «ready-to-drink» as perceived by shoppers

Protein

Vegan

1 Schoggidrink

2 Milchkafi(drink)

4 Milchdrink

5 milk alternatives

Pulver

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The Global Language of Business

Source: GS1 Switzerland workshop, prodcut clustering based on survey, as-is and group opinion

Step 2: category insights & definition

INSIGHTS OVOMALTINE category decision tree

category	taste*1	price	brand	ingredients*2	packaging format	packaging type
	chocolate	?	Wander	sugar content	250ml	cup
ready-to-drink *(milk drinks)*	coffee	?	Emmi	calorie content	330ml	PET bottle
	fruit	?	Chief's	high protein	500ml	

Note: *1.) Flavor = Flavor Quality 39.2% & Flavor 38.4%
*2.) Ingredients = Low Sugar 25.6% & High Protein 24% Low Calorie 16%

Source: Kundenumfrage, Category Management Milch Mix Wander September 2023. Frage 22

Key Learnings category insights & definition

OVOMALTINE‘s takeaways – supplier‘s view

1. Don’t rely on panel data only! Data might not be easily available. **Use primary market research** to generate category insights! Align research setup and get «buy-in» of your category partner
2. **Consider focus group discussions** to generate ideas/hypotheses! OVOMALTINE didn‘t plan for such research leaving some challenges interpreting data. → expensive, time-consuming, non-representative, need for expert consultation
3. Use **different teams to interpret survey data**! Ensure that all internal perspectives are being considered. Openly discuss the teams’ findings to generate a consolidated view on the needs and the category decision tree.
4. **Ensure company-wide alignment** on category drivers! OVOMALTINE shared research insights with top-level executives, marketing and sales.
5. **Talk retailers’ language**! Use the ECR standard to comunicate insights about needs, product clustering and decision tree.

OVOMALTINE as a reference in category management

Thank you and contact details

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