



The Role of Category Management at Organized Retail Malls: A Critical Review

Mr. Umesh B Nath, Assistant Professor,
PhD*, BSc, MBA-Marketing & Finance

JSPM's Jayawantrao Sawant Institute of Management & Research, Hadapsar, and Pune
affiliated to Savitribai Phule Pune University, Pune, Maharashtra, India

Dr. S. K. Kamble, Designation: Professor
Qualification: M.Com, M.B.A, D.H.E, Ph.D.

Head of Department, Commerce, Mathubai Garware Kanya Mahavidyalay Sangali,
Maharashtra, India

Abstract:

Retailing involves a direct interaction with end users of goods or services in the value chain. Retailer is responsible for matching individual demands of the consumer with suppliers of all the manufacturers. Category Management is a way of managing products as a whole or as a product group and not as a single product. More than a decade ago, the concept category management revolutionized retailing and its fundamental approach towards merchandising. The paper aims to review the role of category management in organised retail malls. It also depicts the identification of the roles of retailers, category captain and suppliers etc. in modern retail outlets as part of category management. In the research design, descriptive research design has selected wherein several research articles are reviewed. From the secondary data the key variables of category management are identified via which the category management plays a significant role in the overall performance of the organized retail industry.

The major finding of the study is that the category management definitely supports to improve business results. Hence, the role of category management focuses on consumer needs, retailer needs, manufacturer needs, sales, opportunities development at the category level, utilization of infrastructure, information and technology, and knowledge and also well utilizing the variables of category management.

Key words: Retailing, Category Management, Merchandising, Information & Technology etc.

The Role of Category Management at Organized Retail Malls: A Critical Review

Introduction

Retail is the final stage of any economic activity and it occupies an important place in the world of economy. Retailer is the final link in the distribution channel and serves the manufacture by performing the function of distributing the goods to the end consumer and acts as a channel of information to the consumer. Retailing is a type of activity in which both the manufacturer and consumers interact with each other and continue with the process of exchange of products and services for money value. The retailers serve customers by providing the goods that he needs in the required assortment, at the required place and time.

Pradhan, Retailing Management Text and Cases 5th Edition p-2-6 discussed that the form of retailer to perform the retailing activity needs to employ strategic retailing activities that starts from identifying the right supplier and their vending process, keeping the right place for selling, collecting the products or services from different manufacturers and delivering through add on value for ultimate consumers.

Kaufman Scarborough C, 2009 stated that the retailers have adopted shopper marketing strategies in which they may indulge to influence the shoppers purchase starting from the stage of motivating to buy, purchase and post purchase. It is said to shopper marketing strategies are only successful when there is a win-win –win situation for retailers, manufactures and shoppers.

In US the retailing industries were witnessing drastic decrease in customers that leads to decrease in their profitability. So at the beginning of 1990's US retailing Industry together with Efficient Consumer Response introduced one concept called Category Management to stop the decrease of customers and profitability in which the categories are managed as a Strategic business unit (SBU's).The focus of category management was on delivering the consumer higher value that leads to improve business results.

Lange F, Wahlund R, 2001 discussed that Category Management in today's organized retailing era is gaining quite good importance. They mentioned the importance, benefits and contribution of category management towards retailers and suppliers profit, customer's benefits and satisfactionand strengthening the relationships between retailers and suppliers.

Category Management:

In today's competitive environment, retailers have redefined their role in general and in the value chain in particular. Retailer is responsible for matching individual demands of the consumer with suppliers of all the manufacturers. However, with the rapid growth in organized retail and increased emphasis of manufacturers on understanding sales at the retail level, the study of retailing has become increasingly relevant. Authors stated that Category management is an opportunity to manage the relationship between suppliers and retailers, and also customers, where all three parties can interact and a win-win-win situation is obtained.

Kaufman-Scarborough C, Forsythe S, 2009 mentioned that Category Management is the comprehensive strategic retailing process which works on the basic functions of management like planning, organizing, communication, coordinating, control and also involves feedback that is again very important in terms of supplier relationship, sourcing, vendor selection, procurement and exhibition. It is also observed that majority of organized retailers are adopting category management process to retain the customers in competitive environment. Several forms of studies theoretical and empirical background as well illustrates that well planned category management definitely leads to effective customer service, customer trust and belief, customer satisfaction and customer retention. Looking the importance of the adoption of category management process the researcher generated the urge to learn more about category management and to know the role of category management in the organized retail malls. Taher A, Leigh TW, French WA, 1996.

More than a decade ago, the concept category management revolutionized retailing and its fundamental approach towards merchandising. Category Management is a way of managing products as a whole or as a product group and not as a single product. Focus of category management is on a better understanding of consumer needs. The evolution of category management is closely linked to the developments in the field of supply chain management and technology. Technology is referred as information and idea is to use this information to tailor the product offerings to consumer needs. The offering is then measured in terms of sales, cost and returns per square foot. The aim of this whole process is to provide customer satisfaction with maximizing returns for the organization.

