

**T.C
BAHCESEHIR UNIVERSITY**

**THE IMPORTANCE OF CATEGORY MANAGEMENT
IN SUPPLY CHAIN MANAGEMENT AND RESEARCH
FOR THE LEVEL OF APPLICATION IN RETAIL
SECTOR IN TURKEY**

M.S Thesis

Melis GÜVEN

ISTANBUL, 2011

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The Graduate School of Natural and Applied Sciences
Supply Chain and Logistics Management

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Supervisor: Dr. Halefşan Sümen

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Melis GÜVEN

ABSTRACT

THE IMPORTANCE OF CATEGORY MANAGEMENT IN SUPPLY CHAIN MANAGEMENT AND RESEARCH FOR THE LEVEL OF APPLICATION IN RETAIL SECTOR IN TURKEY

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Recently, due to the increasing competition in the local, national and global retailing sector, retailers have had to apply different strategies in order to survive in the market place. The new marketplace features caused decrease in the level of income, and increase in consumer expectations with many product varieties. One of the new strategies seen in the Retailers market is; “Category Management”.

Category Management; is a process that involves managing product categories as business units and customizing them on a store-by-store basis to satisfy customer needs. This process is composed of price and promotions tactics, merchandising and shelf policies and positioning of products in the store and so on, considering different consumer behaviors.

The most important part of the strategy is to apply the strategy in the eyes of demographic structure and consumers purchasing behavior by making a detailed analyze of customer profile. In this case, understanding the customers is the key in order to make certain predictions for stock levels of products. So, the retailer not only holding optimum levels of stocks in its warehouse, and decrease the costs, but also, by the common work with its buyer, through meeting the expectations of customers, it increases the awareness of its store in the competitive market place. When you effectively manage your product categories, you'll increase your total category sales and, thereby, generate greater store profits.

Key Words: Category Management, Consumer behaviors, retailing sector

ÖZET

ARZ ZİNCİRİ YÖNETİMİNDE KATEGORİ YÖNETİMİNİN YERİ VE TÜRKİYEDEKİ PERAKENDE SEKTÖRÜNDEKİ KATEGORİ YÖNETİMİNİN UYGULANMA DÜZEYİNİN ARAŞTIRILMASI

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Günümüzde, yerel ,ulusal ve global perakende yapısı içerisinde artan rekabet, tedarikçi ve perakendecileri farklı stratejiler uygulamaya yöneltmektedir. Azalan gelir düzeyi, buna karşılık artan farklı tüketici kitlelerinin beklentileri; ve talepleri karşılamak amacı ile sürekli artan ürün çeşitliği...Müşterilerine en iyi şekilde ürün ve hizmet sunarak, piyasada tutunmak isteyen perakendeci ve tedarikçiler, pazarlamada şimdi yeni bir strateji uygulamaktadırlar: Kategori Yönetimi.

Kategori yönetimi; tüketici beklentilerini odak noktasında tutarak, perakendeci ve tedarikçilerin, birbirlerinin çözüm ortağı olarak, aldıkları kararlar doğrultusunda, ürün yönetim sistemlerini en verimli hale getirmek için uyguladıkları stratejidir. Kategori yönetimi, satış ve kar amaçlarına ulaşmak için; kategorilerin ayrı birer iş kolu gibi yönetilmesi ve kategorilerin farklı mağaza çeşitlerinde müşteri ihtiyaçlarının tatmini ve tüketici ihtiyaçlarına göre düzenlendiği iş sürecidir. Bu süreç, farklı tüketici davranışlarına istinaden, ürün ve hizmetlerin tedarik süreçleri, fiyat ve promosyon stratejileri, ürünlerin mağaza içi konumlandırılmaları, raf yeri ve tanzim teshir stratejisi vb konuların yönetimini kapsamaktadır.

Tüketici profilini en iyi şekilde analiz ederek, tüketicinin demografik yapısı, ve talepleri doğrultusunda strateji uygulamak, kategori yönetiminin temel taşı olmaktadır. Perakendeci, müşterisini ne kadar iyi tanırsa, mağazasında hangi ürün için ne kadar stok tutması gerektiği konusunda daha kesin tahminler yapabilecektir. Bu şekilde, depoda optimum stok tutarak, maliyetlerini azaltırken, tedarikçisi ile yaptığı ortak çalışma sayesinde, müşterilerinin isteklerine cevap vererek, piyasada bilinirliğini arttıracaktır. Artık kararı tüketicinin verdiği perakende sektöründe, artan mağaza çeşitliliğinde ve ürün çeşitliliğine karşı piyasada tutunmak ve kar edebilmek için tedarikçi ve perakendecinin ortak bir platformda bulunduğu başka bir deyişle, kategori yönetimi stratejisini uyguladıkları dönemde yaşamaktayız.

Anahtar Kelimeler: Kategori yönetimi, Tüketici davranışları, perakende sektörü

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ABBREVIATIONS

Category Captains	: CC
Category Management	: CM

1. INTRODUCTION

This master thesis studies category management practices, supplier-retailer relationships, consumer behaviors, and category captainship arrangements in fast moving consumer goods retail. Purpose of this study is to discover the effects of the consumer behaviors on the decisions of retailers and suppliers. The reason is that consumers are the focus of the category management process. In this context, common aim of both retailers and suppliers is to make profit in the competitive market place through better application of category management process which means better understanding of consumers.

There is an important expression of Sun Tzu who summarized this case very well;

‘He who knows the enemy and himself will never in a hundred battles be at risk; He who does not know the enemy but knows himself will sometimes win and sometimes lose; He who knows neither the enemy nor himself will be at risk in every battle’ (Sun-Tzu - The Art Of Warfare) ’(Topaloglu 2008).

Category management is a strategy which is necessary in order to enhance the relationship between suppliers and retailers as to give strategic advantage to traditional retailers against competition from other retail sectors. Study’s aim is to not only discuss the category management issues in terms of captainship, major players and traditional steps, but practices of major suppliers and retailers in detailed perspective in Turkey. Therefore, the focus will not be only on the general outline of supplier-retailer relationships but in stores as well which are the centre of the action for retail and consumers’ purchase decisions. These decisions are highly important for both suppliers and retailers as the key source of revenue. By the end of the research, my aim is to show the implementation level of the category management in the retail sector in Turkey.

2. CATEGORY MANAGEMENT

2.1 DEFINITIONS AND GOALS

As the variety of consumer goods in the marketplace has dramatically increased, retailers and manufacturers competing in new era, have to find a new way to figure out this turmoil in the sector. In this case, the long-term potential of another fledgling marketing idea rises: category management.

“Category management is a process that involves managing product categories as business units and customizing them on a store-by-store basis to satisfy customer needs” (Nielsen 2006). The basic aim of category management is to enhance the operating results of retailer and its partners in terms of manufacturers, distributor and brokers within the focus on consumer. Products have a strategically important role as a category or part of a category. In other words, they are more than just goods being sold (Koester 2005). However, before making a definition of category management, ‘product category is required to be understood. Product category can be defined as a group of products that consumers perceive to be interrelated or substitutable. Oral care products, soft drinks, breakfast foods, and laundry detergent can be given as examples of retail categories. Moreover, the products in the stocks and storages need to be categorized by identifying in the lowest level which holds key for the retailers. In this perspective, category management is a process of optimizing the assortments at the lowest level, as well.

The focus of category management is to satisfy consumer needs and to grow the category. It takes a holistic view which means enhancing and maximizing the value of entire lifecycle of the category as a whole rather than focusing on brand by brand or SKU by SKU. To illustrate that, rather than identifying products as ‘Kellogg’s Corn Flakes or Quaker Porridge Oats, in the eye of the category based approach, it would be like the category of ‘breakfast cereal’. Through collaboration of retailers and suppliers, in the ‘breakfast cereal’ category, retailer can determine its target customers, its place in the store and best practices for merchandising and promoting the category. Category management is the practise of segmenting the main areas of organizational spend on bought-in goods and services into discrete groups of products and services

according to the function of those goods or services and most importantly to mirror how individual marketplaces are organizing. Using this category segmentation, organizations work cross-functionally on individual categories, examining the entire category spend, how the organization uses the products or services within the category, the marketplace and individual suppliers (O'Brien 2009).

In addition, in order to increase the success of the category management, the key point in this strategy is to understand the customer's preferences and purchasing habits well. That is to say, the better you understand consumers, the better you understand specific categories which will appeal to targeted consumers (Taşkın 2002). Moreover, by making a customer analysis, category manager can see the product performance in its category, so based on this information, he will make a decision on promotion, price, shelf-space, stock level of this product. According to the writer, it is one of the most scientific approaches to make a decision in retailing due to its reliance on data. That's why, in recent years, almost all of the retailers in all categories began to apply this strategy in the market in order to gain sustainable competitive differentiation and advantage (Radhakrishna 2002).

Furthermore, there are series of questions regarding the marketing strategies of product assortments. At this point, the process of category management is the answer. In other words, there are basic issues in this sector need to be addressed -What items should be carried, in what quantities, at what prices, in which stores, where in the store, how much shelf space should be allocated, what level of advertising is required and so on (Radhakrishna 2002). That is to say, by implementation of category management, one can answer those questions in terms of product selection, placement, promotion and pricing. Those decisions are applied on a category-by category basis in order to maximize the profit of the whole categories. Thus, the basic aim of the strategy is to provide value to the consumers.

To sum up, such retailer-supplier coordination in CM includes: analyzing assortments of manufacturers' and store-brand SKUs to maximize category-level profits; planning and executing supporting shelf-sets, promotional schedules, feature advertising, end cap allocations, cross-merchandizing, etc.; and, logistical activities including inbound-

delivery timing and quantity/product mix required for retailer warehouse and direct-to-store deliveries, supplier in-store product-handling, reverse logistics, etc. As consumers' needs and rivals' strategies are constantly shifting, effective retail CM requires frequent adaptation (Morgan 2011, pp.8-9). Category management requires that significant resources be dedicated to understand the consumer response to the assortment, pricing and shelf placement decisions of products within a category.

2.2 THE EVOLUTION OF THE CATEGORY MANAGEMENT

The basic question in this part is 'How the category management was all started?'. Let's imagine 50 years ago, everybody knew each other and same people did shopping from the same corner store. So, the corner store owner knew all of his shoppers, as well as their likes and dislikes. That's why, it was easy for him to determine shopping patterns in terms of their favorite brands, drinks, spices, dishes even their health and beauty products. He did not need to attract attention of the customers through loyalty programs, promotions, shopping cards, or merchandising strategies in order to increase the sales. The only thing he had to do was to write the needs of the customers down, so he could easily discern the product categories. Especially, through this strategy, the corner store owner practiced the category management. That is to say, the store was revolved around the product categories which based on the consumer needs (Gruen 2002).

However, the world has been rounding differently and the time has changed consumers, their demands and needs, and stores as a whole. In other words, the shopping experience of the consumers have changed because of the huge advances in distribution, manufacturing, transportation, retail stores and information technology. Consumers have been more alternatives in shopping than they used to (Koester 2005). That is to say, since hundreds or even thousands of new products are launched to the market every year, the brand performance and power of consumer shift in a rapid way (<http://www.retailright.ca/>). That's why, in the consumer packed goods industry, the category management has become more important for retailers and manufacturers. With the shift of power, consumers were becoming more diverse and demanding greater assortment of categories. Manufacturers and retailers sought a way to understand and capture these desires. According to the article; 'Through hopper viewing programs,

focus groups, point of sale (POS) data and loyalty programs, retailers are gaining an understanding of consumer base composition and are categorizing the purchase behaviours associated with these customers' (Koester 2005). Moreover, in order to maximize margin and compete, retailers wanted to satisfy needs of shoppers. That's why, they wanted to fill their shelves with the products which met shoppers' needs. The basic reason was that all the retailers wanted to remain in the marketplace.

It began to widespread through 1990s. In its first years, the strategy was seen as complicated due to the fact that its structure consists of too many details and variables. In addition, it required to have more collaboration among too many departments like logistics and finance. When Category management first launched to the market, it was too different than today's. That is to say, the analysis were only made with limited resources as Point of sale data and third-party syndicated data. However, category management has been one of the most growing topic in the consumer product industry since the point of sale analyzing the movement of products (Gruen 2002).

Furthermore, on the retail side, Safeway, Kroger, and Alberton' s are the retailers who pioneered category management. On the wholesaler side, SUPERVALU was the first who applied category management. When we look at the manufacturer side, Philip Moris and Coca-Cola Company were the first ones who supported the category management process. Through category management, they reduced their inventories and increased sales.

To make a comparision between the past and today applications in the market, in the past, there was a soft dring buyer who hold records the sales of Coke and Sprite, then according to their sales performance, he placed new orders. On the other hand, in the recent application, the whole category including all the drinking brands called as 'Bevarages'. In other words, instead of tracking data for product by product, in these days, one makes decisions sets up the shelves of department according to the performance of whole category. To illustrate that, if Carbonated Soft Drinks start to sell more, in this case, in order to increase the sales, a category manager may decide to lay out them in more observable shelf. Mostly retailers would like to display the hot-selling items in more prominent places(Koester 2005).

2.2.1 Key Development Points in Category Management Process

According to the reports from Glasgow and the writer, there are five key developments that identified by the writer which has to be implemented for the success of the strategy. Those dimensions are noted as in the following:

1) First step is that rather than focusing on the category ‘efficiency’, it is required to focus on ‘positive consumer response’. To explain that one of the aim of the supplier and retailer collaboration is to improve the processes. One of its opportunities for two sides is to consolidate their consumer information together in order to provide benefits to the process by improving the consumer shopping experience.

I would like to explain this issue with a case study: ASDA/Wal-Mart and Loreal.. ASDA/WalMart and Loreal got some of the Loreal brands and its competitors together in order to form a single coordinated aisle format which is called as a ‘store within a store’. It means, it is a special area in the store which is arranged for those make-up products so women can easily satisfy their needs. In this case, the basic aim of the strategy is to perpetuate a ‘beauty experience’ with the ease of shopping. Before this application, ASDA has a 1 percent make-up share. However, as a result of this strategy, overall sales increased 21 percent more than estimates. There are three main points aroused through the ASDA/ Walmart and Loreal partnership: In the first place, it requires having the knowledge and assessing of supplier and retailer in order to achieve positive consumer response.

In the second place, the retailer has to be active in order to manage the category. In other words, retailer should not only rely on his suppliers to make all the work in the category management due to the fact that the strategy is a team work. In this case, retailer has to realize the collaboration requirements and coordinate with the supplier. Last one is that in order to determine your position or to make earlier alterations in your behavior, it is required to make research related to customers’ needs and implement it earlier.

2. Second requirement is to be solution oriented instead of focusing on products. Basically, category management can be seen as managing retail operation at the category level through taking each category as a profit center. However, there occur several challenges. In this context, for instance, when a retailer has 200 categories, for example, the sheer task of simultaneously managing all of them as profit centers is potentially overwhelming.

Moreover, consumers do not like to shop for isolated categories. In general, consumers buy their needs and those needs get together by purchasing of multiple categories. For example, normally, snack foods are matched with a beverage. That is to say, performance of a single category should not be assessed separately from the complementary categories.

The first step is to shift from producer orientation to a customer orientation is to being product-focused. There is a need for the next step of being more integrated in the consumer's approach to the shopping experience. To illustrate that, if a consumer wants to buy diapers, it is obvious that she or he is interested in baby care. Also, purchasing a laundry detergent is related with the purchase of the consumer's clothing care.

When the evolution of the category management is analyzed, obviously the ultimate goal is to managing the combination of multiple-related categories which is consumer-solution oriented instead of managing single categories. However, multiple-related term does not mean to match only two complementary categories. Rather, it can include the complete sections in retail store. That is to say, this new strategy denies the traditional understanding of category in which sections were arranged based on the consumer needs and habits. 'Vegetarian' and 'meal replacement' sections can be given as an example to traditional category thinking.

One of the leading manufacturers in pet foods, Ralston Purina pioneered to one of the successful operation in aisle management in the US. There were key categories in the store as dog and cat food, cat box litter, pet supplies, other domestic pet foods, and wild bird see. Instead of taking each of them as a single category, Ralston Purina brought the

Total Pet care solution which created the idea of ‘store within a store’. The quality that the consumers used to in special pet shops is provided with this idea.

According to the conducted analysis regarding the rates of sales and profits, pet food sales have increased over 20 percent since the implementation of the idea in 1997. Also, pet supply sales have more than doubled, and overall margins have increased by about three per cent. Moreover, The Carrefour- Procter&Gamble ‘baby solution store’ is another excellent example of the store within a store’ which was designed for the Marionopolous stores in Greece. For the baby solution store, many of the complementary expertise got together in terms of Nestle, Johnson&Johnson, Fisher-Price and Procter&Gamble. That is to say, all baby categories composed of diapers, wipes, baby food/milk/formula, toys, baby cosmetics and baby clothes concurred in a specific location. The results were amazing that diapers and foods sales increased 34 to 51 percent and sales of toys and clothing, impulse category, have more than doubled. To sum up, these examples indicate that regardless of whether it is pet care or baby care, the evolution of category management to aisle management can be successful worldwide. The main requirement is to determine categories which are inter-related and consumer needs -oriented. Some examples of the shift from product based categories to solution oriented perspective are noted in the Table 2.1 (Gruen 2002)

Table 2.1: Shift of categories

FROM	TO
Diaper	Baby Care
Laundry Detergent	Clothing Revitalization
Pet Food	Pet Care
Toiletries	Personal Care

Source: Gruen, 2002

3) In addition to both dimensions, another important issue is to shift from the perspective of heavy on inputs-light on outputs to light on inputs – heavy on outputs. Basically, category management has several benefits in terms of increased sales, decreased assortment and corresponding inventory, and increased customer satisfaction.

However, there aroused one key challenge for category management is the amount of input necessary to review a category in an effective way.

According to conducted analysis, the process is too time-consuming and the amount of inputs is required to be decreased. The joint project of Kraft Foods and Ahold in the Czech Republic was about streamlining traditional eight step process of the category management and changing this characterization. In this context, incorporating the Kraft three-step Category Builder with the eight-step approach, they developed a five-step approach for Ahold. Implementation period of the developed category planning process took three months. While this seems like a long duration for planning, it is much shorter than early adoption of category planning practices in the US or Western Europe. In essence, they were able to leverage knowledge and move along the “category management” learning curve much more rapidly than their predecessors. Although the basic objective of the plan was to develop the inputs, the ultimate purpose was reducing the inputs without sacrificing outputs. In order to test this process, they used the coffee as a test category.

Through the streamlined process, coffee sales were increased to 21 percent; SKUs were decreased by 11 percent and out of stock were cut in half. This application implemented by the Kraft- Ahold partnership indicates that the balancing inputs and outputs can be achieved compare to the traditional understanding of heavy output and light output.

4) The next step is to think the category management as a core process orientation rather than a project. The next crucial move is to automate and reduce the cost involved in creating and implementing category plans so they become a part of everyday business. In ECR Europe conference in Glasgow, COOP Schweiz and Procter & Gamble streamlined a structure by working with SAP in Switzerland to maintain the real-time collaboration which help the company to implement normal day to day business in category management.

COOP Schweiz has 360,000 skus divided among its 156 categories contained in a category master data set. There are two additional databases which complements this

data. First one is composed of logistics of category based on Apollo shelf optimization. The second one is called as a data warehouse which consists of pos data, AC Nielsen data, and consumer decision trees. At this point, by utilizing these three sources, SAP provides category management charts depended on the consumer decision tree. According to the article, 'Through system, the category management plans can be generated on demand and delivered in a form (shelf planograms) that can be immediately implemented. The results demonstrate that, despite its overall growth is 4.2 percent, through implementation category management, the growth averages 7.2 percent for 41 categories. However, due to the solution being expensive and requiring extensive training, it is not easy to implement this solution. Whether it is difficult to implement or not, it directly addresses the need to shift category management thinking from that of an occasional project to a core work process.

5) Final step is little bit different from first four issues. In this step, the important role of technologies on category management will be discussed. It is a fact that, one of the important actors in this play is the technology. That is to say, one would never implement the category management without having the ability to rapidly analyze scanner data from the store and the market level. From the broader side perspective, in supply chain, systems like Edi are key enablers which provide constant communication, electronic purchase orders, and on-demand inventory and shipping information by both the suppliers and retailers. In other words, it is necessary to shift from the closed systems to open systems through web services.

In the early years of category management, technology was also an important partner of the process. However, in these days, those software applications were harder than today due to its requirement of number crunching. Sales people spent their time for pulling data, putting them into Excel sheets, and preparing PowerPoint slides instead of talking to customers. This time-wasting system and data overload compelled companies to make changes and streamline data analysis approach. These changes led to the emergence of new systems which made the process more quickened and simplified. (Gruen 2002)

2.2.2 E-Category Management

Since the system is based on collaborative relationship between retailers and suppliers, it was required to have an IT infrastructure designed as one to many instead of one-to-one communication. In other words, retailers required having link with which several suppliers can simultaneously participate. This link enables both sides to have a good flow of information which is the basic necessity of collaboration; thereby, they can easily manage categories. In this context, e-category management concept emerged. Accenture, supporter of e-category management, presented three key advantages of this system for all parties including simultaneously viewing the category reports (via a Web interface), continuously updated data in the data warehouse (assuming automated data feeds from the retailer, manufacturer, and data providers are in place), and limited up-front (Gruen, 2002). This new development of corporate information systems in the category management process is commonly called as ‘ Web Services’ which was designed by IBM with the initiatives of Microsoft (.Net), Oracle (Network Services), and Sun (open network environment). According to the debates on this development, it seems that there is an agreement on the benefits of the system. Gruen (2002, p.8) told that ‘Category planning has traditionally been asynchronous in that the supplier receives all the data for an entire category, analyses it in isolation, and following analysis, presents the findings to the retailer who sees only the results and none of the process’. However, today, internet enables retailers and suppliers to be more collaborative because internet provides to examine the data and analyses in a synchronous way. As a result, retailers and suppliers can make decisions for categories together. Moreover, since it is one to many relationships, all suppliers have a chance to act in a collective way in order to improve the retailer’s category.

Drogerie Markt and Henkel case can be given as an example to demonstrate benefits of e-category management. Through the implementation, monitor stock levels, service levels, product information, promotions, and point of sale activity could be monitored by all parties in the system. In addition, other partners who benefited from the e-category management are the A&O/Selex and Barilla in Italy. This system was applied for the pasta category composed of more than 6,000 SKUs. They used the eight-step

model and mainly emphasized on three elements in terms of role, assessment, and review where both sides make inputs on the Web. All of the applications monitored with Web which enable them to shorten the category management process which was a fourth-month process in the earlier applications. Also, Accenture and Shell Retail case indicates useful outcome of e-category management. The case presented by Accenture and Shell Retail highlighted several of the advantages of e-category management. As mentioned in the above, Accenture had three key items for this system in terms of product and consumer information, syndicated data, and e-pos data. E-category management brought many benefits to Shell Retail as approximately 20 percent of reduction in SKUs and gained competitive advantage among other petrol related convenience stores. Those examples reveal the importance of the implementation of the e-category management. This system provides not only a true collaboration between retailers and suppliers, but also provides transparency of all information for all parties which resulted in reduction of SKUs, gaining competitive advantage, monitoring promotion, product and POS activities. According to Gruen (2002) , ‘It provides a means for category management to be integrated into a daily process, rather than as an occasional event’.

2.3 THE IMPORTANCE OF CATEGORY MANAGEMENT

Supermarket retailing is more competitive and challenging today than it has ever been. According to the Category Management Best Practices Report (1997, pp.10-15), there are four trends in retail business which makes reasonable the increasing grocery business. This change derives from increasing competition, the consumers, economic and profitability aspect, and the information technology. The retail competition, our first core, has mainly caused by new channels of distribution. Currently speaking, one can see lots of big box grocery in everywhere in his/her country. The important point is that they are all look alike and cover the same products. Therefore, consumers are looking for more service and lower-priced but better products as well. This indicates that the consumer has gained power against manufacturers and retailers. In the past, corner owner store used the neighborhood demographics and applied them; however, in recent years, demographics of the consumers have dramatically changed. Today, especially in

the US, the classic family concept composed of mother, father, and two children disappeared from circulation. Those extended families have narrowed down as singles, seniors and various ethnic segments. Since those consumers have different needs and behaviors, every year, manufacturers try to launch thousands of new product varieties to the market. In this context, new trends in food make it necessary to produce new products. Dr. Atkins low-carbohydrate diet program can be given as an example for this case. In the US, through this program, 3,375 new low and no-carbohydrate products were introduced to the market. As the incredible number of new products introduce to the market, the consumers have become more and more powerful. That's why; it is not surprising that the distribution channels and formats have been increasing day by day. Just because of this reason, in the first place, retailers reviewed their go-to-market strategy. However, through those changes in the market, in order to compete in this market, retailers apply to the low-priced strategy. According to the AC Nielsen (2006) 'Poor people needs low prices; rich people love low prices'. Moreover, this increase in the population and the number of stores lead to channel blurring. To explain that, as all the stores carry same products, consumers' minds get confused. Moreover, due to the fact that new brands of food and beverage are promoted heavily today, some consumers are tempted to buy products no matter where they are if they see something that meets their needs. In other words, it doesn't matter for consumers to go a specific store that the only important issue for them is to meet their needs. For example, one can buy food from drugstores or can buy sport drink from sporting good outlets as well. That's why, shopper loyalty is critical. That is to say, consumers can easily abdicate and change his/her store if he/she does not satisfy with the service of store.

In addition, in this strategy, the key point is the consumer behavior data which enable retailers to select the right products and make right decisions regarding price, promotion and merchandising. In other words, retailers have to know which category attracts customer attention in the store. To illustrate that, if there is a category with low penetration and low frequency, then retailers have to decrease the allocation space of this category. This reveals that consumers do not want them. This reveals that consumers do not want them. Moreover, retailers not just concern with the penetration and frequency levels, but pricing, promotion, merchandising and self-space as well. According to AC Nielsen (2006), 'The more often a category is purchased, the more

familiar consumers are with price, and the more they expect to get some promotion to drive their buying'. Briefly, category management search for the answers of series of questions including; what items should be carried; in what quantities; where in stores, at what prices; how much shelf space should be allocated; what level of advertising; what are the returns of that category and so on.

In conclusion, category management adds value to the grocery operation. According to AC Nielsen (2006), 'If retailers select the right products for target consumers and then price and merchandise them appropriately, the result should be satisfied consumer who remains loyal to store'. Briefly, category management process is all about delving the consumers' purchasing behaviors and their needs; thereby, they can solve the most important problem: shopper erosion. This strategy enables retailer and supplier to overcome the difficulties of this competitive area and to remain in the market. (Nielsen 2006).

2.4 CATEGORY CAPTAINSHIP

As it was mentioned in the first part, the entire process of category management centered on the partnership between the supplier and the retailer. An important character takes place in this scene: The Category Captain. Basically, the term can be defined as the supplier/manufacturer who designated by the retailer as its partner in order to help managing the entire category and to develop further partnership. In other words, the category captain is the leading manufacturer who is responsible for improving the performance and profit of not only its own brands, but also those of various competitors who sold to the store. Especially in the Consumer Packed Goods Industry, as retailers sell hundreds, even thousands of products with different categories, instead of allocating more resources on managing those categories, they rely on a lead manufacturer to advise supermarket on the best way to price, display and promote products of a particular kind in each category (Morgan 2005, p.19). Moreover, retailers do not allocate resources to manage each category effectively which makes an increase in the category captainship trend (Toktay 2009).

The major requirement for effective category management is to be expertise in marketing and to collect and analyze the pertinent data. In some cases, manufacturers are more successful than retailers in accessing the relevant information. That's why, retailers sometimes get help from the manufacturers in category management. Generally speaking, in the application of category captainship, the retailer share all of the relevant information in terms of sales data, pricing, turnover and shelf placement of the brands with whom he assigned as captain. At this point, captain makes a detailed research and analysis for the categories which he is responsible for, and then makes recommendations about the brands. In other words, captain can be seen as the advisor who provides a detailed plan including which brands can be exist in the category, how to price each of them, how much space to allocate to each brand, and where to locate each brand on the shelf. It is up to retailer to apply the recommendations of category captain. In other words, only the category captain receives data from the retailer regarding the performance of the category and has a more influential voice compare to other suppliers in the decisions for range and promotions and other specific issues about the category. Furthermore, in this case, that does not mean that other manufacturers can not say anything about the process; they check the category captain's recommendations, and may fill the missing parts (Nielsen 2006,p.26).

