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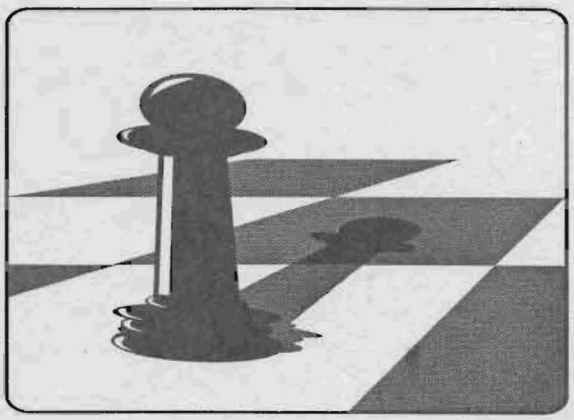
Category Management
Current Status and Future Outlook



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Executive Summary

This report presents the results and analysis of a survey of 60 leading supermarket retailers and 26 wholesalers concerning the current status and future prospects for category management. Category management is rapidly changing the way supermarket retailers and wholesalers conduct business. In general, retailers are more advanced in implementing category management than wholesalers. Despite much enthusiasm about the concept and the tremendous trade journal coverage over the past few years, very few retailers and fewer wholesalers were actually fully operational with category management in mid-1994.

This report shows that both retailers and wholesalers face formidable constraints which are impeding more rapid integration of category management. The most common constraint is technology, both hardware and software. The technological predicament for most companies is one of having too much data and too little information in easily accessible forms and the lack of trained personnel to interpret scanner and other data.

The adoption of category management by wholesaling companies may be much more difficult than it is for purely retail supermarket chains. Wholesalers report a major impediment to category management adoption is the independent nature of their retail customer base. With diverse retailer objectives to reconcile and limited control over the merchandising activities at the retail level, wholesalers may not be able to reap the benefits that category management offers more centrally managed retail chains. Likewise, integrated retail chains which also service independent retailers on a wholesale basis are faced with the dilemma of being able, perhaps, to adopt category management for their own retail operations while still trying to maintain the buying systems that traditionally favor wholesale distribution to their independent accounts. These are potentially divergent goals.

Clearly, the internal organizational changes that wholesaling operations must undergo to implement category management will be only part of the larger structural changes that must occur in order that the independent supermarket industry fully reap category management benefits. Independent supermarket operators will have to forge closer working relationships with wholesalers, and each other, to effectively compete in the retail industry of the future.

Category management adoption has resulted in major structural reorganizations of the buying and merchandising functions and other related functions within wholesale and retail supermarket companies. Traditional buying and merchandising activities and motivations focused on the "buying" function have begun to shift to a "selling" mentality. This structural shift represents a major cultural change within most organizations.

One casualty of category management may be the "buying committee" which traditionally has been employed by many distribution organizations to evaluate new products introduced by manufacturers. Most companies who used buying committees reported the role of the committee has drastically changed or been eliminated entirely as the committee's functions are being transferred to category managers.

Although manufacturers have been the driving force in category management development, the vast majority of retailers and wholesalers surveyed feel that they are more enthusiastic about category management than their manufacturer counterparts. And though conventional category management wisdom suggests that retailers and wholesalers would join forces with just one manufacturer partner to manage each category, retailers and wholesalers anticipate having multiple partners per category as category management is fully implemented.

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Introduction

The concept of category management was introduced in the 1980's as a more efficient alternative to traditional supermarket buying and merchandising practices. The concept grew in popularity and usage until, by the early 1990's, the food industry had embraced category management as a key element in its drive for improved food system efficiency called Efficient Consumer Response (ECR).

Category management represents a dramatic shift in the basic philosophy with which the procurement and merchandising of grocery products is conducted. Traditionally, supermarket product performance was judged on a gross margin basis, typically at the department level. Yet these measures mask much of the true dynamics of profitability. These practices became traditional largely due the lack of easily accessible, more detailed information. However, with the evolution of scanning technology and development of applications software for such analyses as shelf space management, direct product profitability, and activity based costing, retailers gained access to a wealth of new information. The stage for the exploration of category management was set.

Underlying the category management concept is the notion of asset management. Asset management recognizes that any business must optimize the deployment and return on its assets in order to be the least cost producer or provider. Applied to the supermarket industry, the concept involves optimizing the supermarket's most valuable assets: shelf space, inventory, and customer traffic. With increasing pressures from often more efficient alternative formats such as wholesale clubs and mass merchandisers, supermarket operators have realized the need to eliminate inefficiencies in their own operations to remain competitive. Category management allows detailed analysis of product mix, shelf allocation, store space allocation, product variety, direct product profitability, promotional effectiveness, inventory needs, and other critical information which enables supermarket operators to maximize category sales and profits.

