CATEGORY MANAGEMENT:
THEORY AND IMPLEMENTATION IN AN ORGANIZATION

by

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PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

April 2014

Abstract

The Category Management process has assisted retailers with achieving sales and profitability growth during advantageous economic periods while maintaining profitability during economic declines. Through a comprehensive literature review of the Category Manager position as prescribed by AC Neilson compared with practical training of the Customer Product Manager position from within the Overwaitea Food Group the author will review the Eight Steps of Category Management to find parallels and deviations between the two roles. Through analysis of the two positions; strategies that are aligned will receive minor review while those strategies that have belong to only one party will be revisited in an attempt to achieve consistency between the two very similar roles and responsibilities. It is observed that the Customer Product Manager position is imitative of the fundamental Category Manager position with minor alterations.

The fundamental findings of this research will be designed in such a way as to assist future Customer Product Managers with an additional tool to further understand the roles and responsibilities of a new career path. The study will clearly address the relevance of such a role in the industry, while exposing areas for further development. Recommendations will include methods to educate all facets of the Overwaitea Food group retail operators about the Customer Product Manager duties and responsibilities in an attempt to align the two separate entities to share one common goal. Through research, key areas of inadequacy will be addressed such as the elimination of any education by AC Neilson pertaining to Vendor meetings, merchandising contribution fund attainment and SKU rationalization for the category review chapter. Recommendations of key findings will not be limited to either party, as the purpose is to find the most practical business solutions to accommodate future growth.

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Introduction

This paper will serve as a guideline to assist those newly trained Customer Product Managers with additional information that can be utilized to complement previous required training. This training is designed to become a self-study tool which will provide additional industry insights to ease the transition into a new role within the Overwaitea Food Group (OFG). The intention of this paper is not to replace, but merely enhance the rigorous training process to which new CPMs have previously been exposed.

The purpose of this paper is to serve as a guideline to support and complement the pre-required Overwaitea Food Group training offered within the Langley Office. This will aid Customer Product Managers to become familiar with the eight steps of Category Management as prescribed by AC Nielsen and allow an understanding of how these steps correlate with the in-house training. It is important to recognize that this paper will not replace OFG training but is simply developed to augment the training. The following sections will outline the objectives and methods of the paper, followed by an overview of the focal retail company and the role of AC Neilson in the retail merchandising process. Next, the position of Category Management in the merchandising process will be outlined and the initial training that new category managers receive when beginning their new position within the Overwaitea Food Group will be detailed. The remainder of the paper will further develop the role of the Category Manager based on relevant literature and on the author's personal experiences over his first several months in the position. Taking into consideration that the Category Manager position requires continual growth, personal observations and experiences discussed are limited in scope to the duration of the paper. The paper will conclude with recommendations regarding improvements for the training process and suggest areas for future studies.

Objectives and Methodology

At the end of this paper users will become familiar with:

- The eight steps of Category Management;
- How each of their training sessions tie in with the eight steps;
- The modified approaches of Category Management;
- The rationale for each technical system from the original training;
- The importance each application of training has within the eight steps of Category Management;
- The importance and the flow of each application learned through the OFG training.

Industry specific discoveries will be learned through a literature review process in conjunction with personal observation as a basis to complete the paper and come up with some key recommendations.

Chapter 1 Company Overview

This chapter will provide a very brief look into the rich history of The Overwaitea Food Group, a privately owned grocery retailer that has been operating in British Columbia for nearly 100 years. Overwaitea Foods currently has over 140 retail locations throughout British Columbia and Alberta.

"Over weight tea Foods"[1] originated in New Westminster in 1915. The first store was created by R.C. Kidd with the guiding principal of giving back to the community. Kidd's strategy was to give 18 ounces of tea for the price of 16. This single store concept did not last long and as Kidd expanded his operations he altered the name to Overwaitea Foods. The type of business that was being operated at that time would now be considered a convenience store. There have been many changes for a company operating in the same industry over nearly 100 years. (unknown, 2012)

In 1968 there was a considerable change to how Overwaitea Foods operated. Jimmy Pattison, a Canadian entrepreneur, purchased the Overwaitea Food Group with plans of expansion through vertical and horizontal integration. While Mr. Pattison's accomplishments have been well recognized in British Columbia (The Jim Pattison Group Investments and Partnerships, 2013), his accomplishments within the food industry have been even more impressive. The Overwaitea Food Group currently operates 129 locations under 6 different banners: Save-On-Foods, Overwaitea Foods, PriceSmart Foods, Cooper Foods, Urban Fare and Bulkley Valley Wholesale. There are over 15,000 unionized employees working in these locations, approximately 500 head office employees and over 500 non-unionized management

[1] "Over Weight Tea" was the original nick name coined for Overwaitea Foods. The name was derived because R. C. Kidd was famous for selling 18 ounces of tea for the cost of 16 ounces every day.

members working in the stores. With further plans of expansion underway, including the possible acquisition of other retail locations as well as the creation of several new locations over the next couple of years, there is a constant need to address every possible opportunity for cost saving measures to keep the working capital freely flowing. During the last 45 years OFG has addressed everything from manufacturing to point of sale, ensuring that the correct functions have been tendered to third parties while taking care of what our people can best accomplish while saving the company money. OFG has their own product lines amassing as many as 3,200 SKUs.

This paper focuses on the functionality and requirements of Category Managers (CPMs), Customer Product Managers at OFG. With millions of Point of Sale (POS)[2] purchases weekly, the role of CPMs is to best capitalize on sales opportunities within the organization. The purchasing and selling concept must fully be understood within the organization to take full advantage of every key opportunity. Along with this, the concepts of strategizing alongside key vendors and suppliers to accomplish common goals of sales and profitability are of the utmost importance. With further expansion of the company, greater impact can occur from the decisions that are made by CPMs. Each decision can potentially impact the company by hundreds of thousands of dollars and a strong emphasis needs to be placed on overall decision making process.

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[2]POS is terminology for Point of Sale (items that have been rung through a sales register for purchase by the consumer).

Chapter 2 AC Nielsen Overview

This chapter will provide a minor background on the AC Nielsen Company which is the leading provider of market research data serving more than 25 countries.

"AC Nielsen Company of Canada measures and compiles statistics on television audiences." (Bloomberg Businessweek, 2013) AC Neilson sells the stats and data to a various group of organizations including: media, advertisement agencies, television channels, local cable stations, radio, and retailers. The reason a company would purchase statistical information varies in each industry all with one common goal of obtaining information to empower the ability to have a better understanding of the needs and desires of consumers.

AC Nielsen's headquarter is located in New York City. (Business Intelligence/ACNielsen: Retail Riches - See more at: http://www.baselinemag.com/c/a/Projects-Data-Analysis/ACNielsen-Retail-Riches/#sthash.4eJAkoqb.dpuf, 2005) AC Nielsen was established in 1923 and as of 2005 had over 20,000 employees working around the world. In 2001, Walmart made the decision to stop supplying market information to AC Nielsen. In fear that research would become de-evaluated, Nielsen needed to come up with alternate arrangements to seek out the information. Through this difficult time Nielsen created Home Scan (Panel., 2004-2013). This innovative system for obtaining customer product knowledge is very primitive. AC Nielsen went directly to the source and hired regular consumers from several different demographics to utilize product scanners and essentially scan every item they purchase from every store. The benefit of a program like this is that they are seeing real time purchases;

the drawback is that this is currently a small sample size. AC Nielsen currently has over 250,000 households participating in Home Scan covering over 25 different countries.

AC Nielsen states their objectives: "We are a leading global information and measurement company that provides clients with a comprehensive understanding of consumers and consumer behavior. We deliver critical media and marketing information, analytics and industry expertise about what consumers watch (consumer interaction with television, online and mobile) and what consumers buy on a global and local basis. Our information, insights and solutions help our clients maintain and strengthen their market positions and identify opportunities for profitable growth." (About Us, 2013)

AC Nielsen delivers consumer analysis in over 100 countries, including both established and emerging markets. AC Nielsen has some competition but maintains market leadership throughout the industry in most of the services they provide. The analysis that is provided by AC Nielsen is realized through continual evolution of their data collection process. They continue to challenge the traditional formats of obtaining information through innovative measures. This company has a strong research and development team focused on continually improving the process to ensure that the largest focus group can be obtained.

"We align our business into two principal reporting segments, What Consumers Watch (media audience measurement and analytics) and What Consumers Buy (consumer purchasing measurement and analytics). Our Watch and Buy segments are built on an extensive foundation of proprietary data assets designed to yield essential insights for our clients to successfully measure, analyze and grow their businesses. Our Watch segment provides viewership data and analytics primarily to the media and advertising industries across television, online and mobile screens, while our Buy segment provides retail transactional measurement data, consumer behavior information and analytics primarily to businesses in the consumer packaged goods industry." (About Us, 2013)

The idea is to link the two systems so that they work in sync to provide the ultimate advertising experience for the suppliers and companies that utilize AC Nielsen. By analyzing the consumer needs and shopping patterns by varied demographics AC Nielsen makes advertisement recommendations as to when, where and who the advertisements should be focused.

John Larkin representing Spectra[3] (John Larkin, 2000) discussed the importance of brand awareness and product knowledge going into the new millennium. What John Larkin probably could not have foreseen at this point was the technology that his company would produce through collaborating with AC Nielsen. Currently Spectra and AC Nielsen are in the developmental stage of a brain monitoring system that consumers who are employed by AC Nielsen will wear while they shop. The electrodes will monitor the thought process of all employees while they shop to determine what impulses they have while they are perusing the shelves. AC Nielsen wants to fully understand what emotions are triggered in which demographics and how these impulses can affect the daily shopping patterns. This next phase is in its infancy, but time will tell if this plan fully comes to fruition.

When most people think of AC Nielsen data they tend to envision Nielsen reports which are television ranking systems. While television and radio stations are rated based upon Nielsen data, the common consumer is unaware that much of the innovation that occurs in most retail stores are derived from consumer data collected from AC Nielsen. As previously stated, Walmart

[3] Spectra is a technology company that provides web based functionalities for AC Nielsen

stopped utilizing AC Nielsen data in 2004, however in 2011 Walmart decided after more than a decade to once again share some of their POS[4] with AC Nielsen. (Cheng, 2011) "This expanded relationship with Nielsen will provide Walmart and Sam's Club with deeper insights into customer purchasing—and unmet needs—both nationally and in key local markets," said Cindy Davis, head of Walmart global customer insights, in a statement from Nielsen. This turn of events occurred while Walmart's store sales were in a constant state of decline in the United States market. The one important implication of renewing their partnership with AC Nielsen is the knowledge that the American competition would be able to receive due to all the information that Walmart would then be contributing to the network. In Walmart's absence the validity of the information being utilized by AC Nielsen was in question. Eliminating retail sales information from the number one retailer in the world definitely had an impact on the quality of information that was being provided by Nielsen. In addition, adding Walmart back into the AC Nielsen portfolio further enhanced the credibility of the data which allowed AC Nielsen to develop additional relationships with new businesses to which they had not previously been connected. "It's going to help everybody get a realistic picture of their market share," said John Long, a retail strategist at consulting firm Kurt Salmon.