Moreover, this application is not only suitable for the smaller retailers, but also for the large and leading ones as Wal-Mart, Target and Safeway (Dhar 2009). Several retailers and manufacturers who practice category captainship report positive benefits. For example, Carrefour, French retailer, implements category captainship with Colgate in the category of oral care,with both companies get benefits out of this implementation.(Toktay, 2009). Many examples can be noted in this case: In the soy-milk category, Wal-Mart's partner is the General Mills. (Progressive Grocer 2006); Target partnered with the Cadbury Schweppes in the category of premium beverages (Cadbury Schweppes 2005). Different product categories and their category captains information at Sefeway is noted in the Table 2.2 (Dhar 2009).

Table 2.2: Examples of Category Captains

PRODUCT CATEGORY	CATEGORY CAPTAIN
ShelfStable Juice&Drinks	Ocean Spray
Carbonated Soft Drinks	PepsiCo
Pet Food&Pet Needs	Nestle Purina
Skin Care	Unilever
Paper-Bath Tissue	Georgia Pacific
General Purpose Cleaners	Clorox
Canned Coffee/Hot	Kraft
Food Prep/Protection	Glad (Clorox)
Diapers	P&G
Laundry Detergent	P&G

2.4.1 Benefits and Challenges

What characteristics make one manufacturer a more likely candidate for category captaincy than its rival? Retailers designated one manufacturer as a trusted partner. In this context, this trusted partner has to have basic requirements including ability to think strategically, ability to be unbiased, and ability to access relevant information. First of all, in order to make right decisions regarding a category retailers have to choose manufacturers who think and act strategically. In other words, manufacturers are required to bring a category perspective and to be creative in order to drive sales and maximize profits in the stores. Second important issue is to be unbiased. That is to say, category captain has to focus on whole category without making any discrimination. The reason is that, captainship idea carries important risks that some lead suppliers use this duty for their own interests. For example, captain may manipulate data analyses lead to category management decisions for the advantage of its own brand (Morgan 2004). In addition, category captain has to provide the pertinent information to the retailer in terms of consumer panels, consumer focus groups, RFID, and other data. The reason is that, when they are making recommendations to retailer, they have to present solid issues to support their ideas (Nielsen 2006, p. 27).

What is more, in order to make important decisions regarding in-store environment and offerings, many retailers depend on their category captains. However, although there are well-known success stories regarding category captainship, a conflicting issue takes place which is about the possibility for anti-competitive practices of category captains. There may be two main conflict of interests between different sides. In the first place, a conflict of interest may occur between retailer and category captain. Typically, the retailer's main objective is to maximize category profit; so, category captain is supposed to maximize the whole category profit, too. However, in some cases, category captain does corruption and uses its mission to benefit only for its own products. Also, the category captain might hinder the expansion of rivals by "recommending that the retailer not carry a rival's product, or it might recommend that the rival's product be placed in a disadvantageous location".

In the second place, there may be a conflict of interest between the category captain and the non-category captain manufacturers. To explain that, the category captain may take advantage of its own position by defrauding other manufacturers in the category. That is to say, category captain may tend to deploy its service for benefiting its own products at the expense of other manufacturers' brands. In this context, according to the article, a conducted analysis among the Finnish and Swedish suppliers shows that larger suppliers play more dominant role in the collaboration of category management; however, especially in Finland, smaller suppliers have a lesser role in this collaboration. In other words, suppliers who have stronger role, have more say on the individual category management tactics than others.

Another challenging claim regarding the category captainship, is the degree of competition to be a category captain under different circumstances. According to Dhar (2009), when the cross-price sensitivity between the brands is higher in product categories, the degree of race between manufacturers for being a category captain is lesser. The reason of the lesser competition is that, because the category captain service is less prejudiced, this situation provides more benefits to non-category captain manufacturers. On the other side, if cross-price sensitivity between the brands is lower, than there would be a higher competition between manufacturers to become the category captain.

2.4.2 CC and Antitrust Rules

Furthermore, not only there is conflict of interests regarding the category captainship, but also, there is an ongoing debate about the antitrust challenges such as ‘competitive exclusion’. (Steiner 2001, Desrochers et al. 2003). It means, category captain reaps benefits for himself and harms to other manufacturers. A recent antitrust case in the smokeless tobacco category can be given as an example for this phenomenon: Conwood vs. United States Tobacco (UST) (Toktay 2009).

UST is the manufacturer of the ‘Skool’ and ‘Copenhagen’ brands. On the other hand, Conwood produces the ‘Kodiak’ and ‘Cougar’ brands. Moreover, Conwood involved UST, the leading manufacturer in the \$1.7 billion U.S. moist snuff market, and its product distribution campaign. UST held a 77% share of the moist snuff market whereas Conwood held approximately 13% of the market. It is a fact that, to be competitive in the moist snuff market, manufacturers have to give importance on the products placement and distribution which are the key dimensions. Also, after the Master Tobacco Settlement enacted new restrictions on advertising of tobacco, the significance of in-store and point of sale advertising and promotional activities in the moist snuff market have dramatically increased (Klein 2006, p.29).

In 1990s, a new distribution strategy including the ‘exclusive’ racks was launched by UST. However, an ‘exclusive’ rack does not mean to be composed of only the product of single supplier. Instead, it includes not only the single moist snuff supplier, but also the rivals’ products. Main benefit of this application is that unless the retailer approves, the supplier does not make any product placement decisions on the rack. However, in this case, UST removed Conwood display racks without the approval of the company and also gave harm to its racks and product. Therefore, Conwood prosecuted the United States Tobacco company not only for this reason, but also for abusing its position as category captain for its own interests. (Greenberger 2003). In other words, Conwood claimed that UST, the category captain, excluded competition and provided benefits for its own brand (Toktay 2009). The court gave a judgement for UST practices being unlawful monopolization and as a result, UST punished to pay a \$1.05 billion antitrust

award to Conwood (Toktay 2009) There are so many cases for misconducting the category captainship such as tortillas, cranberries, and carbonated soft drinks (Greenberger 2003).

In conclusion, category captain is the supplier who is nominated by the retailer . It has more influential voice than other manufacturers in the decision making of strategic issues regarding the category. Moreover, retailer provide the associated data to the captain in order to do his job in an effective way. However, although category captains provide benefits to the whole category, in some cases, captains tend to take advantage of his own brand by deceiving rivalry brands in category.

3. MAJOR PLAYERS

3.1 RETAILER'S ROLE IN CATEGORY MANAGEMENT

Everyday, one hundred thousands of employee work hard, in order to sell ten thousands of product varieties to millions of customers. Those products which are volume-produced by manufacturers, first are forwarded to manufacturers' warehouse, and then brought to retailers' warehouses. After they locate to shelves or pallets, and then they are labeled and are signalized with visuals. Millions of customers who go to stores to do their daily or weekly shopping, reach those products, put them into their basket-shopping, and pay for them. This is the daily business of retailers. It is necessary to optimize those processes in this quick world. Otherwise, retailers can not compete with others. In this case, what the retailer need is: Clear Strategy (Topaloğlu 2008)

Basically, a clear strategy is the indispensable partner of the retailer which points the way to success in the market. At this point, how the exact strategy can be defined? What are the major points of having a successful strategy? Generally speaking, successful retailers who have a strong strategy are profitable by performing the basic needs and different demands of the consumers. Moreover, this clear strategy differentiates companies from others in this competitive, chaotic, and crowded market place. In other words, the strategy determines the winners in the market. However, to set a consistent strategy, retailer has to decide on some basic issues;

- What kind of retailer it wants to be?
- What kind of assortments he wants to sell? Private Label or Branded?
- What kind of shoppers it wants to address? Upscale or Middle road?

Those are some of the questions retailer has to answer before developing a strategy. On the other hand, some of the retailers execute the same strategy regardless of the location. Wal-Mart can be given as an example to that case because of its basic company's password: 'Always low price, always.' It executes this strategy everywhere. In this case, in order to operate the same strategies as Wal-Mart did, regardless of the location, chains need to one of two things:

- They need to localize their strategies or,
- They need to extend the strategy in order to execute everywhere

Why the strategy is so important? The reason is that through a consistent strategy, it makes them to be a cut above the other retailers in the market place. Also, this strategy helps them to measure themselves against their aim. To illustrate that, if the objective of the retailer to address the upscale region, then it has to adjust and differentiate its services and assortments according to the needs of those customers in this region. So the retailer measures itself against the key performances in this process.

Moreover, category management helps the retailers to see the success or failure of their strategies. Also, manufacturers have to know about the main points of the retailers' strategy because without knowing what the retailer does, the time the manufacturer spends is meaningless. (Nielsen 2006)

3.1.1 Basic Components of a Good Strategy

In the first place, to determine a good strategy is important; however, the most important thing is to maintain this strategy. How can a retailer form the basis of a good strategy?

First of all, the retailer has to know its position in the market. In other words, it has to make the basic decisions in terms of how to price, and arrange the assortments, the atmosphere of the store and the level of employee/customer interaction.

In the second place, the retailer has to know its customers in terms of their social category, culture, needs, and demands. For example, if the shoppers are blue-color families, they are typically value conscious. In this case, the retailer devotes its shelves mostly on private label products or has to apply low-price strategy. Moreover, if the shoppers in this region mostly Indian, the retailer has to increase the number of Indian products and has to be culture-oriented in its strategy.

The next component of a good strategy is to make all of its staff and consumers to understand its strategy. To explain that, assume that the retailer know everything about its customers, and arrange its store according to their needs. However, this may affect the current strategy that it required to make some alterations in the store. At this point,

the retailer has to analyze the reasons of those alterations and determine a new strategy. In this case, many of the retailers indicate their strategies they relied on and publish them in their web sites under major headings in terms of, 'Declaration of interdependence', 'Our core Values', 'Our quality standards' and 'Sustainability and our future'. To sum up, if everyone in the store- executive suit to store level- understands the strategy well, the retailer can easily carry out its strategy.

3.1.1.1 Five critical points to form a business strategy

Retail business strategy should be proactive instead of being reactive. In other words, instead of seeking for new formations, retail should aim to form new conditions. In this case, it is important to form a model that is resistant to competitive pressure. For example, Mercadona, Spanish Food Retailer, never publish and distribute promotion catalog.

It is important not to confuse 'strategies' and 'tactics'. Tactics are not the alternatives of strategies, rather they are components. With respect to this issue, Sun Tzu who lived Before Christ (B.C), ' Everyone can learn what I acquire through my tactics; however, what people never understand is my strategy that provides me the victory. In the development of retail strategies, it is rational to enjoy experiences of other retailers. For example, BIM has been implementing Aldi's methods and become the second largest retailer of Turkey.

One of the important issues for the strategy is 'timing' in implementation. If some innovations and attacks are implemented untimely, not only retailer would not get any results, but also those implementations would be rebounded. In other words, an implementation which will be useful and make difference would be loss because of the timing mistake. The objectives should be consistent in the resources (Topaloğlu 2008).

3.1.2 Who Are The Consumers?

From the retail perspective, a lot of work has to be done in order to understand who their shopper is, how they behave; in short, the retailer has to know the why behind the what. Retailers who want to win in today's competitive market-place should start from

here. The reason is that, currently speaking, in this ever-changing marketplace, consumers have a new language of behavior. That's why; it is the basic requirement of a clear strategy to recognize who the shoppers are, exactly what they want, where they live, or do they have children or pet. Those answers are necessary to make decisions in order to adjust the store and categories.

Consumer has gained power through relentless competition within and across many types of store formats. On the past few years, many dominant formats like the super center, big box and category killer have arisen, as have the 'larger corner drugstores' that use neighborhood demographics and apply very successful micromarketing techniques, much like the corner drugstores of a previous era(Koester 2005). To illustrate that, if the shoppers give more importance on their health and wellness, then the retailer has to form its strategy according to that valuable information and try to serve its costumers by stocking such kinds of foods. To recognize the shoppers, I would like to explain their features under three conditions in terms of demographics, geographic, and other factors (Olson & Peter 2005).

Retailers have to know about the demographics of shoppers in order to form their strategies. As it can be shown in Table 3.1; demographics segmentation can be broken down into eight parts which are age, gender, family size, family life cycle, income, occupation, education and marital status. We can also analyze the sociacultural segmentation under this heading. All of the subheadings are changing every time. However, the retailers have to keep truck those changes and organize categories based on this information. Demographics indicates the shoppers' needs and demands so, retailers can determine their strategies, assortments, categories, in short, determine how to address the shoppers. For example, if the shopper base consists of young families with babies, retailer knows for which category he will give importance. Or if the shoppers are mostly university students, then retailers have to emphasize on quick meals. Also, culture is one of the important factors in determining the assortments. To illustrate, assume that those examples reveals that demographics of shoppers plays the key role in retails' strategies.

To be knowledgeable about the geographic of the shoppers is also another important issue in setting an effective strategy. People, who live in a specific area, may change their accommodations which led them to see more different stores. That's why; retailers have to monitor consumers, and make adjustments according to their demographics and geography as well. For example, if the shoppers are living in rural area, then retailers have to arrange stores according to those people's habits. Otherwise, those stores could not meet shopper needs. According to AC Nielsen; 'Having the most convenient location for a food store-for years the advantage of traditional supermarkets-is not good enough any more when dealing with value-conscious, demanding, mobile, knowledgeable consumers (Nielsen 2006,p.42).

There are also other factors in addition to demographic and geographic factors. Demographics are necessary to understand certain needs; however, it is not solely enough. Retailers have to know more about their shoppers by finding the answers of some questions including how and when they are shopping. Moreover, it is necessary to know about whether the shoppers like to use coupons or not. In addition, addressing time-starved consumer is important. However, this data about the shopper can be also reached from Demographics analysis. These types of shoppers do not have any time to prepare meals that's why; they want to a quick meal to prepare.

Table 3.1: Useful Segmentation Bases for Consumer Markets

SEGMENTATION BASES	ILLUSTRATIVE CATEGORIES
Demographic Segmentation	
Age	Under 6;6-12;13-19;20-29;30-39;40-49;50-59;60+
Gender	Male;female
Family Size	1-2;3-4;5+ people
Family Life Cycle	Young, single;,youngest married no child over 6. Older married No children under 18;young married;no children;
Income	Under \$10,000;\$10,000-14,999;\$15,000-24,999 or over
Occupation	Managers;officials;sales;craftspeople;students;homemakers;unemployed;retired
Education	Grade School or less;some high school;graduate degree;graduated from college
Marital Status	Single;Married;Divorced;Widowed
Sociacultural Segmentation	
Culture	American;Hispanic;African;Asian;European
Religion	Jewish;Catholic;Muslim;Mormon;Buddhist
Race	European American;Hispanic American;Asian American
Nationality	French; Canadian;Japanese
Social Class	Upper-class;middle class;working class;lower class
Geographic Segmentation	
Region	New England;West South Central;Middle Atlantic;South Atlantic;Pasific
Size of city, country	Under 5,000;5000-19,999 or over
Population Density	Urban;Suburban;Rural
Climate	Warm;cold;hot

3.1.3 Complexity in the Market Channel

It is a fact that, 50 or 100 years ago, trade channels had certain conditions. In other words, shoppers bought their needs from the specific marketplaces. For example, when the shopper needed a drug, he/she was going to the drugstores. However, the time has changed all of the practices in the marketplace. Now, shoppers can buy a drug not just from drugstores, but from the supermarkets as well.

In the meantime, the share of the warehouse clubs, limited assortment stores and dollar stores, whose strategies based on value-price, have dramatically increased in the marketplace. In addition to those types of stores, there are also grocery, mass merchandiser, convenience/gas stores, supercenters and drugstores which make people confused about their shopping location. In other words, their loyalty with regard to where they shop is jarred because actually, almost all of the stores try to satisfy every

need of the shoppers. That's why; people generally prefer those stores instead of the traditional ones.

On the other hand, different from those channels, there are also other retail stores which are in the race for the grocery dollar. For example, many of the drugstores in the US not only selling products regarding beauty and health care, but also they are selling dry groceries and some of them are selling dairy products as well. Moreover, there are also online retail stores. In this case, people place order for their needs, and pay for their groceries when they delivered to their door. In addition to them, take-out restaurants are preferred mostly by time-starved shoppers who are mainly the working people. They do not have any time to prepare meal, that's why; they prefer those restaurants.

Actually, I would like to make clear the definitions of the different types of retail formats. According to Nielsen (2006), 'Having clear, agreed to definitions is important for comparing apples to apples'. First of all, supermarkets can be defined as a form of grocery store which typically comprises meat, fresh produce, dairy, and baked goods departments, canned and packaged goods, household cleaners, pharmacy products and pet supplies. Moreover, this is a self-service store with annual sales of \$ 2million or more. Kroger, Harris Teeter, Weis Markets, Loblaws, and ASDA can be given as the examples of this format. Secondly, the superette/small grocery takes the place. The 'super' comes from the supermarket and 'ette' means 'smaller version of'. Superette is a food market with an annual volume of \$1 to \$2 million. They are seen as an alternative to convenience stores. Country Market and Superior Markets are some of the examples of that format. In addition to those, supercenters are composed of full-line supermarket, and a full-line discount store under one roof (Nielsen 2006,p.49). They present shoppers variety of products and one-stop shopping. Wal-Mart is the biggest example of this type. In addition to WalMart; Meijer, Target, and Fred Meyer can be given as examples. Another type is cash and carry warehouse stores which mainly implement low-price strategy but have limited service. In Turkey, BIM chain markets can be given as an example. The reason is that in those markets, products presented with their original shipping cartoons instead of displaying on shelves. Moreover, bulk products can also be available in those stores. Smart&Final is also another example to this format. In addition, in the limited assortment types, mostly private label products take place. Only

there are small numbers of branded goods. Aldi and Save- a-Lot are examples of this format. On the other hand, whole sale clubs which composed of approximately 4,000 SKUs (40 percent of which are grocery items) offer packaged and bulk foods and general merchandise. Sam's Club and Castco can be given as examples for this type. As compare to wholesale club, convenience stores stocks 500 to 1500 SKUs including everyday items such as toilet paper, groceries, pet foods, toothpaste, tunafish, and soft drinks. They may also be part of petrol stations. For example, 7 Eleven and Wawa are one of the convenience stores. Moreover, dollar stores consist of everyday household goods, with high volume. Dollar General and Family Dollar are the examples of them. Apart from those types, hypermarket is widespread which combines supermarket and department store. Carrefour is seen as the first example of this type.

There are also multi-format retailers. Not only retailers can focus on any formats like supermarket or hypermarket, they can also have operations in all of formats. This is called as 'multi-format grocery retailing'. In this case, Carrefour can be given as an example. In the hypermarket format, company serves under the brand of Carrefour. In the other hand, in the supermarket format, company has been managing under different brands as Champion, Norte, GS, GB, and Globi. Since 2005, Carrefour has been trying the brand of Carrefour Express in the supermarket format in many countries like Turkey. In Turkey, all of the Gima supermarkets were changed to Carrefour Express supermarkets. Carrefour also has discount- format markets like DIA,Ed, Mini Preço, and Endi. BIM and DIA are retailers which focused only on discount formats. BIM is a hard discounter whereas DIA is a soft type discounter. In the BIM case, product assortment number is under 1000 and it only keeps national brands

However, most of the important manufacturers have been hesitated to give products to the discounters. The reason is that, it is not only makes manufacturers cheaper in the eyes of customers, but also they are getting negative reactions from the retailers having operation on different formats. However, the most famous manufacturer's products have began to sell in discounters as Aldi, Lidl, Dia, BIM, Hakmar, and so on. Because of those discounters' successes and widespread store networks, every manufacturers feel obliged itself to work with those discounters. (Topaloğlu 2008).

3.1.4 Strategies for Special Shopping Occasions

All kinds of shopping occasions are given a name such as all special events (i.e; Valentine's Day, Mother's day, Father's day, International Women's day), Christmas, Cherry Pick, holiday, religious festivals, once a week food shop, the fill-in, and the stock up. In these days, retailers want to make people do shopping in their stores. However, they have to determine a special strategy in order to draw attention of consumers. First of all, they have to know who they want to attract and for which category. For example, in International Women's Day, a retailer has to highlight categories related to women (i.e; beauty care) and determine strategy for categories including promotion, merchandising activities and pricing. Also, retailer may aim to earn growing families with small children who can meet their 80 percent or more needs for the week from that store. That's why; retailer develops tactics and strategy for these types of family in order to gain their loyalty to its store. Some retailers may target the children group for trips to meet the stationery goods before school time begin. Moreover, in special days, store concepts are arranged according to the meaning of the day. For example in Valentine's Day, Wal Mart fills the store with flowers, balloons, cards and gifts. Also, everywhere in the store are covered with hearts, and store is decked in red.

Almost all of the competitors apply those merchandising strategies in these occasions in order to attract shoppers. (Nielsen 2006).

3.1.5 Differentiation

With competition in this segment increasing, differentiation and a strong value proposition assume significance. Retail chains are realizing that they cannot be another 'me-too' store (India Express Group 2000,p.1). For example, 64 percent of customers in England, 46 percent of customers in France prefer to shop from supermarkets which are located close to them. The impact of price factor in shopping is 38 percent in France, while it is 19 percent in England. The impact of variety of products takes place in England as 15 percent, on the other hand, in France the rate is 18 percent. Research indicates that location and competitive intensive in this location play an important role.

For example, why customers buy yoghurt or chocolate or a carbonated drink from your store instead of buying from the store located closely to them? You can answer this question by declaring that you are selling national brands like Sutaş, Ulker, and so on. However, those brands may also exist in competitive stores. Then, what will be your permanent difference in the eyes of customer? You as a retailer can say ‘By selling products in lower prices than others, I will renounce profit a little.’ Let’s assume that, a retailer renounce profit; however, another retailer may think like you and may decrease the prices more than you. As a result, customers can benefit from this situation, but for retailer, this case will not be profitable. That’s why; price can not be the only factor of differentiation. It is necessary to add other factors to price in order to make difference in the market. Good location and reasonable prices are indispensable conditions of retailing; however, in the long term, they are not enough. Solution: differentiate your store from competitors’. (Topaloğlu 2008).

3.1.6 Some Areas of Differentiation

Differentiate in branded products: In this case, it is necessary to not only launch the forthcoming products to customers in your store but also provide branded products that customers accustomed to.

- Differentiate in store-branded products: In those original products, by providing especially the balance of quality-price, and adding innovative items, retailer can be superior against its competitors in its region.
- Differentiation in fresh goods: In daily consumption products like vegetables, fruits, meat, fish, bakery goods, and delicatessen, retailer can provide more varieties, and can display them in a more attractive way.
- Differentiation in category combinations and in-store adjustment
- Differentiation in store design: Architectural design, furniture, colors, illumination, shop windows, and so on play important role to attract customers.
- Differentiation in in-store communication: Price labels, signs of promotion products, and decorative issues have a significant place.
- Differentiation in store services: Other than selection and training of personnel, it is important to focus on customers through providing zero-wait time behind

the cash desks, providing product information to customers when it is necessary, fast customer returns, not being stock-out in promotional products, attractive gift-wraps, gas stations, financial services close to stores, and so on.

- Differentiation in out-store communication: By always getting across with customers, public opinion, press associations, and non-governmental organizations, retailer should be candidate for communications leader in the sector.
- Differentiation in Loyalty points: According to shopping frequency, and compositions, it is necessary to provide consumers enjoyable shopping experience which makes them to feel better
- Differentiation in penetration: This can be achieved through increasing the stores, and locating stores close to customers.
- Differentiation in non-food products: Performing little varieties, reasonable prices and original design, seasonal products to customers for short terms. BIM, Aldi, Tchibo, and Lidl are some of the examples.
- Differentiation should not be seen as a temporary campaign; rather it should be accepted as the basic policy of retailer. Those differentiation factors may be imitated by other retailers. If a retailer begins to be imitated, then this means the retailer is on the right track. However, basic condition in this case is to be constantly in the forefront. Those applications which are imitated by others will provide benefits to the retailer.

In order to be successful and gain commercial profits through those differentiation issues, there are four factors about which retailers have to be careful. First of all, the content of differentiation has to provide benefits to customers and has to be meaningful for them. Secondly, differentiation must be so attractive that creates long-term customer demands for that service or product. Next one is that the price of product or service which resulted by differentiation has to be reasonable as compare to others. Customer has to believe that he /she is not exploited. Lastly, it is necessary to provide consistency of the differentiation factor that is used as a competitive advantage. This can be realized through a customer-focused creativity and well-planned, steady communication campaign. (Topaloğlu 2008)

3.1.7 IKEA's Differentiation Strategy

IKEA established its concept on instead of being better than others, established on being more differentiated. In its general concept, it focused on consistency, while in details, varieties are the basic focus of the company. It also differentiated through quick restaurants. In this context, IKEA presents clean and lively atmosphere, standard, original, well-combined economical menu, fast distribution system for foods, and fast cash-box system. Those factors are differentiated IKEA from its competitors. According to the researches, most of the customers who go IKEA only for eating, after eating, they do shopping in the store. (Topaloğlu 2008).

In conclusion, category management began as a process that enabled retailers to manage product categories as individual business units. In this context, if the consumer is at the center of category management today, the retailer is the linchpin. The retailer sets the overall tone in terms of objectives, strategies, tactics, and financial goals. Through a clear strategy, retailers acquire competitive advantage in the marketplace. In other words, the winners in the marketplace will be those companies which meet consumer needs by knowing how to analyze data, insights, and merchandising savvy. (Retail customer experience 2011)

(<http://www.retailcustomerexperience.com/article/127141/The-manufacturer-s-role-in-shopper-centric-category-management>)

3.2 MANUFACTURER'S ROLE

First of all, as stated in the definition of category management, this strategy can not be achieved only by the retailer itself. Manufacturers and retailers play leading roles in this scene. That's why, from the perspective of manufacturer, starting point is to understand the retailer's strategy and act together in order to accomplish its objective. According to AC Nielsen, "In a perfect world, the manufacturers walk into the retailer's office and say; 'We understand where you are going. We want to share our strategy and objectives with you. We can work together' ". (2006, p.25).. In the past, each side was seeking for

its own interest and act solely to achieve its own objectives. On the retail side, the question was about what the weekly sales reports indicates; on the manufacturer side, the question was about what the research suggests. However, in the new world, it is meaningless to act solely. The basic reason is that in recent years, the power shifted to consumers. In other words, now, shopper needs and demands determine the strategies of retailers and manufacturers. Therefore, in this highly competitive, consumer-centric market, both sides have to redefine their partnership. That's why, in this shopper-centric world, both sides should ask together "What should we do together to win those crucial shopper segments and overcome difficulties of competitive market?" That is to say, the ultimate goals of both sides have to be to grow category, increase sales and addressing shopper demands. According to Araujo and Mouzas(1998, p.213), "... in category management, suppliers have to come together with retailers and interact in order to create and manage strategies and operations focusing on specific product categories, not just on individual brands."

Category management provides benefits to many manufacturers. They have been able to better align their brand strategies and tactics with retailers, as well as improve service levels and inventory management through collaborative planning. (www.winstonweber.com). In this context, what are the roles of manufacturers? As stated above, the starting point is to understand what the retailer wants to do. That is to say, it is important to be knowledgeable about retailer's strategy; for example, Wal-Mart is known for it's 'always low-price' strategy or another retailer is famous for addressing time-starved shoppers by serving quick and easy weekday meal solutions. In addition to them, Wholesale Foods want to be known for organic and healthy products. At this point, according to article, 'This is an opportunity for manufacturers to use their own analytical horsepower and become trusted advisors to their retail clients.' At the end of the day, such a relationship enables manufacturers to have an important place in the decision part. As stated, in category management process, one of the suppliers is designated as category captain who makes recommendations for whole category. In this context, consumer-data sharing is the basic issue. (Nielsen 2006).

Moreover, manufacturers have an important role in determining product assortment. They scrutinize the basket best shoppers in order to understand which items are

uniquely important to them. According to Nielsen, 'Manufacturers often bring retailers more detailed research about their category and brands, drilling down on these data streams to distinguish behaviors in all kinds of households- with or without children, in certain markets or regions, or even in different types of stores' (2006,p.73). For example, when manufacturer is asked to make recommendations for cereal assortment, it not only review sales and profit rankings, but also conduct analysis to determine which items are important to the retailer's best shoppers.