The basic premise of category management is to treat individual product categories as separate but coordinated businesses within the overall supermarket. Ideally, each product category a strategic role that dovetails with the supermarket's overall strategic plan. Generally, a new position is created called category manager which combines the traditionally separate roles of buying and merchandising as well as the responsibility for overall category sales and profit goals. This may be for a single category or, usually, a group of categories which may or may not be related. This new mentality reflects a philosophical shift from the traditional thinking of buying in quantity at low prices then selling from inventory to allowing product mix, merchandising, and promotion activities to reflect consumer demand and a sales orientation. Ultimately, category management is intended to permit targeted marketing and merchandising at the store cluster or individual store level.

This philosophical and operational shift represents a revolution in the basic operation, organization, and culture of most food retailers and wholesalers. Likewise, there has been a dramatic shift in many manufacturing organizations from a "brand management" mentality to category management. One critical dimension of category management requires that, for best results, retailers and wholesalers work in partnership with manufacturers to reach category sales and profit goals. In fact, when considering the detailed analysis required at the individual category level and the large number of categories in a supermarket, retailers and wholesalers are not likely to be effective category managers without the product category expertise that manufacturers can provide. This type of cooperation builds a

foundation for food system coordination which should result in eliminating non-essential functions and improving the efficiency of the overall food distribution system. This is the essence of ECR.

For a more complete discussion of the category management concept see the references listed and described in Appendix A. This report presents the results of a nationwide study of supermarket wholesalers and retailers regarding their progress in adopting category management, the stumbling blocks they have encountered, and their perception of its initial impacts on performance.

Methodology

A questionnaire was mailed in June 1994 to 394 executives in 117 organizations, including 77 retail and 40 wholesale companies. These companies comprised a "purposive" sample, selected explicitly to include a well dispersed, national representation of both large and small food wholesalers and retailers. The questionnaire is presented in Appendix B. Completed questionnaires were returned from 101 executives, representing 60 retail companies and 59 executives from 26 wholesale companies. This reflects an overall response rate of 74 percent, 78 percent for retailers, and 65 percent for wholesalers.

The companies responding to the survey represented 60 percent of total supermarket sales in the US and included 15 of the top 25 supermarket operators. The wholesale companies responding included 9 of the top 15 wholesalers (Table 1).

TABLE 1
Profile of Responding Companies

- Total of 86 U.S. supermarket companies responded
  -- including 39 of top 71 retailers and wholesalers (55%)
- 60 of 86 respondents were supermarket retailers
  -- including 18 of top 25 U.S. supermarket retailers (72 %)
- 26 of 86 respondents were supermarket wholesalers
  -- including 9 of top 15 U.S. supermarket wholesalers (60%)
- Total 1993 sales of responding companies was $235 billion
  -- represents 60 % of total 1993 U.S. grocery sales of $390 billion

In the instances where multiple responses were received from the same company, a single "mean" company resins was determined. Thus, the results presented here represent the mean responses for the 60 different retail companies and the 26 different wholesale companies.

Survey Results

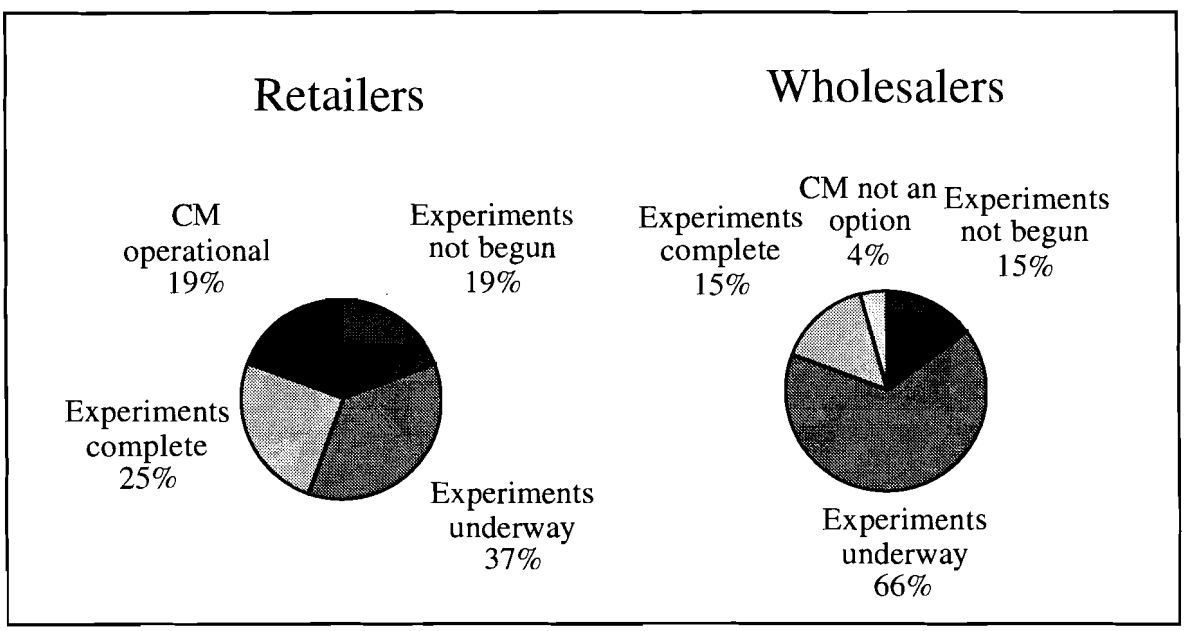
Our survey instrument and the analyses presented below are separated into four discrete aspects of category management: Current Status, Getting Started, Impacts and Outlook, and Summary and Implications.

