PGDM RM 15-17

Category Management & Private Labels

RM-206

Trimester – II End-Term Examination: December 2015

Time allowed: 2 hrs 30 min

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means.** In case of rough work please use answer sheet.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		Total Marks	**50**

Section A

Q1. Why should the CM process align manufacturing and marketing with retail merchandising and consumer demand?

Q2. Why is the understanding of market structure and customer preferences important starting step for category management process? Illustrate with an example of Salty snacks category.

Q3. Why market basket analysis and frequent shopper data significant metrics for assigning roles to various categories?

Q4. Why is it that stores carrying similar merchandise categorize them differently?

Q5. What actions can be taken to expand the customer base of store brands?

Section B

Q6. Considering soft drinks as category, work out a marketing strategy for the category, sub-category, and various brands in a Big Bazaar outlet.

Q7. While taking a decision to increase the prices of some SKUs in the edible oil category at Spencer's what all issues have to be considered by the Category Manager?

Q 8. High margins are the prime reason for introduction of Store brands. Give your views with justifications.

Section C

Answer the four questions at the end of the case. Individual marks are mentioned against each of them.

Nolan's Finest Foods is a full-service retailer that offers shoppers the convenience of one-stop shopping at its high-end, food-and-drug combo stores in the San Francisco Bay area. The chain features a variety of high-quality products at competitive prices but uses promotional pricing as well. Historically, Nolan's has enjoyed great success in its markets and led the region for several years. However, on this winter morning, Roberto Ignacio, the director of strategic planning, had a more immediate concern. The wire services had reported a few weeks ago that the Valumart grocery chain had announced plans for the construction of 10 new food-and-drug combo centers throughout Nolan's markets. After poring over current research and financial results, Ignacio had decided to examine category management as a defense against the encroachment of Valumart.

To date, Nolan's did not have any experience with category management. A decision was also made to pilot test category management in some categories before implementing a systemwide rollout. One of the categories chosen for the test was shampoo. Ignacio's immediate assignment was to review the product category and report back to management with an initial recommendation. As Ignacio looked out of his window at the scenic sunset over the San Francisco Bay, he reviewed the events of the past few weeks and the information that he had obtained on the shampoo category. He had several third-party reports (Exhibits 1, 2, and 3) that provided background

Exhibit 1 *Total U.S. Supermarket Dynamics: Shampoo*

52 Weeks	# Active SKUs	% New SKUs	# SKUs Handled	SKU Dollar Velocity
Category	1,974	15%	235	$1.64
Brands	1,714	16	229	1.65
Private label	241	12	5	1.33
Generic	19	—	1	1.00

Exhibit 2 *Shampoo Dollar Share*

Trade Channel	12 Months Last Year	12 Months This Year
Food	51.7%	50.5%
Drug	25.6	25.0
Mass merchant	22.7	24.5

Exhibit 3 *Shampoo Growth*

Trade Channel	Dollar Sales % Change versus a Year Ago
Food	0.9%
Drug	4.2
Mass merchant	8.1

Exhibit 4 *Dollar Sales: Percent Change versus a Year Ago*

	MARKET		NOLAN'S FINEST	
	13 Weeks	52 Weeks	13 Weeks	52 Weeks
Total dollar sales	+.1	+1.2	−10.6	−4.5
HBA department	+1.5	+4.2	−8.5	−4.3
Shampoo category	−3.5	+.7	−19.6	−9.7

information about national trends in the shampoo category and trends in supermarkets. Another report (Exhibit 4) provided him with information on how Nolan's shampoo sales compared to the rest of the market.

However, these reports did not provide Ignacio with information about how Nolan's stacked up against the competition in terms of its assortment and pricing. After some checking around, Ignacio found that he could order reports from third-party vendors that would provide him with an analysis of Nolan's and the competition in terms of product mix and pricing. He placed an urgent order for these analyses, which arrived this morning through courier (Exhibits 5, 6, and 7).