In addition, manufacturers are required to support retail strategy. The manufacturer presents all of the programs and promotions for the year for evaluation by the retailer. In this case, it is important to provide benefits for both parties. As mentioned, it is not acceptable for manufacturers to push their own agenda for the category they are in. According to Nielsen, '... the process is about the category, with individual brands supporting the achievement of category objectives' (2006,p.24). If manufacturers want to remain in this process, they have to make recommendations and plans for whole category. In other words, category has to be in the first place, while brand is second. Through this rule, the aim is to both benefit. As it was stated by Corstjens and Corstjens (1995,p.226), "...manufacturers should aim to create brands which have a category strategic, rather than simply brand-strategic, role."Moreover, it is necessary for manufacturers to share their own strategy with retailers. To achieve 'collaboration' term, it is important both sides to know about their strategies. If manufacturers do not share, this will harm to trading partnership for category management.

3.3 SUCCESS OF GENERAL MILLS

3.3.1 Company's Profile

General Mills is the world's sixth-largest food company, with offices or manufacturing facilities in more than 30 countries. The mission of the company is to provide healthier, easier and richer variety of foods composed of important nutrients and grains. Their products contribute to a heart-healthy diet, and enable people to manage their weight. The company is also one of the important suppliers of baking and other food

products to the food service and commercial baking industries .The company has reaped a great success through its more than 100 leading US brands such as Cheerios and Wheaties breakfast cereal, Betty Crocker baking mixes, Green Giant vegetables, Pillsbury refrigerated dough, Old El Paso Mexican Foods, *Häagen-Dazs* ice cream, and Yoplait yogurt. (<http://www.generalmills.com/>).

3.3.2 Category Management Approach of the Company

General Mills has been applying more advanced category management process. Let's explain past and present applications of General Mills regarding management of category. Ten years ago, when category management was just emerging, the implementation of the process was decentralized and template-oriented that only few manufacturers and retailers were practiced. Also, in the evolution period, not only researches were limited to scan data, but also, there was a little investment on technology. However, the important mistake in the earlier applications was not to emphasize on understanding of consumers needs and behaviors.

On the General Mills side, their application is little different from earlier ones. That is to say, category management in General Mills has always revolved around consumer data. In recent years, the only difference is that company has been giving more emphasis by going beyond syndicated data into custom behaviors and account- specific research. According to Al Fan, director of category management for refrigerated and frozen categories, 'The core of our category management program revolves around our ability to understand how the shopper buys the category.' (Nielsen 2006,p.204). Their category management approach is consumer and purchase oriented. In other words, the focus of their approach is to understand consumers' decision-making process. Briefly, the philosophy of company is that by using facts and consumer data, they develop recommendations in order to create customer value. Fan stated that 'The category structure will help identify which SKUs tend to interact with each other the most and those that don't. This information allows us to create category assortment recommendations that maximize incremental volume for the retailer'. (Nielsen 2006,p.204).

Briefly, it is obvious that General Mills is taking a giant step forward in the evolution process of category management. As stated in the above, company is not only expanded its vision regarding categories, but also enhancing category management process by providing insights on aisles, departments, meal occasions and total store as well. According to Fan, the important problem for retailers is the optimal space allocation. For him, ‘ They want to know how to develop a competitive advantage in the market place while making sure there is enough space assigned for the categories in the aisles’ .(Nielsen 2006, p.201). That’s why, General Mills first aim is to grow categories of retail customers by developing recommendations based on consumer data. However, according to Fan, in order to develop the best category recommendations, they have to do the best research for understanding of the shopping behavior/patterns of consumers. For him, ‘We cannot keep the status quo. We have to do custom research and use innovative thinking to understand the future of category. This is across all the tactical areas of category management, including baseline assortment, shelving, space management and promotion management’ . (Nielsen 2006, p.202). In this context, General Mills develop a strategic partnership with the retailer. The important issue to develop knowledge-based recommendations for retailers is to form category platform through communicating and analyzing data. For example, category manager of yogurt is not only focuses on this category but also focuses on total dairy department. This example reveals that in order to optimize whole dairy section of the store, General Mills set a platform of recommendations. (Nielsen 2006)

3.4 SUPPORTING PLAYERS

Retailers and consumer packaged goods manufacturers play the central role in this scene; however; there are also supportive players in terms of sales agencies, merchandising service organizations, and research and data providers. They not just have a role in the design of category plans, but in the implementation of strategies in the stores as well.

3.4.1 Research and Data Providers

The importance of data and research for basic issues in category management is indisputable. For the success of category management, the foremost need is the data analysis of consumers, markets, and categories by demographic, geographic, psychographic and syndicated data and research providers. After they analyze and assess those data, they prepare presentations about related category to the manufacturers. In other words, when manufacturer want to learn detail information regarding category, they apply to a data company which provides a perspective for category, subcategory, and brand.

3.4.2 Sales Agencies

Sales Agencies are the representatives of CPG manufacturers. Sales, merchandising, marketing, and promotional services can be outsourced through those sales agencies. That is to say, their work is to provide for measurable productivity gains for both retailers and manufacturers in the supply chain. They bring direct sales to the manufacturer that needs it most.

Moreover, their services are same with manufacturer; however, their work differentiated at this point. The difference is that ; according to AC Nielsen, ‘ Since they represent many manufacturers, sales agencies are positioned to advise retailers on department or aisle management in which the principles or disciplines of category management are applied to a group of categories, such as dairy’. (2006, p.29). They not only represent manufacturers’ brands for sale, but also they provide creative merchandising ideas related to the brands for retailers.

3.4.3 Merchandising Service Organizations

Establishing a strategic partnership with the Merchandising Service Organizations brings a powerful solution to category management process .Merchandising Service Organizations (MSOs) are very important for manufacturers, in some cases, for retailers as well. What is their role in category management? Their mission is to provide full-

service to category management process and maximize retailers' results through optimal recommendations . They rearrange shelves in accordance with new schematic, and new products. They also set up displays and perform related tasks in the store. Moreover, they provide the best position to retailer's products for maximum sales. According to Lawrence Merchandising Service, developing partnership with those MSOs brings advantages to category management process including;

- Increasing sales while strategically managing manufacturer's rebate programs
- Maximizing merchandise turns
- Developing customized, client specific regional planograms
- Ensuring that product selection is what retailer and its customers want
- Combining in-store service to maximize synergies and efficiencies

(<http://www.lmsvc.com/what-we-do/category-management.html>)

4. EIGHT FOUNDATIONAL STEPS of CATEGORY MANAGEMENT

4.1 STEP ONE: CATEGORY DEFINITION

Basically, step one is generally known as the definition of the category .Generally speaking, the objective of step one is to create a distinct, measurable and manageable grouping of products that will allow the retailer and supplier to shape business results by better understanding and meeting the needs of consumers and shoppers (Glendining 2002). The actions in this step are;

- To identify consumer needs and expectations,
- To identify measurable / manageable groups of products
- To identify, create and validate category segmentation
- To define category structure

There are some key business questions that need to be answered in order to define the category:

- How products are currently grouped?
- What are the consumer's needs and expectations?
- How do consumers go through their decisions process when they shop these products?
- How should products be grouped to best meet consumers' needs and expectations?
- How should products be grouped for better consumer purchase decision-making?

Moreover, the category definition funnel provides a framework for designing the category. In this context, figure 4.1 presents what products should go into this funnel.

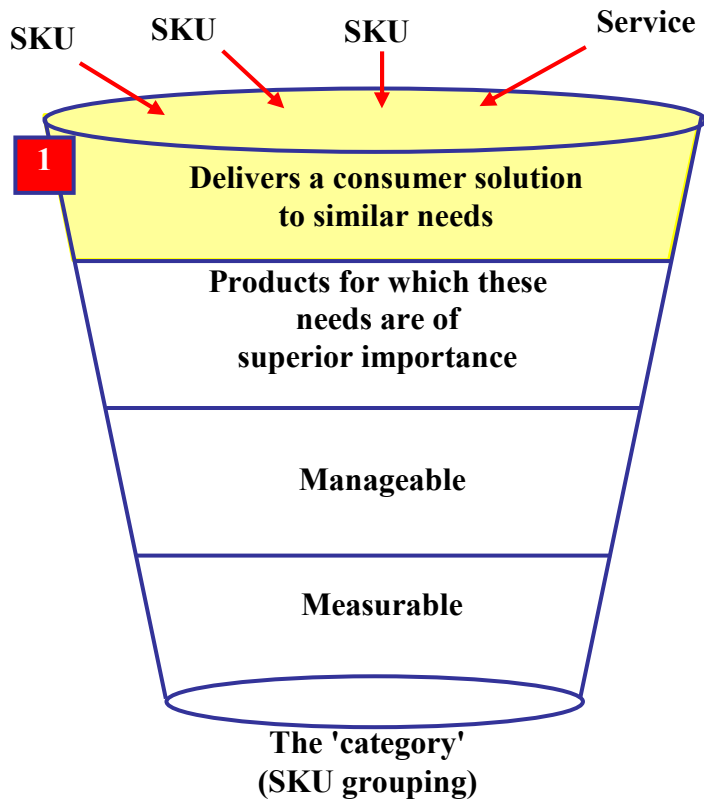


Figure 4.1: Category definition funnel

Retailers and suppliers designate products which composed the category and its segments. That is to say, in step one, retailers assigns products to various categories based on the needs of their targeted market. In this context, the category segmentation should reflect the decision-making process undertaken by the consumer before purchasing a certain product. (Glendining 2002).In order to determine the products to form categories, two key analytical tools will be used in terms of market structure and preference segmentation.

Moreover, when we analyze the ready-to-eat cereal category and the assortment in different types of retail stores, we can see that generally all of them are different from each other. For example, while Costco gives importance on best-seller products, Whole Foods focuses on the variety of organic products. At this point, there must be a system in order to organize those cereals. However, according to what and whom those cereals are determined? Are those cereals organized by manufacturers according to their types? (Nielsen 2006)

Typically, there have to be a clear retail strategy in order to make those decisions for what kind of products be involved in a retailer's assortment for a given category, how to merchandise, promote and price those products and by whom the decision made? According to the AC Nielsen, 'This strategy should indicate which consumers are most important to the retailer, coupled with both an understanding of how products within the same category interact with each other. (Does one cannibalize sales from the other, or does having both products raise overall category sales?) .' (Nielsen 2006, p.68).

In this context, as I mentioned above, decisions to determine the products that make up categories would be based on two analytical tools: Market Structure and Preference Segmentation. To explain that, Market Structure is an analysis that reveals the competitive structure of a category from the bottom up, produce richer insight into the complex process of consumer decision making. It provides guidance for adjusting brand positioning assortment, merchandising activities and promotion planning (Symphony IRI Group). In addition, Preference Segmentation identifies different groups of households who have the similar purchasing patterns.

<http://www.symphonyiri.com/ProductsSolutions/AllProducts/AllProductsDetail/tabid/159/productid/19/Default.aspx>

Historically speaking, both analytical tools were applied on groups of people through surveys. However, the outcomes of those surveys were so limited and inefficient. On the other hand, when we look at the current practices, the research is based on the behaviors of actual consumer which also called as consumer 'panels'. According to the AC Nielsen, 'Consumer panels are comprised of households equipped with in home scanners that are used to record all of their purchases.' (Nielsen 2006, p.69) After downloading the purchase data, they send them to the third part market researchers in order to examine them. Such data indicates the product attributes that drive consumer purchase decisions. To illustrate that, one yogurt purchasing household can be observed to purchase fruit-flavored yogurts primarily, mostly buying one particular brand, but sometimes changing between small boxes and different weight of grams. According to this household, type of yogurt in terms of fruit-flavored or regular is the primary product attribute, followed by brand and followed by package size/grams.

Moreover, at this point, the salty snacks category example indicates the power of implementation of Market Structure and Preference Segmentation together. According to the Market Research, first factor triggered to purchase is size of the products. Next purchase decision is based on the product to be branded or private label. As it is seen in the figure 1, consumers who buy private label products make a choice between types of salty snacks. On the other hand, branded product buyers choose between healthier and regular ones.

In this case, let's assume that consumers preferred baked salty snacks in the highest level which shows the loyalty of the consumers to this category. However, if the retailer only takes the market structure into the account, then he would fill half of the store shelves with baked or low-fat varieties. On the other hand, according to the preference segmentation analysis, those consumers are only the 2 percent of category purchasers. In this case, it is necessary to stock for baked salty snacks; however, it would be meaningless to devote so much space to the segment. To conclude, it is necessary to take into account both research results before make a decision regarding the category.

4.1.1 Shoppers Come With Changing Missions

A cursory look at shopper behavior indicates that each time a shopper revisits a category over the course of a month; he or she might be on a different purchase occasion and behave differently. Some special days, can change the consumer behavior. Perhaps she is pantry-loading items her family eventually uses, such as detergents and paper goods. Or filling in staples such as milk or bread between major store visits. Is she preparing for a party, making a rare purchase of expensive imported cheese? The variety of purchase occasions can be astounding. However, perpetual changes in the consumer behaviors, caused not to make a precise definition of the category which must be comprised all the product forms, flavors, and brands to correspond the needs and demands of the consumers on a variety of occasions.

Moreover, in this context, not just the perpetual changes in consumer behaviors, but the changeovers in market, prompt the retailers to define the category as well. New trends

have effects on consumer behaviors (i.e famous diet programs). That's why; in this case, it is necessary to make a room for diet-type of products. Furthermore, let's continue with the cereal example to explain this issue in detail. In order to respond different concerns of consumers, manufacturers of ready-to-eat cereals for example produce less-sugared cereals for children, and add new functions as oat, bran, and antioxidant to the adult cereals. Also, they added new species to cereals such as portable bars which drives retailers to create a new category called as 'cereal solutions' category. Those examples indicated that the main point in definition of categories is to know the customer priorities. It would be unreasonable for retailer to make a room for new flavors if those products do not attract the consumers. At this point, retailer needs the data provided by the analysis of Market Structure and preference Segmentation in tandem which may change the destiny of category. In other words, through this data which provides full market view, a category manager can make more accurate decisions for categories in their stores.

In addition, doing category planning on consumer-centric level, reflecting more consumer-centric strategy on category planning including,

- To provide better shopping experience to consumers,
- Higher return for the retailer
- To be preparedness and readiness to change in the market

As I mentioned in the first part, the collaboration term form the basis of the category management. Although retailers do not like to share all of their strategies and insights, they have to collaborate with their partners-suppliers who sometimes bring more detailed research about category. Through this collaboration and data sharing, they, suppliers and retailers, make the process more efficient and effective. In other words, the outcome of this process may be win-win. According to AC Nielsen; 'The key is telling the right story at the shelf for specific customers in specific markets'. (Nielsen 2006, p.75). However, whether the manufacturer provides valuable recommendations for retailer or not, it is up to retailer to implement those recommendations and to make the ultimate decision regarding category. The aim of category management is to attract and secure the loyalty of the consumer in order to maximize turnover by providing a

common manufacturer/retailer benefit. In order to do that, the growth levers of the category must be identified.

4.2 STEP TWO: DETERMINING the ROLE of CATEGORY BASED on RETAILER'S STRATEGY

In this step, it is important to decide each category's role and where it figures in the retailer's category mix (Radhakrishnan 2002). The objective of this step is to cross the consumer, supplier, retailer and market place correctly. The role of a category can be defined by two main themes:

- The importance of this category for the consumer (weight in purchasing or degree of commitment)
- The strategic importance for the retailer (contribution of the category to recruitment, securing loyalty or image)

Moreover, the role of the category is conditioned by the retailer strategy in terms of preferred target means whom do retailers want to reach. In this context, targeted group may be couples with children or urban couple without children. For example, a product like «diapers» for retailer X, whose preferred target is the urban, childless couple whose loyalty they are trying to secure by ease of use, will not play the same role as for retailer Y whose preferred target is the 25/35 year old couple with children whom they are trying to recruit by innovation.

Therefore, it is required to know the different roles of categories and to identify the role defined by the retailer in the category concerned. There are four different categories in terms of destination, routine, convenience, and occasional/seasonal categories.

First of all, destination category enables retailer to offer superior value to consumers through defining itself as the store of choice. The objective of this category is to develop the traffic and promote the image of the store. Fresh vegetables at a food retailer can be given as an example for this category. Those products in this category get more attention, not only on the buying/sales level, but also on operational level in terms of replenishment and administration. The customer will need to lead in assortment, promotions, pricing and merchandising and expect more than fair share of the market by

delivering superior consumer value. In this case, Food World is famous with its pick of fresh vegetables. It helps to define the profile of the retailer in the eyes' of target consumers. (Glendining 2002).

Secondly, routine category which is an important category for consumers is one of the preferred category enables retailer to define itself as store of choice by offering consistent, competitive target consumer value. Basic aim of this category is to develop the average basket. Typically this category consists of goods that are purchased frequently and in large amounts and are consistent performers for the retailer. Those are the products that consumer purchases as matter of routine such as toothpaste, toilet soap, and so on. Moreover, high price competition and strong promotional activity are typical of these categories. (Glendining 2002).

Third one is the convenience categories which is not matter for consumers to buy from the neighborhood retailer instead of visiting another retailer who may offer better prices or wider selection. In other words, The customer's goal is to make sure that the target shopper and consumer can do all their daily shopping in the customer's stores, without having to go to another retailer. As stated in Table 4.1, their basic aim is to only to generate profits. In this context, compare to, other categories, in general, these categories deserve less attention, less shelf space, and minimum advertising and promotional activities but are profit generating. Moreover, the retailer offers a minimum range at average prices representing good everyday value. Stationery products can be given as an example for this category. (Glendining 2002).

Last one is seasonal/occasional categories which enable retailers to develop the store of choice by delivering frequent, competitive target consumer value. (Nielsen 2006,p.78). A seasonal category is offered in-store to guarantee a one-stop-shopping experience during a certain period of the year when the category is "in", helping to reinforce the retailers' image to consumers. (Glendining 2002). This category allows the retailer to set it apart selectively. These product categories are typically present during this period at all retailers. When fulfilling a seasonal convenience role, the retailer chooses to offer this product, but not to excel in this category. During this period, the retailer offers an average assortment at a normal price. Selling mangoes can be seen as an example;

however, some seasonal categories could become destination categories. For example, retailer may be famous for selling specific categories during the season. This category is called as ‘Seasonal Destination Category’. In this category, the customer expects more than fair share during the season. In addition, during this period, the customer's store offers superior value to target shoppers and consumers and help define the retailers’ imager profile. That’s why; retailer is required to focus necessary resources to achieve the best offer. (Glendining 2002).

Table 4.1: Roles of categories

	Destination	Routine	Convenience	Occasional	
Aim	Develop the traffic and promote the image	Develop the average basket	Generate profit	Selectively develop the image and the traffic	
Category type	Important for the target consumer and for the distributor	An important category for the consumer but on which the retailer does not wish to build a competitive advantage	Of minor importance for the target consumer but which he/she would like to be able to obtain in the shop	Selectively important for the target consumer. Allowing the retailer to set itself apart selectively.	Important remark Within one and the same category, the role of each of the main segments can be different.
Levers					
Product range	Exhaustive	Competitive	Limited	Partial	
Price	Agressive	Competitive	Non competitive	Competitive	
Promotions	More frequent than competitors	= competition	Never	Occasional	
Novelty	Exhaustive / Leader	Real innovation	Cautious	Monitor	
Shelf space	Having impact	Competitive Clarification	Limited	Variable	

In addition to those categories, some retailers also described other categories according to their functionality. In this context, Vivek Company who is the consumer durable retailer present four categories based on the type of products;

Brown Goods Category: It consists of products as TVs, audio systems and so on.

White Goods Category: It includes products such as washing machines, refrigerators, and bakery and so on.

Domestic and Lifestyle Appliances: It includes products like fans, grinders, food processor and so on.

IT and computer related products category (Radhakrishnan 2002)

According to AC Nielsen (2006); ‘ With the right coordination, retailers can leverage the hundreds of categories they carry to maximize their total-store appeals’. Moreover, there are two important advantages of assigning roles;

- If retailers and suppliers manage categories based on their degree of importance to consumers, they acquire greater consumer value.
- Maximal return on invested resources by retailers and suppliers through the efficient, intentional allocation of shelf space, marketing dollars, and manager time. (Nielsen 2006)

Ultimately, the purchasing insights provide the potential to create cross sell propositions:

- Which product combinations are bought;
- When they are purchased; and in;
- What sequence.

In addition to them, there are too many analytical tools that retailers use for assigning roles including;

- Basket Analysis: It identifies shopper purchasing habits. It provides insight into the combination of products within a customers 'basket'.
- Frequent Shopper Data: What do your most productive customers prefer? Which categories matter most to them?
- Consumer panel data, including penetration, purchase frequency, conversion, and more: What percent of shoppers who buy wipes do you attract? What percent of a retailer’s shoppers buy them elsewhere and how much do they spend with other retailers? How can you draw more of them, and grow their category transactions?
- Point of sale, including category size and sales trends:How do national sales compare to local market sales? Is the category growing or declining?
- Occasion analysis to determine a category’s contribution to holidays and other events
- Fair share and demand gapping: The difference between what sells and what you could sell. How many core consumers who like strawberry ice cream are in a trading area, how much do they consume, and how much should you be selling?

- Financial Analysis: Sales, turns (the number of times a category's inventory rotates during the year), margin dollars, customer conversion, activity-based costing; so a retailer's investments in a category reflect its role. (Nielsen 2006, p.79).

4.3 STEP THREE: CATEGORY ASSESSMENT

Category assessment is an analysis of the current category performance and its components by following a productive approach supported by standard templates. The purpose of this stage is to recognize and analyze opportunities to improve the category's performance. Generally speaking, at this step, the existing performance of the category is measured in detail with respect to the sales, profits, turnover and return on assets in this category. (Radhakrishnan 2002) .Why is category assessment is necessary? One of the reasons is that, it identifies the gap between current performance and the desired category role and to identify new category opportunities .there are also other reasons for category assesment. It determines where thorough analysis is necessary and defines a structure to determine strategies and tactics.

This assessment analyzes not just the category but its subcategories, brands and SKUs as well. Moreover, this process includes the market, retailer, suppliers, consumer-data and third party as advertising agencies, brokers, and marketing information providers as well. (<http://www.ingenieurs-ematic.org/category-management.htm>)

In addition, how the outcomes from stage two begin to suggest different solutions or ways forward in terms of how this category can be sourced in the future. In other words, this stage is about determining the future sourcing strategy. (O'Brien 2009, p.160). In other words, this stage is the bridge between the analysis gained from data gathering and the implementation of a way forward. It is about identifying a handful of potential ways forward which are informed by the outputs of the insight stage, selecting the most suitable and then building and developing the result into well-defined sourcing strategy. (O'Brien 2009).

How is category assessment organized? First of all, as stated in the above, it starts with the collection of all data in terms of consumer data, retailer data, market data, and supplier data. Next is analyzing data and searching for opportunity gaps. Finally, it analyzes the causes of these gaps and define ways to measure them.

Furthermore, as mentioned in the previous chapters, retailers capable to evaluate categories on their own; however, they also figure on suppliers' knowledge with respect to the profile of shoppers and their tracking of the market and category trends. In this assessment process, sharing that valuable information provides better results for both sides.

Moreover, analyzing shopping behaviors and needs is the most determining factor in the assessment process through which the retailer can quantify the opportunity of changing its assortment, pricing or other elements (Nielsen 2006,p.97). To illustrate, assume that the retailer sells a bottle of milk for \$5; on the other hand, in other store, this milk is sold for \$8. However, if the shopper prefers the expensive one, then the retailer has to search for the reasons of shopper preference. This case can be analyzed with four perspectives. For example, according to consumer perspective, he/she may choose the other store because this store may present newer items.

4.3.1 Four Perspectives

In order to assess the categories, there are four perspectives which have to be analyzed in terms of consumer, market, retailer, and supplier information. As I mentioned in the above, consumer perspective is one of the important assessment tool. This information answer the questions of which shoppers; how, where and why purchase that category. Secondly, market information takes place through which retailer can benchmark itself against its competitors within the market. Third one is the retail information through which pricing, profitability, shelf placement and item movement details within category can be accessed. In addition, supplier information is the last perspective enables retailers to obtain their vendor's past logistics, marketing, and promotional performance data. Through that data, retailers forecast sales for future terms in order to ensure category objectives are met. (Nielsen 2006).

It is necessary to encapsulate four perspectives that while consumer information provides buyer profile and purchase behavior, market information enables retailers to be aware of the market share through which benchmark with total market. Moreover, supplier information shows the efficiency and share of categories within the market. The retail perspective gives details regarding the profitability and other measurements within categories. Those perspectives are the basic components of the assessment puzzle because each of them has a significance role in improvement process of the category.

4.3.2 Consumer Assessment

Consumers are the key point of the category management. That's why, this consumer assessment plays an important role in this step. It is necessary to make analysis not just in your store, but in the competitors' stores as well. So, the retailer benchmarks itself with others in the market and measures its performance. In order to get information, those questions need to be answered according to the household panel data;

- 1) What percentage of households buys the category?
- 2) How frequently do they make purchases in the category?
- 3) How much do they spend per occasion and annually?
- 4) Who buys the category? What is the demographic profile, lifestyle, or life stage? Where do buyers live?
- 5) Where do consumers buy the category? What channels and what retailers?
- 6) What drives the purchase? Promotion, impulse?
- 7) When do they purchase? Day of week, time of day, time of year, purchase occasion?
- 8) Are category purchases typically planned or impulse?
- 9) Which categories are related? What else is in the buyer's basket?
- 10) How loyal are shoppers to specific retailers' categories and brands? (Nielsen,2006).

4.3.3 Market Assessment

The comparison of retailer's share of category, subcategory, and brand with total market can be measured by market assessment. Questions noted in the following can be

answered through third party data which obtained from marketing information providers;

1) What are the sales trends of the category, subcategories and brands in the market place?

2) What is the retailer's market share?

3) What are the specific opportunities for improvement at each category tier?

Comparison of; Pricing, Shelf-presentation, Assortment and Promotions activities.

After collecting data related to those questions, it is necessary to use an Opportunity quadrant in order to evaluate the opportunities. Table 4.2 enables to see where the category fits in. According to the quadrant, pertinent strategy can be determined regarding the category.

Table 4.2: Quadrant for category roles

Low Share/High Growth	High Share/High Growth
<ul style="list-style-type: none"> - Review planogram and assortment - Review pricing - Review promotion item selection 	<ul style="list-style-type: none"> - Continue current programs - Review pricing against margins - Add new items - Evaluate space in adjacent categories
Low Share/ Low Growth	High Share/Low Growth
<ul style="list-style-type: none"> - Review product mix vs. Market - Delete poorest performing items/brands - Increase gross margins where possible 	<ul style="list-style-type: none"> - Review product mix vs.market - Delete slow movers and replace with fast movers - Review shelf space of most productive items - Increase gross margins

Source: AC Nielsen

4.3.4 Retail Assessment

This measures the performance of the categories within the store, and their contribution to total margins, brand equity, and store image. Through this assessment, category manager decide on what to do with each category. If the share of the category generates less revenue in spite of the higher space allocation, then manager may allocate less space to this item. On the other hand, if space allocation is lesser whereas the item generates higher sales, he may decide to increase the space allocated to this item. In order to measure the performance of categories, point of sale data and space management software data are used. Those data provides amount of sales and space efficiency. (Nielsen 2006).

4.3.5 Supplier Assessment

Supplier assessment provides the category manager to measure each supplier's product performance. Generally speaking, the category manager searches for what each manufacturer do for the sake of category. In other words, category management would like to see that whether the forms, flavors, and sizes trigger purchases, increase category profit and image or not. Moreover, not only the manufacturers' contributions determine the fortune of categories, but also outside effects as media, advertisement, promotions as well, play an important role on the performance of categories (Nielsen 2006).