Current Status

Degree of Adoption

Currently, the degree of category management experience and adoption varies greatly across retailers and wholesalers as this fundamentally different way of conducting business spreads. Over 80 percent of both retailers and wholesalers reported that, at a minimum, experimentation in category management has been undertaken (Figure 1). However, while almost 20 percent of retailers reported that category management has been fully integrated and operational in their companies, no wholesalers reported that extent of category management implementation. Indeed, it appears that the large majority of both retailers and wholesalers are still experimenting with the category management concept.

FIGURE 1
Current Status of Category Management
-percent-



Retailers appear to have progressed further than wholesalers in the implementation of category management. Over 44 percent of retailers have completed some or all experimentation or are fully operational with category management. Only about 15 percent of wholesalers have completed some or all experimentation and none is yet fully operational with category management.

Barriers to Adoption

The most important constraint, identified in our survey, to more rapid adoption of category management was information system support, mentioned by almost one half of retailers and over one third of wholesalers (Table 2). The second most common constraint mentioned by both retailers (22 percent) and wholesalers (27 percent) was the need for education and training to improve understanding of category management.

Thereafter, retailers and wholesalers disagreed about the next two most important constraints to rapid category management adoption. About 12 percent of retailers said an important constraint slowing category management adoption was the concept itself: they felt that the definition and application are undefined, unclear, unproved or not cost justified. Ten percent of retailers ranked personnel and staffing needs as a fourth constraint.

Almost one fifth of wholesalers mentioned the wholesale nature of their business as an important constraint to category management adoption, reflecting the lack of control wholesalers have over their independent retailer customers' in-store merchandising and management activities. The fourth most important constraint cited by wholesalers was insufficient top management support.

TABLE 2
Constraints Impeding Category Management, 1994
-percent-

Constraint	Retailers	Wholesalers
	-percent-	
Information systems	47.5	34.6
Education & training	22.0	26.9
Concept still unproved	11.9	7.6
Personal needs	10.2	7.7
Structural changes needed	8.5	3.8
Time required for changes	6.8	7.7
Wholesale/retailer relationship	3.4	19.2
Top management support	3.4	11.5
No response	15.3	15.4

There is general industry agreement that top management support of category management is critical to the successful transformation of the systems and culture of an organization to this new way of conducting business. In deed, 73 percent of retailers reported that top management of their company is very committed to category management (Figure 2). However, only 54 percent of wholesalers reported that same level of management commitment.