This partnership has provided Walmart with greater capabilities to fully understand the consumer while enhancing credibility for AC Nielsen.

[4] POS is an abbreviation for Point of Sales. (Cash registers)

Chapter 3 Training Process

This chapter will provide readers with an introduction to the training requirements that are currently practiced within the Overwaitea Food Group for new Customer Product Managers prior to commencement of their new position.

There is a well-structured three week training course designed to ensure that new CPMs have the fundamental skills and knowledge to fulfill their new role within the Overwaitea Food Group. **(For training schedule refer to Appendix 1)**

On the first day new CPMs meet with the General Manager of Merchandising. At this time they will be provided with a brief overview of what the job entails with some names and contacts of key stakeholders that can assist with direction and support if needed. The following lessons come from existing CPMs who prepare recruits for what the first week of training should look like and they are told that over the next five days they would see every process necessary to perform the functions of a CPM. This is where the process becomes a little overwhelming. The remainder of the day consists of having an office tour which is daunting (it can take new people five days to be able to self-navigate their way to the cafeteria without a map). After the tour and introduction to well over 100 people, which is difficult enough, trying to remember all the names becomes problematic. New hires then start in on sessions with department managers of different tools and resources needed be able to do the daily tasks.

In the first day recruits meet with the manager in charge of the AMP software.[5] This is a computer system that was produced in Europe and is utilized to input all of the sale items in all banners[6] throughout the company. New CPMs are then taught in a single two hour session all the processes involved in creating a flyer, creating in-store sale items, building regular retail prices and inputting pricing families[7] and categories. This system is quite daunting and even employees who have been in this role for several years still find challenges with the system, but the overview is necessary as this becomes one of the most important tools for any CPM.

On the same day recruits are trained by the lead manager in charge of A-series software.[8] This system allows CPMs to input original pricing, check on warehouse stock levels, product availability and timeframes of when new purchase orders will be arriving to warehouses and when they will hit store levels. This software is primarily used by category buyers, but is still has functions that CPMs use such as approval of cost increases, decreases and the acceptance of new line SKUs.

During that same day recruits meet with OFG's head financial analyst for the merchandising department. The financial analyst discusses the importance of Category Management and the pricing strategies for each banner and how segmented locations, regions or geographical areas can assist with the CPM role. Recruits are then trained on price elasticity and the need for clustering stores to the need of the consumer versus simply basing merchandising

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[5] AMP software is the advertisement, marketing and pricing software utilized in OFG for regular and promotional pricing of every item in every store for the company.

[6] Banners are a term to explain different names of stores operating in one organization.

[7] There are several different names of the grocery stores that belong to the Overwaitea Food Group. Generally for contractual purposes these different names have appeared over several decades. Currently OFG operates stores under the name of Overwaitea Foods, Coopers Foods, Save-On-Foods, PrceSmart, Bulkley Valley Wholesale and Urban Fare.

[8] A-Series – Inventory management tool.

decisions independently on geographical location. The head analyst educates recruits about price points, sales, flyer positioning and key drivers and opportunities.

The next training opportunity is given by the director who acts as a liaison between the stores and the office employees. Discussions involve understanding the difference between each operating banner and what CPMs can do to better support the retail locations while ensuring that goals and objectives are met without sacrificing the needs of the customers at store level. Such sacrifices could include only selling items with large margins or items that vendors have offered great rebates on without considering the demand of the customers. Other areas of concern to the customers could include the oversaturation of the sales floor with additional displays that is not necessary, and could hinder the ease and speed of the customer's shopping experience.

To conclude the first day CPMs visit with the General Manager of Corporate Brands. Discussions will involve what the role of a private label entails. Western Family is the private label used by the Overwaitea Food Group and the lessons cover the profitability of the category, as well as the importance of leverage[9]. It is common knowledge that corporate brands, which are often produced by the national brand manufacturers, provide consumers with a more affordable offering at a higher margin for the store, but what seems to be less known is the power of leverage that a good corporate brand product can provide against the national brands. When a company has a strong corporate brand the cost structure can become significantly reduced when negotiating with vendors based on the consumer loyalty that the in-house brands provide.

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[9] Retailers use their private label to ensure that national branded vendors understand that there is an alternative to support the needs of the customers. If the cost structure is not adequate from the national brands many times companies will merchandise their private label more frequently, reducing the demand for the national brand which usually coincides with the national branded companies offering cost reductions to once again rebuild their market share.

The next day, the first few hours start with a lesson about the Aztek computer system with the manager in charge. Aztek is a third party vendor that works in the Overwaitea head office and though Aztek operates in many different chains throughout Canada, the Langley office team works exclusively for Overwaitea Foods. The Aztek system essentially monitors every POS transaction to ensure that schematics (planograms) are designed to optimize key sales and profitability opportunities. All transactions are taken into account when the layouts are processed. The shelf design is developed to ensure the right items are positioned in the right space to create customer awareness as necessary for each product in each store throughout the entire company.

Next CPMs will visit with AC Nielsen; another third party provider that has a division working exclusively at Overwaitea Foods. Recruits will be led through a two hour presentation regarding the benefits of AC Nielsen data. They are shown the functionalities that will be most prevalent to their specific role, such as: vendor scorecards, how to evaluate a supplier based upon their monthly or year-to-date purchases, sales by unit, sales by value, profit, scan margin and "spend"[10]. Their spend within OFG is completely broken down by: scan backs (money received back from the vendor based upon the units that are sold during an allotted time period), flyer allowance, newline listing fees, tribute ads, half page flyers, gatefold flaps, product recalls, volume incentive programs, charitable donations and in store programs and contests. At the bottom of the scorecard the two final numbers that are important to review are the net scan margin and the net profit margin. This is a very good tool for analyzing current business with a certain vendor versus previous history with the same vendor, as well as how vendors with similar product lines compare to one another. Another excellent tool from AC Nielsen is the supplier

[10] Spend is a term for the portion of revenue that suppliers reinvest in the firm by nature of advertisement or display allowances.

Meeting Report. This report analyzes how the supplier's products are performing in OFG versus the current performance in the market place. CPMs can assess the previous 12 weeks or the previous 52 weeks and see how the performance matches up against retailers in Western Canada or the entire country. This is a useful tool because it allows analysis with regards to marketplace positioning and aids in the decisions regarding over- and under-development in certain categories.

During the initial training there will also be meetings with software engineers employed at the Langley office. These engineers designed and developed company specific versions of a software system which is called QlikView. QlikView is another analytical tool which feeds off the POS system and creates reports based on actual sales through the till. These reports are exceptionally useful for forecasting potential sales lifts based on promotional activity during a time of promotion. These reports hold years of data that can be retrieved at any time based on criteria chosen by the end user. The information is extremely effective because the user gets to set the criteria parameters. As an example, each week when anticipating the expected lift of sales items that have been put in the promotional flyer eight weeks in advance CPMs can have a report run to advise them of how many units have sold of any item at any given time in the past. Items are then analyzed to assess expected unit lifts versus estimates the forecasting team anticipates. This becomes useful as the buyers can focus eight weeks in advance to decide how many units will need to be procured from the suppliers. The relevance of this process is to ensure that OFG will have adequate stock to support the advertised specials when the time arrives. If an item is expected to have a specific percentage of lift, the supplier will need to ensure that they have produced adequate stock or OFG will be shorted and customers will become dissatisfied.

The next lesson pertains to the Portal[11]. This system is designed as a tool to work directly with suppliers to ensure that they pay as agreed. Vendors pay for items such as flyer space, warehouse listing fees, shelf allocation space, volume buying when a great promotional offer is on, larger than normal advertisements such as half page ads or gatefold advertisements[12] and any special offerings such as Scan and Win promotions or customer giveaways and donations. The Portal system helps alleviate paper trails and ensures that contracts are paid in a timely manner while mitigating potential errors. Upon submission of a contract the CPM logs into the portal to ensure that the funding, time frames and offer locations are all submitted correctly. Assuming all has been input accurately, the CPM needs to accept and approve the contract which then gets sent through to the merchandising clerk for the category who processes the bill for payment. This is similar to an ATM process which ensures that funds are made available and are paid immediately.

An experienced CPM will train recruits about the attributes of the 931 and the 933 report[13]. These reports are also generated from the POS and are utilized to analyze items based on their categories, families and individual SKUs to tell CPMs how many units have been sold and what the value is, what the scan margin[14] is off each item or family, as well as potential profit for each item and other variables. These reports are great tools for SKU optimization when researching end plans or display ideas. The reports allow CPMs to dive in and see where the department is trending compared to the previous year on certain items.

[11] The portal is directly related to the Spend that was discussed in footnote 5.
[1212] A Gatefold advertisement is the folding flat that protrudes over the front or back page of an advertisement flyer. This provides Overwaitea with additional advertisement space that can be sold to suppliers.
[13] Inventory management reports that contain product descriptions, variant numbers, units sold, pricing and profitability.
[14] Scan margin is a KPI that tradition retailers use to determine the value of product costs verse product sales. (Retail-Cost) / Cost = Scan Margin percent.

The most crucial lesson regards the overall planning phase of the business. This is where an existing CPM coaches new hires on how to take all the aforementioned tools and put them into practice in conjunction with the vendors to decide when to display products and at what frequency and price. At this point there is no standard version or template for the planning phase for the CPMs to use; however the process remains the same. A 52 week electronic template is chosen and by working with the vendors, CPMs find when each item is best displayed with the goal of optimizing sales and profit for the category. Certain items sell better at certain times, such as seasonal items (an example would be turkey at Thanksgiving, Christmas and Easter). After deciding when items will be advertised, the frequency of advertising and the pricing strategy next needs to be discussed. Aztek or QlikView can be utilized to check on sales lifts pending on suggested retail. The idea is to ensure profit dollars for the company break even based on sales forecasted lift. There needs to be anticipation that a reduced sale price on an item pays off the investment by selling enough additional units so that the penny profit[15] is equal or greater than if the item had not been advertised. A CPM must keep in mind that there are times when loss leaders will be advertised and there will not be incremental gains off of every item advertised all the time, even with scan backs[16] and vendor support. Next there is a need to put the items onto a weekly planner that can be printed off and kept in a 1-52 file or book for record keeping and ease of recovery when needed. After the planning for the week is completed items are entered into the AMP system by their variant number[17] so that it can actually become an advertised price. Prior to the week of the advertisement there is follow up to ensure that the pricing and product descriptions are accurate in the flyer. After the sales week has been completed the reports discussed above all need to be processed to ensure that the sales proceeded

[15] Penny profit is a term to define the actual profit in form of value as opposed to a percentage based margin.
[16] Scan backs are the volume buying incentive money provided by suppliers to supplement a reduced sale price.
[17] Variant number is a number attached to each product that is used for ordering of the product.

as expected. CPMs measure their estimated sales against the realized sales to measure the accuracy of their assumptions. These reports become part of a greater database with additional information for the next time the product is on sale. There is a great deal of analysis involved to ensure that the right item is advertised at the right time, with the best frequency to optimize sales and profitability.