There are questions need to be answered by not just third-party data but brands as well;

- What are sales trends for specific brands?
- How efficient and profitable are each supplier's brands?
- How quick and supportive is each supplier's flow of goods, information, and money?
- What product supply program do suppliers offer, and does our chain take advantage of them?
- How powerful is each supplier's brand development in the market and relatively at our chain?
- Will suppliers launch any new products next year? Will they impose price changes_ Will promotions and marketing support change?

- As a result, where are the greatest opportunities in merchandising, distribution, and promotion?

4.3.6 Swot Analysis

At the end of this assessment process, it is necessary to do the SWOT analysis in order to encapsulate whole analysis done during the assessment stage. It is important to analyze all of the stages; however, what you will do after obtaining specific knowledge at the end of each stage analysis is more important. The SWOT analysis provides the answer of ‘ So what?’ questions at the end of each stage. In other words, there are pieces of puzzle and need to be assembled which the SWOT analysis did at this point. The most important findings take place in this analysis which makes team members to understand what should be or should not be done regarding category. An example of completed SWOT analysis is given in the Table 4.3.(O’Brien 2009,p.162)

Table 4.3 : SWOT Analysis for category assessment

STRENGTHS	WEAKNESS
<ul style="list-style-type: none"> • Good understanding of future volumes • Scope to change specification to generic equivalents with trials • Good understanding of category, suppliers and market • Willingness by key stakeholders to 	<ul style="list-style-type: none"> • Our arrangements for supplier management have allowed suppliers to gain undue balance of power • Current relationships with suppliers unduly favor certain suppliers • Specification has restricted free choice for certain parts
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Strong leverage if we aggregate spend across entire category • Market competitiveness is increasing with many new entrants • Potential to use emerging markets • Scope to optimize supply chain • PPCA suggests we are overpaying by %30 	<ul style="list-style-type: none"> • One prime supplier views us 'exploitable' • Risk to other business areas if a supplier pulls out before we are ready • A change in import duties might preclude use of emerging markets

4.4 STEP FOUR: CATEGORY SCORECARD

The "Category Performance Measures" is necessary to quantify the gap between the current state and desired state. The objective of this step is to identify the specific business goals (category targets or objectives), qualitative and quantitative performance measures which must be achieved to deliver the opportunities from the category assessment.(Glendining,2002). Basic actions of category assessment take place in the following;

- Determine appropriate measures
- Identify key objectives for these measures

- Later on: complete financial analysis to ensure that category strategies and tactics achieve target / objectives

Why do we use Performance measures?

- To measure the category performance and progress
- To ensure that both retailer's and supplier's teams are on the same "wavelength"
- As a basis for an evaluation and reward system for both Category Management teams

How is Performance measures managed?

- Determine measurable category performance measures
- Measure current value of category performance
- Define objectives
- Validate performance measures and objectives

Step four enables suppliers and retailers to establish targets for measuring performance through a category scorecard. What is the function of this scorecard? Basically, scorecard is used in order to measure category performance parameters in terms of sales, profit, return on investment, market share, turns, gross margin return on investment (GMROI), penetration, purchase size, purchase frequency, conversion, service level, and more. for periods of one month, a season or a year for one category in one store (Radhakrishnan 2002). Through this scorecard, retailers, category managers, and suppliers can monitor the progress. In other words, this tool enables them to understand and keep track of what they are trying to achieve and how they are doing. There are series of questions can be answered when preparing scorecards.

What are the Performance measures?

- A balanced set of objectives, measurable for the category
- Objectives are consistent with the retailer's goals and the category role
- They focus on closing the gap between the current and the desired performance (Glendinning 2002).

4.4.1 Purpose of Using Scorecard

The scorecard is so important for the success of category management. According to the article, ‘The purpose of this application is to help managers monitor and control the delivery of a pre-defined set of activities – often with a view toward achieving "best practice" performance levels’ (2GC 2008, p.1). Those scorecards mainly used for operational control which includes the following questions;

- Which category will be monitored?
- Are those processes achieved or not?
- What activities are needed to happen right now to achieve targets?

Through well-designed scorecards,category manager, retailers, and suppliers can get fundamental feedback regarding the performance of categories and highlights on strengths and weaknesses. As a result, using scorecards increases understanding, awareness and alignment about what is happening in the process due to discussions during the design process. (2GC 2008) Those scorecards are also used to benchmark the results against competitors or against other categories.

To illustrate that, a retailer had problems of low sales and low profits within baby care category. However, the retailer is committed to make it as destination category. He monitors on baby care category scorecard and scrutinize the customer behaviors and their purchasing patterns. This data provides him the stock performance of various SKUs, margin delivery and choice of brands. According to that analysis, he can measure the performance of this category and rearrange the category. This enable the retailer to not just ensure consumer satisfaction, but increase profitability of the store as well. In this context, according to the Radhakrishnan(2002) article, SKUs can be classified according to the category scorecards as in the Table 4.4;

Table 4.4 : Classification of SKUs based on category scorecards

LOWER MARGINS/HIGHER VOLUME Volume Drivers	HIGHER MARGINS/ HIGHER VOLUME Superstars
LOWER MARGINS/ LOWER VOLUME Discards	HIGHER MARGINS /LOWER UNITS Value Drivers

- **Superstars:** Buyer must explore this assortment
- **Value Drivers:** These generate higher margins, but volumes are lower
- **Volume Drivers:** These generates high volumes, but margins are low. A buyer keeps only the best performers and drops the others. Every buyer pushes as many SKUs as possible to become Superstars.
- **Discards:** These SKUs are either dropped or ‘fixed’ for volume or profit.
(Radhakrishnan 2002,p.5)

In addition, if the retailers could not reach standard set of industry measures, they sometimes use other metrics in terms of basket size, composition or penetration of shoppers. Category management scorecards enables retailer to structure and discipline the process. As a result, they have a chance to fix or improve the business units in the process. An example scorecard is given in Table 4.5;

Table 4.5 : Scorecard Example

	CURRENT	TARGET
Consumer		
Retention Level		
Purchase frequency		
Purchase Incidence		
Satisfaction Rating		
Share		
Category of Department		
Category of Market		
Sales		

Table 4.5 : Scorecard Example (continued)

Category		
Growth		
Sales/Sq.Ft./Week		
Profit		
Gross Profit \$		
Gross Margin		
Gross Profit Sq.Ft/Week		
Private Label		
Sales		
% of Gross Profit		
Gross Margin		
Products Supply		
Days of Supply		
Inventory \$		
Turns		
GMROI		
Service Level		

Source: The Partnering Group

This scorecard example is composed of mostly all of the necessary metrics. However, retailers and suppliers can not apply one scorecard to all categories due to the fact that each category has different metrics in itself, that's why, retailers have to measure different set of metrics for each category. On the other hand, in some cases, metrics can be same in scorecard; but retailers measure those metrics for different goals. For example, while a destination category gives more emphasize on sales growth and service level, a convenience category may become profit-oriented. Moreover, for some retailers, information in the example scorecard stated in the above, may not be enough. They prefer more detailed ones through which retailers want to add the shopper data and point of sale data and to keep truck of the percentage of household's spending on stated category. Those consumer data enables retailers to see which product sales are better within the category, which are not. In other words, while scorecards enable retailers to maximize their profits, they also satisfy consumers needs as well. (Nielsen 2006)

Reviwing the scorecard once a year or quarterly is appropriate, depending on the category. Generally, a category that turns faster and has an influx of new products, such as cosmetics or personal care toiletries, warrants a more frequent scorecard

review. If a retailer's goal is to be perceived as first-to market with new items. For ex; say, the latest technologies in men's shaving or the latest toothpaste flavors- a quarterly review may be appropriate. On the other hand, categories that change less often such as ladies' coats, require scorecards review once or twice a year at the most.

The score card alone won't make a retailer disciplined enough to say no to new products that don't meet customer needs but it should at least influence such thinking. Retailers should trust the data to guide decisions on both established and new items. (Nielsen 2006).

4.4.2 Technology Role

Technology plays an important role on the effective usage of scorecards. According to Ac Nielsen ' Information tools from marketing information providers enable data to be viewed in a great variety of ways. In a planning meeting with a manufacturer that offers products in categories, a retailer may wish to start with an evolution of that company's total performance across all of its categories'. (Nielsen 2006, p.117).

In conclusion, scorecard helps retailers to solve the potential problems before they occurred. In other words, those scorecards provides fundamental feedbacks to retailers and suppliers so they can identify the weaknesses and intervene to them. The scorecard is not only necessary for determining the next year's goals, but also correcting the current problems and updating targets as well. Retailers and suppliers can monitor the sales ranges which indicates whether they are losing shoppers are not. Through applying scorecards, they can develop strategies and tactics against strengths and weaknesses of the process which enables them to be more successful in category management process.

4.5 STEP FIVE: CATEGORY STRATEGIES

After determining the targets through scorecards, in this step, it is required to develop marketing strategies and tactics for the category. That is to say, basic objective of step five is to perform category role, and scorecards targets through the development of the

marketing strategies. (Radhakrishnan 2002). The Category Strategies define how to achieve the objectives for the different sub-Categories, segments, sub-segments and SKUs. It is necessary to understand what the category strategy is. It can be defined as marketing and replenishment strategies to achieve the objectives and the role define by the performance measures. There are different reasons for why those category strategies are necessary to use. One of the reasons is that strategies provide strategic directions to assign resources and to execute the category tactics. On the other hand, strategies ensure consistency between role and objectives / tactics.

In this context, it is important to determine how to select those strategies. Those issues are noted in the following;

1. Understand the possible marketing and replenishment strategies
2. Review conclusions of the role, assessment and performance measures
3. Select the appropriate strategy
4. Assign products, segments and sub-categories to the different strategies
5. Validate strategies

Moreover, category marketing can be broken down into the demand-chain and supply-chain strategies. Demand-chain strategies encompass seven marketing tactics in terms of traffic, profit, transaction, image, turf, cash and excitement strategies. On the other hand, supply chain strategies mainly focus on the optimization of distribution processes and minimizing the costs.(Radhakrishnan 2002). According to the book, in previous steps, 'We've defined the category, established its desired role, assessed its current state, quantified specific goals, and developed a scorecard. The strategy provides an overarching picture of how to achieve those goals' (Nielsen 2006, p.124).

4.5.1 Demand-Chain Marketing Strategies

There are seven marketing strategies in terms of traffic building, transaction building, profit generating, cash generating, excitement creating, image enhancing, and turf defending all of which overruled in retail today. Explanations of those strategies are noted in the following;

1. Traffic building: This strategy is used for attracting attention of consumers to the store, aisle, and category. In other words, it aims at getting the consumer into the store and purchase from the category and from the store in general.
2. Transaction building: This strategy aims at increasing the consumer's average purchase of the category.
3. Profit generating: It is necessary to yield profits. In other words, it aims at increasing the sales of high margin products.
4. Cash generating: This strategy aims at increasing cash flow by high rotation of absolute value products. This strategy can be realized through long payment term agreements with the supplier. Briefly, it produces cash flow.
5. Excitement Creating: The aim of this strategy is to generate interest and enthusiasm among consumers by offering trendy and innovative products.
6. Image enhancing: This strategy aims at creating an image towards the target consumer, in one of the following domains: pricing, service, quality or assortment. Briefly, it strengthens the view of the retailer held by the customer.
7. Turf defending: This strategy is positioning the category strongly versus competitors

Table 4.6 in the following indicates some general guidelines for using measurable category purchase dynamics to help in assigning category strategies;

Table 4.6: Matching Category Strategies with Category Purchase Dynamics

CATEGORY STRATEGIES	CATEGORY PURCHASE DYNAMICS
Traffic building	High share, frequently Purchased, High % of sales
Transaction building	Higher Ring-up, Impulse Purchase
Profit generating	Higher Gross Margin, Higher Turns
Cash generating	Higher turns, frequently purchased
Excitement Creating	Impulse, lifestyle oriented, Seasonal
Image enhancing	Frequently purchased, Highly promoted, impulse, unique items, seasonal
Turf defending	Used by Retailers to draw traditional customer base

Source: The Partnering Group, Inc.

Moreover, Table 4.7 in the following shows the main and other indicators of category strategies and their descriptions.

Table 4.7 : Correlation between the role and the objectives

	DESCRIPTION	MAIN INDICATOR	OTHER INDICATORS
TRAFFIC	Increase Penetration	Number of tickets	Purchasing frequency Number of shoppers
TURNOVER	Increase Transaction	Average Purchase	Loyalty rate Average ticket
MARGIN	Increase absolute profit	Absolute margin	Gross margin by meter
CASH	Increase Cash Flow with rotation and high unit price products.	Rotation	Financial Indicators
IMAGE	Attract consumers with products not in the regular assortment	ad hoc	ad hoc

Those marketing strategies can be applied to the category, subcategory or brand level. Yogurt category for example; is generally addressed to the strategy of transaction building which means high value/High volume. On the other hand, fruit yogurt subcategory may include such an influx of hot new flavors that it's most appropriate strategy is to create excitement.

Pain remedies category can be given as another example. In this case, headache and sinus remedies can be seen as traffic builders. On the other hand, arthritis remedies can act serve as a profit generator.

4.5.2 The Importance of Retailer's Strategy

In this context, as mentioned in the 'Retailer's Strategy' part, retailers have to determine their strategies in order to be successful in the market. In this case, consistency and stability are the key issues in the road to success. It is necessary to answer three basic questions before determining a strategy including what kind of retailer it wants to be,

what kinds of shopper it wants to address and what kind of assortments he wants to sell. According to article 'Retailers are catering to consumer target groups such as aging baby boomers and ethnic population by building stores that offer shopping experiences uniquely aligned to their needs (DHL 2010, p.4) . For example, if a retailer wants to address to elderly populace, then he has to arrange his assortments as organic products, prune juice, and healthy products in order to achieve its strategy for this consumer segment. However, the most important thing is to be knowledgeable about the demographics of shoppers. In other words, retailer has to put the shoppers at the heart of its strategy to be successful in the market. Understanding how shoppers view their stores, behavior of shoppers, and their needs and demands, enable retailers to manage categories; thereby, they can meet consumer needs. These data is a guideline in the development of a new strategy. However, in category management process, if the strategy of retailer could not be understood by supplier, all the supplier does for category would be meaningless. In other words, this indicates that both suppliers and retailers have to work together in order to be successful in this competitive marketplace.

On the other hand, retailers, who do not assign category strategies based on shopper data, can not address to local shoppers. For example, if shoppers are mostly blue-color families, than it will be meaningless to arrange store with high-end, high-priced assortments. That's why; retailers will be more successful if they form their strategies according to the needs and demands of shoppers.

Moreover, clearly, brands affect every segment of a category. Some are bought often, or have a higher dollar share, or shorter purchase cycles or are 'on deal' more often. Using the right information from manufacturers, retailers can effectively use different brands to drive different category strategies. For example, a supermarket seeking high-end image would market upscale coffeehouse brands more aggressively than its own private label which it would offer as a choice but wouldn't likely promote. The retailer could also create high-end private label coffee. (Nielsen 2006)

4.5.3 Product Supply Strategies

As it mentioned in the first part, consumer products industry has collaborated on a distribution strategy initiative called ECR which is designed to integrate and rationalize product assortment, product promotion, and product replenishment across the supply chain. In this context, it necessary to understand this collaboration strategy in supply-demand chain management. According to Copacino (1997, p.20) , ‘ For one manufacturer, it meant segmenting customers according to the customer’s merchandising strategies and operating sophistication and then tailoring the manufacturer’s marketing program to each customer segment.’ Effective products supply strategies enable manufacturers not only to reduce costs, but also to save time. There are different strategies which affect each process, explained in detail in the following.

- a) Inventory Management: It is the foremost strategy which is necessary to reduce costs of storage and total goods. According to Copacino, through new transportation options, lower transportation cost structures and expanded merge or cross-dock capabilities have encouraged companies to take a new look at where they stock each item and have allowed many companies to considerably leverage their inventory management (1997, p.101). However, inventory replenishment strategies have also been influenced by changes in store size, format, and location in order to meet local or demographic needs. (DHL 2010)
- b) Acquisition: To improve sourcing practices not just to lower acquisition costs but to raise the quality and reliability of goods as well
- c) Product Handling: In order not to damage products, it is necessary to make better the receiving and handling practices at warehouses and stores.
- d) Order/Payment Transaction: This strategy enhances the payment and order processes.
- e) Transportation: It is necessary for manufacturers to enhance strategies regarding transportation issue to lower the costs. Manufacturing quality and product safety remain a concern and challenge, particularly in remote or unstable regions.(DHL 2010)
- h) Integrating Contract packaging into Logistics operation: The secondary(boxes) , primary packaging (cans, cartoons) process may be inefficient and costly since many manufacturers ship product out to co-packers for customization which then it back to plant or a distribution center. Consolidating this operation into existing facility allows

them to postpone customization; closer to consumption and avoid adding steps and time to the production process. It is necessary to respond to retailer pressure for shorter product runs and special exclusive packs. According to article, 'In mature markets, the shift to smaller, more frequent, customized orders requires shorter product runs or specialty equipment that is not available on all manufacturing lines.'(DHL 2010, p. 6). It is possible for marketer to postpone decisions on product customization with respect to the distinct demographic or cultural differences. So product moves less frequently which led to reduced transportation costs and the product is packaged closer to the local distribution points and end consumer (DHL 2010). Other benefits of this application take place in the following;

- Helps to facilitate product packaging based on regionalized demand
- Helps to reduce order lead times so product orders are arriving at customers %85 of the time in one day
- Avoid carrying unnecessary inventory (DHL 2010) The reason is that using outside contract packager cause to 7 days add in the distribution cycle which means days lost in the final distribution process. (Kane is able Inc 2011)
- Enables just in time shipment of floor ready displays and products for advertised promotions
- Eliminate transportation costs
- Reducing carbon emissions
- Eliminating potential product damage (DHL 2010). In other words, the more product is moved, the greater the potential for damage. The reason is that, shipping product to/from an outside packager results in about %3 damage. For example, damage to one bottle will destroy multiple cases (Kane is able Inc 2011)
- Provides retailers with different package size they require including the smaller packaging sizes for convenience or dollar stores. This strategy has proliferated as major retailers are increasing their use of customized packaging, product sizes and promotional bundles to differentiate themselves in the marketplace.
- Provide greater flexibility in responding to the changing marketplace. For example, assume that a cleaning product manufacturer has an idea for multi-product 'Spring Clean-up' bucket. Wal-Mart likes the idea and requests 100,000

buckets for a pilot program that it wants to kick off in four weeks. A flexible, fast solution for product packaging and distribution enables the manufacturer's sales team to book the order with confidence rather than bargain for more time to design and create the kits. It indicates that, it is a powerful competitive advantage. (Kane is able Inc 2011,p.4).

In conclusion, such practices and distribution strategies can greatly benefit category performance.

4.5.4 Test the Strategy

It is important to determine a strategy; however, retailers have to validate their strategy whether it is appropriate for the market or not. In order to test their strategies, they need to ask some questions noted in the following;

- a) How will execution of this strategy benefit customers? Will they save money, gain convenience, or have access to more variety?
- b) How will it strengthen the retailer? Will it raise sales or margins or improve appeals to the target customer?
- c) How will suppliers gain? With exposure of more brands, higher share, or more efficient distribution? (Nielsen 2006)

In this case, it is important to have a collaborative relationship with your business partner in order to apply all those strategies in demand and supply side and to determine a good strategy for manage categories. In other words, those ample resource allocations and scorecards are the major measuring sticks which allow both retailers and suppliers to keep efforts on truck. Retailers and suppliers are the complements of each other. In this context, while retailers are generalists, suppliers are knowledgeable about their categories and how consumers perceive their brands.

In conclusion, strategy development is best done as a collaborative effort between retailers and manufacturers. Manufacturers can help themselves in order to gain a seat at the planning table by being prepared for their category to fill any role for a merchant.

For example, consumables manufacturers might develop alternative strategies for a supermarket that assigned the manufacturer's category to a destination role, a drug chain convenience role, and a mass merchant in a routine role. Even better the manufacturer would anticipate the need to coordinate the marketing, products supply and in-store service strategies for maximum effect at the shelf, and support its suggestions by sharing relevant consumer and market data on the category and its brands. In today's environment, retailers must open their minds, and manufacturers must control their self interest.

4.6 STEP SIX: CHOOSE TACTICS FOR CATEGORY ASSORTMENT, PRICING, PROMOTION, MERCHANDISING, AND SUPPLY CHAIN MANAGEMENT

The objective of this step is to decide on the specific activities that will achieve category strategies. Category management includes;

- Space planning to ensure desired display space.
- Assortment planning to facilitate the achievement of required financial objectives.
- Visual Merchandising to optimize display efficiency and aid walk in/conversions in a store.
- Inventory Management to ensure required stock cover and avoid being out of stock.

<http://www.scribd.com/doc/13891342/Category-Management-and-Assortment-Planning-Presentation>)

Tactics are the mechanisms for improvement in five aspects of category management: assortment, pricing, promotion, merchandising and supply chain management. In order to achieve the selected marketing strategies, it is important to develop the benefits of specific action plans for assortment, pricing, promotions and merchandising. They literally change how consumers experience categories and affect category performance and store image.

4.6.1 Select the Right Tactics

First of all, the current assortment, promotion, pricing and merchandising performance has to be analyzed. Category managers brainstorm possible tactics and select appropriate tactics. However, it is important for category managers to make certain of whether their assortment, price, promotion, merchandising, and supply chain decisions are compatible with retailer strategy. In other words, basic requirement is to validate tactics in relation to performance objectives and strategies.

Plastic jars for baby food can be given as an example through which retailers address to larger families or people who do shopping less. This new segment of multipacks not only increases sales, but also reduces the cost and damages of shipping and warehousing. In this context, it is required to explain the decisions for assortment, promotion, pricing, and merchandising in detail. Table 4.8 gives a general view about those issues.

Table 4.8 : Decisions for assortments, pricing, promotions, and merchandising

<p>Assortment:</p> <ul style="list-style-type: none"> • Broad / limited • Maintain / change • Adapt to competitive environment / no adaptation 	<p>Pricing</p> <ul style="list-style-type: none"> • Increase / reduce • Maintain / change • Adapt to competitive environment / no adaptation
<p>Promotions:</p> <ul style="list-style-type: none"> • Type of promotion • Category, Segment, Product • How much, when and for how long? • Where? • Cross-merchandising possibilities 	<p>Merchandising</p> <ul style="list-style-type: none"> • Location in store • Allocation of shelf space • Planogram • Adapt to competitive environment / no adaptation

4.6.2 Assortment

Both joint working partners have to understand the consequences of possible tactical decisions. As mentioned earlier, a variety of activities as shelf management, category business planning, assortment planning, promotional planning and so on are executed by category managers. However, assortment planning is one of the most important

among them. In other words, first decision in this case is assortment issue. Moreover, according to Ac Nielsen report based on the importance degree of activities in Category Management Process, in 2003, 91% of manufacturers and 96% of retailers reported product assortment activity (Gajanan 2007, p.136). Currently speaking, most manufacturers enable retailers regarding product quality choices and category management by taking consumer demands and needs into consideration. In this context, according to MIT Data Center report about Wal-Mart experience on product assortment practice, “Wal-Mart is experimenting with CM—asking the market leaders in certain consumer goods to actually plan the category for them by making recommendations as to the assortment strategy Wal-Mart should adopt for their products. What Wal-Mart is hoping is that through CM, the suppliers will make those decisions for them by managing product assortment for them” (Schuster 2005). This Wal-Mart case indicates that, it is important to understand how retailer adoption of CM might affect product assortment decisions, prices, and profits (Gajanan 2007, p.146)

As mentioned earlier, the number of product varieties in the market place has dramatically increased. That’s why; to overcome the difficulties of competitive marketplace, many retailers have been adopting an ‘efficient assortment’ strategy. Efficient assortment strategy means to find profit maximizing level of variety by eliminating low-selling products (Kurt Salmon Associates 1993 et. all Cachon; 2004, p.2) In other words, it aims to develop various groupings of products and services which are profitable and meet consumer needs. The targeted outcome in this strategy is to utilize store shelf space more efficiently, to reduce stock outs and to prevent over stockings. POS data in this case plays an important role in determining efficient assortment. Through POS data, real-time consumer preferences reveal at the cash desk which enable retailers and suppliers to make assortment analysis in order to select optimal places for products on store shelves (UPS 2005). In this context, it is important to explain the ‘efficient assortment’ key activities. Effective ranging delivery is no different to other areas. It depends upon the provision of compelling relevance and purpose. There are four principal components which are required in any ranging work including;

- Establish a Credible Assortment Strategy
- Ensure it Aligns With Consumer Driven Segmentation/Decision Tree

- Define Core Assortment
- Tailor The Assortment Strategy (Glendining 2002, p.40).

Besides, due to heterogeneous customer preferences, consumer's purchasing habits, variety seeking consumers and brand competition; retailers have to increase product selections in all merchandise categories. However, it is not enough to only make decisions based on sales data. Rather, retailers began to search for the contribution of each item to the category. That is to say, product categories should be determined based on the consumer's needs and purchasing habits. (<http://www.scribd.com/doc/13891342/Category-Management-and-Assortment-Planning-Presentation>)

For example, the retailer already offers two brands of creamy peanut butter. By adding a crunchy choice, or a low-fat creamy, rather than a third brand of regular creamy, the shelf display may provide more incremental value. (Nielsen 2006, p.135). Another example can be given for the toothpaste category in a supermarket. Let's assume that two of the competing manufacturers, Oral B and Colgate- Palmolive offer different brands as Rembrandt and Colgate. While Rembrandt could be known as 'high quality' and 'high-priced' brand in the subcategory of 'whitening toothpastes', Colgate could be considered as 'lower quality' and lower price as compare to Rembrandt. In this example, therefore, an assortment of toothpastes can be viewed as competing brands that are differentiated along a unidimensional scale of the whitening attribute. Moorthy (1988, pp. 145–146) writes, "Because all consumers prefer more of the attribute to less, we will call this attribute quality." This one-dimensional representation of the products in the assortment means that the firms are competing on one product attribute but it does not restrict the number of attributes these products can have. We exploit this aspect of assortment (in terms of variety or quality) and endogenize it within consumer's decision process (Gajanon 2007, pp.137-138)

4.6.2.1 Decisions to make

There are five types of decisions through which category managers form category assortments including;

- Maintain: Keep the current mix with no changes

- Decrease: Lessen the number of SKUs in the category, subcategories, and segments.
- Increase: Raise the number of SKUs in the category, subcategories, and segments.
- Exchange: Replace items with new ones.
- Private Label: Develop, abandon, or expand its category presence.

In the case study based on the toothpaste category by the Planning Factory Limited, a retailer changed the assortment range by limiting the choice in the slower-selling sizes and promoting the more popular ones. The results reveal that the retailer experienced higher sales and a higher return on investment (Naudi 2005, p.147). That's why; it is important to take the customer preferences into account while making decisions regarding product assortment.

Assortment planning models have formed according to different circumstances. That is to say, assume that store traffic is exogenous means variety within a category impacts demand conditional on a store visit; however, does not affect store choice of consumer. On the other hand, according to Cachon (2004 , p.6); 'If, based on single category analyses, a retailer reduces variety in all categories, then the store becomes less attractive and some customers are likely to defect to other retailers, thereby reducing store traffic.' These issues mostly related with the basket shoppers. To explain that, if a retailer does not meet a need of basket shopper, he/she may prefer another retailer.

Moreover, private label is also an important issue when making a decision for how to fill an available shelf slot-with a particular brand or private label. The retailer may assume more profit from the private label, but activity-based costing figures in the higher costs of manufacturing, packaging, and shipping associated with the product. Activity-based cost, means the true cost of every product at every step of the pipeline, from the point of initial manufacture to consumer purchase that retailers and suppliers know (Nielsen 2006, p.135). On the other hand, in a direct-store-delivered category, in addition to activity-cost, the added cost of delivering to stores emerges. Salty snacks category can be given as an example. However, the more efficient supply chain, the

lower activity-based cost. Through this discipline, retailers can make a comparison for the true profitability of products on the shelf. (Nielsen 2006, p.136).

There are certain questions and answers while making decisions regarding assortment;

- What will meet variety needs of the target customers' at the category: There are important issues like item performance rankings by sales, profit, and other measures, and indicators such as sales and profit per cubic foot.
- What are the new product acceptance criteria: Category manager should prepare new product checklist
- How the cost/profit rates of different levels of variety are: It is necessary to make market comparisons of variety and sales contribution.
- What are the product deletion criteria: In this case, category manager should prepare a product deletion checklist.
- Is my marketing strategy compatible with our company's overall marketing approach and my assigned category role? To answer this question, category manager should make an analysis for consumer loyalty to particular brands or items.