FIGURE 2
Top Management Commitment to Category Management, 1994
-percent-

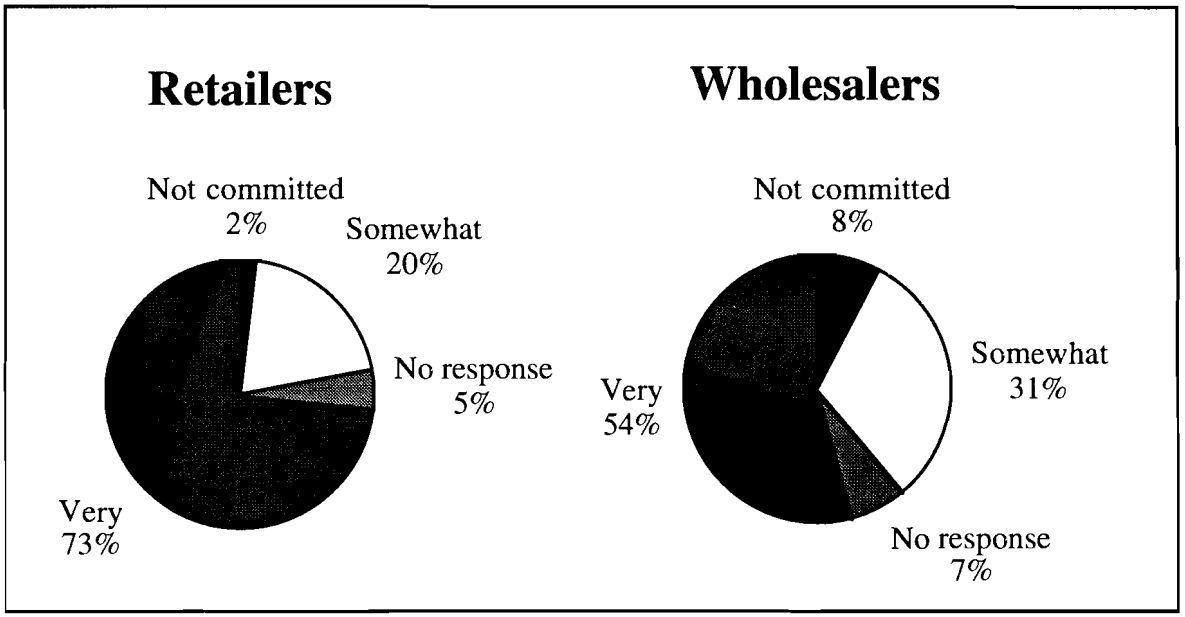
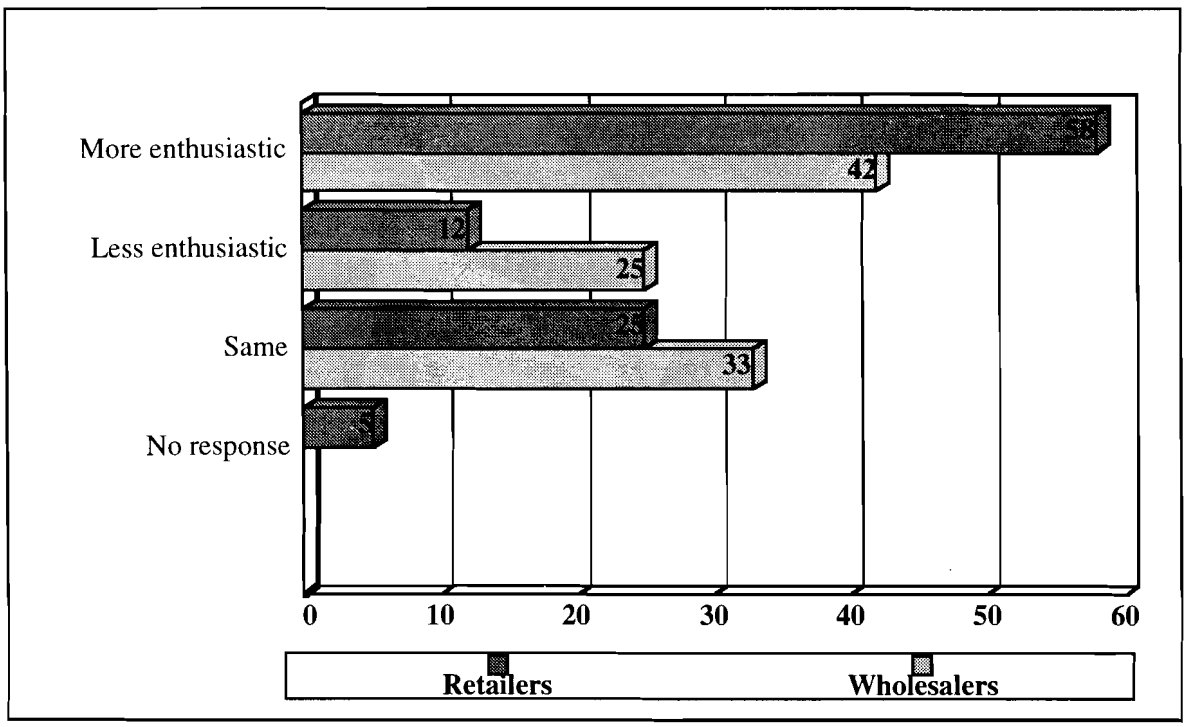


FIGURE 3
Enthusiasm About Category Management
-retailers & wholesalers vs. manufacturers-



Category management is a concept that many consider to be manufacturer-driven. Thus it is perhaps surprising that most retailers and wholesalers in our study perceived themselves to be more enthusiastic about category management than their manufacturer counterparts (Figure 3). Of those responding, almost 58 percent of retailers said they were more enthusiastic about category management than manufacturers. Less than 6 percent of responding retailers said manufacturers were more enthusiastic. Likewise, almost 42 percent of wholesalers responding to this question indicated they perceived themselves to be more enthusiastic about category management than manufacturers; no wholesalers felt that manufacturers were more enthusiastic.

Category Manager Responsibilities

There was near consensus among retailers and wholesalers about the key differences between the responsibilities of "buyers" and "category managers." The role of buyers in most organizations is limited to placing orders for stores, maintaining target inventory turns, and assisting category managers on such tasks as preparing bid letters, communicating with stores, tracking deliveries, and monitoring service level to stores. Category managers are generally charged with decisions which drive sales and profit in their assigned categories. Category managers are primarily responsible for promotion planning, shelf set planograms, variety analysis and maintenance, and negotiations with manufacturers.

Although job descriptions for category managers vary by company, there appear to be some common elements. On average, however, retailers and wholesalers interpret the job of category manager differently (Table 3 and 4).

