Category management zara

Business, Management

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It Is a systematic, deadlines approach to managing a reduce category as a strategic business unit. The phrase " category management" was coined by Brian F. Harris. Category management (and the individual channel partnerships that preceded it) represents a new kind of vertical arrangement that is not integration, franchising, or a vertical restraint. Instead, it is a vertical partnership in which previously confidential information is shared between manufacturers and retailers to cut costs in distribution and increase the margins of both parties.

Each category is run as a " mini business" (business unit) in its own right, with Its own set of turnover and/or reparability targets and strategies. Introduction of Category Management In a business tends to alter the relationship between retailer and supplier: Instead of the traditional adversarial relationship, the relationship moves to one of collaboration, with exchange of information, sharing of data and joint business building. The focus of all supplier negotiations is the effect on turnover of the category as whole, not Just the sales of individual products.

Suppliers are expected, indeed in many cases mandated, to only suggest new product introductions, a new planeload or rumination activity if it is expected to have a beneficial effect on the turnover or profit of the total category and be beneficial to the shoppers of that category. The concept originated in grocery (mass merchandising) retailing, and has since expanded to other retail sectors such as DID, cash and carry, pharmacy, and book retailing. Category management lacks a single definition thus leading to some ambiguity even among Industry professionals as to Its exact function.

Three comparative mainstream definitions are as follows: Category management Is a process that Involves managing product categories as business units and customizing them [on a store by store basis] to satisfy customer needs. (Nielsen) The maximize sales and profit by satisfying consumer and shopper needs (Institute of Grocery Distribution) Marketing strategy in which a full line of products (instead of the individual products or brands) is managed as a strategic business unit (SW). Business Dictionary) The Nielsen definition, published in 1992, was a little ahead of its time in that customizing product offerings on a store by store basis is logistically difficult and is now not considered a necessary part of category management; it is a incept now referred to as incriminating. Nevertheless, most grocery retailers will segment stores at least by size, and select product assortments accordingly.

Wall*Mart's Store of the Community, implemented in North America is one of the few examples of where product offerings are tailored right down to the specific store One key reason for the introduction of category management was the retailers' desire for suppliers to add value to their (I. E. The retailer's) business rather than Just the supplier's own. For example, in a category containing brands A and B, the situation loud arise such that every time brand A promoted its products, the sales of brand B would go down by the amount that brand A would increase, resulting in no net gain for the retailer.

The introduction of category management imposed the condition that all actions undertaken, such as new promotions, new products, re-vamped planeload, introduction of point of sale advertising etc. Were beneficial to the retailer and the shopper in the store. A second reason was the realization that only a finite amount of profit could be milked from price negotiations and that there was more profit to be made in increasing the total level of sales.

A third reason was that the collaboration with the supplier meant that supplier's expertise about the market could be drawn upon, and also that a considerable amount of workload in developing the category could be delegated to the supplier. The Nielsen definition of a category, used as the basic definition across the industry is that the products should meet a similar consumer need, or that the products should be inter-related or substitutable.

The Nielsen definition also includes a provision that products placed together in the same category should be logistically manageable in store (for example there may be issues in having room-temperature and chilled products together in the same category even though the initial two conditions are met). However, this definition does not explain how the process often works in practical retailing situations, where demographic or marketing considerations take precedence. The category management 8-step process:- The industry standard model for category management in retail is the 8-step process, or 8-step cycle developed by the Partnering Group. 9] The eight steps are shown in the diagram on the right; they are : Define the category (I. E. What products are included/excluded). Define the role of the category within the retailer. Assess the current performance. Set objectives and targets for the category. Devise an overall Strategy. Devise specific tactics. Implementation. The eighth step is one of review which takes us back to step 1 . Criticized for being rather too unwieldy and time-consuming in today's fast-moving salesenvironment; in one survey only 9% of supplier companies stated they used the full 8-step process. 10] The current industry trend is for supplier companies to use the standard process as a basis to develop their own more streamlined processes, aileron to their own particular products[11] Market research company Nielsen has a similar process based on only 5 steps : reviewing the category, targeting consumers, planning merchandising, implementing strategy, evaluating results. Possible marketing strategies:- The above strategies are implemented by the store on different categories. Hence there may be different strategies for different categories in the same store.

Also the strategy varies from store to store. Hence it is not compulsory that a category of a particular store is following a particular strategy implements that this is the strategy adopted by the all the retailers for that particular category. The strategies implemented by the store for a particular category of product depends upon the store positioning, the product which the store is offering, the price range, the profit margins, quality of products in the category, store space and many more things.