In conclusion, according to Gajanan (2007,p.147), 'The practice of CM and product assortment decisions must account for consumers' tastes for variety, and it might be necessary for retail managers who practice CM to delist some items from the shelf strategically while adding other items to the shelf to maximize category profits'.

4.6.3 Pricing

Pricing issue was different in the past. To explain that, retailers simply implemented every day low price (EDLP) or high-low promotional price structure. (Nielsen 2006, p.137).In this context, it is important to make clear EDLP term. The term which to a large extent lost its meaning in daily life of retailers, main idea is instead of making investments for the discount issues like complicated pricing systems, complex promotions, coupons, and points, those discounts directly are applied to product shelf-price. This application enables the life of not only retailers and suppliers but also

customers. Through that, retailers will not pay high charges for materials, and staff used in promotions. Moreover, through that, operational costs will be initialized which are resulted from price alterations. Also, because of easy-planned sales items, retailers can easily make stock controls so inventory costs in supply chain will be reduced. However, since primarily including discounters, and hypermarkets, almost all of the retailers have promised their customers to apply EDLP, this slogan seems to have lost its credibility. (Topaloğlu 2008, p.143).

Today, most of the retailers prefer to implement hybrid price. According to Nielsen, ‘ With hybrid price, some key items that are EDLP earn operators an image for reasonable prices storewide, and different products on promotion generate 10 percent to 15 percent of a store’s volume’ (Nielsen 2006, p.138). There is also another pricing strategy through which retailers give importance on loyalty cardholders with regular, deep discounts. On the other hand, no matter which methods they choose, main aim of retailers is to make reasonable everyday prices which are low. Within this framework, retailers develop their price strategy through two perspectives. One is to make a decision on whether establishing a position of consumer value or the competition. The other one is to determining the pricing role: play for particular stores or categories, depending on local competition. It is important for retailer to determine its position regarding the pricing issue. The reason is that category managers know that most of the consumers are searching stores when they realize a 5 percent to 10 percent differential. Generally speaking, consumers know prices of what they buy most often; however, each consumer has a different list and he/she does not buy the same products each week. That’s why; according to the book, ‘...retailers need to price with complete categories in mind rather than item by item-especially since 70 percent of items in a store sell less than one case per week’. (Nielsen 2006, p.139). For this reason, assortment decisions can not be independent of pricing.

Moreover, staying competitive is the most important issue in pricing. Typically, retailers are conservative in increasing prices. In other words, they try to make slow changes rather than jumps. As they manage prices up for margin, they want to maintain velocity. In this context, manufacturers and retailers often discuss about how prices

should change in order to be fair. In other words, both sides never want to be known as exploiting the consumers.

4.6.3.1 Decisions to make

- Maintain: No changes in current pricing approach
- Decrease: Lowering prices of all or selected SKUs in category
- Increase: Raising prices of all or selected SKUs in category

As in the case of assortment, there are also questions and tactics which enable category manager to make a decision regarding pricing issue.

- Which pricing approach is most consistent with our overall marketing strategy-high-low, EDLP, hybrid? Which is the best?
- Are we achieving our pricing goals in the market by category, subcategory, and SKU?
- Will price increases or decreases significantly affect category sales and profits?
- Are we competitive with other retailers and are we seen as the category price leader?
- How great is the value we're providing to target consumers at the category, subcategory, segment and SKU levels?
- How is our pricing affecting gross margin?
- How aggressively should we price new items?
- What price changes can we make to help both ourselves and manufacturers?
- Is private label priced appropriately? (Nielsen 2006, p.142)

Moreover, it is necessary to make certain analysis as retail pricing audits, pricing gap, price elasticity/sensitivity, profit in dollars and percentages, sales, market share and other fiscal measures analysis. Those are some tactics that category managers utilize before decision making process.

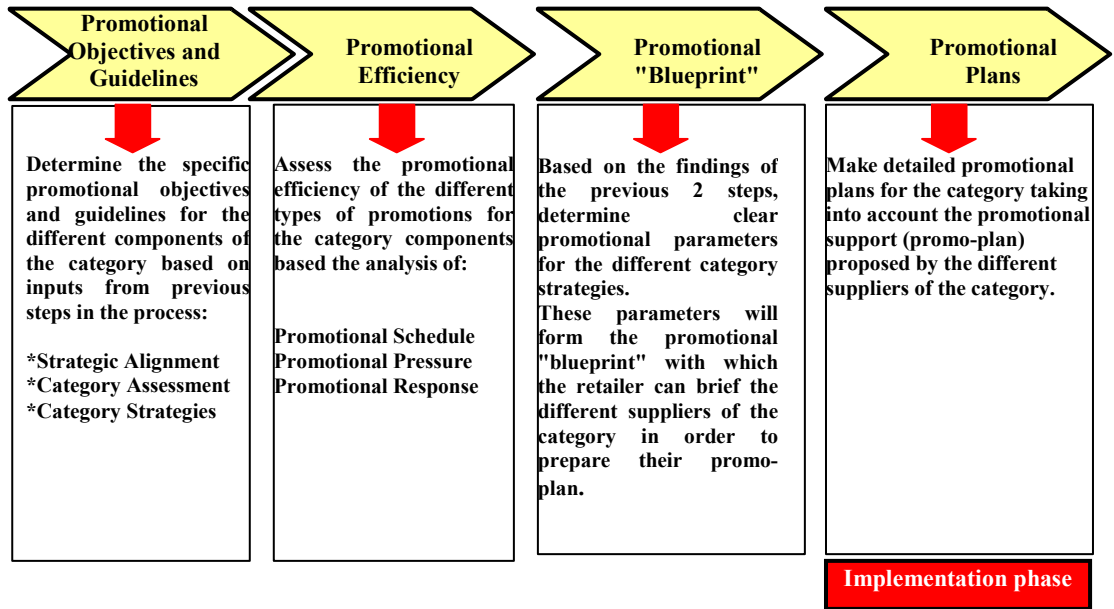
4.6.4 Promotion

Due to the effects of the economic downturn and the rise in the food prices, the importance of correct promotional strategy has dramatically increased for retailers and manufacturers in order to meet consumer's needs. In this context, it is necessary to define promotion. It is a vehicle that attempts to increase product sales over a restricted time period, through the enhancement of the consumer attractiveness of that product (Glendinning 2002, p.44). According to the IGD Reports, ' The marketing profession has always used promotions as a way of influencing shoppers by raising awareness of and interest in products, and helping convert to purchase'. (<http://www.igd.com/index.asp?id=1&fid=2&sid=2&cid=>) That's why; retailers and manufacturers need the efficient product promotion strategy in order to be successful in this competitive marketplace. An efficient product promotion can be defined as a promotion that helps the retailer to achieve clearly defined opportunities identified in the different components of the category, in line with the marketing strategies. (Glendinning 2002, p.44). However, if retailers form their strategy based on promotions rather than being equity-driven, they can not manage prices of categories. The reason is that; many shoppers are wising up when pantry-load items are in promotion like paper towels, canned vegetables, detergents, bottled water, oils, and so on. That's to say, consumers will only buy those items during promotion periods, and wait for the next event. (Nielsen 2006, p.143).

However, at this point, there is a question emerged that in this increasingly competitive market place, are those promotions differentiate retailers and help manufacturers to gain new and loyal customers? Retailers and manufacturer have to be careful about their promotion strategies. The reason is that in some cases, while promotions are increasing purchases, their impact can be detrimental if not managed closely. They are a cost to a business and can teach shoppers to buy only on deal which can diminish brand equity, and reduce overall category spend in the long term (IGD Reports 2011). As it seen in the Table 4.9 , there are four different processes for efficient promotions in terms of promotional objectives and guidelines, promotional efficiency, promotional 'blueprint', and the implementation phase- promotional plans. The first three steps of the process

will be prepared by both parties and will be validated by the retailer sales and marketing departments.

Table 4.9: Processes for efficient promotions



Promotions that have a double edge are becoming more common. For example, 10 bottles of a 32-oz. Sports beverage for \$10 may attract people who would otherwise buy 64-oz. Bottles. This gives retailers a hot price and a special package configuration they need to compete with big boxes, but it could decrease category sales. (Nielsen 2006, p.144). There are a number of different promotional mechanics that can be used as seen in the Table 4.10 in the following;

Table 4.10 : Different promotional mechanics

Multi-buys	<ul style="list-style-type: none"> • “BOGOF” (buy one get one free) and “2 for £x” to drive volume sales • “3 for 2” to drive basket spend and reward loyalty
Extra Free	<ul style="list-style-type: none"> • E.g. 33% extra free to reward loyalty and encourage trial
Link Promotions	<ul style="list-style-type: none"> • E.g. “Buy a sandwich and a drink for £x” to encourage cross category purchase and drive total basket spend
Banded packs/free product inside	<ul style="list-style-type: none"> • E.g. “free mug with teabags” to encourage trial
Price promotions	<ul style="list-style-type: none"> • E.g. “50p off” to reward loyalty and encourage switching to higher margin products
On pack offers	<ul style="list-style-type: none"> • E.g. “collect points/vouchers and swap for sport kit” Encourage loyalty and repeat purchasing
Sampling	<ul style="list-style-type: none"> • E.g. trial size products or in-store tasting to encourage purchase of new products or encourage switching to higher price/higher margin products

Source: <http://www.igd.com/index.asp?id=1&fid=1&sid=6&tid=38&cid=468#4>

Moreover, there are a number of reasons why retailers and suppliers promote:

On the supplier side, basic reasons are;

- Stimulate primary demand
- Fast activation of new product development
- Encourage brand switching
- Build retailer good will
- ‘Hit’ internal short-term targets
- Encourage trial

- Combat competition activity
- Consumer engagement with the brand

According to retailers, there are different reasons to make promotions including;

- Encourage switching from retail competitors
- Engagement with retailer brand
- Increase trip/basket spend
- Increase store traffic
- Reduce inventory
- Increase expandable consumption

4.6.4.1 Decisions to make

- Vehicle: Type of promotion, including price reduction, coupon, ad, display, demonstration, sample, theme
- Product: Items promoted
- Frequency: How often to promote
- Duration: Length of promotion
- Timing: Scheduling of promotion
- Location: Where promotion occurs
- Cross-Merchandising: Tie-ins

In the case of promotion, generally retailers make category captain manufacturers responsible for analysis of promotions. Moreover, category captains are expected to develop promotional plans consistent with the image and marketplace context. There are certain questions need to be addressed in decision-making process:

- What promotions are consistent with our overall marketing strategy and the category's role?
- How will target consumers respond to various promotions? What will lift sales, traffic, or profit the most: price, feature, or displays, or some combination? Which products are most responsive to each of these methods? What is the impact of each promoted item on the category?
- Do my promotions make the shopping experience more enjoyable?

- Do I have promotions or events to attract customers who are not motivated by price discount?
- How do competitors promote, and how will they react?
- Will the promotion attract new consumers, and will they buy other products as well?
- What are consumers' key decision points? How important are brand, flavor, and size in what we promote?

There are some tactical choices including;

- Sales, profit, market share, return on assets, and other fiscal measures,
- Effect on customer counts, market baskets, and impulse sales,
- Days of supply on hand and out of stocks
- Promotional activity relative to competitors (Nielsen 2006, pp.146-147).

4.6.5 Merchandising

Basically, merchandising performance is a key driver of retailing success. Merchandising can be explained as retailers can place the right products in front of the right customers at the right times, leading to growth in revenues and profits. The founder of Wal-Mart, Sam Walton, summarized the value of the merchandising with a sentence that 'You can not buy what you can not see'. (Fishman 2008). Merchandising activity represents the decision moment of shopper at the sales point. Moreover, merchandising activity deploys right product at right place in order to increase chance of purchasing of consumers. Basic objective of an efficient merchandising activity is to meet the needs and expectations of customers. In this context, efficient merchandising activity can be defined as doing local accounts for the best, local market conditions and dynamics. If other conditions as price, quality, perspective of consumer are the same, sales of products depend on merchandising activities.

Presenting goods on the shelves is the key point which either makes people buy more, or drives people away. Retailers are required to manage every detail of space usage down to the placement of product in order to place this critical issue under control. If not, inexperienced stock clerks may violate the planograms and plans. For example, in

Wal-Mart, 'Ham grilled Plates' were first displayed close to the microwaves shelves. However, in a matter of days, when Wal-Mart rearranged those shelves, they put the microwave ovens in to eye level, and put the products related to microwaves jack to them. With respect to that event, 'Ham grilled plate' supplier commented that 'In this way, this product category was killed'. However, Wal-Mart determines all of the issues through data. In 2005, Wal-Mart again rearranged the microwave oven shelves: put the ovens into bottom of the shelves, and again put ham grilled plates into the eye level. As a result, sales rates again increased (Fishman 2008, p.97). This example reveals that space planning, in other words, location of the categories is one of the most critical issues in the store. As seen in this example, because of wrong arrangement of shelves, major sales loss happened in stated item.

4.6.5.1 Store arrangement

There are three main regions in the stores in terms of entrance, target, and reactive.

a) Entrance

It is the most important place in the stores. The most important location point in the stores is the main focal points in entrance of stores. Perception of this region is about 6 m². Customer perception, attention, and shopping appetite are high. It is the most places to introduce a new idea. Moreover, when a customer first enters into the store to do shopping by a list, the products located in the entrance of the store attracts him/her. What is the message of entrance is noted in the following;

- Catch customer's attention
- Introduce Idea
- Highlight the key point
- Orient to shelves

b) Target Place

It is the best place to dissuade shopper from a category and to orient him/her to your region. This is an important region where you have to exhibit your all merchandising power as a whole. Retailers can dissuade %30 of consumers in this region. The message of target place is noted in the following;

- Catch customer's attention

- Remind the opportunities
- Orient to product
- Focus on product/package/price

c) Reactive Place

It is the best place to target itinerant, moving, looking around consumers. In this region, aim is to attract, impress, and enjoy consumers. The reactive place message takes place in the following;

- Catch customer's attention
- Implicate
- Consolidate with that moment
- Create urgency feeling

There are some considerations for layout including;

- High margin items should be placed in high traffic areas.
- High demand items should be placed in low traffic areas.
- Complementary items should be placed near each other.
- Seasonal needs should be considered.
- Items needing frequent restocking should be placed near storerooms or cash registers.
- Larger departments should be placed in lower traffic areas.
- Impulse items should be placed in closer to billing.
- Shopping behavior and operational considerations should be recognized. (IGD Reports 2011)

4.6.5.2 Benefits of space planning

- Inviting store layout improves walk in into the store.
- Improved circulation space within the store allowing for accessibility to all products.
- Improved conversion rates by better product visibility and display.
- Reduction in shrinkage.
- The store layout can impact the customer's perception of the store's positioning

In space planning, it is important to know the customers' behaviors. Those can be listed as;

- Customers use their right hands about 1, 65 meter.
- They do shopping from more than one store regularly
- They do sudden shopping regularly
- They do not like to sprain or to reach out too much to shelves to take products
- They can reach out to take product
- They give importance on prices
- They give importance on brands,
- Fresh and quality products are important for customers

4.6.5.3 Merchandising principles

- Middle Shelf: Highest transaction
- Frame the brand
- Use at least three face of product

The face of the products should be arranged as close to leftwards. Moreover, as seen in the figure 4.2, customers mostly orientate to rightwards

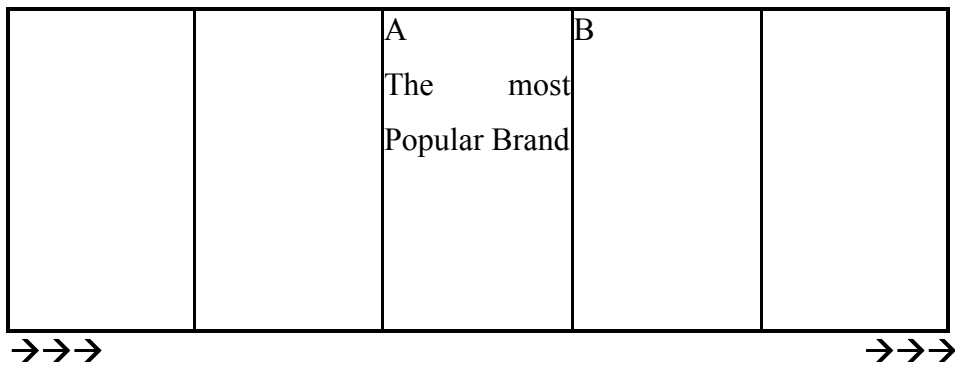


Figure 4.2 : Customer transaction flow

Moreover, packages of the products are also very important as the usage of merchandising. In order to create a clear effect, packages of products of certain brand should be strong and well-designed.

4.6.5.4 Wal-Mart beer and nappies

In the case of Wal-Mart, store manager noticed that there is a strong association between babies nappies and beer for customers. They made an analysis for these two products. Results showed that those products were purchased by men on Friday evenings mainly between 6pm and 7pm. Because packs of diapers are very large, the wife, who in most cases made the household purchases, left the diaper purchase to her husband. Being the end of the working week, the husband and father also wanted to get some beer in for the weekend. Wal-Mart decided to use this data in arrangement of the store. What they did was to put the premium beer display next to the diapers. There are several results of this activity including;

- The fathers buying diapers and who also usually bought beer now bought the premium beer (the up-sell) as it was so conveniently placed next to the diapers
- Significantly, the men that did not buy beer before began to purchase it because it was
so visible and handy - just next to the nappies (the cross-sell)
- Beer sales increased too much.

4.6.5.5 Questions to ask

There are certain questions in merchandising issue, while making decisions;

- Does the shelf presentation meet the needs of the target consumer, and does it seem logical and appealing?
- Does it differentiate our stores?
- Is it consistent with the assigned role, strategies, and scorecard objectives?
- Does it maximize the profit, sales, and velocity possible while following our strategies?
- Does it reinforce the variety and price images we seek?
- What is the potential of out of stocks, and will consumers substitute an item or leave the store?
- Which operations issues are relevant?

- What should the planogram contain if all core items can't fit?
- Where on the selling floor should we locate the category to maximize category and store performance?

Those questions can be answered with different perspectives. There are certain issues that enable retailers to answer those questions including;

- Category score cards,
- Service level constraints, among them days of supply on hand, case pack outs, and product facing,
- How competitors present the category
- Out-of-stock levels (Nielsen 2006).

In conclusion, the objective of category management is to produce aesthetically and financially sound planograms to meet the needs of customers and the marketplace.

4.7 STEP SEVEN: PLAN IMPLEMENTATION

This stage is called as implementation of the category business plan. The objective of this step is to ensure that strategies and tactics are implemented by obtaining management approval and developing an implementation plan. (Glendinning 2002). According to O' Brien (2009), 'Implementation is about turning the future sourcing strategy defined in the source plan into reality, and this is where category management projects frequently stall.'. Moreover, it is required to get the approval of trading partners, assign responsibilities to the concerned parties and schedule activities. Also, in this stage, it is necessary for sides, retailers and suppliers, to convey pertinent information and all the details to their own teams in order to be successful in category management process. That is to say, collaboration and fulfillment of commitments are the key factors in the achievement of category management.

The actions take part in this step are;

- Developing an executive summary of the business plan
- Approval of the Senior Management
- Developing implementation plan

- Communicating plan, assigning responsibilities and deadlines

There are three key points in this stage;

- Formalizing an execution schedule with the retailer
- Defining the KPI with the retailer
- Defining a test on several stores with the retailer

First of all, an execution schedule has to be formalized mentioning the steps, the timing and the people as seen in Table 4.11.

Table 4.11: Category Plan Checklist Sample

LEVERS/ACTIVITIES	TIMING	RESPONSIBILITY
PROMOTION:		
*Finalize promotion schedule	10/1	CATEGORY MANAGER
*Review promotions quarterly	*	CATEGORY ANALYST
*Develop seasonal cross category promotions	11/15	
PRICING		CATEGORY MANAGER
Input agreed to changes	10/15	
ASSORTMENT		
*Delete selected items	9/15	CATEGORY ANALYST
*Process selected new items	10/1	CATEGORY MANAGER
*Finalize planogram	10/1	
*Implement planogram	12/1	
EVALUATION		
*Quarterly plan evaluation	1/1	CATEGORY MANAGER
	3/1	

Moreover, it is necessary to define the Key Performance Indicators (KPI) with retailers. This entails monitoring and ensuring buyer and supplier compliance with the performance requirements of the contract, and monitoring organizational expenditure compliance against the contract mandate. To ensure that the KPI is achieved, category management are tracking the KPIs performance results provided by the Vendors through the use of informal discussion ratings with Departmental contract managers. (Strategic Sourcing 2009, p.4) Table 4.12 shows examples for KPIs.

Table 4.12: KPI Examples

KEY PERFORMANCE INDICATORS : EXAMPLES							
KPI	PREVIOUS YEAR	THIS YEAR	% CHANGE	OBJECTIVE	% CHANGE vs LY	% CHANGE vs OBJ	TIME
1/ SALES AND MARKET SHARES Development Index (Wheight Category / Total Food or Total ACV) Conversion Rate (Penetration / ACV) Retailer Market Share Supplier Market Share Supplier/Retailer Share % of Sales on Innovations Market Share of Retailers on Innovations Trips per Buyer Supplier share at Customer							
2/ RANGE AND STORE Average Linear Space Average Linear Space for Danone Average # of SKU's Average Supplier's SKU's							
3/ SUPPLY CHAIN Stock Turnover Out of Stock Supplier Order cycle time Average Supplier's delivery Time Supplier's Invoicing Accuracy % of complete / on time orders % of Returns							
4/ PROMOTION % of Sales in Promotion % of Sales in Promotion of suppliers' products							

On the other hand, there are four different components of the plan;

The consistency of the plan with overall strategies has to be controlled by the management teams of retailer and suppliers.

- They have to make clear the pertinent measures in the scorecards and targets; thereby, they have a chance to see the possible effects of the plans to their business.
- They have to agree on any further resources that may be needed to implement the plan, such as merchandising displays, or more frequent promotions.
- They anticipate the impact of the category plan on other areas of business and commit to manage this together. For example; how might storeroom operations is impacted by planned promotions?

4.7.1 Execution and Outcomes of the Process

The most important outcome for the category manager is to see their strategies and tactics turn out a success. They make every endeavor to reach the results of high sales, profit growth and positive consumer response. However, as mentioned, this success is not only belongs to retailers and suppliers; but also there are other players behind the scene. In other words, according to AC Nielsen, 'Execution is different from the rest of the category management process: Where category managers are typically hands on and exert fairly close control over every step, execution is in the hands of many.' (2006, p.167). This control mechanism may cause to pitfall of execution; however, in general, through right training, right coordination, and clear communication, the execution can be turned into positive.

In this context, it is not enough to determine a good strategy and tactics; however, store-level category execution doesn't fully represent what they wanted to do. That's why, in order to minimize such errors, retailers has to apply best practices. On the other hand, the success of this strategy based on whether the store staff understands the objectives, strategies and tactics for category or not. The reason is that, if they understand those issues well, then they will implement them more effectively and keep truck of movements of products within the store. So that, they can emendate some weak points for better implemetations. Briefly, the more the store staff engaged the process, the better the strategies are executed.

4.7.2 Planogram: Where Shelf Sets Can Go Wrong

Properly communicated, stores execute a markdown strategy that gives consumers a promotional deal and conveys which items will no longer be carried. However, if directions are unclear or badly timed, there may be no promotional support to move the product and stores can end up with residue forever.

However, certainty in this context is very important. For example, the staff assumed that new products will arrive to the store in a certain date. In this context; assume that stores predicted that new products will arrive to the store in a certain date. As preparations for new products, they collect the old ones from shelves. But, unfortunately, the new

products have not arrived at anticipated time. At this point, due to the unclear directions, the shelves are altogether empty. As an interim solution, the clerks fill the holes with the old products but in the wrong places which cause to confusion in the store.

4.7.2.1 Some potential missteps

- It gives harm to the concept of the planogram if issued with unintelligible images.
- It is important to determine the category according to season. For example, in the beginning of school term, retailer is required to give importance to licensed back to school children's wear.
- It is necessary to update fast-changing categories such as health and beauty care as in the case of Loreal.
- One of the important problems is not to provide adequate training and not to impose the objectives to store staffs.
- It causes problems to not to organize the elements of advertisement and guidance within the store.

4.7.3 Pricing and Promotions Must Synchronize

Price changes need to be visible at store level with the onset of plans. When they are not, items meant to be marked down and replaced may sit on a shelf for a long time. As a result, an expected inventory reduction doesn't happen, the idle goods continue to use valuable display space, and the retailer continues to pay needlessly and wastefully for the inventory investment.

Also, in-store promotional signs and banners need to be organized well and displayed on time for maximum sales lift in support of many activities on the selling floor, such as changed end caps, aisle stack outs for new planograms, and themed sales events.

4.7.4 Raise Expectations for Execution

It is generally accepted that planogram compliance hovers around 60 percent and an 80 percent compliance rate would be among the best-whether a retailer is a big chain or a smaller, local operation.

What will help raise compliance?

- Merchandising and reset calendars set a full month in advance so stores can anticipate what's coming and the amount of labor hours that tasks will require.
- Deploy reset teams to teach department managers within a district all the details of a category reset, about a week or two in advance of rollout, so they can show their staffs and oversee execution in their stores. Done right, category managers can lessen the surprises they see and the stomach roil they feel when they visit and view store level execution of their lines of business.(Nielsen 2006, p.172).

4.8 STEP EIGHT: REVIEW

The objective of this step is to ensure the category business plan is achieving the agreed objectives and targets through periodic and annual reviews of strategies, tactics and market conditions. (Glendinning 2002). That is to say, not only this step reviews the implementation of whole steps, but also, it modifies the plan in appropriate situation and makes corrections as needed. In other words, it makes necessary updates within the process of category management and save the integrity of the plan. Briefly, the actions in this step are;

- To review plan tactics, execution, responsibilities and check progress
- To adjust plan tactics as needed and revise execution plan
- To arrange date for next review

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Retailers required reviewing the whole process in order to gain more control over all of the categories which may harm to the store's overall image or to their financial performance. That's why; retailers have to take into account the key points;

- Scorecard: It gives a chance to retailer to compare the current situation with the targets
- Marketplace: It is possible to encounter with many changes in the market place which affect the plan in terms of new developments among the category's brands, different strategies by competitors, sales and consumption trends, and foul impression regarding category. However, those are not accepted as valid reasons for poor performance.
- Status of the implementation plan: The revision of the whole process unveils problems in the execution. At this point, retailers have to give quick responses to those weak points.
- Activity Summary: At this point, brief of the tactics within the process takes place including promotions run, pricing, supply systems, space allocations and so on. Those tactics have to be monitored in order to get better results.
- Implications: This stage consists of next steps, recommendations regarding future prospects for the category. (Nielsen 2006).

Moreover, it is important for retailer to review categories through financial indicators which can be seen in the Table 4.13. This is a category review schedule which indicates that categories between the 40 percent and 80 percent level of contribution to dollar sales are seen as mid-range categories and have two annual reviews. On the other hand, the categories at the bottom have one review.

Table 4.13 : Category Review Schedule

Category	Annual \$ Sales	% of Total store Sales	Cumulative Store Sales	# of Annual Reviews
A	1,000,000	17.2%	17.2%	3
B	800,000	13.7%	30.9%	3
C	785,000	13.5%	44.4%	3
D	650,000	11.2%	55.5%	2
E	600,000	10.3%	65.8%	2
F	540,000	9.3%	75.1%	2
G	440,000	7.6%	82.7%	1
H	420,000	7.2%	89.9%	1
I	390,000	6.7%	96.6%	1
J	200,000	3.4%	100%	

The review is not only done by retailer, instead many people take part in the process including department manager at stores, every level of field supervision, buyers and category managers and general merchandise managers.

Moreover, during the first few months, it is necessary to control turn rates, inventory levels or profit percentage and dollars daily or weekly. Checking those variables enables retailers to compare current status with internal financial goals. Thus, those numbers reveal whether there is a problem or not. To illustrate, high sales of beauty care category might reflect higher than anticipated demand; however, this situation could lead to inadequate inventory for an upcoming promotion if vendor has no enough capacity to produce stated amount.