Retailers, generally, endow category managers with broad responsibilities for all aspects of managing product categories as individual businesses. The most common job responsibilities, for example, are "negotiating with manufacturers" and "determining promotion items and schedules", with over 80 percent of retailers including these in current category manager job descriptions (Table 3). However, eventually, over 80 percent of retailer category manager job descriptions will include all the responsibilities listed in Table 6, reflecting the expansion of the role as companies become more experienced with the category management concept.

TABLE 3
Category Manager Responsibilities at Retail Companies
-percent of retail companies-

Responsibilities	Now part of job	Will be part of job	Will not be part of job
	-percent of retail companies-		
Negotiation with suppliers	86.4	5.1	3.4
Determine investment buys	83.1	8.5	1.7
Determine promotion items/schedules	71.2	10.2	13.6
Sales/profit/market share goals	69.5	18.6	5.1
Develop strategic alliances	66.1	20.3	8.5
Budget development	64.4	30.5	0
Strategic category planning	61.0	33.9	0
Competitive store analysis	61.0	25.4	6.8
Optimize by store clusters	44.1	37.3	13.6
Develop shelf planograms	42.4	49.2	1.7

Wholesalers are less likely to interpret category manager responsibilities as broadly as retailers. The most striking differences between wholesaler and retailer responses are store level activities such as competitive store analysis, store clustering, and developing shelf planograms. Less than 35 percent of wholesalers include these responsibilities in current category manager job descriptions (Table 4) compared with over 42% to almost 70% of their retailer counterparts (Table 3). In fact, over 20 percent wholesale companies do not even expect these activities will be added to category manager responsibilities.

TABLE 4
Category Manager Responsibilities at Wholesale Companies

	Now part of job	Will be part of job	Will not be part of job
Responsibilities	*-percent of wholesale companies-*		
Negotiation with suppliers	84.6	0	0
Determine investment buys	76.9	3.9	3.9
Determine promotions	73.1	11.5	0
Sales/profit/market share goals	57.7	23.1	3.9
Develop strategic alliances	53.8	19.2	3.9
Budget development	50.0	30.8	0
Strategic category planning	46.2	34.6	0
Competitive store analysis	34.6	30.8	19.2
Optimize by store clusters	26.9	26.9	26.9
Develop shelf planograms	26.9	30.8	26.9

Product Categories and Category Managers

How product categories are defined is open to broad interpretation by companies using category management. Since most supermarkets carry a similar range of products, the number of product categories a company identifies may reflect the level of detail at which that company is willing and able to "micro-manage". For example, one company may define the dairy department as a single category while another company may view the dairy department as a grouping of individual product categories such as yogurt, butter/margarine, cheese, etc. Both companies could embrace category management though the latter has made a commitment to manage at a greater level of detail by focusing on more individual categories, perhaps eventually exploring the interaction among dairy department categories.

The grocery industry has at least two well accepted benchmarks for individual category definitions: the A.C. Nielsen company tracks 292 product categories in its annual format study for Grocery Marketing magazine and in the annual Consumer Expenditure Study in Supermarket Business magazine. In our survey, retailers reported tracking an average of 191 separate product categories, while wholesalers tracked 148 categories (Table 5). However, that approximately half of retailers and almost three quarters of wholesalers had no response to this question is perhaps an indication of the status of category management development in 1994: it appears that many companies are still experimenting and the number of categories tracked has not yet been precisely determined. Currently, only about one quarter of retailers and wholesalers track 200 or more product categories.

TABLE 5
Number of Product Categories Tracked, 1994

	Retailers	Wholesalers
Average Number	191	148
Number of Categories:	*- percent-*	
1 to 99	20.0	16.7
100 to 199	30.0	16.7
200 or more	27.5	25.0
No response	22.5	41.6
TOTAL	**100.0**	**100.0**

The number of category manager positions is also subject to individual company variation and appears to reflect the relative development of category management at that company. Currently, retail companies report approximately 10 category managers per company while wholesalers have fewer than half that number (Table 6).

TABLE 6
Average Number of Category Managers and Categories per Manager, 1994

Item	Retailers	Wholesalers
Category Managers	9.9	3.7
Categories per Manager	12.9 - 14.6	11.3 - 12.7

According to comments of survey respondents, the number of categories assigned to each category manager appears to be dependent on the size and complexity of each category. The range of categories per category manager reported by retailers and wholesalers is quite similar (Table 6). On average, retailer category managers are each responsible for between 12.9 and 14.6 categories while wholesaler category managers each control slightly fewer categories, between 11.3 and 12.7 categories.

Product Category Reviews

Frequent performance review is a cornerstone of the category management philosophy. Operators report that reviews are opportunities to measure performance, compare performance to category goals, and make adjustments to changing market conditions. Again, the high level of non-responses to this question may reflect the relative newness of category management as well as the non-existence of formal periodic category reviews at many companies (Table 7).

Currently, at least 70 percent of retail companies perform category reviews quarterly or less frequently (Table 7). However, in the future, retailers predict the frequency of

category reviews will increase: over 62 percent anticipate weekly or monthly reviews while only about 25 percent predict category reviews quarterly or less often.

