



Category management: A retail atmospheric disciplinary approach to bring footfalls

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Abstract

A process of managing all SKUs (stock keeping units) within a product category that involves the simultaneous management of price, shelf space, merchandising strategy, promotional efforts, and other elements of the retail mix within the category based on the firms goals, the changing environment, and consumer behaviour.

Category management is the concept that was introduced at the beginning of the early 1990's together with efficient consumer response in the retailing industry to stop the decrease of customers and profitability.

Category management is regarded as the 'new science of retailing' due to the following reasons:

- It involves a systematic process in various retail situations.
- It focuses on decision making based on complex analysis of three types of data.
 1. Consumer data
 2. Scanner data
 3. Market level syndicated data.
- It replaces brand bias that stems from a suppliers interest in maximising market share with an objective linked to consumer desires.

The evolution of this concept is very much linked to the developments which are taken place in the field of supply chain management and technology. Wherein technology plays a very pivotal role in providing information about the market. The idea behind the concept is to tailor the needs of customers through different product offerings. This concept is totally based on two aspects which are as customer satisfaction and maximising returns for the organization.

The focus of all supplier negotiations is the effect on turnover of the category as whole, not just the sales of individual products. Suppliers are expected, indeed in many cases mandated, to only suggest new product introductions, a new promotional activity if it is expected to have a beneficial effect on the turnover or profit of the total category and be beneficial to the shoppers of that category. The concept originated in grocery (mass merchandising) retailing, and has since expanded to other retail sectors such as DIY, cash and carry, pharmacy, and book retailing.

The scope of this study is limited to the use of category management in retail industry, because here, besides retail and manufacturing industry, category management is most common. It is more complex when it comes to retailers view towards category management, when the products are categorised in super markets or any retail outlets.

Category management helps in identifying the possibilities of innovations and techniques and availabilities of stock. Merchandising the stock at the time of categorizing is a disciplinary process as it saves time and is effective in nature.

Keywords: category management, merchandising, SKUs, ECR (efficient consumer response)

Introduction

Nowadays, there are many unsolved problems in the quality of hospitals' health care services and the patients' satisfaction is still quite low in Vietnam. Therefore, The Vietnam Ministry of Health have promulgated many Circulars, Category management, the concept of managing categories as strategic business units which means that all products need to be placed in a disciplinary approach. Category management plays a key role in retail success as it is an important pillar of store atmosphere. Category management and its activities or functions are very important such as pricing of the product, assortment management, shelf management versus prices; promotion planning and merchandising cannot be over-emphasized. Category management is focused mainly on

satisfying customer needs and requirements, and on the whole profitability. Without effective category management, a retailer provides the competitors with an opportunity to outperform you on this and which will lead to decreasing sales and losing customers. There are wide range of researches, studies and theories covering the basics and concepts of category management. Literary the most commonly accepted of these is the eight-step category management business process outlined by Efficient Consumer Response (ECR).

The main objective of this article is to provide insight into how to close that gap by setting up a practical day-to-day category management business process that is focused on effective execution; the sourcing of these categories and presenting it on one common ground, this concept is based on the "Journey

from visualization to execution” in a strategic appearance. Category management can be taken into consideration that it requires a next advance level of more structured, analytical and data-driven approach to follow the concept in a more effective manner. The category management which is a disciplinary approach which is more in an intended form towards the structure, space and visual outlook of the store. The scope of this study is to ensure category management is data driven, encouraged an analytical approach and above all it is simple enough to use and function in reality. Implementation of ideas and systematic changes to bring a mesmerizing event in store atmosphere through category management needs a thorough understanding of category management as well as expertise experience in managing systems and change management, category management is cycle within the store which starts from planning, sourcing, visualizing, meeting demands of the customer.

Execution is the key to unlock the ideas. Although theoretically have the right route to market, the appropriate products, the best campaigns, effective merchandising and excellent sourcing, the moment of truth comes when it is time to execute.

In personal experience, the difficulties only become apparent when retailers attempt to execute their set strategies in stores. It is essential, therefore, that the plan for excellence in both design and delivery – and this is especially true in the case of category management.

Category management

“Category management is a process for managing product categories as business units and customizing them store- by-store, so as to meet customers’ needs”.

Category management is a retailing, purchasing, sourcing, analyzing approach in which the range of products, procured, purchased, managed, presented by a business organization or sold by a retailer is broken down into discrete groups of similar or related products; these groups are known as product categories. A systematic, disciplined approach for managing a product category in a strategic business unit, the phrase "Category management".

Review of Literature

Verma Amit (2009) ^[8] 54 – ‘Category Management-Merchandise buzz in Retail Operations’, this article presents an overview report through literature survey on the concept of category management in retail operations based on the exposition on category management given in research papers. Category management has improved a lot in terms of new techniques and has gained importance as a result of dynamic changes in consumer outlook coupled with increasing competition. It helps to ensure better product planning on the retail shelves so that it can increase profitability and meeting consumer demands.

Levy Michel, Weitz Barton A., Ajay Pandit (2009) ^[2] 5- ‘Retailing Management’, Sixth Edition, Tata McGraw-Hills Publishing Company Ltd., New Delhi. This book sparked out retail scene which looks phenomenal even against backdrop of recession. Though retail giant “India has characterized by a dominant non-organized retail sector”, which accounts for whopping 95% of the total retail turnover. It throws light on the various important issues like world of retailing.

Retail Strategy, Merchandise Management, Store Management, CRM Human Resource Management, category management and relevant case studies. In addition to above, vital subjects such as brand development, retail site locations and retail market strategies have been handled in a different way.