A method that CPMs can use to fully understand what pricing should be established for sale items is a pricing calculator. This item is especially useful when putting on in-store promotional activity. The pricing calculator is a tool to measure the scan margin and scan dollars of potential sales by reducing the price of a product. The way the system works is by first putting in the base sales knowledge that can be taken from the Aztek or QlikView systems. First thing necessary is to establish a base price on the item that is being reviewed.[18] Once the base price is established, CPMs can then look onto Aztek or QlikView to see how many units of the item sell at the regular price. The base price and base units sold are used to calculate how much profit is made from the sales of the product without any form of advertisement. The next step is to decide on the suggested reduced price. Once a price is decided a CPM can once again use Aztek or QlikView to determine how many units of the product have sold in the past at a similar price during a relatively similar time frame during the previous year. Once a suggested amount of units are established, the new price and units are than put into the calculator. The calculator then does the math to advise the CPM what the new profit will be by reducing the sales price. If the advertised item generates reduced profits than it would if it were not to be advertised there needs to be some justification. Occasionally there are additional reasons for a CPM to feature a product when they are reducing profitability. Occasionally targeted sales for a particular family of

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[18] Base price is the regular price that the item is sold when void of any discount or offering.

products may be underperforming compared to targets agreed upon between CPMs and vendors. If there are set targets that come with a financial payout for achieving year end quotas, the CPM may sacrifice profitability for an item in a weekly flyer to try enhance the unit sales to ensure that targets are achieved by year end.

There is a great deal of additional knowledge addressed in the first three weeks of the CPM position, however most is too detailed for this report. **(For application training refer to Appendix 1)**

Chapter 4 Category Management

This chapter will guide readers through several insights that assist retailers with reaching decisions that impact the purchasing concepts used by retailers to cluster products into groups of related products.

Category Management has been defined "Category Management is a retailing and purchasing concept in which the range of products purchased by a business organization or sold by a retailer is broken down into discreet groups of similar or related products; these groups are known as product categories (examples of grocery categories might be: tinned fish, washing detergent, toothpastes). It is a systematic, disciplined approach to managing a product category as a strategic business unit." (Category Management, 2013)

The first clarification that is necessary is that Overwaitea Foods employees under the title of Consumer Product Managers or CPMs are actually known as Category Managers throughout the industry. I will use these terms interchangeably throughout the provided literature. Overwaitea Food Group will be written as OFG for the remainder of the paper. The phrase "Category Management" was first used by Brian F. Harris in the mid 1980s. In CPM positions at OFG the categories have been pre-defined and selected[19] by the Directors of Merchandising (formally known as Senior Customer Product Managers)[20]. The categories are broken up into various strategic units and in case the role has yet to be defined, a few examples include: frozen foods, dairy, pop and chips, cereal and portable snacks, bulk foods and natural foods. Though there are many other categories it would prove redundant to list them all.

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[19] All categories already have a definition in OFG. There are many categories already divided into sub-categories. Examples would include: Frozen foods (Classification) – Ice Cream (Category) – Seasonal Ice Cream (Sub-Category) – Novelties (Sub-Category)

[20] Category Managers report directly to Directors of Merchandising who reports to the General Manager of Merchandising.

The key concept of the position of a CPM is to increase sales performance of the category while contributing positively to the bottom line and overall objectives of the company. There are many different strategies that need to be considered with regards to this goal and these will be expanded upon in the latter sections when comparing the training programs that new hires have previously attended with the eight steps of Category Management as reviewed in AC Nielsen's Consumer-Centric Category Management by AC Nielsen with John Karolefski and Al Heller, 2005.

Another key reason for the development of CPMs is strongly tied to the relationships between the suppliers and the retailers. It is important to fully develop not only one brand of product but to develop the entire category. If there are too many feature promotions on one brand of product and very limited feature promotions on the corporate brand or the competitor the prices and profits will become eroded and soon enough the one featured company will essentially have a monopoly of the category as the competitors fall off or become discontinued.[21] Items generally will become discontinued when sales do not meet a sustainable level for the supplier to continue with production of the product.

Category "Captains" are often utilized in the grocery industry. This is when the retailer selects a supplier who has great insight into the overall needs of the category and is able to share an unbiased opinion of what needs to be done within the category to increase both revenue and profitability. In OFG these suppliers have often subscribed to a higher level of Aztek data [22] (see below) and can provide specific product data such as increased sales, price perception, consumer

[21] Discontinuation means the failure of a product to continue existence. Many times retailers will use the term discontinue when they simply mean removal of product. This misleads consumers to believe that the product no longer exists when it may just not be available in their store any longer.
[22] (Aztek is the company that OFG uses to create all schematics within the company.)

demand and brand loyalty. Some of the analysis that Aztek utilizes to develop a schematic[23] include sales lift, sales volume, profit percent, incremental lift and product positioning as well as many other key factors. This information can be observed at a macro level such as all brands and all markets, or can be broken down into smaller sample sizes such as Western Canada. There will be further explanation on Aztek in subsequent chapters. The suppliers can purchase packages with schematic programmers quite similar to cable bundles that one may purchase for home use. The larger the supplier and the more money that they spend with the Aztek Company, the more information becomes available to them. Generally speaking these are the suppliers that become category captains, however in certain situations a small company could become the Category Captain. The role of a Category Captain usually includes development of schematics, recommended pricing strategies, advice on key products that are important drivers of the category as well as industry information such as innovation. It is very important to comprehend the importance of the selection process when choosing a Category Captain. This decision is not one to take lightly. The chosen Captain must provide impartial, practical advice designed to better the category, not only their brand. This is a very difficult skill for many suppliers to attain, but some of the greatest companies in the world have chosen a strategy to provide the "what's right for the category, not what's right for their company information." A few of the largest suppliers in the world that often become Category Captains because of their substantial category knowledge include Kellogg's cereal and P&G. P&G is a very interesting company because they have mastered their categories with such dynamic passion as a result of the substantial portfolio that they oversee.

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[23] Schematic is synonym for planogram. The most simplistic definition would a detailed diagram of every item in the section and where they belong on the shelf.

The Competition Bureau, which is regulated by the federal government has some concerns about the increasing involvement of Category Captains as they feel that there exists a potential for the suppliers and the retailers to collude on prices, but with the advanced technology and tools readily available for alternate suppliers this does not occur as often as one would suspect. As a new Category Manager the role with Category Captains will become obvious when attending vendor meetings. When meeting with a supplier, key indicators such as verbal and written information can be observed that is either supplier specific in nature or is directly related to the overall industry. Once identified, these key suppliers will become highly useful when performing an overall category review (the process of dissecting the entire section, such as a pizza schematic), or when implementing schematic changes that involve the discontinuation of certain products. One may need to discontinue products because there is often limited physical space available in each section. When product innovation occurs and the choice is made to introduce new products into the schematic, something needs to be removed. This is not only at the store level. Just because there may be additional facings of the product on the shelf does not mean that picking slots[24] will be available in the warehouse. The warehouse is also designed like a schematic. Each item has a specified spot with a correlating pick number and once all those spots are filled there becomes no readily available space and an item will need to be removed from the system in order to introduce the new product. As well as CPMs, Category Captains have access to information from both the AC Neilson data bank and Aztek to in the decision making process as to what items should be removed.

[24] A picking slot is similar to an allocated spot for a product in the store with the only difference is that this is in a warehouse. The warehouse is also designed by schematic.

Chapter 5 Category Definition

This chapter will discuss the factors that contribute to the inner decisions that retailers must make regarding the structure of each individual category and the products that belong within said category.

Category definition as defined in an article by Jerry Singh, a managing partner for a Category Management firm "The process requires identifying the structure of the category and all the items (SKUs) that belong to the category. The output of this step is the category definition file that will be used to drive all analyses needed for the category plan. There is no formula for how a category should be defined. The definition can be broad or narrow depending upon how the retailer's target customers shop the category and the retailer's marketing objective." (Singh, 2000)

New Category Managers at Overwaitea Foods have already had their categories defined. However, there is no definitive completion of this stage, as the grocery industry is a very fluid environment. Within each of the categories that have been predefined for CPMs there are many subcategories and it becomes an important aspect of the job to implement strategy to enhance the revenue and profitability of these subcategories. As an example, let's discuss a new product line of cereal being introduced to the market place. If the category were so broad that it just became part of a cereal category there would be no merit to the classification. The category then is broken down into many subcategories; is it an adult cereal[25]? Could it possibly be a children's cereal?[26] Is it hot or cold cereal?[27] Is this cereal going to have a value offering[28] or is it a

[25] Adult cereal is categorized as a cereal that has greater nutritional content, traditionally with less sugar.
[26] Children's cereal is categorized as a cereal which is merchandised towards children. Traditionally these items will have further offerings such as toys in the packages, increased sugar levels, vibrant colors and packages with mascots, etc.

destination item?[29] There are many things to consider when deciding how this product should become subcategorized. The success of the new item could very well depend on the strategy and definition that has been chosen for the new item. Choosing wisely can set the item up for success. Many items fall into sub-categories quite obviously when they are listed. Going back to cereal for a moment, if Cheerios introduced another flavor (which they will, because they are constantly innovating) it is fairly obvious which category they will become part of, since all the Cheerios are in one familiar family. However; if a new cereal is introduced by a relatively new company and the item is first to market, there will be much more thought required.

Part of the definition of the product is to understand where the item fits in. We need to comprehend where the customers are going to look for this product. This is generally done through researching information from data banks such as AC Neilson. If OFG is first to market, the thought process should revolve around with which products the consumer might most identify the new product. If the product is similar in nature to another product, returning to the Cheerio example, then the product can become part of that pricing family which will initiate a sales item through the AMP process[30] when putting any other Cheerio on sale. New items are often in need of high merchandising exposure as well as frequent promotional sales opportunities to become successful.