TABLE 7
Category Review Frequency: Current and Future

	Retailers		Wholesalers	
Review Frequency	**Current**	**Future**	**Current**	**Future**
		-- *percent* --		
Weekly	5.0	57.5	0	0
Monthly	10.0	5.0	8.3	16.2
Quarterly	47.5	25.0	16.7	33.3
Semi-annually	15.0	0	8.3	8.3
Annually	7.5	0	8.3	0
Sporadic	0	0	8.3	0
No response	15.0	12.5	50.0	41.7
	100.0	**100.0**	**100.0**	**100.0**

Since category reviews are largely analyses of store level performance, wholesalers are less likely to see category reviews as part of their category management vision. The sheer number of reviews necessary across the many independent retailers that most wholesalers serve would create a near impossible task, perhaps explaining the high non-response rate regarding this issue from wholesalers. Not surprisingly, the high non-response rate for wholesalers in Table 7 reflects the lack of retail level category reviews at many wholesale companies.

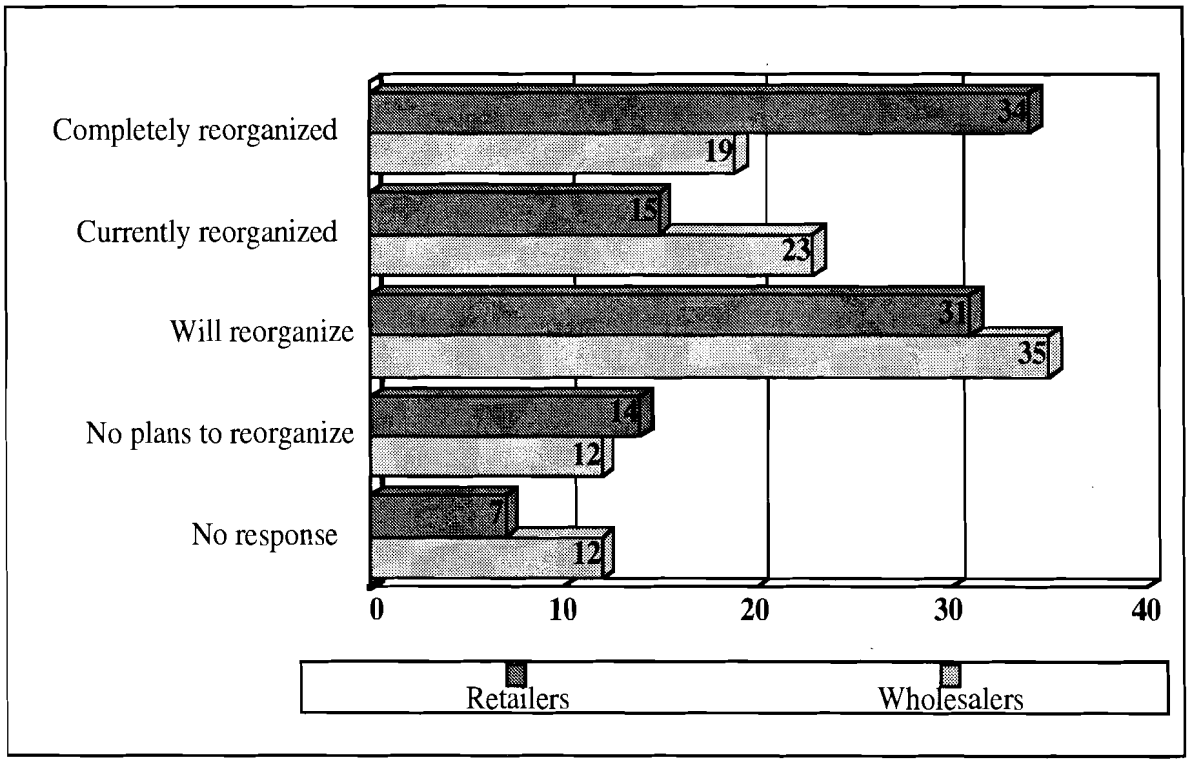
Still, the decline in non-response rate between the "current" and "future" columns (50% vs. 41.7%) in Table 7 is an indication that more wholesalers will be doing retail level category reviews in the future. While only about a quarter of wholesalers reported currently conducting retail level category reviews quarterly or more frequently, almost half of wholesalers expect to conduct such reviews quarterly or more often in the future (Table 7).

Getting Started

Structural Change

Category management has brought about major cultural and organizational changes in most U.S. grocery companies. These changes are most pronounced in the merchandising and buying functions. Nearly half of retailers (49.2 percent) and 42.3 percent of wholesalers have either finished or are currently undergoing complete structural reorganization of the merchandising and buying functions in order to adopt category (Figure 4). Moreover, another 30 percent of retailers and almost 35 percent of wholesalers are planning to completely reorganize their buying and merchandising functions in the future. Only about 14 percent of retailers and 12 percent of wholesalers reported that they do not expect to reorganize their merchandising and buying functions to adopt category management.