Pradhan Swapna (2009) ^[4] 6 - In her book, ‘Retailing Management: Text & Cases’, 3rd edition, Tata McGraw – Hill, New Delhi, clarifies concepts of retailing. It also throws light on retailing in an international context as well as trends in retail in Asian countries. In addition to these private label and category management are also included in revised edition. Store operations, Human Resource Management and organizational structure provide essential information for those who study retail management.

Gupta S.L, Tripat kaur (2007) ^[7] 16 – ‘Exploring the trends of retail formats in India – A study of Shopping malls’, this study presented an overview of the present situation of organized retail formats with a highlighting reference to especially shopping malls. It is concluded from the research that understanding of the shopper’s attitude towards different characteristics of the stores and retailers response towards the shoppers’ mood is reactive approach. The results suggested that if proper window display and other methods of presentation of merchandising and category management are properly placed in the store, the retailers are able to attract more shoppers. Study also focuses on product categorization, merchandise co-ordination and market segmentation.

The academic contributions on category management in extensive, and particularly on a practical level, are insufficient. One of the few articles that are using the terminology which is called as purchasing category management is written by “ Heikkilä & Kaipia (2009) ^[9]. They carried out an empirical research on seven companies in order to map how these companies formed categories and how that affected how the Purchasing and Supply Management (PSM) function was standardized. They summarized that the research on purchasing category management is very limited. However, they recognize that there are related topics that have received more attention from academia. This includes pooling of purchase items, commodity teams, cross-functional teams, and common requirements across business units, (Heikkilä & Kaipia (2009) ^[9].

Research Methodology

Objective

This study is to observe supplier-retailer and customer collaboration in fast moving consumer goods retail. Study focuses on efficient consumer response (ECR) framework and especially on its demand side practices. Study concentrates on the retailers store environment and the actions taken there through category management and category captainship practices. Aim of the study is especially to discover the actions and roles that suppliers can take as category captains and how these practices could be applied in retailers store environment.

1. To know the impact of category management on consumer behavior.
2. Whether category management is having an influence on purchases.

3. Is category management helping in promotional activities of the products?
4. To know the impact of category management on retailers and suppliers.

The study observes previous literature on ECR, category management in retail. Aim of this is to discover the current best practices and key findings around the research subject. Based on these findings, an initial research framework is developed. The study observes the attributes of a research which in this study is category management in retail. Based on its attributes, the initial research structure is revised for conducting a research in the case environment. The undertaking of Empirical study in this article consists of interviews with retailers who are operating in super market size stores and all retail chain stores. Interviews are based on themes around category management for the purposes of analyzing, the findings from the interviews are further and it is enhanced. To come out with a clear picture of the impact of category management on consumer behavior and category management versus effect on footfall, exploratory research is undertaken. Exploratory research is used to discover insights into the common nature of a research problem. To meet the need for a detailed overview of customer's perception and behavior, qualitative research is used because it discovers the true consequences and insights about the available data.

Due to the fact that the study was contextual in nature, thematic analysis was used to analyze the gathered data. Repeated data patterns were identified and sorted into themes and categories. Non-probability, purposive sampling was used where the samples were grouped in a process that did not give all the individuals in the population an equal chance of being selected. Participants were selected on the basis of their accessibility and by the purposive personal judgment of the researcher. The inclusion criteria for the purposive sampling for this research study were people who walk in to retail outlet.

The first round of data was collected by means of two focus groups, each with eight participants. Naive (simple and straightforward in one's way of thinking) sketches were used as a secondary measure to validate the data received in the focus groups. The naive sketches comprised of open-ended questions. In this way, two forms of data were compared with one another to gain the most data possible from each participant.

The focus groups were based on the use of visual stimulus material. The participants were asked a question derived from the research aim. The question used to structure the focus groups (the same question was also used in the naive sketches) was: "Do the category management of a store effects your decision to make a purchase?"

Results

Interesting finding was that no stores used standardized categories or classification systems, and the implications that have for the category work. While designing a unique 'home-made' categories might facilitate the categorization in itself, it might impede category work in the longer run. If stores were able to use the standard classification systems, they might be able to sort their spend data based on what suppliers offer, and not just what they are buying from that supplier. This could potentially provide retailers with valuable information when trying to identify savings potential.

Different retailers view towards category management is that they regard customers as an important factor in their business, since they are the one who buy their products and their shopping behavior is deciding factor for the retailer's profitability. It has found that to give more priority to customers demand will make them more profitable. Due to tough competition in the industry is important to keep loyal customers with them.

Retailers perceive category management as a new way of categorizing products. Instead of dividing products after brands and manufacturers, the products are divided more precisely after their purpose.

Category management helps in reviewing the process very clearly as in when it is required especially on special occasions wherein there is huge footfall in the store and it has to be managed effectively and concentrating much on the healthy and safety environment of the store.

Many retailers do not use the concept of category management in detail, but the majority of them categorize their products. At the beginning of the implementation of category management the retailers first used the concept which is known as departments, then it was further developed in supermarkets. The first element to implement seems to be decide the accurate placing of their products and try to customer behavior towards it.

Discussion and Conclusion

Category management is used by the largest retailer's chain in India, almost all largest retailers focus on this concept. However it is not used in very detailed manner as many theories of category management suggest, but the retailers have various plans to be implemented and elements which is to be included in order to maintain their brand and customers as it is a consumer oriented approach.

Another concern with the implementation of category management is the resulting lack of variety offered to customers. Concentrating on efficiency in logistics and merchandising may result in highly efficient retailing, there is a risk that the consumer experience is being given lower priority. This could lead to various problems in strategies, when store based retailing is becoming increasingly threatened by much more efficient for the customers. Home based retailing formats. Category managed product ranges are safe and offer the majority of consumers in majority of purchase decisions.

This research study suggests that many customers who walk in to the retail outlet are more influenced by the way how the products are positioned and categorized t makes them easy to shop and identify what they need.

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