Objectives:

1. To discuss the role of category management at organized retail malls
2. To review the existing research work on the role of category management in Modern retail business and finding the gap for further research it.

Research Methodology:

The study carried out through the Descriptive research design with secondary data from various research works existing on the topic.

Conceptual Background of Category Management:

Pradhan S. defined the Category Management as “the distributor or supplier process of managing categories as strategic business units, producing enhanced business results by focusing on delivering consumer value.”¹

IGD defined category management as “the strategic management of product groups through trade partnerships which aim to maximize sales and profits by satisfying consumers and shopper needs.”²

ACNielsen defined Category Management as “a process for managing product categories as business units and customizing them store by store, as to meet consumer’s needs.”

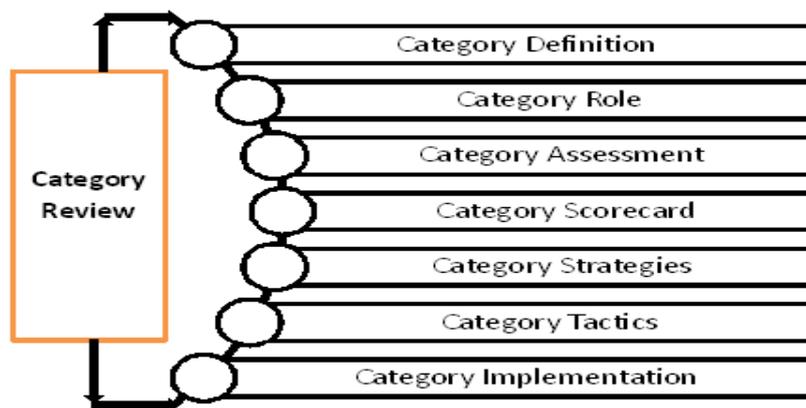
Category Management involves organizing and managing, promotions, merchandising and distribution activity around the way consumers view and buy a product. A number of specific industry trends that are driving the emergence of category management are consumer change, economic and efficiency consideration, competitive pressures and information technology advances. There are six components which are keys to the functioning of category management. Two of these are strategy and business process, considered essential without which category management cannot be started and so they are called as core components. The other four enabling components are performance measurement, information technology, organizational capabilities and co-operative trading partner relationships needed to enable the process, without the category management can be started but not institutionalized on an on-going basis.

The entire process of category management revolves around the partnership between the supplier and the retailer. The category management process creates a balance between product and process investments, with attention to work activities throughout the total system, from supplier to retailer to consumer. Category Management process is a common road map for both the supplier and the retailer to contribute their unique capabilities for mutual advantage.

¹Pradhan, S. (n.d.). *Retailing Management Text and Cases 5th Edition p-2-6*. McGraw Hill.

²Pradhan, S. (n.d.). *Retailing Management Text and Cases 5th Edition p-2-6*. McGraw Hill.

Category Management Process:



Source: *Basuroy et al. (2001.p.17): based on joint Industry Report on Efficient Consumer Response (1995)*

SwapnaPradhan further stated that the strategy sets the framework for decision making in the business process component, further separated in the eight steps that are wished-for development, implement, and monitor a category business plan. These steps start with category definition, category role, assessment, performance measures, strategies (like increasing traffic and transaction, generating cash and profits), tactics (like assortment, promotion, display and supply), and ends with implementation, the checking of implementation and the improvement of the system is achieved by the periodic process review set up.

Review of literature:

Harris, Brian;McPartland, Michael Progressive Grocer, September 1993stated that the previous circumstances of category management adoption which are generally presented in the terms of expected benefits like focus on consumer needs, better sales development opportunities at the category level (by well defining target markets and their needs) requirement of better infrastructure for utilization of information and technology, and better utilization of knowledge gathered by manufacturers. They represented that strategic category planning is the essence of category management.

AcNielsen, 1992 emphasized on the adoption of category management activity to their business enables the grocers to utilize the consumer data in which the consumer preference is used to determine the key items for their business, the aspects such as in what quantities these items should be bought, at what price the items should be offered, what shelf space that items should deserve, and in what place in the store the items should be displayed. These all aspects influence the retailer to improve the profitability.

Harris, Brian; McPartland, Michael , September 1993 discussed that Category Manager plays an important role in implementing category management process. It relates to three vital assets in retail industry. Controls and balance the inventory, manages the space for the products, and tries to increase the consumer traffic.

Johnson, M, Pinnington,D, 1998 stated that Suppliers play an important role in implementing category management process, as they gathers and provides the information necessary to establish a category plan, shares the market research results to retailers, provides analytical and human resources to the retailers, leads category management initiatives as a category leader, works on assortment tactics and planograms, undertake periodical training programs on the concept and category management, focuses on the performance of categories as a whole and not as an individual products in a category.

