Category Management and Merchandise Planning

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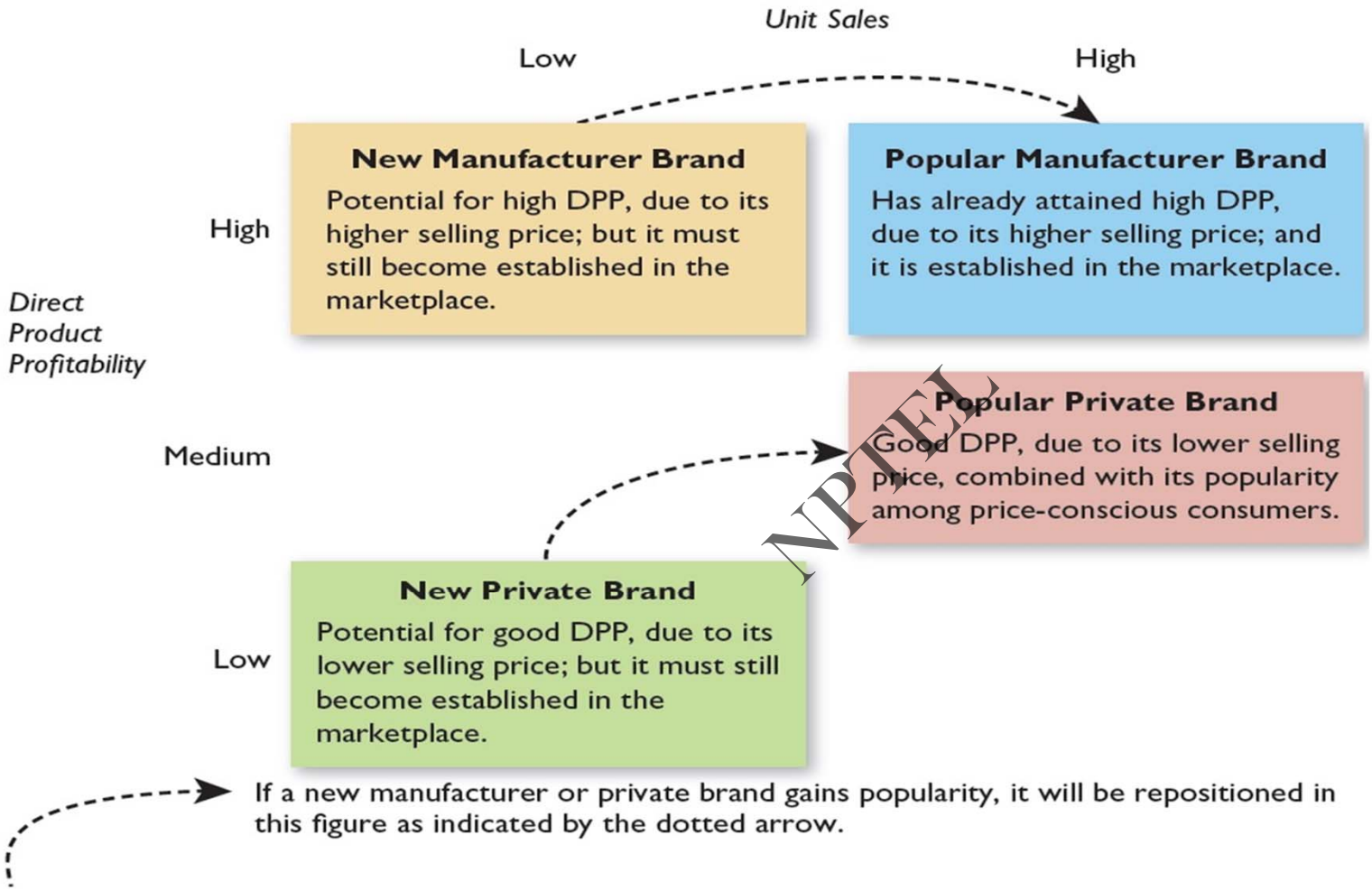
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Category Management

- **Category management** is a merchandising technique used to improve productivity.
- It is a way to manage a retail business that focuses on the performance of product category results rather than individual brands.
- It arranges product groupings into strategic business units to better meet consumer needs and to achieve sales and profit goals.
- Retail managers make merchandising decisions that maximize the total return on the assets assigned to them.