FIGURE 4
Structural Changes in Merchandising and Buying Due to Category Management
-percent-



Both retailers and wholesalers reported that completed structural reorganizations were finished in about 9 months (Table 8). However, retailers who have not begun or completed reorganization on average estimate that reorganization yet to be completed will take another 17 months while wholesalers anticipate quicker completion, just under 14 months.

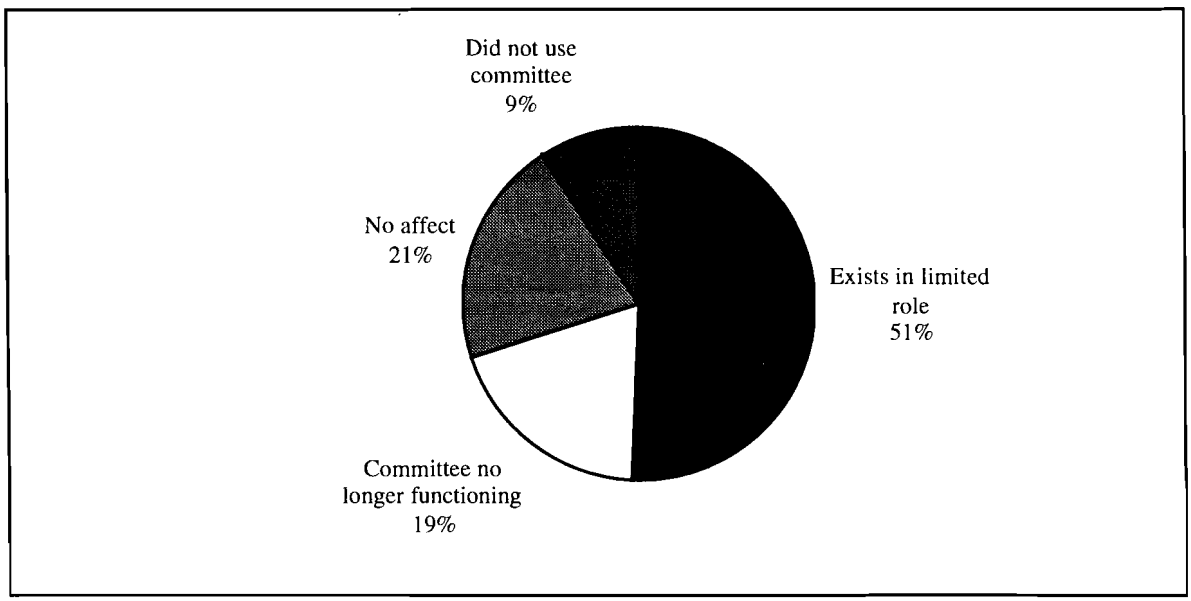
TABLE 8
Duration of Structural Changes to Merchandising and Buying Due to Category Management

Status of Structural Change	Retailers	Wholesalers
	- *average number of months*-	
Reorganization completed (actual completion time)	9.5	9.0
Current/future reorganization (expected completion time)	16.8	13.8

One of the most fundamental organizational features of merchandising and buying to be affected by category management is the buying committee. Traditionally, many retailers and wholesalers have employed buying committees consisting of buyers, merchandisers, and other key executives to review new product introductions, trade deals and deletions of under performing products. Ideally, with category management, many of the buying committee's functions should be transferred to category managers.

We surveyed retail and wholesale executives to assess the degree to which category management has affected buying committee functions (Figure 5). Since the results for retailers and wholesalers were quite similar, the overall percentages are presented in Figure 5. Only 21 percent reported that the role of the buying committee is not affected by the adoption of category management. At the other end of the spectrum, 19 percent no longer have a buying committee since adopting category management. The majority (51%) report that buying committees still exist but in more limited roles with category managers now responsible for the majority of former buying committee functions.

FIGURE 5
Impact on Buying Committee
-percent-



Categories Initially Selected

The majority of companies get started in category management by first choosing a few categories with which to experiment. Overall, the most common reason for choosing a product category was high sales volume, mentioned by almost half of retailers and wholesalers (Table 9).

The next most common reasons cited by retailers were supplier relationships and category growth potential, both mentioned by approximately a quarter of retailers (Table 9). Almost as common a reason, mentioned by almost 24 percent of retailers, was that a product category was chosen for initial category management experimentation because the least amount of disruption in terms of operations, personnel, store layout, and other factors was likely to occur.

Approximately 35 percent of wholesalers cited proliferation of new items as the second most common reason for selecting a product category for experimentation (Table 9). Supplier relationships was the third most common response by wholesalers, cited by over 30 percent of respondents. Around a quarter of wholesalers mentioned variety analysis (26.9%) and high space allocation (23%) as reasons for choosing a particular category for initial category management trials.