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[27] Hot cereals are defined as any of the oatmeal products or cereals that are traditionally heated before consumption.

[28] Value offering can be defined as a package that offers a greater price perception. Warehouse boxes or bagged cereals will traditionally fall into this category.

[29] In the cereal category a destination item would pertain to an item that is exclusive to a certain location, usually a niche product or one that is generally more difficult in nature to procure. Items such as Gluten Free or Organic cereals would be common destination items.

[30] When pricing products into a family in the Advertisement, Promotions and Marketing software each time any of the products in the family are promoted the entire family of similar products will fall onto the same advertised sales price. The advertisement may only picture one item, but all similar products will be priced accordingly.

Chapter 6 Category Role

This chapter will provide clarification of why different categories are represented in the manner that they are. Information will be provided about eight different manners that categories traditionally become allocated in and the different concepts of marketing that correspond with each assigned category role.

The category role is "to identify the importance of the category to the retailer. This is the role the retailer wants the category to play within their store. A category can be used to bring customers into the store, increase foot traffic, support routine shopping needs, be a destination for seasonal/occasional purchases, a one-stop shop, or for convenience. Retailers may assign different roles to categories within their stores depending on the customers they want to attract." (DAN@CP54CPG.COM, 2012) **(For a category role flow chart refer to appendix 2)**

When managing a category this is a very important area of focus. All definitions of category role are as vague as the one above, which tends to imply that this is a one-time project—assigning the role and then leaving it alone. However, this is a mechanism that needs to be revisited many times throughout the year for each category and subcategory. As discussed in previous chapters there are subcategories that get broken down. We will use a tree as an analogy for the category. A tree has branches, and then leaves, pine cones and a tree trunk. Applying this analogy we can use frozen foods as an example. Frozen Foods may be the tree; the pizza category could be the branches, with family pizzas being the leaves and snacking microwavable pizzas being the pinecones.

Each category may possess different opportunities for the store. The first step is deciding what role this category should have within the organization. The most traditional roles that categories or subcategories play in the overall scope are: routine categories, impulse categories, occasional categories, and convenience categories. However there are many other roles that a category may play within the organization: seasonal, traffic builder, consumer loyalty, etc.

Returning to the frozen foods example above, the overall frozen foods department is seen as a basket builder. That means that the average customer who purchases frozen foods items tends to have a larger ring size[31] because they generally have a shopping cart with them, and because these are a semi non-perishable resource, they can stock up larger quantities. Looking at the subcategory of pizzas, this could fall into many roles such as convenience, traffic builder and price perception[32] roles. The pizza category has oversaturated the marketplace. There is always a brand of frozen pizza on sale and consumers are educated enough to know that there is always a pizza on sale. Most consumers are not so brand sensitive that they will not purchase an alternative product. However as we work our way down the tree, the microwaveable pizzas fall into the convenience category, as there are very limited brands and they are not often consumed, but they do provide a convenience for children or for a specific occasion. One way in this example that an item could play a destination role would be if the department lists locally manufactured products or niche items that no other stores else carry.

[31] Ring size is retail terminology which defines the dollar value that each customer spends when they purchase an order. All individual transactions are totaled up daily and divided by the amount of customers to establish a daily ring size.

[32] Price perception role is an item that consistently is priced at a greater price reduction than all competitors. Similar to an EDLP where the consumers understand the value of an everyday low cost item, but differing in the approach as these items have a floating retail price because when another competitive item is advertised this product will be reduced to remain the lowest price product in the market place.

Chapter 7 Category Assessment

This section will describe the need for data analysis and the tools that are available within The Overwaitea Food Group to run the necessary queries.

Category assessment can be defined as simply as it sounds. It is the process of assessing the category to seek opportunities to increase revenue through sales growth. To perform a proper assessment of a category one must dig deeper. Assessing sub-categories, brands and particular SKUs becomes a very important part of this process. As a Category Manager it is very important not to allow personal feelings for suppliers or personal tastes and beliefs in a product to control business decisions. Almost all business decisions need to be fully supported through quantitative and qualitative research. If the tools are appropriately used, then a truly impartial process for each item can be made.

This step in Category Management is where previous decisions are reviewed to ensure there are no alternate methods that can improve the category position in the market place, remembering that the role of a Category Manager is to strategically align the category with the objectives of increasing the overall company revenue or profitability. In order to clarify the last statement, the reason that the overall company's position is emphasized and not the category's revenue or profitability, is that there are categories that are set to either lose money or not make a lot of money as a strategic plan to drive traffic or fend off competition. Soda pop for example is a loss leader[33]. In the current market place retailers are not making money off the large suppliers in the soft drink category. If a Category Manager were simply to look at the cost and prices of the items in this category it would be easy to surmise that the retail pricing would need to go up so

[33] Loss leader can be defined as those items that are advertised below cost to drive customer transaction;a cost to the store undertaken to try and sell other items with enhanced profitability.

that the product line can at least hit a break-even point, because after all, the objective is to increase revenue and profitability. However; that narrow perspective needs to be expanded. One should consider what the competition is doing, what the relevance of the potential loss of sales to the company is and whether the foot traffic will diminish if the prices are raised. There are certain items in every category of which consumers are price conscious and the price sensitivity of these items is increased to such a level that if the price were to be raised the consumer may take their entire weekly shopping elsewhere. If a retailer were to raise their prices beyond the market on Coca Cola, Ketchup, Milk, Eggs or Bananas the customer will shop elsewhere. There are many processes that Category Managers at OFG can use to assist with finding out what is right for their department. Consulting with the lead financial analyst could be a tactic, but there are many other tools readily available. The POS data that is available helps determine the sales levels of each item. This system is so intricate at this point that it can be determined what percentages of consumers who spend certain increments of money on their shop purchase each item in the store. As an example, a report can be run to advise how many people who purchase a Coca Cola 12 pack of pop spend over $200 in total, and the POS data will be able to retrieve this information. This data can also be utilized for multiple purchases, through POS reports, CPMs can find out who purchased a 12 pack of pop along with a bag of chips, or who purchased those two items together with salsa. This may all seem redundant, but the reason for the example is to show that we can run enough data to assist our comprehension as to the importance of each item in the role that we have chosen for it.

Some of the tools that OFG utilizes include AZTEK, POS data and AC Neilson, QlikView, Crystal, 931 and 933 reports. As a company CPMs also have access to community profiles to allow for store by store demographi c concentration.

AC Neilson is used to set benchmarks and to see how all channels in grocery are performing. This information can be gleaned at a category level, a brand level and a product level. Information can be based on total Canadian sales or Western Canada sales exclusively. However, a main drawback of AC Nielsen is that the information cannot be driven down to a store specific level, that the information is always at least a month behind schedule. This system allows measurement of the performance of each category, brand or product versus the rest of the retailers in the marketplace. Looking at AC Nielsen can have some significant impact if a category is observed as underperforming in the market place. There might be a clear reason. It could be that the item is just not a focus for the company, or the problem could be of a more substantial nature such as pricing issues or product exposure. This information only tells a portion of the story and Category Managers must utilize all resources available to paint the entire picture.

The Aztek system works jointly with the POS system. What becomes observable when reviewing this system is the quantity of items that are sold at each retail price. This allows decisions to be made as to the best pricing strategy for each product. This is not a simple process. Just because more units of an item are sold by reducing the price does not mean the right choice was made.

The 931 and 933 reports that have been previously referenced provide information that is very useful to the department. From these reports CPMs can see what the costing, retail prices and sell have been through the year. From these reports each item in the entire department can be reviewed to check on individual sales, profit, and units sold. This can also be reviewed from a category or subcategory perspective so that accurate decisions can be made on poor performers or on high performing SKUs. From these reports we can determine the needs of the store and how to spend any additional display space or where to trim the displays down. If when reviewing a certain item on these reports it is noticed that there is an item holding down four spaces on the schematic but only moves an average of 3 units weekly in each store, it may become quite evident that the facings[34] are not justified and this space can be better utilized for new innovative items. Extra space could also be used to expand further on other lines that require additional holding power.

QlikView is another POS generated system that is extremely beneficial for Category Managers at OFG. This system is designed with functionality that allows many different levels of data analysis. Information can start at a broad level company view; can be broken down to banner[35] specific information or all the way down to store specific. Information can be reviewed about areas from sales to profit in this system based on categories, subcategories, vendor lines, product lines or individual SKUs. This information can be used this to assist with the understanding of sales, units, profit margin per item, sales lifts generated from reducing retails; penny profits, date specific information as well as current or two year trends. Category Managers can compare data from specific days or weeks versus any metric from previous time frames that are chosen. There is virtually no limitation as to what can be learned about the products that are carried within the stores. The only limitations to QlikView are the same as with Aztek or POS data, this information can only tell the story for what has already sold within the company. There is no information on new lines, innovations or items that a store may want consider that have been selling in other retailers. For this information Customer Product Managers must conduct

[34] Facings is a retail terminology for how many of the exact items are side by side on the shelf. Typical facings will be the width of a case in grocery so that items can be put on the shelf in a cut case to reduce handling individual units.

[35] Banner specific is the division of a company into alternate banners. In this context, information can be reviewed by Overwaitea Foods, Cooper Foods, Save-On-Foods, PriceSmart Foods or Urban fare.

alternate research such as AC Nielsen or Home Scan to observe the success or failures that other retailers have had with these items.

Chapter 8 Category Scorecard

This chapter will explain the use of category scorecards, where they can be sourced from and how they are useful for explaining the contribution of a department or category.

"Category Balanced Scorecard development requires identifying the appropriate metrics for category business development. The identified opportunity gaps are used to establish the scorecard targets. The scorecard should include metrics for sales, profitability, turns, and consumer loyalty." (Jerry Singh, 2000)

Category Managers in OFG mainly use scorecards that can be taken off of the AC Nielsen site. Access with emloyee number and password is required, not just a generic AC Nielsen site. Once the site is accessed the CPM number and password are used to access all the necessary vendor scorecards. These scorecards provide valuable information that is important to understand when having meetings with suppliers. This information (scorecard) will be broken down into subcategories by vendor. An example of this would be pulling a General Mills vendor scorecard. General Mills is a company with a portfolio that expands across several departments throughout the store and printing one scorecard would not highlight any relevant information. By utilizing a Category Managers password the AC Nielsn data becomes specified to the established categories of responsibility. However, that is not detailed enough. What area of General Mills needs to be researched? The next input required is the category such as vegetables or cereal, assume for this instance that cereal is being reviewed, there then becomes a need to expand further and obtain a scorecard based on children's cereal or adult cereal. Once the inputs have been completed there is a mechanism in place to complete the desired search. This scorecard is essentially no different than the AC Nielsen reports that have been discussed in alternate sections of this paper. The AC Nielsen report provides market information, based on either Western Canadian or the total Canadian marketplace compared with the stores sales. This information can provide a snapshot that allows a vendor and a Category Manager at a quick glance to decide if their product is performing to market standards. Again, there are further reports, background information and additional analysis required in order to fully understand the subcategories success or challenges.