Rebecca Arkader, clarissa Frossard Ferreirade depicted in the study that despite difficulties and obstacles retailers that have implemented category management initiatives are obtaining satisfactory results. In the study all retailers of any type or size, at different stages of maturity accepted and adopted the category management initiative for over three years they all believed in this tool. Authors displays that category management has proved to be an important and relevant tool for Brazilian retailers. In the perspective of retailers, category management allows them to establish good category assortment plans, allows them to make better decisions on the shelf space allocation, prices and promotion in order to improve sales and profits.

Ramanathan V and Sonia C, 2018 commented that the antecedents of category planning and category management among the pharmaceutical retailing are very crucial. In this study the researcher examined the influence of Category Management on customer enhanced services and customer satisfaction. The study highlighted that the category management aspects have direct influence on enhanced customer service and indirect influence on customer satisfaction but at the same time the effect of enhanced customer service is high on customer satisfaction.

Sharif, 2012 focused in his study on six variables of category management that is product assortment, product pricing, product presentation, product promotion, product availability and customer service and tested in a Kuwaiti category managed superstore. The outcomes indicated that the category management variables like product assortment, product availability and excellence in customer service had significant impact on customer satisfaction and the variables like product price, product presentation, and product promotion had insignificant impact on customer satisfaction.

Category Captain Role:

Pradhan, Retailing Management Text and Cases 5th edition identified that the Category Captain is a leading supplier or manufacturer that forms an alliance with the retailer and enables to develop consumer insight, satisfy consumers and improve performance and profit across the entire category without any bias. The entire process of category management revolves around the partnership of retailer and supplier. The majority of retailers follow the method of appointing category captains to develop a category by developing the partnership. The focus of category captain on the growth of entire category.

The Role of Category Management:

Khurram Sharif and Ramanathan V and Sonia C³ discussed the Key Variables like product assortment, product availability, product pricing, product presentation, product promotion, and customer service and customer satisfaction.

Product Assortment: Category management concentrates on availability of favorite SKU of consumer, offerings for unique SKU's, and space allotment for that categories.

Product Availability: Category management concentrates on securing the adequate availability level and raises the service quality level at retail stores.

Product Pricing: As price influences both consumer beliefs and consumers behavior, category management concentrates to have fair prices for their products.

Product Presentation: The in-store presentation is very powerful amongst marketing and advertising. More selling of merchandise than all other forms of marketing and advertising. Category management concentrates on developing good and attractive visual merchandising as it works on attracting the attention of the customer, creating an interest for the product or service, creating a desire to own the product and then initiate the decision to make the purchase.

Product Promotion: As the consumers preferences are changing day by day, category management concentrates on adoption of product promotion strategy as a strategic need to encourage consumer's trial purchase at retail stores.

Customer Service: Category management concentrates on developing quality of customer service by means of increasing friendliness, knowledge of goods to be sold, ability to give advice, respect and responsiveness towards customers.

³Khurram Sharif Journal of Targeting, Measurement and Analysis for Marketing
Vol.20, 1, 17-33

Findings & Discussions:

1. Category Management is catalyst in building the strategy of retail outlets. So,retailers have to adopt category management while preparing the blue print for retail out let management.
2. Category management supports the retailers by surveying and gathering the data regarding consumers preferences, buying product quantity, the price offerdability, the deserved shelf space for the product, and the product display.
3. Category Manager at retail Industry plays an important role in implementing category management process by focusing on the inventory, product space and consumer traffic.
4. Suppliers play an important role in implementing category management process, as they gathers and provides the information, market research results, analytical and human resources necessary to establish a category plan, they works on assortment tactics and planograms, conduct periodical training programs on the category management, focuses on the performance of categories as a whole and not as an individual products in a category.
5. Category Management allows retailers to establish good category assortment plans, to make better decisions on the shelf space allocation, prices and promotion that helps to improve sales and profits.
6. In pharmaceutical retailing the category management aspects have direct influence on enhanced customer service and indirect influence on customer satisfaction but at the same time the effect of enhanced customer service is high on customer satisfaction.
7. The outcomes indicates that the category management variables like product assortment, product availability and excellence in customer service had significant impact on customer satisfaction and the variables like product price, product presentation, and product promotion had insignificant impact on customer satisfaction.
8. Category Captain is a leading supplier or manufacturer that forms an alliance with the retailer and enables to develop consumer insight, satisfy consumers and improve performance and profit across the entire category without any bias. The entire process of category management revolves around the partnership of retailer and supplier.