From the supplier perspective, they mostly are not the part of this review process, if there is no problem. In other words, they take part in the process, if a problem exists which needs to be solved. These problems mainly result from manufacturing or distribution. There may be incorrect or late shipment problem related to distribution or faults in products because of the manufacturing processes.

Moreover, suppliers shouldn't be reactive where they only intervene to process when there is a problem. However, according to AC Nielsen, 'Wise are the suppliers who contact retailers as soon as they know of these pending problems, or as soon as they see that retail performance data for the products they sell aren't up to par'. (2006, p.176). In other words, suppliers should be proactive rather than be reactive. So they can be part of the process before problem arose.

4.8.1 Decision Process

For many retailers, to rotate their category managers to different categories brings different possible outcomes. First of all, this rotation may provide fresh eyes to categories and resulted in happy ending. On the other hand, it causes to discontinuity which means the person who review the category will not be the same person with who initiated the plan. However, the basic requirement in this process is to understand whole stages best.

4.8.2 Ten Keys to Effective Implementation

- Pick the right customers
- Pick the right approach
- Understanding the customer organisation
- Understanding customer decision making process
- Cross functional penetration
- Sell vision
- Project management
- Evaluate Results
- Monitor Compliance
- Understand and Enrol Stores

5. CASE STUDIES

In this part, I would like to mention about the strategies of major retailers and suppliers.

5.1. AKPINAR SUPERMARKET

Akpınar Supermarket was founded in 1972. This is a store in Moda, Kadıköy which has no branches. Although it is small units of 150 square feet, it is a high-volume store specializing in high-quality products in order to address target customers.

The supermarket product structure is broken down into two categories; food and non-food. Food category is composed of FMCG products like grocery, delicatessen, beverages, bakery, dairy, and so on. On the other hand, there is non- food category including white goods and consumer goods. The responsible person for each department was designated who keep track the sales for pertinent department and place orders based on the volume of sales. For example, according to Mr. Cihan Akpınar, who is the owner of the store, it is required to place order for ice-creams in accordance with the season. It is generally acceptable that in Turkey, during the winter season, the sales of ice- cream decreases. In this case, if a retailer gives more order at the winter season, it will cause to hold unnecessary (even obsolete) inventory. Moreover, for him, also the order of the honey, jam, helva should be given in the right season. Responsible people for each department determine their purchasing strategy based on total stock on hand and the season. For example, for him, generally, sales of chocolate are decreasing during April and May. On the other hand, especially in these terms, manufacturers presents retailers more and more trade promotions such as declining the selling price or rebating in volumes and so on. However, although they apply for example, 50 percent reduction in selling prices, he knows that in these terms, consumers do not want to buy. Then, stocking so many chocolates because of trade promotions leads to extra inventory holding costs and cost for shelf space. In addition, before stocking more X brand chocolate, it is necessary to control the inventories of other chocolate brands. That is why; in this case, first, it is important to know your customers shopping behavior and to consider seasonal movements. However, the main requirement for this case is to know

what kinds of products do consumers buy and the reason for purchasing those products. In other words, retailer has to know the needs and demands of consumers to order the right products in right quantities and in right time.

Moreover, for him, right quantity also depends on the special shopping occasions. That is to say, for example, in Ramadan Feast, it is important to check inventories and last year sales data before placing order. In addition, it is known that Glla Desert is only consumed at Ramadan Feast, which is why; you must place an order close to that holiday by analyzing former sales data.

5.1.1 Akpınar’s Purchasing Strategy

Mr. Akpınar explained their purchasing strategy by analyzing those issues in the following;

- What is the volume in stocks?
- What kinds of customers buy that product from Akpınar Supermarket?
- In what prices do other markets as BIM or DIASA sell that product?

According to him, if he sells such a product which can be found in every market in higher prices than others in the same quarter, than their image will be ‘higher-priced store’ and also he will pay needless cost of shelf space.

He makes purchasing decision according those criteria. Moreover, for him, you cannot make a difference or gain a competitive advantage in the marketplace with products, which are in routine category. For example, whether he sells toothpaste in low price or not, this will not make his company preferable in the eyes of consumers. In this case, for him, it is important to make a difference in the market place through specific products as dairy category or fresh fruits and vegetables. If you sell for example, more fresh, and more quality vegetables, then you have a chance to sell those products in higher prices.

5.1.2 Company's Strategy

The basic issue for development of a retail strategy is to determine the target consumer group. Mr. Akpınar decided to address high-income, 50+ aged group of consumers. Then he determined the issues based on his strategy in terms of price, the assortments, and the atmosphere of the store and the level of employee/customer interaction. He told that he has a clear customer-focused picture in the store. By customer-focused store, it means to give importance on making every shopping experience for every person the best possible.

In other words, through its specific services for customers, the basic objective is to provide maximum customer satisfaction. What are those specific services? First, each employee in the store offers a genuine smile and has a nice talk with every shopper. In addition, all of the clerks have to stop what they are doing and answer shopper questions if he/she needs help to find items. Moreover, he does not let shoppers to fill shopping bags on the cash. This sounds as insignificant detail, but has an important effect on shoppers. In addition, in some circumstances, clerk carries the shopper-bags to shoppers' door. This service holds key for addressing +50 aged consumers. Moreover, they use an environmentally friendly shopper bag, which impresses the shoppers who pay attention to environmental issues. However, Mr. Akpınar told that, if they become price-focused store, then they could not provide those services to customers. The reason is that, instead of lowering the prices, they allocate budget for the costs of those services in order to address their target customers. He told that, his customers do not pay attention to price of the products. Rather, they give importance on the shopping environment and quality of products. That is why; you cannot find any private label product in the store.

In addition, he told another story about their customer-focused structure. Last week, their well-known customer forgot to get enough money but realized this at cash desk. At this point, in order not to make her ashamed, Mr. Akpınar told her 'No problem, we value your business!' As a result, customer paid back her debt in the following day. Therefore, through establishing close relationship with that customer, he gained the confidence and loyalty of customer. He claimed that, such an event never happens in big chain markets.

Moreover, Mr. Akpınar does not give importance on Loyalty Cards. The most significant issue in the store is to present high quality products in order to be successful in the implementation of their strategy. In other words, the main objective of the store is 'Always high-quality products'. For example, his cherry supplier has known his basic criteria and that is why, when harvesting products, supplier has set apart small but highest quality amount of cherry for Akpınar Supermarket. The reason is that, expectation of Akpınar customer is to purchase high price but high quality products. In other words, it does not matter for those customers to pay more, but they only expect to purchase quality products. Through selling special goods, Akpınar supermarket attracts consumers. For example, they are selling Erzincan Lavaş Bread, which you cannot find easily in everywhere.

Furthermore, in 1980s, they established the first merchandising sales points in Turkey. In these years, they were specialized solely in pulse category. Therefore, they were mostly selling items suitable to price-oriented consumers. That is why; they sold less quality and low-priced products in order to meet their expectations. As it can be seen in this example, according to Mr. Akpınar, it is very important to know your customers and sell products based on this information.

5.1.3 Supplier Evaluation

According to Mr. Akpınar, the most important issue to achieve their strategy is to find the manufacturer who produces the high quality products. Moreover, continuity and consistency principles play a significant role in supplier selection. One of the important benefits of being in the marketplace since 1980s is to become privilege in the eyes of suppliers, especially in fruit and vegetables categories. For him, if a retailer does not get across with the supplier, he will have to get the second quality goods. Furthermore, Akpınar's suppliers have to serve based on Akpınar's strategy. In other words, they have to know that Akpınar never compromises from high quality products. For him, understanding each other's strategy and meeting consumers' needs make retailers and suppliers more successful and stable in the marketplace. For example, in cheese distribution, as its known, in deliveries, retailers face with many problems such as keep

products waiting under sun, which caused cold chain to be broken. This harms to the quality of products, that's why, Mr. Akpinar fusses about delivering process of especially dairy, meat, and fruit and vegetables. For example, even tins' of cheese get damaged in delivery, as the suppliers know; he will not accept those tins and stop working with that supplier.

5.1.4 Promotion Strategy

Akpinar customers do not want to buy promotional products. Again, the importance of customer-data analysis reveals in this case. For him, it is important to analyze their shopping behaviors in terms of their shopping occasions, kinds of assortment, package size, and pricing. As stated in the beginning, the demographic structure of consumers is above 50 aged. According to his analysis, those customers mostly emphasize on nourishing healthier, smaller package sizes, high quality, and high priced products. That is why; he arranged the store according to this analysis. His customers mostly do not want to buy big size packaged products because they are doing daily shopping, and do not want to make for stocks. In addition, since his store is not appropriate to do shopping by car, people go shopping on foot, which makes people not to buy so heavy products. That is why; he does not make promotions as 'Buy three pay for two' and not sell big size products such as 10 liter sunflower oil.

In conclusion, Mr. Akpinar summarized his strategy with an African dictum; 'there is only one condition to continue your life: to be faster than yesterday'. In other words, he told that 'You can survive by only playing your role best'. His strategy is to address high-income people who emphasize on only the quality of products rather than prices. For him, customer analysis and the relationship with your supplier is the two important principles that are the way for success. It is obvious that, he has been getting the results of his successful customer-oriented strategy.

5.2 TANSAS CASE

Tansaş was established in 1973 at İzmir. The objective of the company which named as TANSAS in those days was to sell cheap meat and coal. When it first entered into retail sector, it had only one branch; however, the number of branches has increased dramatically, and at the end of 2008, the number increased to 270 in Turkey. In this context, it is necessary to analyze the strategy of Tansaş.

Tansaş realized that it could not compete with the retailers like Carrefour, Metro-Real and Tesco in the case of possible price. Those companies can be seen as ‘sales machines’ and they implemented the business models which become successful in other countries. Their imported models mostly based on increasing operation efficiency. However, their weakness is not to establish one to one relationships with customers and make them alone with the shelves and products. However, according to Tansaş’s analysis on shopper behaviors in Turkey, in addition to rich selection and reasonable prices, they demand to have a good relationship with retailers. That is to say, shopping in a lovely atmosphere motivates the customers. That’s why; Tansaş decided to draw benefits from their weaknesses and aim to meet customers’ expectations from retailers. On the other hand, as another competition factor, in national retailers, those lovely relationships take place; however, in the cases of rich selection, quality and prices, not only they can not provide consistency, but also, they have serious deficiencies in operational efficiency issues. For those reasons, they can not increase the number of their stores, and if they can, they go through the hoops because of not being standardized. Within this framework, Tansaş decided to use their operational efficiency weapons against that type of retailers. Moreover, for instance, discounters as BIM owed much of their success to focus on only 600 basic products. In this context, Tansaş decided to compete with them through developing its ‘Tansaş-branded products’ and same quality and same price policy.

To sum up, while Tansaş aimed to provide operational efficiency as international retailers, the company also aimed to provide customers confidence, emotional ties, and lovely atmosphere which national retailers provide as well. Moreover, as BIM, Tansaş aimed to follow same price-same quality policy.

5.2.1 TANSAS: Before and After Implementation of New Retail Strategy

Before the implementation of new strategy, Tansaş was not getting benefits due to those reasons in the following;

- The visuals of brands were unorganized. All sorts of visuals were hanged haphazardly to exterior of the store.
- It was not different from other traditional markets.
- There were applications which were designed right but applied wrong. For example, there was a line for customer complaints but because of its positioning in the store which was blocked by basket cart, shoppers could not use it.
- Decrease in the number of shoppers and employees. For example, delicatessen department which was intended to attract customers was empty at 04:00 pm.
- Maze-shaped stores
- Chaotic shelf adjustment: products were arranged haphazardly.
- Placing the brands haphazardly.
- Poor warehousing system

5.2.2 Basic Principles of TANSAS Strategies

Taking those weaknesses into consideration, Tansaş decided to develop a new strategy to overcome the difficulties in market. Basic principles in the following composed of its strategy;

- Market information and position of the Tansaş in the market
- Tansaş's new vision and mission
- Tansaş's numerical targets
- Tansaş's new concept (differentiation strategies, customer-focused management, and growing strategies, cost strategies)
- Application presences

Tansaş's board of management structure was well-established as compare to the Turkish standards. Main aim of the board of management is to increase the value of the company. To achieve its objective, Tansaş's segmentation strategy was broken down

into four different segments in terms of format, target consumers, operation region, and knowing who are the competitors. In this context, Tansaş aimed to focus on only one format: Supermarket which is the only suitable format because of its existing store sizes, and locations. Actually, supermarket is a model which operation costs are higher than others. The reason is that, in supermarkets, due to intensive services, costs of staff are too high. Moreover, due to their locations where density of consumers is too high, they have to pay high rents. Also, in order to be successful in the market, they not only achieve their objective through prices, but also through services. However, more services means higher marketing costs and higher logistics costs which because of using central warehouses.

In spite of those difficulties of supermarkets, Tansaş aimed to change its format to supermarket through rational reasons including;

- According to them, if it can be managed best, they can be successful in all formats and they decided to serve for what consumers can not find in other formats. In recent years, many supermarkets again turned to ‘winner’ formats among world retail business.
- Especially in Mediterranean countries like Italy, Greece, and Spain, supermarket formats are more preferable by consumers. The reason is that many consumers care about location of markets which are close their homes, in-store services, and being recognized by market staff. Those issues are basic components of supermarkets’ format.
- As stated in the above, in accordance with its location and store sizes, the only suitable format is supermarket for Tansaş.
- Tansaş wanted to differentiate from its competitors. They believe that they can achieve this through supermarket formats.

To summarize, they want to achieve their goals being like a kite: instead of flying by windforce, they want to grow by flying against windforce. In this context, Tansaş was divided into three main groups like Mini, Midi, and Maxi. To form groups means that a product in the Mini store, must also be existed in Midi and Maxi stores. However, as time passes, they realized that those three groups were not enough to meet demands of consumers. That’s why; they decided to break down each group according to basic

issues in terms of product portfolio, customer income-age-education characteristics, non-food product policy, store localization and price policies. In this way, first, the number of groups increased to nine, and then sixteen. However, the basic requirement to manage all of those groups is not to violate the service quality.

Other than format, in the segmentation strategy, one of the important issue is to determine target customers. Before 2002, Tansaş addressed to socio-economic groups of C1, C2, D1, D2, and E which composed of 85 percent of Turkish population. However, they decided to change the customer segmentation and began to address to socio-economic groups of A-D1 which composed of 60 percent of Turkish population. Within this framework, they closed the stores where D and E socio-economic groups live. After, they began to open new stores where high income people live. However, in those high-income regions, there may be also D-E socio-economic groups. That's why; against this possibility, they also tried to meet their basic needs such as pulse, flour, yoghurt, sugar, and margarin in high grams. Those products will not stand in the forefront; however, consumers can easily find them.

According to Tansaş, this decision is very important for the development of new product assortment within the framework of category management policy.

In this case, they decided to prove Tansaş's power in defined regions in Turkey without changing their style.

5.2.3 TANSAS'S Seven Differentiation Strategy

Differentiation is a highly important issue in Tansaş's case. Tansaş tried to be differentiated in seven different areas including;

a) Differentiation in store design: For them, store's outside appearance has to attract customers through its architectural design, colors or illumination. When customers get closer to the store, focus of the customer should shift from appearance of store to the products. Moreover, customer's entrance and walking directions are very important. In this case, it is necessary to address five sensorial organs of customers. Through those issues, Tansaş tried to redesign its stores. First of all, Tansaş changed its logo, and made

it more 'lovely'. They also did many modifications in in-store which are noted in the following;

- Simplicity and standardization at the ranging of categories from fresh food products to out of food, and custom fields for products promotionally booked
- For making the place of each product clear and not changing their location while leaving the place of product which is temporary consuming storage blank and less-self routing signalization
- Regular spreading of odors for opening the appetite of customers from fresh baked product, fresh mint while music for their comfort in store
- Customers can buy fruits and vegetables by choosing, and merchandising techniques for the packaged products should to be developed. By the way, customers can put them into the shopping basket by touching and feeling
- To provide weighing especially the products especially recommended to be saled in deli section in hygenic conditions
- For recognizing the name of constantly coming customer by store personnel, keeping the employee rotation to a minimum and continuous training
- Advertising mediums of promised product, price and service in-store visibility and enforcement of the provision of full adoption by all employees worked on issues such as differentiation and standardization.

b) Differentiation in Fresh products, especially in meat category:

For them, meat category is not only the one which extending the shopping basket, but it creates customer loyalty and provides frequency to the store. As a result, the sales of meat category in total turnover increased from 7 percent to 18.

c) Differentiation in Tansaş-branded products: In Turkey, standard packages in all products were first done for Tansaş branded products. In this case, their objective is not only decrease the cost of packaging but also ensure those products to be easily noticed by consumers through those simple packaging. In spite of simple packaging, Tansaş has been keeping quality of products high. Tansaş positioned those products in the store as the cheapest ones of the category.

d) Customer Commitment application which known as 'Inconceivable Consumer Rights'. The most disturbing issues for consumers:

- Problems in product returns
- Not to find demanded products
- Not to find product in promotion
- Due to inadequate number of cashiers, to wait in a line for cash desks
- Cashiers being antipathetic
- Clerks being antipathetic
- To be different of section price from price at cash box
- Displaying products which expiration dates past
- Higher prices than competitors in analogical products
- Bad quality in vegetables and fruits

That's why, in order to prevent those problems, Tansaş took measures through customer commitment application. This application provided benefits to Tansaş including customer loyalty and increase in the number of customers.

e) Differentiation in Communication with customers: The company divided their communication with customers into two parts: one is price communication, the other one is rational and emotional issues' communication. In order to be perceived as 'cheap' by customers and to create familiarity for Tansaş brand, between 2002 and 2005, without exception, every Saturday, the company's advertisements took place in Sabah and Yeni Asır newspaper's fourth page. Through those advertisements, the company's objective was to give the same message to consumers: 'Nine products which are known and often purchased and varying every week, are cheaper in Tansaş at weekend'. In this way, the company's aim is to attract consumers who flock in to hypermarket for bulk shopping.

f) Differentiation in Communication with employees

g) Differentiation in communication with other business partners which composed of suppliers, press, and municipal corporation.

- Tansaş's suppliers:

Generally speaking, while retailers and suppliers are working together, each party makes paranoid. To explain that, retailers suppose that suppliers provide them less privileges, and give them low conditions as compare to their competitors. On the other hand, suppliers also suppose that, retailers decrease the value of products and brands which suppliers develop and work hard for a long time, damage policies of prices, and

derive improper benefits. However, Tansaş realized that, inspite of this paranoi, suppliers and retailers have to work together. In other words, both sides have to tell their strategies, princbles, and standards to eachother. That's why, Tansaş decided to explain all their strategies in detail to potential and existing suppliers. Tansaş gave a message to all of its suppliers which was ' if you support our projects, we will support yours,too'. As a result, the company begin to collaborate with its suppliers.

5.2.4 After the Implementation of New Strategy

What Tansaş changed takes place in the following;

- Specific corporation and store identity
- By the rearrangement of delicatessen department, differentiation and freshness image is strengthened.
- To ease the orientation of customers by product images, and signaling.
- To merchandise all promotion products at the places which determined by standards.
- To bring the visuals of products forefront at the bakery department,
- To differentiate through 'touch me' category in the A-type stores,
- In Maxi-type stores, to keep consumers with kids longer in the store, Tansaş opened book department in which those children have fun while their parents shopping.

According to the International Financial Reporting Standards (IFRS), while the rate of daily turnover per squre metres, in 2002 was 9,3, in 2003, it increased to 14,2 which means there was 53% growth in the rates of daily turnover per square. The increase continued and in 2004, the rate increased to 19.6. Moreover, the sales rates increased as well. IFRS reports that 46% percent sales growth took place between 2002 and 2003. Those results indicates that, this new strategy become successful. (Topaloğlu 2008)

5.3 HAKMAR EXPRESS STRATEGY AND RELATIONS WITH SUPPLIERS

Discounters are divided into two as hard and soft. While BIM is seen as hard-discounter which has rigid rules based on the number of SKUs, staffs within stores, and basic strategies, Hakmar Express is called itself as soft-discounter. The reason is that, they are new at retail sector and try to implement its strategies by making concessions in the beginning. The basic objective of the company is not the implement the same model with BIM. Rather, they differentiate from BIM model in some cases as the number of SKUs, private label products, and some categories. For example, in BIM case, the number of SKU within the store has to be between 700 and 800. However, Hakmar Express's SKU number is approximately 1012 which will be lower in the next terms. Moreover, they present greengrocer department within stores which is different than BIM models. In BIM, there are packaged fruits as in Aldi case in Germany; however, according to the company's research, Turkish consumers want to buy vegetables and fruits by touching and picking themselves. For the company, the results shows that turnover of the green grocer department is higher than BIM's.

Moreover, they called themselves as 'Largest Grocer'. As it is known, the owner or staffs of those groceries mostly know all of their customers, and their needs as well. That's why; they can establish lovely relationships with all of their customers, and their families. In this context, what the Hakmar Express tries to do is to discipline their staff to behave more friendly, helpful, and candid to customers. It will attract customers to greet and send off them with a nice smile. Moreover, their branches mostly take place in ancillary roads so they pay lower rents to stores, and as a result lower the total costs. So they pass on them to the prices and sell products in lower prices.

The sizes of the basket-shopping are different as 100, 120 or 140. They increase the basket shopping sizes in order to increase the turnover of the store. The reason is that, mostly women want to see full basket shopping, if not, they do not satisfied and buy more. Also, they put the campaign items near the expensive products to increase turnover.

Moreover, they prefer customers to taste some of the products for example in delicatessen once a week. However, if the store's turnover is lower, they apply this activity twice a week within the store. On the other hand, the company does not collaborate with suppliers in mostly any cases. To explain that, they make decisions for promotion, assortment, pricing, and merchandising without consulting their suppliers.

5.4 THE HERSHEY'S COMPANY

Hershey's company is the largest North American manufacturer of chocolate and sugar snack products. Its well-known brands are Hershey's Kisses, Reese's Peanut Butter Cups, Kit Kat, Ice Breakers, Twizzlers, Smart Zone, Snack Barz, and famous Hershey's Milk Chocolate and Hershey's Milk Chocolate with almond.

5.4.1 Category Management Understanding

Each company has a different view of category management. In the Hershey's company case, it can be defined as a four-step process in terms of knowledge base, trade tactics, consumer insights, and consumer strategy. However, in the past, there were not enough data regarding consumer behavior, pricing, and the reasons behind purchasing. On the other hand, in the evolving process in 1990s, the focus shifted to the consumer insights and customer strategy. According to Michelle Gloeckler, vice president of customer marketing for the company, 'Retailers have become more focused on consumer insights and we have been able to increase what we have to offer regarding consumer insights which helps generate potent strategies specifically designed around their consumer base' (Nielsen 2006, p.276). Through this approach, Hershey's company become category leader. Their aim is to enhance the retailer's business from the tactical level to the strategic level for sustainable performance excellence.

Although Hershey has worked with various category management processes, the traditional eight-step process is the cornerstone of training throughout the company. According to Gloeckler, 'Today, our proprietary tools and our experience allow us to quickly determine roles, strategies, and appropriate tactics. This allows the customer

teams to move quickly through the analytical process and focus on the opportunities by building solid business plans for each customer'(Nielsen 2006, p.280). In this context, in order to adapt to any process, the company gives the basic training in the fundamental business drivers. Moreover, the company works with its retailers as snack category advisors. For Glocker, the company is not enough solely.

The company's category management techniques allow retailers more sales and profits through better understanding consumer behaviors. That's why, the company have conducted a research for the preferences of different demographics in terms of gender, age, education, employment, income, and ethnicity. According to research results, adults eat more than 55 percent of all candy sold. One of the Hershey's strategies is to address mothers. For the company, mothers determine children's early taste in candy. Candy has a very high household penetration, is impulsive, and has a high repeat purchase cycle. Heshey also generates interest and excitement in its products by providing fresh, new looks for standart confections (Peter&Olson 2005).

For the company, it is the basic requirement to know why, where and how consumers buy snacks. According to Glocker: ' No one really needs candy, but people have a strong desire for it. If they are feeling hungry, or indulgent, they wants treats. Unlocking the consumers' need states and usage occasions are the key to successful snack marketing.' That's why, in order to understand consumer shopping behavior and where the product should be merchandised, and to develop pricing strategies that trigger purchase decisions, it is necessary to have a collaboration with retailers. Moreover, for Glocker, 'With avaliablity of panel data, we created powerful tools based on the consumer panel information. We continue to invest in proprietary research, whether it's marketing mix modeling or a 'need' scope analysis. We also conduct seasonal proprietary research using ethnographic studies of what consumers purchase and why they purchase it'. (Nielsen 2006, p.278)

According to company, candy is a profit driver for stores. 98% of consumers buy candy. It means almost everyone in your store is a potential sale. Not only those consumers buy candy, but also they tend to buy more item in the store which increases total store sales.

5.4.2 Organizational Structure of the Company

The Hershey's Company did not have a department of category management before 1998. However, in 2004, the company formed a customer marketing department which composed of category management, trade management, and strategic communication under the leadership of Gloecker. According to her, it is required to collaborate with the selling organization. For her, 'Combining category management, trade management and customer marketing under a customer marketing umbrella provides Hershey's with even better cross-functional capability'. (Nielsen 2006, p.279). In this context, while the category manager is responsible for seeking new opportunities across the category, the sales person is required to sell Hershey-specific programs and promotions to customers.

5.4.3 Merchandising

The company has to pay more attention on promotion due to nature of the snack categories. According to Gloecker, 'Everything happens at retail. That's where consumers come face to face with our brands. How a product plan is delivered is critical to success. To ensure success, Hershey has built a superior supply chain and provided dedicated resources for retail execution'. Snacks have high household penetration, a low purchase cycle frequency, a high percentage bought on impulse, and a high percentage bought due to tactical merchandising. For Gloecker, 'We spend a lot of our efforts with respect to trade promotions quality of merchandising conditions such as advertising and display space, and purchase frequency' (Nielsen 2006). According to the company, 52% of Candy sales are made on impulse. In this context, in order to capture impulse sales, it is important to merchandise candy in multiple locations. Figure 5.1 indicates the merchandising locations for candy in the store and also their percentages for potential sales. As it can be seen in the figure, there are different kinds of merchandising strategies for candy which outcomes also differentiated according to where displays positioned. For example, if secondary display or candy aisle is positioned in front of the transaction counter, it is hundred percent potential to sell candies.



Figure 5.1 : Out of aisle merchandising priorities for candy

According to the company, if retailer put one of its most impulsive and profitable categories throughout the store, retailer will maximize sales and profits.

It is important to understand who is buying what and why. In the past, a promotion for a product would be keyed to the forecasted sales at each store. However, today, promotion have to be adjusted based on shopper insights which will attract high- value shoppers. Hershey’s company offers strong promotion for its consumers through having partnership with strong brands which motivates consumers to buy. Through those promotions, impulse purchases increase at retail. According to the company, the average of dollar ring and total store sales can be increased through purchasing candies with other items in stores such as soda foundation, carbonated beverages, salty snacks, and food service. In other words, purchase bundling strategy contributes to the sales of category. Graphic 1 indicates the impact of such promotions on the impulse sales in US market. In this context, 83% of candy purchases are paired with other items such as cigarettes, salty snacks, bottled water, and so on.. Figure 5.2 shows the percentages of categories which purchased with candy.