This is one version of a scorecard. All reports can be viewed as a scorecard depending on what the goals and focus of the category are. Scorecards are relevant in any business because they essentially are how the goals are reviewed. Understanding the goals of each category and subcategory is a very important process, which is why this step follows along the 8 step process of Category Management as detailed by AC Nielsen. First defining the category, next assigning the role and the third step is running the analysis to assess the department, category or subcategory. Understanding what metrics are important in each area becomes crucial. A few examples that may interest a Category Manager include: revenue, units sold, profit, sales per square feet of merchandising space, profit dollars, profit margin as a percent, days of supply, inventory turns, customer counts, basket size, customer satisfaction, customers retention or penetration to the market place. CPMs should attempt to have a strong relationship with suppliers to support and create common goals and internal scorecards far greater than the simplified AC Neislon version.

There may also be targets and goals from certain suppliers that carry special clauses such as incentive bonuses and payouts for the company should the sales targets, unit targets, lift targets or other strategic goals be met. If any of these targets are established, expansive review of the key metrics would need to be completed on a routine basis to completely understand the business and know what the performance levels are in order to maximize the opportunities for success. Many times mistakes are made when establishing GIP[36] or exclusivity contracts.[37] The primary mistake is that CPMs will occasionally see the large payout at the end without fully understanding the potential loss of profits during the established time frame. By entering into a deal that provides large payouts based on performance such as growing sales by percentages as high as 25% with no new product offerings companies essentially form a partnership to provide additional merchandising activity for the supplier's products, many times at reduced pricing, much reduced than previously has been done. When this is done profit are lost throughout the year. CPMs need to fully analyse the situation to understand if the payout will fully compensateion for all lost profits. However a CPM must also look at opportunity costs. What is the impact on the items that are being advertised less frequently by a competing supplier or that may become completely eliminated? Would the return be greater by continuing with the original strategies with all exisiting vendors? All these items need to have full profit analysis research completed prior to executing any exclusivity or GIP targets.

In summary there is no one version of scorecards that will work as a stand alone tool to provide a crystal clear portrait of the department. Many reports such as the AC Nielsen vendor scorecard, financials statements, Qlikview, Crystal, Aztek, 931 and 933 reports as well as daily sales sheets may be necessary to gain all the required information for an area of interest.

This is as critical stage as any in the process because goals need to be established in order to succeed. Without a clear understanding of targets and goals failure becomes inevitable.

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[36] GIP is growth incentive plan. This is where targets of sales growth are mutually agreed upon and once goals are met there becomes an incentive payout for the company.

[37] Exclusivity contracts are when a supplier offers a CPM an incentive for the company based on severing ties with a competing vendor or limiting the availability of certain products to create larger than anticipated sales growth.

Chapter 9 Category Strategies

This chapter will discuss the strategies that retailers must decide when looking into departments, categories, product lines, or individual SKUs. This step closely ties in with previous steps including category assessment but provides further analysis to delve into the measurement of each strategy. This is the application of the previous steps and how successful the implementation was.

"Category strategy development is the step in the category business planning process when strategies are developed to deliver the category role and the category performance targets. The purpose of this step is for the retailer and supplier to develop strategies that capitalize on category opportunities through creative and efficient use of the resources that are available to the category. Strategies may relate to marketing and product supply strategies." (Rao, 2010)

One of the debatable concepts surrounding the eight steps of Category Management involves the order of which the steps are performedl. Many cornpanies have altered the eight steps by deleting steps that they don't find beneficial to their operation or have simply altered the flow of the process by reorganizing the steps. The development of category strategies essentially ties in with steps 1 and 2. Once the category has been defined and the role of the category has been established the strategy of the category and subcategories would now become the next logical step. The rationale for this would be that it is fairly hard to assess a category if the strategy of said category is not understood and documented.

There are several different strategies that a category could take on within the store. Each strategy can cause extreme swings as far as sales profitability and success of the category. The most common strategies that retailers concentrate their focus on include: traffic building, transaction building, profit generating, cash generating, excitement creating and turf defending. Each one of these roles is very pivotal in the overall operation of the company, but some of them may make a category look like a weak financial performer. For this reason it can be assumed that the strategy must be implemented prior to the assessment.

Traffic building strategies are those items that have either been put in your flyer at a great advertised retail price or that customers know that will have the lowest retail on an everyday basis. In order for a product to become the traffic builder the chosen item needs to be a customer-centric[38] item. If the focus is not on the consumer it does not matter what price point is offered; the purchase ratio per customer will not increase and additional traffic will not be driven. As an OFG Category Manager there are many resources discussed in previous sections that can assist with measuring the success of items. As a reminder, the POS system works directly with QlikView and Aztek which can support any theories that may have been established concerning the sales of specific products. As an example data can be pulled to see how many customers come in the store on each day of the week and at what times when Heinz ketchup 1L is on sale as opposed to Western Family ketchup. If continually retailing Heinz Ketchup at an aggressive retail produces 10% more frequency of shoppers than taking a loss on the item would be beneficial to the store and this item would be considered a traffic driver.

[38] Customer-centric items are those items that are focused on by the customer. Customers have a strong sense of product pricing strategies when dealing with items that they frequently purchase.

Similar measurement through the POS systems can be generated to assess whether certain items result in a larger basket size by the consumer. Any particular item can be measured to see what type of shopper generally purchases certain items. A few examples of this include: the average consumer who shops for coffee pods for a Tassimo Machine spend on average just over $120 every time they make a purchase. These are generally the higher end consumers with more disposable income. Another good example of transaction building is the frozen foods department; those who tend to shop for frozen foods are shopping with a shopping cart and filling their pantries.

Next, there are profit generating departments. These pertain primarily to the high impulse items that are either infrequently advertised or belong to a highly innovative category. Examples of this would include: General Merchandise such as toys, books and batteries, as well as personal care items such as shampoos and hair care. These are the items that are generally priced higher in each retailer and are often a way to compensate for the items in the store that are far less profitable.

Cash generators would be those items, usually with a high retail ring, that do not deliver high profitability. Commonly these items will also fit seamlessly in the traffic and transaction building categories as well. Case lot sales are a prime example of a cash generating strategy. These offers promoted at OFG 2 or 3 times annually will have a negative impact on the bottom line but they are a great opportunity to ensure that our customers are being taken care of with the best retail prices available on the market. The only problem with items or events such as these is the fact that they tie in with very little scan margin which can actually create a net loss when factoring in all expenses.

The excitement creators are those items that are either unique to an establishment or those events that a company does a better job at than their competitors. Items in this field would pertain to events such as Sunrype apple month, owning BC[39], Save-On-Foods recent inclusion into the Guinness Book of World records for the most pumpkins carved in one spot in history, or the new restaurants offered in Save-On-Foods Calgary. These are the items or events that the local communities cannot stop speaking about and will come directly to certain stores to see. As Category Managers excitement can be created as well. Generally this will consist of transaction building because it will usually come with an expense. An aggressive sale in the flyer that is unlike what a competitor has done will cause a stir in the community like none other. The problems with running a feature of that nature are twofold, first the consumers are going to expect to find a promotion of equal or better offerings at another point in time and secondly the competitors are always paying close attention and they will want to have an equally successful campaign of their own. Category Managers should also be cognizant of the bottom line which generally gets affected when running an overly aggressive promotion. Another form of excitement that can be generated by Category Managers is the listing of new items and promoting them accordingly. If a company is not the first to market on new innovation, especially when there is national media exposure, getting an item in the flyer so the consumers understand that this product is now available in the company will cause excitement.

Turf defending is the last strategy. This is the everyday product that the consumers require when they come to shop. These are not the "sexiest" items on the shopping list, but they are necessary for the consumer to complete their one stop shop. Items include light bulbs, pet food, and single non popular SKUs throughout the store. These are those items that customers

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[39] Owning BC is Save-ON-Foods initiative to always offer more local British Columbian products than any competitor in the world.

expect that the store will carry when they need them; they are purchased with less frequency than most but are also not flyer items. These are the items that you do not generally advertise because there is not a huge sales lift when you do. Take for example the foil rings kept under stove elements. Even if advertised for 50% off the consumers are still going to purchase them only once a year when they need them.

There is not a "one size that fits all" approach when deciding on the best appropriate strategy. Each category, subcategory, product line and individual SKU may have a different strategy under the category umbrella. To fully understand the relationship between each item and what strategy they belong to, it is imperative to run all the data through AC Neilson, Aztek, and QlikView. This may sound like a daunting task and it would be if a CPM was expected to do all of this work on their own. Most suppliers already have this information readily available to them since they own their product line and they have already completed the analysis of each of their SKUs to best understand what strategy works best for their items. Utilizing the information from key suppliers is crucial. Once again it must be stressed that relationship building with suppliers is a very crucial step in Category Management.

Chapter 10 Category Tactic

This chapter discusses the importance of overall corporate processes pertaining to optimization of assortment, schematics new product listings and pricing strategies. Readers will be exposed to advantages retailers can receive by the tactics they choose and the effects of corporate positioning.

This step simply expands on previous steps. If the marketing strategies are in place the Category Managers now need to focus on what is required to align department goals with those of the company. AC Nielsen quoted "How do Category Managers know that their assortment, price, promotion, merchandising, and supply chain decisions support their retailers' overall go-to-market strategies"? (Heller, 2006)

A Quantum research document suggests, "The first issue to address is the assortment of the mix. What process do retailers need to go through when contemplating assortment changes? The increasingly competitive nature of the grocery industry has enhanced the relevance for retailers to optimize their assortment to reduce the impact of an expanded market place. This process not only can dramatically increase margin and sales, but can also help localize store-level assortments and increase the efficiency of customer shopping experiences. When retailers offer too many choices, it can cause headaches for shoppers and supply chains alike, force unnecessary markdowns, and ultimately will take a toll on margin." (Retail, 2012) The only problem with this theory is the concern of eliminating SKUs from the mix that have brand loyalty. When assembling the mix there are numerous factors to contemplate. Allotment variation can be expensive on the warehouse and supply chain as suggested. The big concern is who retailers are competing with. Traditionally the stores that are able to succeed when dealing with low assortment levels are the EDLP stores.[40] The concept of most EDLP providers is lower SKU levels to reduce the RSP[41] frequency. Most EDLP providers essentially still provide an occasional high low opportunity by offering promotional activity on products, but this will occur less frequently than in traditional retail chains. The way the lower SKU level saves money for the company is by reducing the handling of the product. By having fewer SKUs there are less pick slots to fill in a warehouse, which maintains warehouse simplicity, less handling at store level because the employees will fill a larger quantity of one item to the shelf, less flyer activity, fewer signage maintenance issues, fewer IT[42] issues and there is less pressure on operating systems. The greatest cost savings that occurs for retailers choosing the EDLP approach is volume buying incentive opportunities. The more a retailer purchases of one SKU the greater the reduction in the cost of goods. So, the main detriment to this style of pricing is trying to compete with Walmart, Costco and other EDLP companies that have mastered this system by reducing inventory levels and maintaining a lean cost structure.