Here are explanations of a few terms in the analyses:

SKU dollar velocity	Revenue per SKU per store per week
HBA	Health and beauty aids
Market	All food stores
Remaining market	All food stores excluding Nolan's

As Ignacio headed for the water cooler, feeling upbeat in the thought that he had a handle on the shampoo category, he ran into Hal Jeffreys, a longtime veteran at Nolan's and vice president of information systems. Knowing that Jeffreys had at one time managed health and beauty aids at Nolan's, Ignacio mentioned his review of the shampoo category and the category management initiative. Jeffreys responded that for years he had a simple approach for category management. He would begin by generating a list of slow sellers in the category and then try to replace these slow sellers with new products or increase the shelf space for existing products. With the new information

Exhibit 5 *Competitive Price Comparison for Shampoo: Counts of Items Showing Differences from the Base Zone (Nolan's Finest Foods)*

	Nolan's	Food #1	Mass Merch.	Chain Drug	Food #2
Competition is higher	0	87	0	101	0
Competition is same	103	0	0	0	59
Competition is lower	0	16	103	2	44
Competition does not carry	0	0	0	0	0

Exhibit 6 *Brand Importance Report for Shampoo: Nolan's Foods versus Remaining Market for 13 Weeks*

Description	Chain Sales	Chain Rank	Rem. Mkt. Rank	Rem. Mkt. Sales	Chain Mkt. Share	Chain Category Impt.	Rem. Mkt. Cat. Impt.
Clean & Soft	$108,826	1	1	$512,345	17.5%	14.5	13.0
1st Impressions	77,672	2	3	370,341	17.3	10.3	9.4
Mane Tame	64,446	3	4	244,160	20.9	8.6	6.2
Bargain Bubbles	56,864	4	2	433,300	11.6	7.6	11.0
Silky Style	43,198	5	6	147,773	22.6	5.8	3.7
Elegance	30,869	6	5	181,075	14.6	4.1	4.6

Exhibit 7 *Product Mix Summary Report: Shampoo Dollar Sales—13 Weeks*

	Clean & Soft	1st Impressions	Mane Tame	Bargain Bubbles	Silky Style	Elegance	Private Label
Items carried							
Nolan's	25	25	15	21	13	5	7
Rem. mkt.	25	39	28	42	20	16	28
Sizes carried							
Nolan's	6	6	6	2	4	1	4
Rem. mkt.	7	10	11	3	5	4	6
Types carried							
Nolan's	6	7	6	19	4	5	6
Rem. mkt.	6	10	8	32	5	7	21

systems that Nolan's had installed in the past year, generating a slow seller list was very easy. To prove his point, Jeffreys walked back with Ignacio to his office and, using his PC, generated a slow seller report for the shampoo category (Exhibit 8).

"See, technology has made this a real cinch," said Jeffreys and wondered aloud whether the expense and effort of category management would produce net improvements over and above this very simple "knock off the slow seller" approach. "I'll try to come to your presentation tomorrow," said Jeffreys as he left Ignacio's office.

Exhibit 3 *Slow Seller Report: Shampoo for Nolan's Foods, 13 Weeks versus a Year Ago*

Item	Chain Sales	Chain Mkt. Shr.	Chain Subcat Impt.	Rem. Mkt. Growth	Chain Growth	Chain Avg. % Stores Selling
Golden JJB Lq T 3 oz.	$ 3	9.9%	.0	−51.2	−50.0	0%
1st Imprs. DF ND Lot. 11 oz.	10	.7	.0	−59.4	−99.4	0
Gentle GLD Lq. 11 oz.	11	100.0	.0	−100.0	9.6	0
Golden AV Lq. T 3 oz.	12	22.4	.0	13.2	−69.2	1
Suds PB Lq. 8 oz.	14	6	.0	107.1	2.9	0
Silky Style X-B Lq. 18 oz.	14	1.6	.0	−65.6	−99.5	0

As Jeffreys left his office, Ignacio sank back into his chair with a knot in his stomach. He felt that he had jumped the gun in thinking that he had a handle on the shampoo category. Things seemed to be more complicated than they had appeared earlier in the day. Ignacio wondered whether the shampoo category seemed so difficult because it was the first attempt at category management. In any case, his immediate concern was to prepare for his presentation tomorrow. Since Hal Jeffreys would be in the audience, he knew that he would have to address the "knock out the slow sellers" perspective.

DISCUSSION QUESTIONS

1. What are the national sales trends in the shampoo category?
2. What are the differences in shampoo sales trends at Nolan's compared with national trends?
3. What would be causing these differences?
4. Suggest a plan of action.