Suggestions:

1. Managers and retail Industry expert should take care of outcomes derived from category management while building the strategy of retail malls.
2. As the survey of consumer behavior regarding consumer preferences, products, required quantities, price, shelf space and product display in category management influence the retailer to improve the profitability. Managers and retail Industry expert should concentrate on developing the category management tactics accordingly.
3. Standard implementation of category management process at retail mall guides the manager to Control and balance the inventory, improve the product space management and helps in increasing the consumer traffic. So Managers must implement the standard category management process.
4. As suppliers play an important role in implementing category management process, and focuses on the performance of categories as a whole and not as an individual products in a category by surveying and providing the various information for the growth of the retail business. Managers should establish a good relationship and cooperate them.
5. Managers should implement Category Management via concentrating on good category assortment plan, shelf space allocation, prices and promotion to improve sales and profits of retailers
6. Category Management aspects have direct influence on enhanced customer service and indirect influence on customer satisfaction but at the same time the effect of enhanced customer service is high on customer satisfaction, so managers should concentrate by focusing more on enhancing customer service so that the customer will satisfy more that will automatically lead the organization to gain more and continuous profit.
7. The outcomes indicates that the category management variables like product assortment, product availability and excellence in customer service had significant impact on customer satisfaction the managers should concentrate more on it to satisfy the customer.
8. As the entire process of category management revolves around the partnership of retailer and supplier. Managers should consider this and should concentrate on developing the good, strong and healthy relationship with suppliers to achieve win-win relationship.

Conclusion:

The above discussion leads to the conclusion that Category Management has proved to be an important and relevant tool for Brazilian grocery retailers. Despite the difficulties and obstacles retailers those who have implemented category management are enjoying with satisfactory results. The role of retailer is to provide real added value to the customer, the role of the category captain is to develop the relationship of retailer and supplier and to focus on the growth of entire category, and the role of the category manager is to focus on three assets like inventory, space and consumer traffic. The role of category management focuses on consumer needs, retailer needs, manufacturer needs, sales, and opportunities development at the category level, utilization of infrastructure, information and technology, and knowledge and also on well utilization of variables of category management. Especially, Category Management strategies and category management tactics are very important elements of category management process. The retailers and suppliers take lot of pains to place these elements in a very good and innovative manner to attract the customers and hence the role of the category management is to increase the value of these variables and satisfy the customer and simultaneously to increase the performance of the organization.

Works Cited

ACNielsen. (1992). *Category Management: Positioning your Organization to Win*. Chicago: NTC Business Books.

ACNielsen. (1992). *Category Management: Positioning your Organization to Win*. Chicago: NTC Business Books.

Harris, Brian; McPartland, Michael . (September 1993). Category management defined: what it is and why it works. *72,9;ABI/INFORM Global*, 5-8.

Harris, Brian; McPartland, Michael Progressive Grocer. (September 1993). Category Management defined: What and why it works. *9; ABI/INFORM Global*, 5-8.

Harris, Brian; McPartland, Michael. (September 1993). Category management defined: What it is and why it works . *ABI/INFORM Global*, 5-8.

Johnson, M, Pinnington, D. (1998). Supporting the category management challenge: how research can contribute. *Journal of the Market Research Society 40(1)*, 33-53.

- Kaufman Scarborough C, F. S. (2009). *Current issues in retailing: Relationships and emerging opportunities*. Introduction to the special issue from the American collegiate retailing association 2005 and 2006 Conference, J Bus Res.
- Kaufman-Scarborough C, Forsythe S. (2009). Current issues in retailing: Relationships and emerging opportunities. *Intorduction to the special issue from the American collegiate retailing association 2005 and 2006 Conferences*.J Bus Res.
- Lange F, Wahlund R. (2001). Category Management. (*trans: category management when the consumer is the manager*) Stockholm, EFL.
- Pradhan, S. (n.d.). *Retailing Management Text and Cases 5th Edition p-2-6*. McGrow Hill.
- Pradhan, S. (n.d.). *Retailing Management Text and Cases 5th edition*. McGrawHil.
- Ramanthan V and Sonia C. (2018). The Antecedents of Category Management towards Customer Enhanced Services and Effects on Customer Satisfaction in Pharmaceutical Retailing: A study with special Reference to Medical Shops(drug Stores) at Kanchipuram Town. *Journal of Accounting & Marketing*.
- Rebecca Arkader, clarissa Frossard Ferreira. (n.d.). Category management initiatives from the retailer perspective: a study in the Brazillian grocery retail Industry.
- Sharif, K. (2012). Impact of category management practices on customer satisfaction - Findings from Kuwaiti grocery retail sector. *Journal of Targeting, Measurement and Analysis for Marketing, Vol.20, 1, 17-35*.
- Swapna, P. (n.d.). *Retailing Management Text and Cases 5e*. McGrow Hill.
- Taher A, Leigh TW, French WA. (1996). Augmented retail services:the lifetime value of affection.. (pp. 35:217-228.). J Bus Res.