Retailers need to understand their customer demographics when choosing the assortment strategy. Are they serving a niche market? Who are their customers? In an article by Gilon Miller (Miller, 2012) he shared his ten fundamental rules to choosing product assortment. **(Refer to Appendix 3 for the Ten Fundamental Rules for Choosing Product Assortment, by Gilon Miller)**

Invariably there are infinite strategies of assortment mix in retail and choosing the correct strategy comes down to effective research of the demographics for each location and marketplace to ensure that the customers are given what they need.

[40] EDLP (Everyday low prices) Walmart, Costco, and other warehouse style retailers.
[41] RSP (Retail Sale Price)
[42] IT (Information Technology)

The pricing strategy can also be complicated. Though companies traditionally have a procedure in place that identifies the corporate pricing strategy, each category can have segmented pricing strategies. There are certain items of the overall product mix that data research indicates consumers will switch the location they shop at if the pricing is non-competitive. These prices are traditionally the ones the customers relate the most to and can cause several emotions during the customers shopping experience. Grocery items of this nature would include items such as: milk, bread, eggs, pop, chips, toilet paper, frozen pizzas, bananas and ice cream. Items that are considered to have low price sensitivity would be those items that are purchased far less frequently and customers do not relate to the pricing as they probably have not made a similar purchase for a year or more. Examples of these items could include: light bulbs, general merchandise, oven cleaners etc. In 2013 many retailers have expanded well beyond choosing a pricing strategy and trying to adequately implement it. There are several software companies that have developed price optimization software that links competitive pricing strategies to POS software to help choose the most appropriate price to attain the goals of the department. OFG chose Revionics[43] as a price optimization tool. The system is developed to a point where subcategories can be assigned individual tasks. Data can be input into the system to direct the item or family of items to become drivers in different opportunities. These subcategories or product lines can be chosen from any of the categories defined in category strategy and need to relate to goals that the CPM has for the given items.

Promotion and merchandising work hand in hand. The next idea after choosing the pricing strategy concerns the promotional activity of the product.[44] How often should the item be

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[43] Revionics is a brand of software utilized to generate the optimum regular price on all items based on strategies chosen by CPM's

[44] Promotional activity is the frequency that the item is advertised at a reduced sales price offering.

advertised and what pricing should it become offered at? Assuming that the idea is to generate additional profit for the company the idea would be to run some calculations based on previous sales history to determine optimum price that will generate enough of a sales lift so the penny profits are covered off by selling enough additional units. This math can be completed either on a profit wheel or the pricing calculator that has been defined in previous sections of the paper. As a quick reminder, the information is retrieved from QlikView or Aztek, which get the information from the POS. Regular sale price and regular units sold are entered into the pricing calculator. Next data pertaining to expected sales that we anticipate based upon the data retrieved as well as anticipated sale price are input and the calculator provides the number of units actually needed to sell to have profit equaling what there would be if to the item was not advertised at all. This would be an ideal system, but as previously indicated there are times when retailers take a loss on an item to increase revenue and hopefully attract customers that may make an additional purchase while in the store. When choosing promotional activity, consideration needs to be made with respect to merchandising activity. Some items need additional display space to maintain stock levels for the customers, some items need to get the attention of the customer to drive additional sales and some items have additional display space paid for by suppliers. Retailers also need to decide where the items are going to be displayed, for how long, and how elaborate they will choose to build the display.

Chapter 11 Category Plan Implementation

This section describes how Customer Product Managers must ensure that their creative vision for their department align with corporate goals and the goals of the suppliers they do business with. The idea is to create a shared vision that encompasses goals from all parties so that the journey has shared goals and values with measurable performance indicators and timelines.

Once all previous steps have been defined and areas of concerns have been addressed it is time to ensure that all supplier plans coincide with the category plans. Ensuring that there are regular meetings scheduled with key suppliers will assist with this step. In addition to the regular meetings with the vendors it is best to have a special meeting set up with key vendors prior to the beginning of the fiscal year to discuss the yearly plans, strategies and goals. By doing this the company and key suppliers have the opportunity to align goals and work through any potential problems prior to implementation. Working with the key suppliers will also assist CPMs as the suppliers generally share information pertaining to unsuccessful tactics that they have seen elsewhere. This is also a great time to discuss the plans and assumptions that CPMs have concluded in previous chapters. It is a good time to discuss pricing and promotion strategies, merchandising opportunities and schematic changes. After having the yearly meetings with all key suppliers it then becomes time to implement the chosen strategies. Implementing the strategies begins with a strong plan and requires support from all levels. The plan is only derived in the office with the support of the office team as well as the suppliers, but it needs to be implemented at store level. Sometimes it can be a challenge getting support at store level and unless the stores can become aligned with the overall vision, the project or plan will fail to materialize. The store employees are integral in achieving the goals. Appropriate implementation of strategy can either become a success or cause grief to employees, therefore upon implementation of any strategy whether pricing, advertisements, assortment mix or merchandising it is always important to ensure that upon completion of implementation there is a full review of the strategy. Checking the supplier scorecards, assessing the profitability of the department, category or subcategory is integral to this step. Even if the strategy is smoothly implemented there is a common error in assuming that it will become a success. Many plans fail so CPMs constantly end up back at the drawing board to contemplate new strategies that will be required to once again be implemented, evaluated and updated. The Category Management process is quite alive with daily changes. As customer demographics, wants, needs and desires change, so do the goals and requirements of the retailers.

Chapter 12 Category Review

This chapter will guide readers through the final step of the traditional "Eight Steps of Category Management" by AC Nielsen. In this unit the tools that are available to analyze the success of the implemented strategies will be explained.

"The final step in the business process is the review of the progress and of the actual achievements against the targets set for the category. Review aids in the taking of decisions at the right point of time. Category Management is considered to be a "scientific" approach to relating in the mature markets, largely because it is date driven and fact based. The successful adaptation of Category Management at pantaloons shows us how the returns on the particular product/category can be maximized by keeping the focus on the customer and creating systems and processes within the organization to aid such a focus." (R.yuvarani, 2009)

The first thing to establish when looking into any item in a new category as a Category Manager is that the process never ends. There is no finish line. Every time that it may appear that processes are wrapping up a new curve ball will appear. The innovation never ends as companies are always trying to evolve their brand and their company for the same reason that OFG has implemented Category Managers; to increase revenues and profitability for the company. If the process started correctly with a need to make a change to the category, whether introducing a new item, a pack change, or an overall change to the schematic layout, and all the steps were followed, the implementation will finally get to the review of the category. Essentially this is where the work originally began and will need to begin all over again, this time assessing the changes that have been made to decide whether the new strategy was correct. As an introductory user of the 8 steps of Category Management, the process can be thought of as starting with the review. Unless originally completing a review there is little chance that a change would be successfully implemented, hence the need to create a continuous process.

There are different levels of reviews that can be completed. Some reviews take a matter of seconds for a quick decision, an example would be the replacement of an existing product with a new line that is a similar but updated product and has the same packaging dimensions. This would be a simple transformation. Category Managers must have reviewed the new product and decided that it makes sense for the business to put forward a plan to implement this product into the category. As simple as it sounds there are still many steps and challenges that need to be addressed. The first step is filling out a new line notification form with all the relevant information filled out accurately. This information contains product size and box dimensions, new flavor, product name, product cost, product retail, product description, UPC number and variant number. The form must also include where the anticipated item will go and what item will be eliminated from the existing schematic or planogram. After delivering this notification form to the schematic clerk that is responsible for the category, the clerk will take some time to review the information to ensure that nothing was missed. While waiting for the process to be confirmed, CPMs can then have a meeting with their merchandising clerk to ensure termination of the old item out of the system, “discontinuation,” and activation of the new item. Another step is meeting with the product buyer that is responsible for the category to ensure that they cut off all purchases of the old SKU and create an original PO (Purchase Order) for the new SKU. When the new SKU arrives in the warehouse OFG has a policy wherein there is a forced distribution of one case to each and every store in OFG so that they have the item in advance for the schematic that will be released by the schematic clerk. After the schematic clerk releases the schematic to store level there is an approximate lead time of three weeks for stores to implement the schematic.

As observed there is quite an extensive process involved in changing one item in a schematic, therefore these changes should be well thought through to ensure that changes are made as infrequently as possible. The way to achieve this is by working with suppliers to come to an understanding as to when their innovation is going to hit the market and try to get competitors to list their new lines at a common time. There is a new line fee that compensates for portions of the work done in the office and at store level to implement said changes, but these fees are often not significant enough to cover the costs and any savings that can be made contribute to the bottom line of the category. New line fees are a debated concept considering that they are very infrequently applied in the United States of America. Suppliers will advise of their concerns regarding new line fees on a regular basis. There is, however, valid justification for these fees in Canada. The US traditionally practices rack jobbing.[45] In Canada most retailers operate in a unionized environment which prevents the use of suppliers when performing schematics. The cost of a simple new line replacement can be excessive. There is the labor of the CPM putting the plans in motion which will generally exceed one hour of time, as well as the wages of the Aztek group building the schematic which will be in excess of 3-4 hours because OFG [46] has multiple schematic sizes for each schematic based on overall space in each store. Every store then has to have the price change department print new labels for the new item and then there needs to be a grocery clerk in each of the 144 stores implement the schematic by removing the old product scanning it as discontinued,

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[45] Rack jobbing is when suppliers have hired clerks that are required to stock shelves and implement schematics on behalf of the suppliers. This saves the stores a great deal of cost when new schematics occur.
[46] When scanning product as discontinued OFG will receive full cost recovery on the affected product, however all profits are sacrificed in the process.