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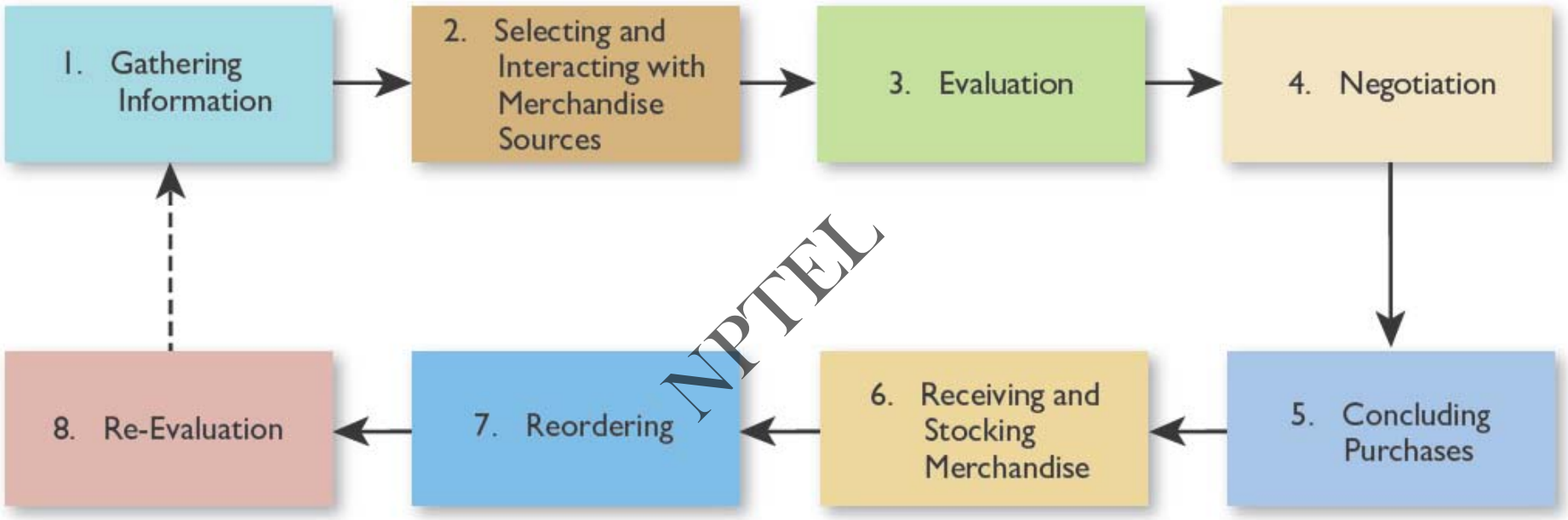

Unit Sales
Low
High
New Manufacturer Brand
Potential for high DPP, due to its higher selling price; but it must still become established in the marketplace.
Popular Manufacturer Brand
Has already attained high DPP, due to its higher selling price; and it is established in the marketplace.
High
Direct Product Profitability
Medium
Popular Private Brand
Good DPP, due to its lower selling price, combined with its popularity among price-conscious consumers.
New Private Brand
Potential for good DPP, due to its lower selling price; but it must still become established in the marketplace.
Low
If a new manufacturer or private brand gains popularity, it will be repositioned in this figure as indicated by the dotted arrow.

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Implementing Merchandise Plans

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Implementing Merchandise Plans



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Checklist in Choosing Vendors

- ✓ Reliability—Will a supplier consistently fulfill all written promises?
- ✓ Price–quality—Who provides the best merchandise at the lowest price?
- ✓ Order-processing time—How fast will deliveries be made?
- ✓ Exclusive rights—Will a supplier give exclusive selling rights or customize products?
- ✓ Functions provided—Will a supplier undertake shipping, storing, and other functions, if needed?
- ✓ Information—Will a supplier pass along important data?
- ✓ Ethics—Will a supplier fulfill all verbal promises and not engage in unfair business or labor practices?
- ✓ Guarantee—Does a supplier stand behind its offerings?
- ✓ Credit—Can credit purchases be made from a supplier? On what terms?
- ✓ Long-term relationships—Will a supplier be available over an extended period?
- ✓ Reorders—Can a supplier promptly fill reorders?
- ✓ Markup—Will markup (price margins) be adequate?
- ✓ Innovativeness—Is a supplier's line innovative or conservative?
- ✓ Local advertising—Does a supplier advertise in local media?
- ✓ Investment—How large are total investment costs with a supplier?
- ✓ Risk—How much risk is involved in dealing with a supplier?

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Negotiating the Purchase

- Special considerations
  - Opportunistic buying— due to closeouts, bankruptcies, overstocks, cancelled orders, lack of a well balanced assorted lot sizes and colors
  - Slotting allowances—common for new products in supermarkets in Northeast and in freezer sections

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Thank You

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