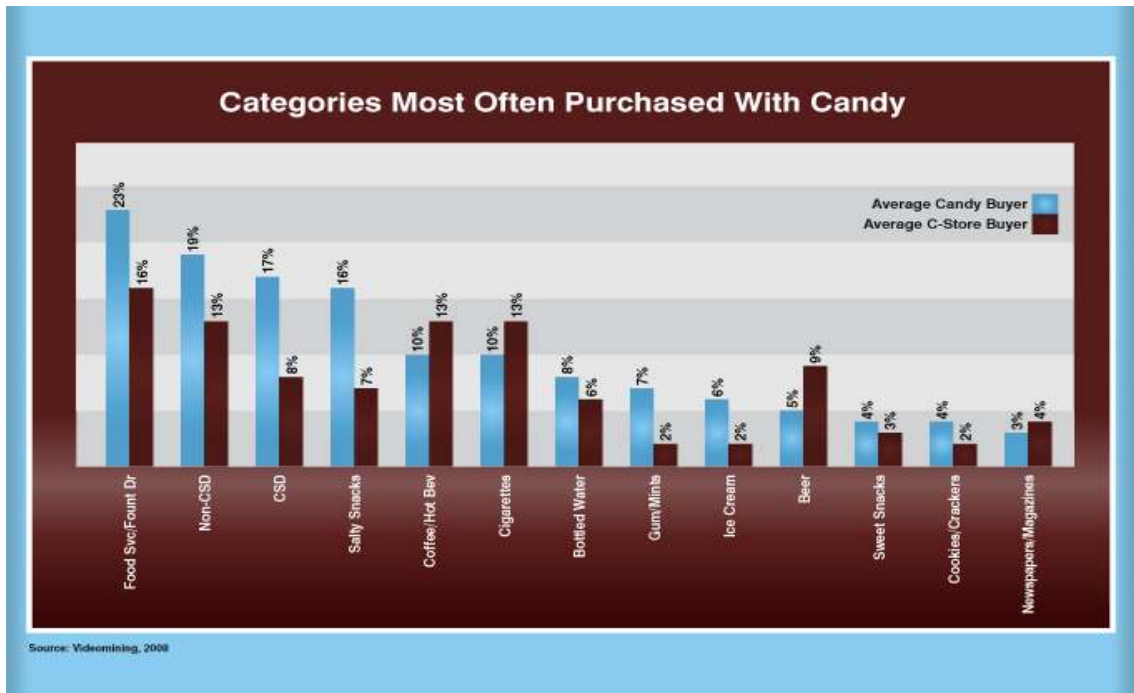


Figure 5.2 :Categories purchased with candy

Through those Cross-merchandising and promoting activities, consumers can be informed regarding the related products. For example, consumers have been informed about ‘ the combination of Kit Kat and coffee’ theme through radio advertisement for a long time which will be take place in detail in the following.. Moreover, Hershey’s and Coca-Cola partnership is one of its successful bundling promotion program which drives consumers to purchase both categories . This is exactly what both companies aimed at: through combining biggest brands within the C-Store industry, they not only satisfy consumer needs, but also increase the sales.. Actually, the partnership of candy and cold bevarages categories provides more benefits to both categories. For example, the Hershey’s /Coke Zero program increases the market basket rings of retailer’s avarage customer. At this point, an important question emerged: How to merchandise them? There are different alternatives. First one is to merchandise them at the front of the store near the register or by food service area in order to capture impulse purchases. Figure 5.3 indicates the display of candies with coke which drives customers to cold vault.



Figure 5.3 : Coca-Cola- Hershey's Candy display

Second one is to merchandise in the cold vault which drives customers to shipper near register. The promotion is declared through cooling door cling. Third one is merchandising in the candy aisle which drives customers to cold vault. In- aisle dangler inform about the promotion. In addition to them, there is also coupon system in order drive the sales. Figure 5.4 is one of the examples of this coupon.



Figure 5.4 : Coca-Cola Zero- Hershey's chocolate coupon

5.4.4 KIT KAT Wafer Bar Coffee Bundling

As stated in the above, Hershey's company also have been implementing another bundling program: the combination of KIT KAT and coffee. The selling idea is 'Break time, Anytime' which drives consumers to drink coffee with chocolate. However, merchandising strategy in this case is different than Coke-Hershey's partnership. In this case, through national radio program, consumers have informed about the great relationship between KIT KAT and coffee for the past five years. The KIT KAT sales reveals that this strategy works. Moreover, according to company, the combination of

KIT KAT and coffee's high margins are an instant winner for both consumers and retailer's profits. Through this strategy, consumers acquire a new habit. In those radio programs, the impact of the combination in the consumers is reflected as the consumer can do nothing because of 'Break time'. In other words, program indicates that whether there is an important event at that moment or not, it is not matter, because it is time to drink coffee and eat KIT KAT. This partnership is merchandised as in the Figure 5.5.



Figure 5.5: KIT KAT-Coffee Company partnership

Another successful merchandising strategy was implemented in 1997 through 'The Lost World: Jurassic Park'. Through this implementation, Hershey's achieved a retail growth of 5.6 percent in 1998 (Olson 2005, p.399)

5.4.4 Loss of Sales

What is the shopper reaction if his/her desired item is not in-stock? Graphic indicates that only 9% of Gum/Mint buyers prefer not to purchase if this item is not in the stock. This reveals that those shoppers prefer to buy a different Gum/Mint item that is available. On the other hand, in Candy category, 44% of shoppers prefer to purchase a different brand of same item, if their desired item is not in-stock. In this case, according to the company, in order to prevent loss of sales, C-stores should make available a wide array of candy items.

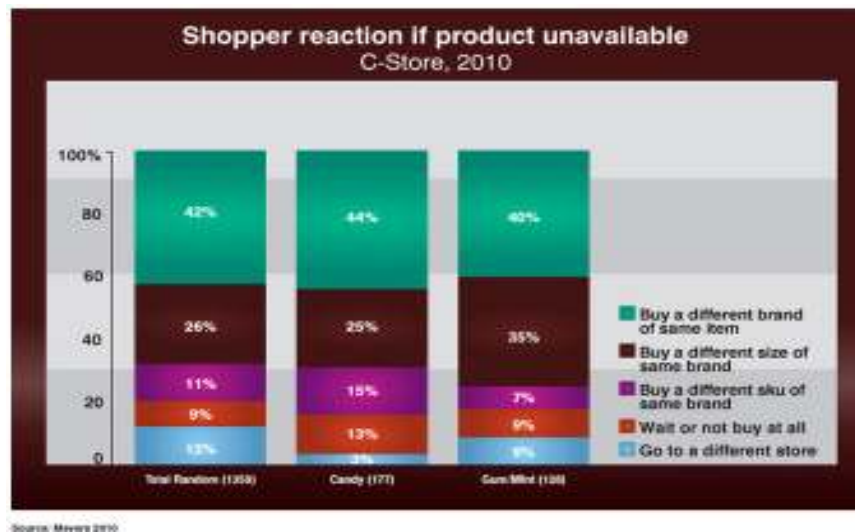


Figure 5.6 : Shopper reactions in the case of stock outs

In conclusion, results indicates that those techniques of category management enables the company to maximize their sales and profit by optimizing product mix, capitalizing on impulse purchases, generating larger total purchase sizes, and better understanding consumer behavior.

5.5 LOREAL AND EDEKA CATEGORY MANAGEMENT

Loreal, one of the most important manufacturer of beauty category and EDEKA, German retailer implemented a successful category concept in a cooperative structure.

5.5.1 Who is EDEKA?

The Edeka Group is the largest German supermarket corporation which has 100 years of expertise in German trade market. Currently speaking, Edeka holds a market share of %26 in Germany. It consists of more than 10,000 stores which are operated under the umbrella organisation Edeka Zentrale AG & Co KG.

5.5.2 HIEBER's Frinche Center

Hieber's Frinche Center has 40 years of expertise in retailing. Its headquarter takes place in Binzen, South Germany. Moreover, it has Different store sizes: from very small (550qm) to large sized stores (3.600qm). In this context, both supplier and retailer emphasize on the role of beauty category within the store.

First of all, I would like to mention about the role of cosmetics. Basically, it is a highly profitable category where consumption behaviors differentiated. That's why, the beauty category is required to be managed in different way. Moreover, social and demographic reasons drive the category to continue that path.

5.5.3 The Role of EDEKA

Although the retailer is very known and successful with its destination categories as wine, vegetables and so on, the retailer could not make profit from beauty category. It has different store sizes in terms of small, medium, and large.

The main objective of EDEKA is to provide maximum customer satisfaction including;

- Highest product quality
- In-store experience of freshness and well-being
- Regional products and producers
- Convenience and service

However, although EDEKA is very successful in retailing, it is very difficult for it to manage beauty category. In other words, managing beauty category is not considered as one of EDEKA's main competencies. In this case, that strategic decision to collaborate with L'Oréal will enhance its competency and generate beauty category.

5.5.4 Implementation of Category Management Project

The main objective is to make beauty category a successful business for EDEKA. Through collaboration, aim is to develop category solutions suitable for different store sizes by taking each sub-category and its individual specification into consideration.

In order to achieve their objective, first of all, they determined appropriate shopper research methods such as POS interviews, video surveillance, traffic analysis that fit to different store sizes. Moreover, according to this data, they made the adjustment of assortment and placement. In this case, bottom-up approach is determined as the strategy of both parties. First, key retailers in EDEKA regions were identified who are able to function as multipliers. Then, L'Oréal cooperated with these key regional retailers to upgrade their beauty department. In this context, in order to develop suitable concepts that best fit to the give store size, three store sizes were determined including small, medium, and large.

5.5.5 The Small Store Concept: Before and After the Implementation

POS interviews and video-surveillance methods adapted to a small sized store.



Figure 5.7: Before Implementation



Figure 5.8: After Implementation

Table 5.1 : Before-After Analysis in the Small Stores

BEFORE	AFTER
<ul style="list-style-type: none"> -Low frequency, mainly daily products -No guidance and orientation for shoppers -No cosmetic-like shopping environment 	<ul style="list-style-type: none"> -Clearly arranged product categories -Optimised assortment and placement -Guidance and orientation through labelling of product categories and use of distinctive visuals -Cosmetic-like shopping experience through an appealing lighting system and the use of wooden floor -Increase of traffic and sales

Results indicates that while the number of shoppers buying in H&B department was 102 before the small store concept, after the implementation, the number increases to 219 which means 115 % growth in the number. In addition, before implementation, while the number of shoppers contacting H&B department was 245, after implementation, it become to 389 which means 59 percent increase in the number. The number of shoppers in store total increased from 8921 to 9053.

5.5.6 The Medium Store Concept: Before and After the Implementation

Analysis of shopper flow in H&B department and POS interviews were methods adapted to a medium sized store.



Figure 5.9: Before Implementation



Figure 5.10: After Implementation

Table 5.2 : Before- After Analysis in the Medium Stores

BEFORE	AFTER
<ul style="list-style-type: none"> -Low customer and purchasing frequency in most parts of the beauty department -High shelves hinder orientation -No long distance visibility of dept. -No sub-category guidance -No cosmetic-like shopping environment 	<ul style="list-style-type: none"> -Creation of a new floor plan -Lower shelves -Long distance visibility (key visuals) -Optimised product assortment & placement -Clear orientation (Guiding systems) -Cosmetic-like shopping atmosphere -Increase of traffic and sales

5.5.6.1 Share of sales after implementation

After implementation, in comparison to EDEKA stores with same category proportions shares of sales increases dramatically which seen in the following for different segments;

- Total H&B: 35 percent higher
- Colour cosmetics: 19 percent higher
- Skin/ Body Care: 25 percent higher
- Hair care: 20 percent higher
- Oral care: 11 percent higher

5.5.7 Larger Store Implementation

Analysis of shopper flow in H&B department and POS interviews were methods adapted to larger stores.



Figure 5.11: Before Implementation



Figure 5.12: After Implementation

Table 5.3 : Before-After Analysis in Large Stores

BEFORE	AFTER
<ul style="list-style-type: none"> -In comparison to other categories no enticing shopping atmosphere -Difficult category neighbours(colour cosmetics and condoms) -No clear guidance and orientation for shoppers -No special advise or help for shoppers lowest traffic in the most profitable sub-categories 	<ul style="list-style-type: none"> -Optimised category neighbours -Optimised product assortment and placement -Long distance visibility -Integration of cold and warm lightening systems -Providing guiding systems -Shopper advise: testers, colorants advisor

In conclusion, collaboration of supplier and retailer is the most important requirement to make the category a successful business. In order to achieve this objective, first of all, both sides have to understand the shopper and his/her expectations in different store sizes which can be analyzed through research methods. In this case, through determining needs of different sizes of stores, retailer can provide a pleasant shopping atmosphere to consumers through increasing category visibility, using key visuals,

providing category guidance and revising assortment and placement. As a result, the more understanding of shopper needs, the more both sides win.

5.6. DANONE CASE

Danone company is a French food-products multinational corporation which claims world leadership in fresh dairy products, marketed under the corporate name, and also in bottled water.(http://en.wikipedia.org/wiki/Groupe_Danone).

5.6.1 Category Management Analysis of DANONE

Danone makes the definition of category management as the combination of the manufacturer's and the retailer's knowledge of the customer. This is an open cooperation between supplier and retailer based on trust in order to increase profitable growth and consumer satisfaction.

What are the benefits of establishing category management for Danone? First of all, through implementation of category management process, Danone can be recognised as the leading manufacturer and player with the ability to implement a category approach in partnership with its retailers. Moreover, they have a chance to prove that Danone's performance cannot only be based on the power of its brands and quality of its products and services, but also on its ability to increase profitability in the markets in which they are in.

On the other hand, it is necessary to analyze the benefits of category management for retailers;

- The shop overall appearance will increase by well organized fridge
- The easier to find products the more Shoppers will buy
- Every product in the fridge will be visible
- Products with low sales do not take the space from high turnover ones
- Products at wrong place do not take the space from others

However, there are also risks for Danone and retailer to implement category management which is;

- Leaving a free hand to competitors to take the place of Category Captain.
- Loss in sales results
- Having to fight against constraints of product range, and promotions which do not conform to the growth factors of their brands.
- Distance or even loss of relationship with key retailer players

5.6.2 Brand Market Shares in the Segments

It is important to see where the Danone's different segments are among the other brands. First, in yoghurt category, Figure 5.13 shows that in 2002, its percentage was half of the Sutas; however, in 2004, there was a dramatic growth in Danone yoghurt compare to other brands. Moreover, when we look at Ayrans's market share, as it is seen in Figure 5.14, Danone ayrans are not as successful as yoghurt. As it is seen in the Figure 5.14, its market share in 2004 decreased as compare to 2002. In the flavored yoghurt and Dessert categories, as seen in the Figure 5.15 and 5.16 , Danone was the best supplier. Especially 'Danette' dessert indicates an important increase. In 2004, it is about five times growing compare to 2002. Also, they made another analysis which results are;

- The sales of yoghurts mostly come from large sizes.
- Flavored yoghurts and desserts are the fastest growing segments. That's why; Danone gave importance on merchandising of desserts and flavored yoghurt segments in those periods.

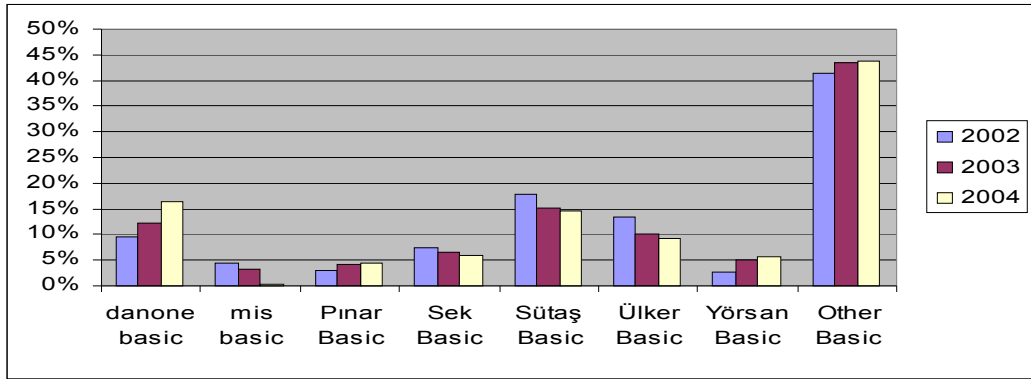


Figure 5.13 : Brands market share in yoghurt segment

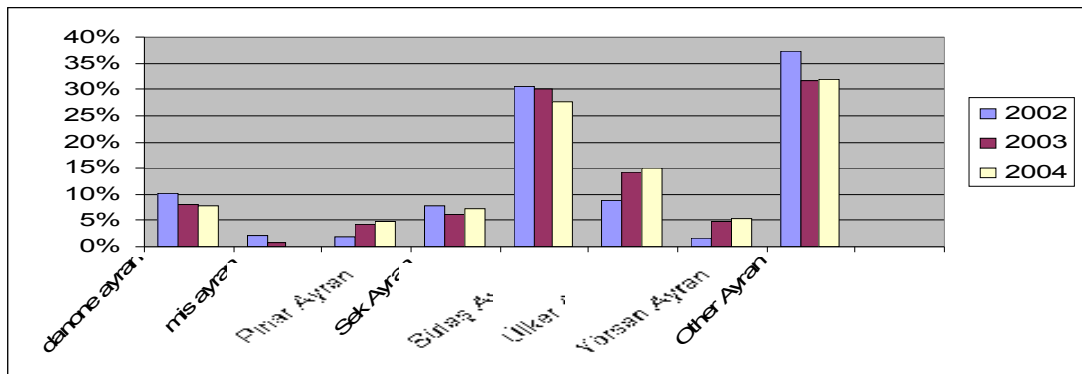


Figure 5.14: Brands market share in Ayran segment

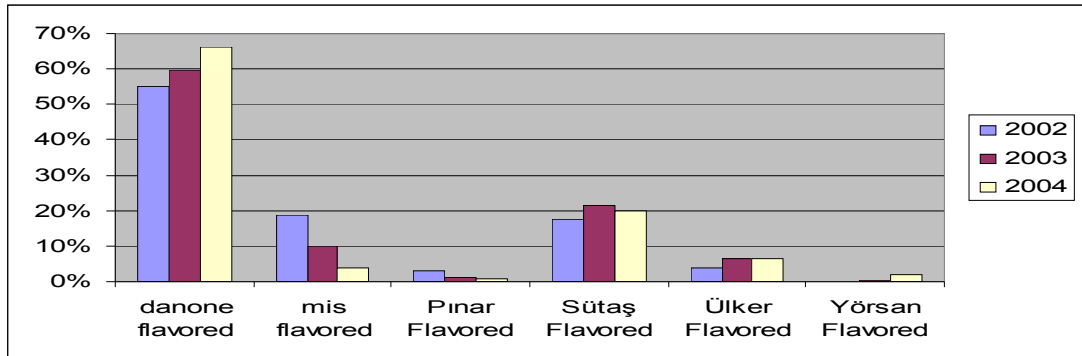


Figure 5.15: Brands market share in Flavored Yoghurt segment

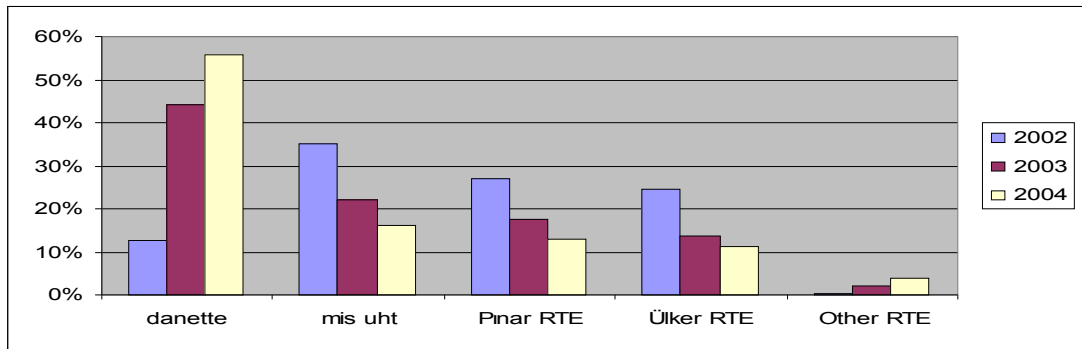


Figure 5.16: Brands market share in dessert

5.6.3 Buying Frequency of Dairy Category

They conducted a survey among shoppers in order to analyze buying frequency of shoppers. Results can be seen in the figures. For example, while 38 percent of people buys yoghurt 2-3 times a week, only 7 percent of them buy yoghurt every day. On the other hand, 43 percent of shoppers never purchase Ayran which is a high proportion. For fruit yoghurts, 23 percent of shoppers prefers to buy 2-3 times a week while 17 percent of shoppers never purchase them. One of the most important items of dairy products is milk. When we look at the proportions of buying frequency, it is seen that most of the shoppers consume milk everyday or 2-3 times a week. As a manufacturer, it is necessary for Danone to understand the consumption times of dairy products so the company can adjust its manufacturing programs.

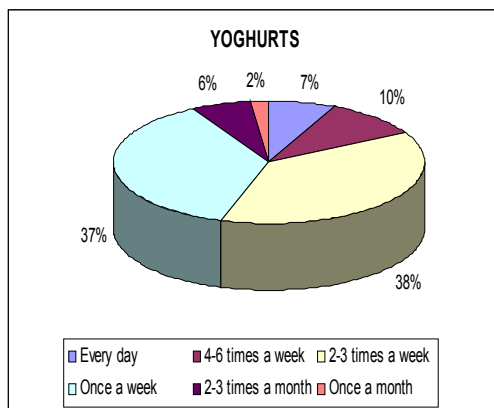


Figure 5.17 Yoghurt segment

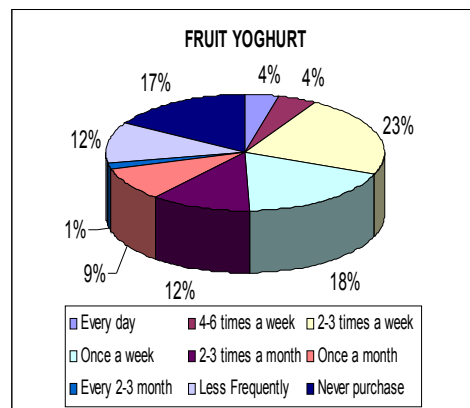


Figure 5.18: Fruit yoghurt segment

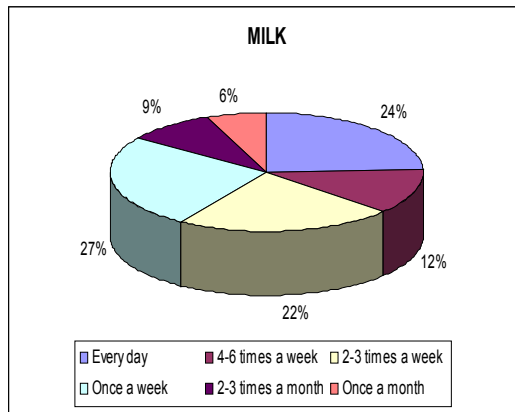


Figure 5.19: Milk segment

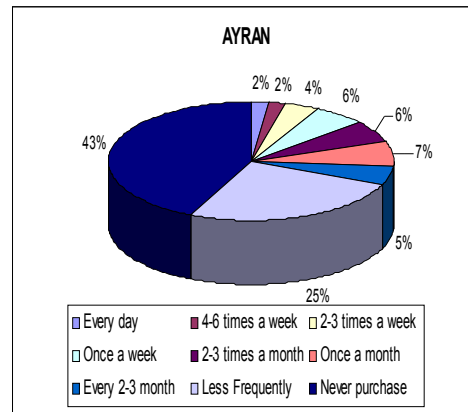


Figure 5.20: Ayran segment

5.6.4 Target: To Increase the Market Share of Dairy Products Category

Danone and its retailers determined common targets, which are noted in the following;

- Consumer-focused shelf visibility
- Ideal product visibility
- Ideal product existency
- Ideal product management

In this context, Danone propose ideas in order to achieve their targets.

- a) Make analysis for classification of products.
- b) Shelf adjustment
- c) Shelf Dressing
- d) Second Display

5.6.5 Merchandising

Merchandising can be defined as to sell the right product, at the right place, at the right time, in the right quantity and at the right price. Main objective of merchandising is to satisfy consumers' needs with the right offer through a well-organized fridge. Also, it increases the turnover of the store. What are the benefits of merchandising to company and retailer which is seen in the Table 5.4:

Table 5.4 : Benefits of merchandising for Danone and its retailer

DANONE	RETAILER
<ul style="list-style-type: none"> • Increase profit • Increase sales • Increase MS • Strengthen Danone’s image 	<ul style="list-style-type: none"> • Increase turnover • Increase product rotation • Increase profit • Increase Consumer satisfaction

5.6.4.1 Sales areas of the fridges

It is a fact that, shelf placement has a direct effect on sales results. In other words, according to Danone, it is important to determine the important points for merchandising products which will cause to increase or decrease in the sales. Each point on the fridge has a different meaning including cold points and warm points. First, cold points are the unfavorable places for product visibility. It includes upper corns which are known as dead points and sides and upper shelves which also called as passive points. The reason is that it is not in the ‘eye-direction’ of shopper. On the other hand, warm points are the favorable and effective places in terms of product visibility this context, middle and lower parts are seen as active points which are in the direction of shoppers’ eye.

5.6.4.2 Importance of the levels/shelves

According to Danone, each shelf has a different significance. In a four-shelf display, BAC is seen as including fast rotation and multipack products. Also, first and fourth shelves are accepted as the least effective places. On the other hand, second shelf which is on the hand level is automatic shopping shelf. Third shelf is on the eye level, is seen as impulse shopping shelf. For Danone, it is necessary to put the children products close to children. Moreover, for the company, desserts as impulse should be at eye level which should be displayed on the third shelf.

5.6.6 New Product Arrangement on the Shelves



Figure 5.21: Before Implementation Figure 5.22: After Implementation

Table 5.5 : Before-After Analysis of product arrangement

BEFORE	AFTER
<ul style="list-style-type: none"> • Supplier Blocks (to ease Shop orientation) • All added value products on the 5th shelf • Shelf shares based on relations or ad hoc • Danone total shelf share: 20% 	<ul style="list-style-type: none"> • Segment and Brand Blocks (to ease Shoppers orientation) • Special block for added value products • Children products at low levels • Shelves shares based on sales performance • Danone total shelf share: 33%

5.6.7 New Shelf Adjustment

What are the expected results?

- The more coordinated shelves, Easier accessed products, the more satisfied consumers
- Higher rotation, more sales
- Preparation for dressing

- Help shoppers to make their decisions
- Increases category visibility
- Make more warm the cooled area and more pleasant the shopping process

5.6.7.1 Optimum shelf space by SKU

Moreover, for Danone, it is required to make ABC analysis. In this step, as seen in the Figure 5.23, they determine how items with different levels of profit or volume should be treated differently. A items account for 5% and represent 70% of sales which is seen as L1 turnover. B items- brings L2 turnover, represents %10 and %20 of sales. On the other hand, C items accounts for 65% of the SKUs; however, only contribute %10 of sales. C items brings only L3 turnover.

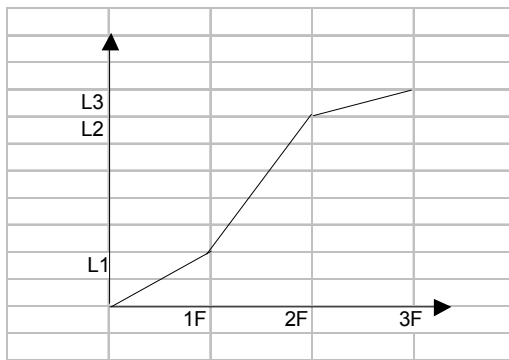


Figure 5.23: ABC analysis

5.6.7.2 Product classification

In this part, both Danone and retailer decided on those issues;

- What kinds of products?
- What kinds of dairy products?
- Products, which are out of category, could not be in the creamear.
- Product lists has to be done according to sales and market performances

5.6.7.3 Special program for analysis of product classification

In this case, relevant information;

- Product structure and variety (Consumer decision tree information has to be provided by supplier)
- Product performance in total market (data provided by Market Research Centeres)
- Retail Sales' information (Units of Sale, Turnover, so on)



5.6.7.4 New product classification

In this context, both sides made decisions which are;

- To determine classification of efficient products according to Efficient Consumer Response (ECR)
- To reduce SKUs in the store (Reduction of products with the same features)
- To add new products which perform well in the market but do not exist in the store (in order to accelarate rotation and to increase shelf value)

5.6.8 Results

- Recommendations for action based on the expertise of consumers, shoppers, retailers' strategy and producers.
- A contribution to profitable growth in the category, higher increase for Danone than for other players.
- Establish a privileged relationship between the retailer involved and Danones' sales team
- Increased results for the product groups linked to the suitability of the recommendations put in place.