Completing a full category review is important when the innovation expands beyond initiating a schematic change for entering a few items to replace a few discontinues. A complete category review becomes necessary when the innovation is so dramatic that the entire planogram needs alteration. Another reason for a complete category review could be if a category or subcategory is lacking in the market place or the section has become antiquated. In General Merchandise, many times a complete category review becomes initiated because what was last year's innovation often becomes this years "old news." Cereal aisles, air fresheners and shampoos often trigger category reviews as these items tend to change semiannually due to companies always seeking innovation or completing package changes to keep their shelves fresh and current in the consumers' minds. **(Refer to Appendix 4 to review the 8 steps of Category Management flow chart)**

Chapter 13 Vendor meetings

This section will share the practical process that is involved with hosting a vendor meeting. Recommendations will be made about preparation techniques as well as what information traditionally is open for routine discussion at each different style of meeting.

When hosting a vendor meeting it is imperative to arrive fully prepared. A CPM should never allow a vendor to schedule a meeting without an established agenda. With all the planning and computing aspects of the position, time is of the essence. Vendors should be required to arrive with all pertinent paperwork including AC Nielsen data, Aztek data and a full plan of what they expect to accomplish with their meeting. Some meetings are simple in nature, consisting of monthly, quarterly or yearly review of statistics and what level of targets they would like to achieve for the following time period. Some meetings are more advanced, consisting of the planning piece for periods as great as one year in length. Generally these meetings have the vendor arrive with sales data based upon the previous year sales and what they would like to do to maintain similar sales patterns for the following year. Vendors typically attempt to repeat the same flyer offerings as they had the previous year to accomplish equivalent sales. If the vendor wants to attempt to earn greater sales they could try to add merchandising frequency or attempt a different pricing strategy. A recent trend by suppliers involves implementing an EDLP strategy where the flyer activity is greatly reduced while offering a more competitive price structure on an everyday basis. Some companies may bring data that indicates they had over-invested in merchandising activity without reaping the rewards. Sometimes sales lifts are not as great as forecasted and this can impact future flyer opportunities.

The enjoyable meetings are when a new product line or launch is requested. These meetings are very similar to a "Dragon's Den" television show. [47] The vendors will arrive with samples of their product to try to persuade CPMs into believing in the product. Next the vendors present sales data from alternate business locations such as competitors. If the item is to become first to market[48] vendors should provide forecasted sales opportunities based on similar items. It is always preferred that the vendor has a suggestion of what item in the category is under-performing and it is even better if this item is a product that belongs to their portfolio. The difficulty in this stage is that many vendors will arrive with many more innovative products than items they plan to delist. The concern then becomes deciding on what items to consider for delisting.[49] A great concern for a CPM with regards to the delisting of an item is choosing the correct product that does not contain brand loyalty. There are many items that though they may not have high sales, do cause consumers to switch markets if they cannot complete their shop with a particular item. Biases are also included in these meetings and CPMs need to remain cognizant at all times of vendors who may suggest the removal of a product line from a competing supplier. There are times when the data presented may contain a high degree of bias and the CPM is responsible for deciphering this. A CPM can alleviate some of the bias concerns by doing additional research on their own prior to the meeting. By printing off vendor scorecards for the presenting supplier, as well as close competitors, a CPM can take a few moments to establish sales opportunities or suppliers that have products in a state of decline. Once a product is fully reviewed with the vendor it is important for the CPM to ask all required questions to fully

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[47] Dragon's Den is a reality television show where entrepreneurs arrive and pitch their business proposals to millionaires with the anticipation that they may invest as Angels or partners in their company. The main difference is that most of these entrepreneurs require additional capital to grow their business and the vendors that are proposing their ideas to CPM's merely require shelf space and flyer activity.

[48] First to Market is exactly as it sounds, the first retailer to introduce the new product to the public.

[49] Delisting is the removal of a product without the discontinuation from the supplier. Essentially the store discontinues the item.

understand the needs that they may have for the supplier. Obvious question after deciding that the product may have opportunities should include: package size, case size, how many cases need to be ordered at a time for delivery to the warehouse, forecasted sales, anticipated cost and margins for the new product as well as many other individual concerns. A CPM would be best advised to never confirm with a vendor that they will take the new product on the initial meeting as there are many steps to ensuring that the product will be successful or even relevant to the market. Personal tastes and preferences sometimes need to be cast aside to ensure that the overall good of the company will prevail.

Should a CPM decide that a new product or an entire line of products should become part of the schematic all the steps detailed above will need to be implemented. Before this phase can even occur, CPMs will need to utilize effective negotiation skills with the vendor. Areas up for negotiation can include but are not limited to: listing fees, reclamation process[50], product cost, what items should be discontinued, terms of payment and case size. Many times vendors will arrive with the figures all detailed in a contract form but this should not impact the CPMs decision to ask for a better offering. Most meetings will include the vendor telling the CPM that there are not many funds for listing fees, but it is quite evident that this becomes a cost of doing business and they will need to supply listing fees to contribute toward the fees associated with the launch of a new schematic. Most companies have established policies that can assist with the negotiation process but great gains can be made by increasing the terms of payment and earning a greater return on reclaim fees. Generally negotiations should include a case of product to be shipped to each store for initial set up. These meeting are an opportunity for CPMs to truly utilize all the skills they have to try earn a greater profit margin for their category.

[50] Reclamation process is when a product becomes dated or damaged and needs to be removed from the shelves. The negotiations will include what percentage of fees involved will be passed on to the vendor.

Chapter 14 Recommendations

This chapter will allow the author to provide recommendations pertaining to areas that could be open for improvement opportunities. These are areas that do not seem to be covered or addressed at this current time but there may be some need for inclusion in the future.

Upon review of the literature and key findings there seems to be a lack of information in certain areas.

Recommendation 1

The first recommendation would be for the AC Nielsen group. The eight steps of Category Management seem to be misaligned with the needs of the business. According to AC Nielsen the eighth and final step of Category Management is the review process. Recommendation would be to reallocate the review process to become both the first and the last step of the process. No changes should be implemented until there is a complete review of the business needs. It is virtually impossible to understand the need of the overall business without pertinent information and a thorough analysis of both the KPIs[51] and the strategic needs of each business unit. **(Refer to Appendix 5 for proposed "Nine Steps of Category Management" flow chart)**

Recommendation 2

There also needs to be substantial change to the review process. When trying to fully understand the category prior to implementing any changes, one key process does not seem to be discussed in detail by AC Nielsen. There is insufficient evidence of any processes relating to the training of

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[51] KPI's are Key Profit Indicators

SKU rationalization. Fully understanding what items should be included in or excluded from a schematic is not just a simple step that involves hard line sales figures. AC Nielsen provides sales data as discussed in previous sections of this paper, but where AC Nielsen cannot help a category manager is in deciding on items that should be carried and that do not have sufficient levels of data based on a lack of sales history. This could be a new line of products, innovation, or items that are not carried by the traditional retailer. The reason that this can become a concern is because the same information will be provided by data research companies to product managers from all companies. Suppliers and vendors will also provide the same information to all stores, as their main priority is to sell the product lines that they are responsible for. Through SKU rationalization a Customer Product Manager needs to evaluate the products on an entirely different level. There needs to be consideration about items that are not based exclusively on sales or profitability. In many categories there are items that need to be stocked due to special needs of consumers in the marketplace. A good example would be gluten-free items. When reviewing the sales data for many gluten-free items, many Customer Product Managers would immediately surmise that many products should be removed from the schematic. However; when taking into consideration the total overall basket size that these shoppers spend on an average trip to the store it would prove to be a poor decision to remove the products that these consumers depend on. Many shoppers want to have a one-stop-shop and those customers that have particular dietary needs cannot simply substitute alternatitive products because a store decides not to carry the products that their diet demands.

Research has shown that customers only used 340 unique products each year even though there are millions available; retailers need to implement processes to assist with decision making as to what those key items are to reduce stagnant allocations. As indicated in a study by

Tata Consultancy Services, 35%–40% of all inventories are slow moving goods that account for less than 5% of overall revenue. One KPI that most retailers use as a measurement is inventory turns and through proper SKU rationalization companies can dramatically reduce inventory levels, which in turn will increase the inventory turns and free up working capital. (Servies, Unknown) Further to reductions of inventory levels, retailers can then utilize available space for faster moving goods or new innovations that will either bring in new customers or possibly add additional units to the existing customer's baskets. Some key reasons for SKU rationalization include: reduction of carrying costs involved with holding the excess inventory, greater warehouse efficiencies, decreased freight charges, increased sales due to listing the best items, which will also result in an increase in margin. (Ridge, 2011)

A 2009 study by Kate Vitasek of Supply Chain Visions suggests that retailers need to not only focus on the aforementioned back end approach to SKU rationalization of simply reducing inventory, but need to look at a front end approach of reducing the quantity of new listings. While retailers fully understand the need to list new innovations to ensure the customers remain interested in the product mix, one key factor that receives little credence is the fact that nearly 95% of innovative products fail to achieve forecasted numbers while only 10% of new lines generally remain on the shelf following the first three years of the product life cycle. (Banker, 2009)

There are software applications such as FortnaDCModeler used by Fortna that assist with the rationalization process. Measurements that FortnaDCModeler and similar software systems measure include: the inventory turns of each individual SKU, the financial impact of each SKU on the business, and the impact on the stock levels at the distribution centers. (Fortna) Again, there is no evidence of this program measuring the significance of the reduction of SKUs that will cause consumers to choose an alternate location to shop. Studies show that many items are purchased in conjunction with an additional item. By eliminating the complementary product a customer can be swayed to shop at a competitor where they can make one complete purchase. Analyzing the way items are linked together is the market basket effect. (Fisher, 2010) In a classic case of SKU rationalization failures, Walmart reduced the levels of SKUs in 2009 only to reconsider many products because they had originally failed to utilize a market basket approach. As observed, SKU rationalization is imperative for the survival of business but there is not an easy answer. Customer Product Managers must utilize all available tools when deciding on the addition or deletion of SKUs. Any decision made will affect consumers and the best approach is to establish a product line that will serve the needs of the majority of consumers while ensuring that the SKUs listed are of a profitable nature.

Recommendation 3

Key recommendations for the Overwaitea Food Group would include placing a greater focus on communication of roles and responsibilities between Langley office employees and the retail operators. At store level, employees, including management, are not aware of what really goes on in the background. OFG has developed a plan to convert retail employees into CPM's and if there is follow through with this strategy, there should be posted job descriptions that not only clarify the role of Customer Product Managers but should also include how said positions affect store level operations. Store managers are often unaware of many functions that are completed by CPMs. Store managers are not trained on how VBIs are earned. [52] Most store managers are aware that VBIs are earned from volume buying but they are not educated to understand that these VBIs are calculated based on the volume of units sold at each location.

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[52] VBI's Volume Buying Incentives as defined in previous sections.

Often store managers are under the assumption that feature items that sell below cost are going to create a negative scan or loss of profit. Though this is occasionally true there are many times when there is going to be scan backs received on the back end and store managers should be made aware of this to ensure that they are all promoting the products to the best of their ability. Langley office employees are naïve to think that managers should implement a plan because they are instructed to do so. Most managers will ensure that the plan is implemented but if they believe that they are losing profitability by doing so the support will not be there which will cause a reduction of units sold. Store level managers are critiqued on their financial performance and the more knowledge that they receive the better job they will do.

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Appendix 1)Training Programs

CPM Training Program – Framework	
Program Objective	- Develop a program which will allow new CPMs to develop core competencies.
Stage 1:	Introduction
Stage 2:	Skill Development (what/how) >>>Delegation List
Stage 3:	Strategy (why)
Stage 4:	On-going Excellence

Day 01	Desk & Phone / Business cards / Computer Profile (AMP-A Series-Aztec-AVC Nielson – QlickVIEW)

STAGE 1: Introduction/Business Overview	
Business Summary	Merchandising Department Role (Grocery/Fresh/Drug Store)
	Corporate Business Strategy
	Banner Strategy
	Merchandising Strategy
	Grocery industry – Overview, trends, competitive market (discount/hi-Lo)
Key Stakeholders	SCPM's
	Store connection – Distro and Communication
	Merchandising Clerk
	Merchandising Services
	Supply Chain (Buyers)
	Pricing Department
	Analysis team
	Aztec (Schematic's)
	Marketing (Flyer)
	Product Integrity (Recalls)

	Vendors
Customer	How the customer shops…
	Across channels (competition)
	Trip Types – convenience / fresh/ stock up/full basket
	Customer decision tree
	Grocery – in the store (20 minutes) >>> schematic (30 seconds)
Business Systems	AMP
	A-Series (New listings)
	Portal (VBI scans)
	OFG Display APP
Business Analysis	AC Nielson Reporting
	Aztec System
	Qlickview Reporting
Financial Analysis	Qlickview
	Crystal Reporting (932/911)
Cat- Management	OFG Merch/AC Nielson Planning Model
	Targets – (Customer) – sales, margin & share
	Category definition and Role
	Category Assessment
	Category Scorecard (shopper/financial/market/productivity)
	Category Strategies/Tactics
Vendor Relationships	Broad based to detail/Meetings/Sales and Spend
	Negotiations
New CPM Assessment	Financial/Accounting knowledge

	MS Office Suite (Word/Excel) knowledge
	Consumer/Marketing (Trends) knowledge
	Supplier Relationships

STAGE 2: Skill Development (What/How)

Skill Development

AMP Training – AMP Applications + Business Rules:

Build offers

Break Offers

WF Shielding

Establish regular retails/Pricing zones

Merchandising zones

Points and Smart Offers

(Three Weeks – build and load offers)

Promotion Planning	Vendor Relationships (meetings/sales & spend / category)
	Weekly flyer planning (AMP Reservations + P1-P12 Grocery Merchandising)
	Display Planning P1-P12 – Week and Period Planning
	Buyer Meetings
	VBI – Scan Back Management
	Forecasting
	Instore Promotion Planning (Lift Calculator)
Product/Schematic	Role of Product Mix + Schematics
	New Listing Process
	Discontinued Process
	Change Impact (cost / size changes) – pricing, schematics & supply
	Chain

Sales Reporting	
Analysis	
(Basic Reporting)	Reporting (Flyer reports)
	QlickView
	Crystal (931 / 911)
	AC Nielson Reports (supplier, category & % promo)
	Aztec reports
	Inventory reports – short + period end
	VBI reports
	Category review
Partner Portal	Portal – Overview
	Supplier Package Review
	A-Series – CPM Approval (New listings, cost/pack changes)
	Scan Backs – CPM Approval (flyer/instore)

STAGE 3: Strategy Development (Why)

Customer

Category Management

Vendor Relationships

Category review

Promotional Planning

Pricing Strategies

Product/Schematics

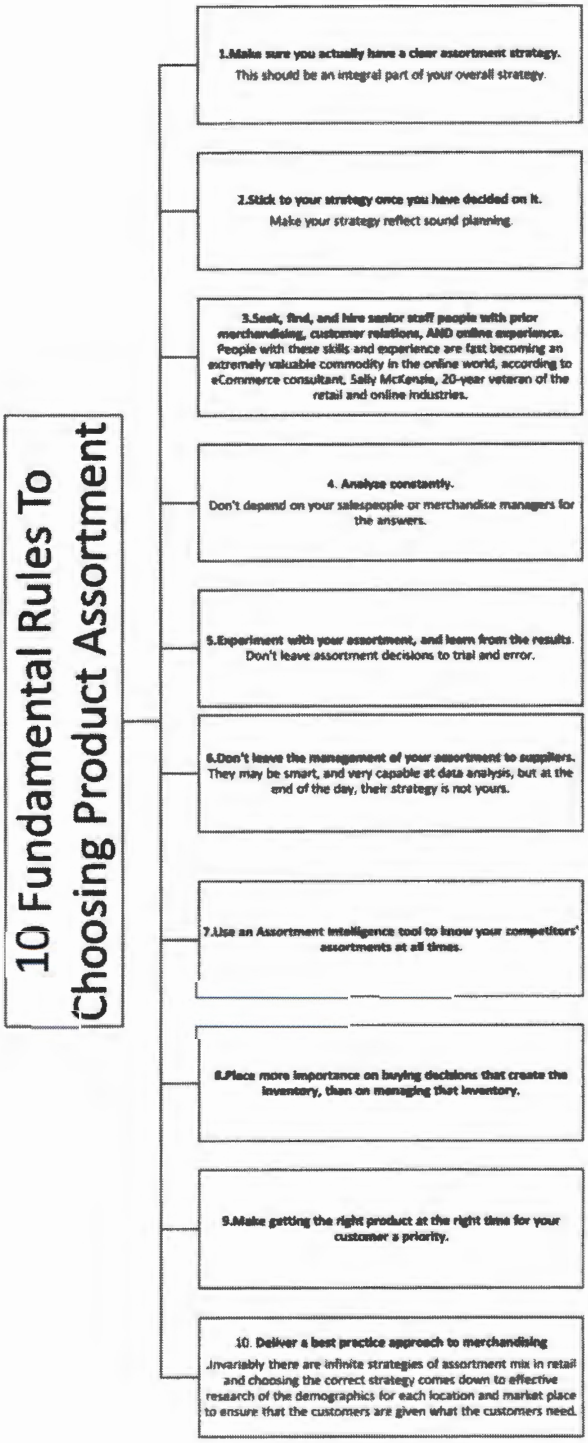
Sales Reporting Analysis

STAGE 4: On-going Excellence

2) Category role flow chart

(Author, 2014)

3) Ten Fundamental Rules for Choosing Product Assortment

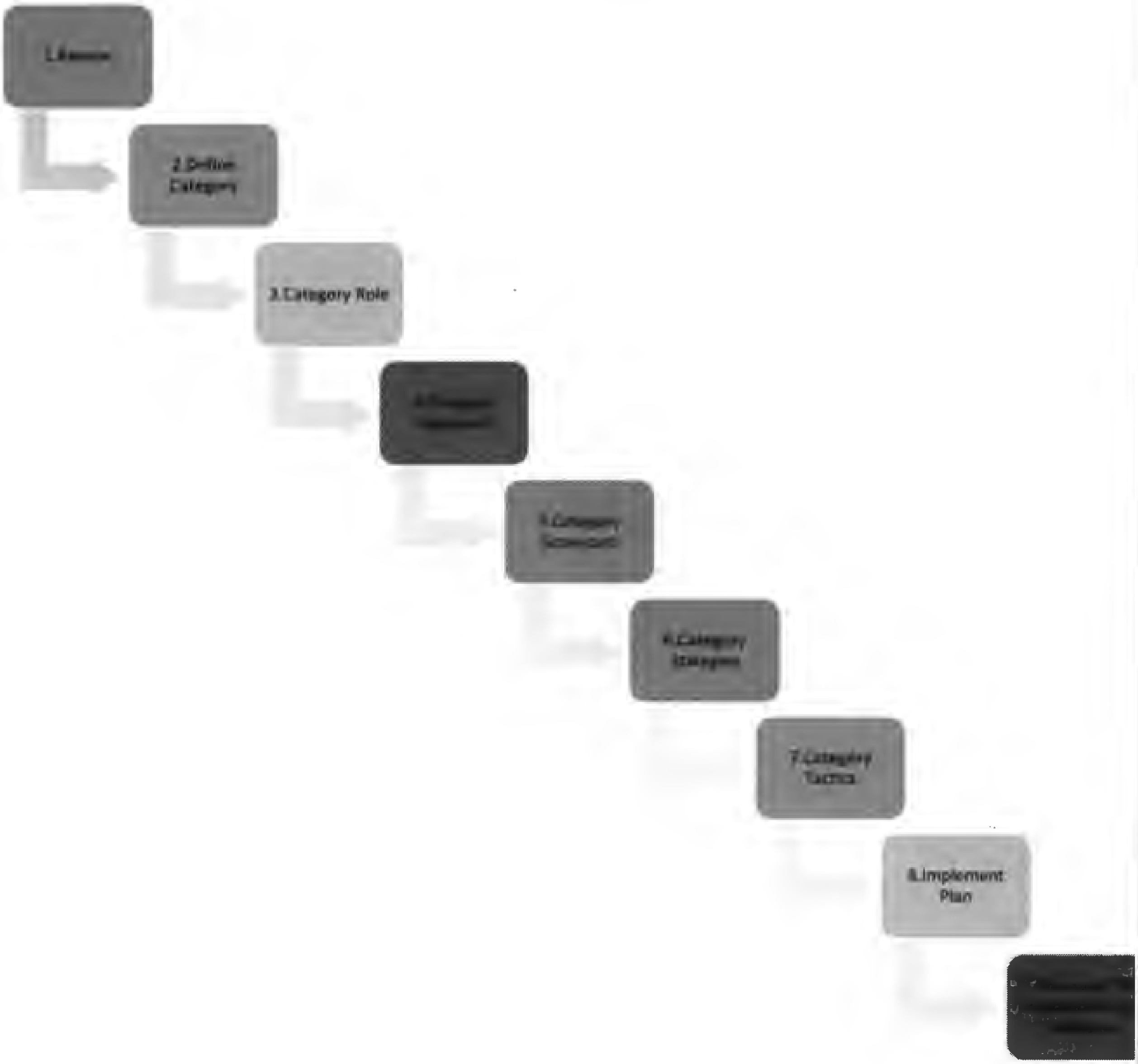


(Miller, 2012)

4) 8 steps of Category Management flow chart

(Author, 2014)

5) Proposed alternative to 8 steps of Category Management



(Author, 2014)