5.7 P&G-RETAILER COLLABORATION

The company prepares a joint business plan before visiting retailers. In this case, there is a teamwork composed of the departments of sales, marketing, IT, and finance. Before preparing this plan, sales managers search for those issues;

- How well is the Turkish market current situation? What will be the future?
- The position of the retailer in the market
- Past years sales data, shopper data, loyalty card data from the research companies as Ac Nielsen
- Search for the market share of the specific product

According to the company, what they can do for the retailers are assortment planning, and projects for increasing profitability of categories, and total turnover. Those issues are the basic needs of the retailers. Moreover, it is important for retailer to take the maximum market share. Spending index composed of different issues plays an important role;

- **Penetration:** If the retailer wants to access to more customer number, it solves this problem by itself through opening new stores, providing different in-store services or distributing inserts.
- **Loyalty:** This can be defined as the frequency of the shoppers for doing shopping from your store. If the retailer provides loyalty cards to its customers, then they want to do more shopping.

However, while applying those issues regarding spending index, the retailer has to collaborate with the supplier in order to arrange some fundamental issues. In this context, for example, retailers provide loyalty cards, but shoppers do not admire to use them, and do not want to do shopping from that store. Then, the P&G prefers to do activities for club cards. For example, the company provides such launch to increase turnover, or do different advertisements work, more merchandising activities in the store, and so on.

After this plan, they make an assortment work for this retailer. While doing this work, first of all, they look at the annual sales of this retailer in that category. After that, then retailer is asked for how much product he wants to make available on the shelves. In this context, the company applies Pareto's Principle- The 80-20 rule. Briefly, it means that 80 percent of your outcomes come from 20 percent of your inputs. For the company, it is important to determine the categories that do the %80 of their work. For example, 20 percent of Prima brand in baby care category produce 80 percent of sales. In this case, it is important to find the 20 percent inputs and by expending much time on these 20 percent categories, the company can get quality results. However, while doing them, as a supplier, the company does not apply any sanctions on retailers. Instead, the company recommends projects them based on their strategies. For instance, in shampoo category, the company advices retailer to sell certain brands as Pantene, Head and Shoulder and Hobby, and it advices to not to stock for the rest of brands.

Moreover, the company does assortment work also for the inventory levels. In this context, basic objective of the company is to determine the optimum stock level for the retailer, not the minimum stock level. There are also exceptional situations; for instance, if the retailer decides to make promotions in a category, inventory level of this category will increase. The reason is that, customers prefer to buy two instead of one, if the price of the shampoo decreases from 7 TL to 6. Not only customers, but also retailers invest to the stocks if the company decreases the prices. In addition, when making a decision on for in what amount to hold in shelves for which products, the company looks for the shipping arrangement of the retailer. When calculating the inventories of retailer, for example, if the retailer does shipment once a week, then the retailer has to hold stock according to its arrangement in order to meet the needs of customers till the end of Sunday evening. Logistics collaboration plays a significant role in the operation between the company and retailers.

In addition, there is shelf issue which is the basic requirement in presenting products to customers. Some companies pay for the shelves; however, the P&G never pays for shelves. There is fair share of shelf which means if Prima brand does 50 percent of the work in baby care category, then the retailer gives shelves in amount equal to minimum 60 percent of the market share of this brand. However, if the supplier only has 10

percent of shelf share in Prima case, customer can not find the product whenever he/she wants. As a result, customer orientates to other brands or other retailers so the retailer lose the market share of this brand. Or to prevent that, the retailer has to do more replenishment which leads to more labor cost. In other words, if a retailer only puts five Prima to the shelves, than it has to replenish the shelves everyday.

In the case of assortment planning, the sales responsible told that, mostly small retailers work with the same product lists in their branches. In other words, those retailers do not give different lists according to the location of their different stores. The reason is that, there are operational difficulties to give different lists. However, larger retailers as Migros or Carrefour, since they have different branches which dimensions differs between 600 or 15000 square meters, they have to provide different products of brands in order to meet the expectations of consumers. That is to say, Migros can not provide the products in its store with 10000 square meters as compare to its 750 square meters-store. There are also other exceptional situations. For example, Migros in Bilkent, Ankara, have to address to consumers in this region through presenting upscale brands and products. There must be different product varieties based on the location. Through using the data from loyalty cards (i.e Migros club card or Diasa Card), retailers determine the product lists for different locations. According to that data, not only the products of brands are determined, but also different variants of those products can be determined.

Moreover, profitability issue plays an important role for the retailer. That's why; the company carries out projects based on increasing profitability. According to the company, their aim is by increasing the turnover; the company will increase retailer's total profitability. For example, in beauty category, there are less competitive products compare to other categories. Their prices are mostly stable, that's why; there is less competition in those products. However, this is the most profitable category. On the other hand, in laundry category (i.e detergents, softener), there is high competition, that's why; profitability is very low. In addition to them, there are some categories called as 'impulse purchasing' as gum, battery, candy, and so on, which profitability is high. Retailer can sell those products in higher prices because customers mostly do not care about their prices. The company gives importance on increasing the sales of those

high-profitable products and work on projects based on how to sell more. There are different strategies to realize that. For example, the company sells a category more profitable by providing customer to experience enjoyable shopping. In order to do that, they rearrange the shelves to attract customers. The first moment that the customer faced with product plays significant role. That's why; for instance, near the hygiene pad, the company put chocolate to attract women. This can be called as rational deployment. There are lots of examples for that; chocolate or candy- toothbrush, beer-chips, or chocolate-coffee. In all stores, there are categories which are arranged according to a traffic flow direction. Right location of the products is the basic requirement for retailers. To sum, it is necessary to arrange the store design based on those rational-deployments.

The sales responsible gave an example for the sales array of a woman with baby. This woman enters into the store as a mother. First, she buys her baby's needs. Secondly, she plays housewife role and buy the needs of suitable for use in cooking, or other categories used in home. Finally, she plays 'woman' role and buy products in beauty category. However, those beauty care products are the most profitable products which increase the target of the retailer. In other words, those are premium, and upscale products. She come to do shopping for example with 100 Turkish Lira; however, if retailer makes her do shopping in a fast way in the first and second part, then she will spend more time in the beauty category so she will purchase more items in this category. As a result, retailer makes more profits through beauty category.

In addition, differentiation issue is also important. According to the company, the retailer can not make profits out of the products that others sell. That's why; the company prefers the retailer to differentiate through changing the variant of a product. For instance, instead of selling 6 kg- detergent as others sell, the company change this detergent as 6, 5 kg which attract consumers and seen as more profitable in the eyes of them. To sum up, in order to increase the turnover of the retailer, the company advice to make better the non-profitable categories' sales. Besides, promotion activities are very important which differentiate the retailer.

In conclusion, the P&G Company makes plans for each category based on the retailer's strategy. However, according to the company, they do not compel the retailer to apply their plans. What the company talk about the pricing, shelf arrangement, promotions or merchandising, is only advice. In other words, the final decision belongs to the retailer. It is up to retailer to sell the product in higher prices. Moreover, at the end of the quarter, the company evaluates the processes with the retailer; as a result, the company can see what they do right and what they do wrong.

6. EVALUATION

6.1 KEY FINDINGS

The components of the category management take place in the Table. Based on my research on different retailers and suppliers, I would like to show the results of the implementation level of each component in stated retailers and suppliers.

Table 6.2: Components of CM

COMPONENTS OF CM	AKPINAR	TANSAŞ	HAKMAR	LOREAL	P&G	DANONE	HERSHEY
CATEGORY MANAGEMENT APPLICATION	5	90	50	100	100	100	100
COLLABORATION OF SUPPLIERS AND RETAILERS	15	91	40	100	95	80	100
DEFINITION OF PRODUCT CATEGORIES	30	90	75	100	100	95	100
TRUCKING CONSUMER BEHAVIOUR	95	90	90	90	90	90	90
PROMOTION	10	80	30	90	90	80	90
MERCHANDISING	15	90	60	95	95	95	100
ASSORTMENT	75	85	90	100	100	100	100
MANAGING CATEGORIES AS BUSINESS UNITS	0	100	0	100	100	100	100
PRODUCT ARRANGEMENT	10	90	75	100	100	100	100

6.1.1 Definition of Product Categories

First of all, it is necessary to evaluate the level of defining categories. This is the most important process in category management strategy. Managing each category as unique business units increases the sales and profitability. The results indicate that, Akpınar Supermarket has the least percentage in definition of product categories. As stated, the supermarket product structure is broken down into two categories; food and non-food. The company does not manage its products based on their categories. The company mostly gives importance on delicatessen, meet, and fresh vegetables and fruits categories. However, there is no certain definition of product categories. The company determines the product list based on season, past year sales data, consumer preferences, and its experiences. On the other hand, TANSAŞ is successful in definition of categories. Before 2002, the company did not give importance on this issue; however,

with the alteration in its strategy, it began to manage product categories as unique business units. TANSAS decided to increase its profitability by focusing on each category by different strategies. In addition to them, in Hakmar Express case, the company defined its categories successfully; however, compare to other cases, Hakmar also divides its categories as private label and labeled products. The company tries to develop different strategies for its private label products. The company's aim is to be known with its high quality and lower priced private label products. That's why; its in-store activities as tasting are mostly done for private labeled product categories.

As a supplier, Loreal, P&G, Danone and the Hershey's Candy Companies are successful in defining product categories. For example, in Loreal and EDEKA case, through a coordinated teamwork, they established a single aisle format called as 'store within a store'. In this context, they also divided beauty care category into sub-categories and arranged according to consumer needs. The result is: satisfied consumers. Moreover, the P&G presents their partners 'store within a store' solutions through which customers find whatever they want related to ,for example, baby care category in this specific location including diapers, wipes, baby food/milk/formula, toys, baby cosmetics and baby clothes. In addition to both suppliers, Danone categorized its product varieties into different parts. There is not only 'Dairy product category'. There are sub-categories as healthy items for children and adults, healthy snack items for children, diet snack items for adults, yoghurt- flavored yoghurt for kids, or normal, ayran, milk- light milk and so on. It is important for the company because they manage those categories based on their market shares within competitive brands. Besides, the Hershey's Candy Company is very successful in defining categories. The company determines its strategy based on the impulse and profitable categories.

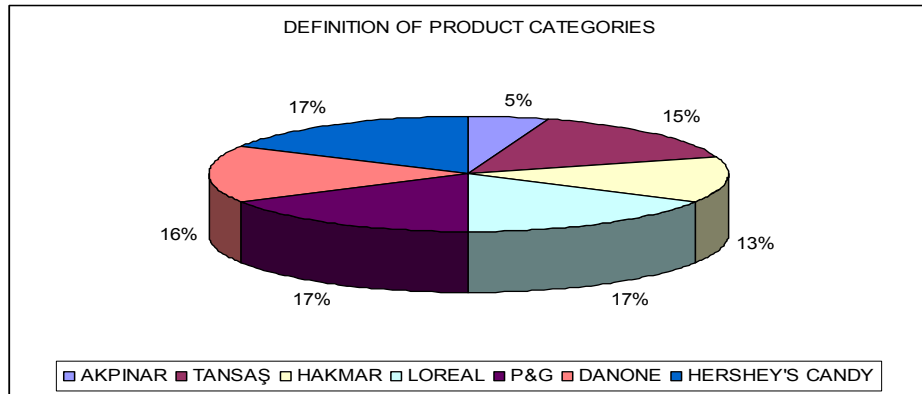


Figure 6.1: Rates of defining product categories

The results show that in Turkey, only one retailer within cases in my thesis defines product categories totally. On the other hand, some retailers have not still aware of the beneficial outcomes of managing products by categorizing them. However, most of the suppliers analyze and evaluate their products by dividing them into different categories.

6.1.2 Collaboration of Retailers and Suppliers

Second one is based on the level of the collaboration of retailers and suppliers. As it can be seen in the Figure 6.2, the least rate belongs to Akpınar case. As mentioned above, Akpınar does not implement category management strategy in its store. The only issue that the owner of the company collaborates with suppliers is the ‘product quality’ issue. The company chooses its suppliers according to his strategy which based on quality and healthy products for his +50 aged and high-income customers. However, he does not get any advice from his suppliers regarding the products. The reason is that, he determines the product assortments based on not only POS data but his experiences in the marketplace as well. In other words, for him, suppliers aim is to only sell more products to retailers without taking seasons, special occasions or other issues into consideration (i.e stock more ice-cream in winter). On the other hand, TANSAS, as a retailer, has the highest percent in making collaboration with suppliers. The company’s new strategy mainly gives importance on their relations with suppliers. For the company, it is important to be collaborate with suppliers in order not only to increase the sales of the categories, but most importantly, to cope with the difficulties and uncertainties in the market and gain competitive advantage. The company sets a high value upon its

suppliers' advice, that's why; they codetermine basic activities based on product categories in terms of assortment, promotion, pricing, and merchandising and shelf arrangements. They evaluate customer data together and both aims are to meet the expectations of customers. As compare to TANSAS, the collaboration issue with suppliers in Hakmar Express case is different. Hakmar Company determines in-store activities for product categories by itself. As mentioned, company takes the BIM as model which gives importance on low-price- high quality products. In order to realize their objective, company ignores its suppliers' advice on especially price issue. In other words, its suppliers do not want the Hakmar to sell lower prices than they offer for labeled products. Moreover, as stated, the Hakmar Company tries to differentiate through its private label products. That's why; in this context, they collaborate with those suppliers in order to increase the quality of private label products depending on customers' comments on those products. Instead of the suppliers' data, the company realizes the merchandising, assortment, pricing and in-store activities based on customer panel data, or POS data. According to the company, if the suppliers offer for example for arrangement of one category, they take this information into consideration, however; as I told, mostly company arranges products based on its expertise.

On the suppliers' side, as seen in the figure 6.2, L'Oréal, Danone, P&G, and Hesse's Candy give more importance on collaboration with retailers. Especially, in L'Oréal and EDEKA case, through collaboration, their aim is to provide customers pleasant shopping experience through new arrangement of shelves, optimized assortments and placements and so on. Collaboration in this case holds key for EDEKA. The reason is that, the beauty category is not the main competence of EDEKA; that's why, it is necessary to manage beauty category based on collaborative structure with L'Oréal. Similar to L'Oréal, category management process for Danone can be realized through collaboration with retailers. As stated, Danone prefers its' retailers special solutions for meeting the needs of customers. The company search for the habits and behaviors of customers, analyze customer segmentation based on the retailers, and prefer different alternatives based on displaying products in order to increase the profitability of the dairy category. On the other hand, the P&G Company prepares joint business plans for its retailers based on the retailers' strategies. For the Company, it is up to retailer to take the company's advice into consideration. If they want to collaborate, then the company

presents many alternatives to increase the turnover of the retailer. In this case, the only issue is not only increasing the sales but also standing out against the competitive market. In addition to the P&G, the Hershey's Candy Company is the best in collaboration issue. Their aim is to enhance the retailer's business from the tactical level to the strategic level for sustainable performance excellence.

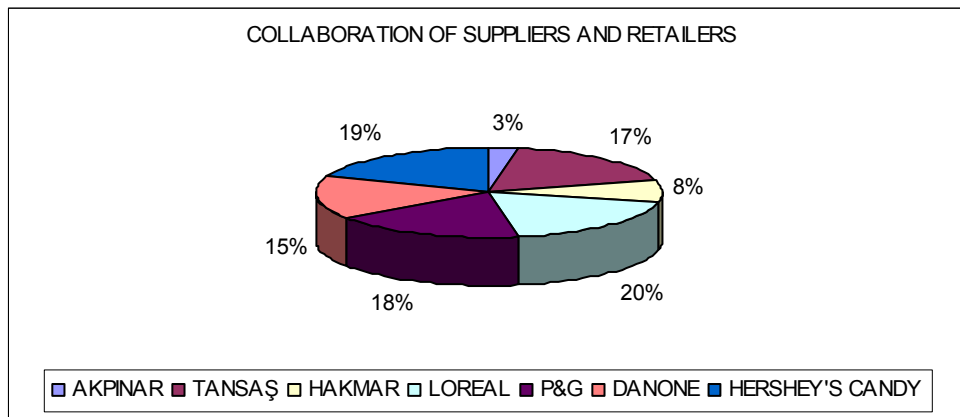


Figure 6.2: Rates of collaboration of suppliers and retailers

Those results indicates that, retailers in Turkey do not totally prefer to collaborate with their suppliers for managing categories. However, suppliers seem as ready to create different solutions based on retailers strategy.

6.1.3 Tracking Consumer Behaviors

Third criteria is the main point of the category management: Understanding the customers' needs. As stated in all of the parts, all the processes revolves around customer needs and the objective of this strategy is to increase the sales and profitability of both suppliers and retailers through providing customers a real shopping experience and satisfying their needs and expectations. As seen in the Figure 6.3 all the retailers and suppliers form their strategies based on customers. Akpınar Supermarket is very successful in analyzing customer data. The owner of the company knows why behind the what in purchasing activity of his customers. He knows that his customers demand quality products and give importance on the service within the store. However, this analysis not only depends on POS data but mostly also depends on his experiments. That's why; in this context, Akpınar Supermarket is different from other cases. As

compare to Akpınar, in Tansaş case, in 2002, the company made a detailed analysis on customers and rearrange its stores, assortments, pricices, promotions, and in-store designs based on this data. Of course, Tansaş company has experiments in retail sector; however, such a radical change in the company has to be depended on a real customer data. In addition, customer data analysis is also important for Hakmar Express Company. The company keeps truck the behaviours, demands, needs, complications, comments of the consumers and form their strategies based on this data. On the other hand, in Hakmar case, they also know their customers well. According to the marketing manager, they made weekly analysis on customers and make necessary arrangements in store based on the customer data. Also, in order to acquire the loyalty of the customers, the company disciplined its staff for customers. Hakmar’s basic aim is to present its customers, high-quality and reasonable-priced products. Moreover, in order to differentiate from BIM model, they present greengrocer department which is more suitable for Turkish customer behaviors.

On the supplier’s side, in my opinion, in customer data analysis, their responsibility is higher than retailers. The reason is that, they are the producer of the needs of the consumers. None of the company can recognize the consumers better than the manufacturers. Moreover, They have to produce products that are compatible with the trends. That’s why; suppliers have to share their customer data analysis with the retailers. Within this framework, collaboration of retailers and suppliers play an important role. As seen in the Chart, all of the suppliers do well customer data analysis.

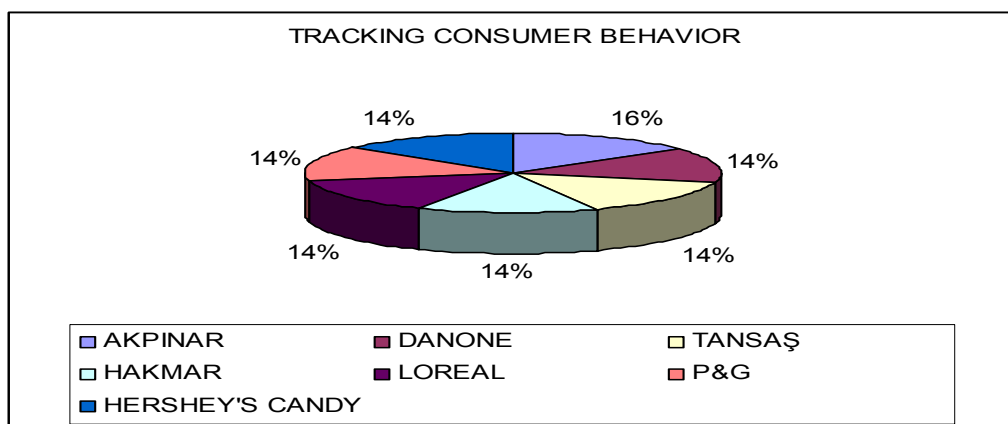


Figure 6.3: Rates of Tracking consumer behaviors

6.1.4 Promotion

Another important issue in category management is managing and organizing the promotion activities. After making a customer analysis, retailers and suppliers have to reach a decision on whether their customers prefer to buy promoted products or not. Also, through this data, retailers and suppliers can see for which categories they need to make promotions in order to increase the sales. Moreover, related to promotions, it is required to make a decision on where to sell the promoted products. In this context, Akpınar market does not sell promoted products due to the preferences of customers. In other words, as mentioned in the case study, his customers do not prefer to buy promoted products, that's why; Mr. Akpınar does not make promotions in its store. Another reason is the size of its store. Due to its being only 140 square meter, if he makes promotions in stores, store will be very very crowded, so customers will not prefer to buy from his store again because of this bad shopping experience. On the other hand, Tansaş collaborate with its suppliers in this issue, and make promotions. The company also determined convenient 'promotion locations' within stores, so customers can accustomed to that locations, and search for promoted products always in that area. As compare to both cases, Hakmar Express does not make any promotions within stores. To explain that, instead of accepting promotion prefers of the suppliers, they reflect those promotion charges to prices. In other words, they decrease the prices of products instead of making promotions.

On the supplier side, the Hershey's Candy Company has a very good promotion strategy due to the nature of snack category. Hershey's company offers strong promotion for its consumers through having partnership with strong brands which motivates consumers to buy. Through those promotions, impulse purchases increase at retail. Also, the company proposes to sell its products through a complimentary category which increases the sales more (i.e KIT KAT-Coffee, Coca-Cola Zero- candy). Moreover, the P&G also makes promotional activities for retailers if needed. The company determines its promotional activities for retailers when preparing joint business plan for that retailer. Loreal and Danone also make promotional activities based on the retailers strategies.

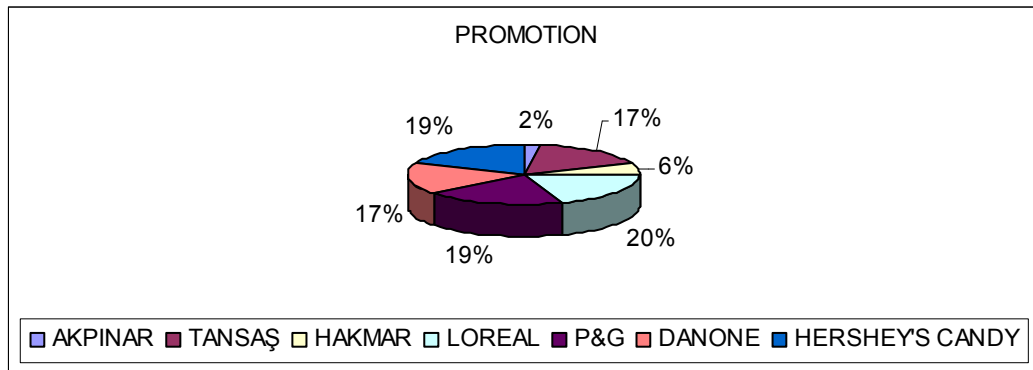


Figure 6.4 : Rates of promotion

In Turkey, generally speaking, promotional items attract consumers. However, it is important for retailer to take into consideration their customers' preferences in promotion decision-making.

6.1.5 Merchandising Activities

Another important issue is merchandising activities within stores. Main objective of merchandising is satisfying consumer needs through selling the right product, at the right place, at the right time, in the right quantity and at the right price. As seen in the Figure 6.5, Akpınar has the lowest level in this issue. The reason is that, Akpınar does not pay attention to store arrangement. The company only emphasize on the quality of products. The rest of issues as assortment, store design, shelves arrangement are in the second place for him. The reason is that, the company provides other in-store services which attract customers and increase the loyalty to the store. On the other hand, Tansaş determines all the tactics within store and differentiate through merchandising activities. Tansaş determines its store arrangement strategy based on consumer satisfaction. Besides, Hakmar develops the arrangement of categories through POS data. Moreover, in order to increase the sales of private label products, the company makes taste-activity. As store design, the company implements the transaction strategy which means to make customers spend more time in stores.

Suppliers, in this context, are very helpful to retailers. For example, Danone, Loreal and Hershey's Candy Company gives more importance on merchandising issue. With respect to this issue, those suppliers emphasize on shelf adjustment. The reason is that,

for those suppliers, everything begins at the retailer. The consumers come face to face with their brands; that's why, it is required for them to differentiate through merchandising activities within stores.

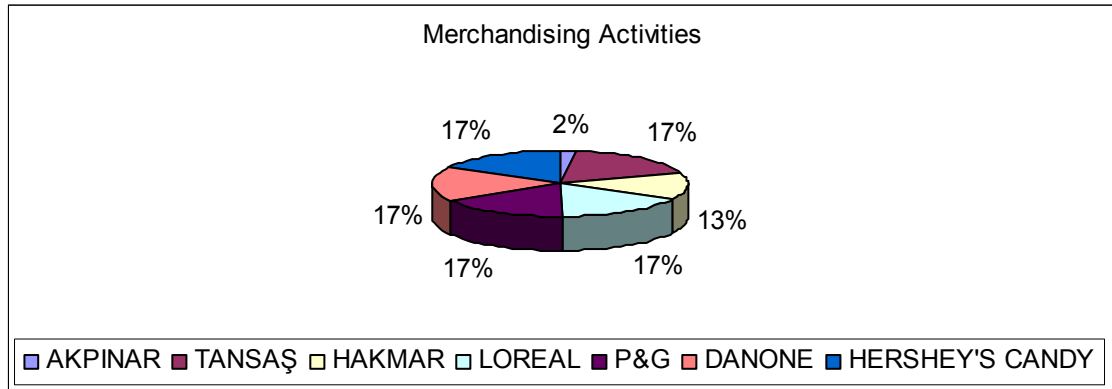


Figure 6.5: Rates of merchandising activities

6.1.6 Category Management Application

All in all, the results indicate that as a retailer, only the TANSAS implements category management strategies completely. In 2002, Tansaş did not leave anything to chance and changed its strategy. In this context, today, the Company owes its success to category management processes. On the other hand, as it can be seen in the Figure 6.6, Akpınar Supermarket does not implement this strategy anymore. The Akpınar supermarket only knows its customers well and implements its own strategy based on this data. Compare to Akpınar, Hakmar Express implements some of its processes in some cases; however, it does not totally implement the strategy. In the supplier sides, Loreal, Danone, Hershey's Candy, and the P&G are the suppliers which know the category management processes well and try to implement those processes in Turkey.

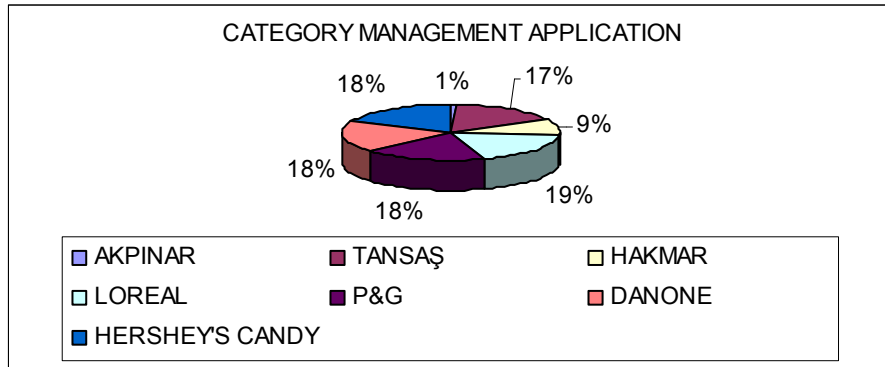


Figure 6.6: Rates of category management application

7. CONCLUSION

In category management, products are categorized based on their features not on brands. According to the strategy of retailer company, each category has a specific role. For example, while fresh fruit and vegetable category is used as attracting customers and creating frequency within store, personal care and beauty category have a role to increase basket size and profits. The arrangement of the shelves will be determined after those definitions are made. In other words, retailers make decisions on merchandising after define the roles of categories. Moreover, after determining sales and margin targets for each category, retailers make up profit and loss budget for each category. In addition, retailers have to analyze those questions for each category: ‘ Which brands should take part in each category?’ and ‘how many types of products for each brands should take part in the shelves? At this point, the scene is suppliers’. It is important retailers to determine the right suppliers who will be their major business partners. In this context, the main objective is to ‘grow and gain together’. Question regarding supplier-retailer relationships is how the two parties could best collaborate and create value for both of them as well as the consumers. Retail industry, partly due to its own activity and partly due to the pressure from competition, has been considerably proactive in creating ways that could enhance the profits and operating conditions for all involved parties.

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