TABLE 9
Most Common Reasons for Selecting Product Categories for Initial Category Management Experiments

Reasons	Retailers	Wholesalers	Total
		- percent -	
High volume category	47.5	46.1	47.1
Supplier relationship	25.5	30.7	27.2
Growth potential	25.4	3.8	18.8
Variety analysis	11.9	26.9	16.5
Least category disruption	23.8	0	16.5
High space allocation	11.9	23.0	15.3
Alternative format competition	16.9	11.5	15.3
High profit category	15.3	15.3	15.3
Market share underdeveloped	16.9	3.8	12.9
Proliferation of items	3.4	34.6	12.9
No response	33.9	38.5	35.3

While over 50 different "starter" categories were identified by the 89 retailers and wholesalers in our survey, the range of responses reflects the varying specificity of category definitions. For example, while some companies identified general categories such as health and beauty care, others offered much more specific category designations such as toothpastes or deodorants. Likewise, the dairy department was listed as a category by some companies while others were as specific as milk or margarine.

TABLE 10
Most Common Product Categories Selected for Initial Category Management Experiments

Product Categories	Retailers	Wholesalers	Total
		- percent -	
Beverages (including soft drinks)	22.1	19.1	20.1
Pet foods/supplies	15.3	23.1	17.6
Breakfast cereals	15.3	15.3	16.3
Paper products	13.6	15.3	14.1
Detergents	13.6	15.3	14.1
Baby foods/supplies	19.7	3.8	14.1
Toothpaste	3.6	26.9	10.6
Frozen food	6.8	19.1	10.6
Candy	6.8	7.7	7.1
Snack food (salty snacks)	10.2	0	7.1
No response	30.5	23.1	28.2

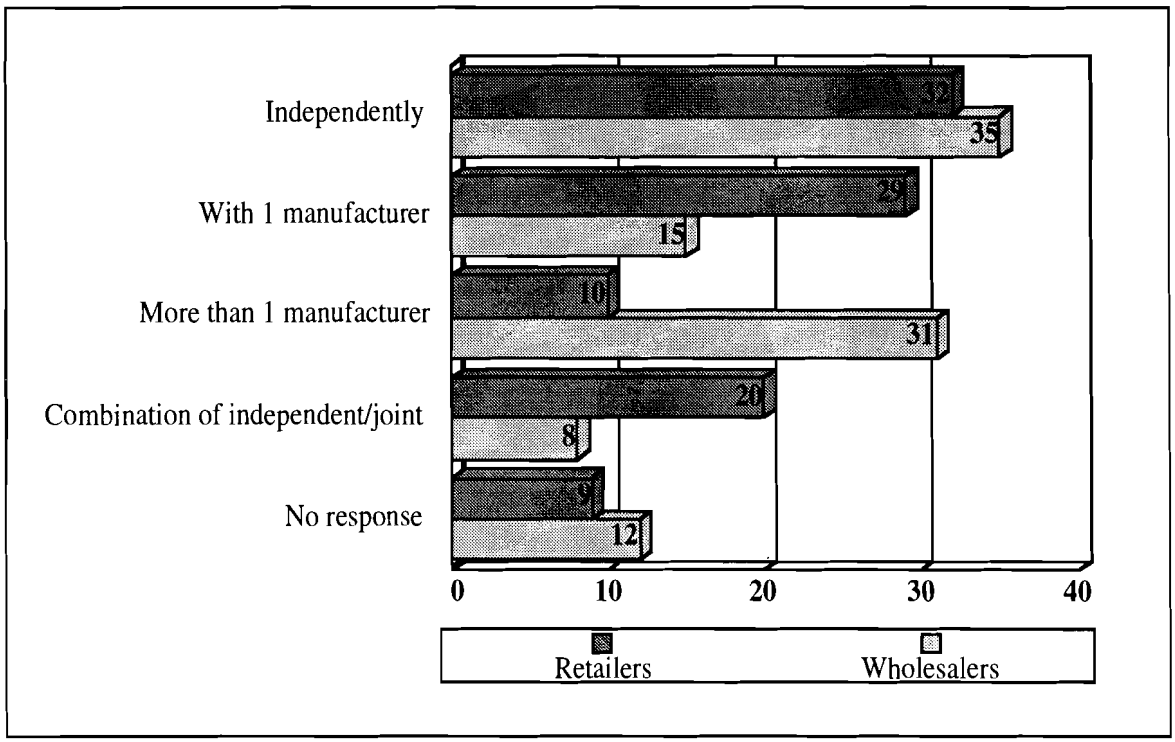
Overall, the three most commonly mentioned product categories used for experimentation were beverages (including soft drinks), pet foods/supplies, and breakfast cereals (Table 10). The three most common product categories for retailers were different from the top three for wholesalers. Retailers most often listed beverages, baby foods/supplies, pet foods and supplies, and breakfast cereals while wholesalers most often mentioned toothpaste, pet foods/supplies, beverages, and frozen foods.

The greatest differences between retailer and wholesaler choices for initial category management experiments appear to be in baby foods/products, chosen by almost 20 percent of retailers but by just 4 percent of wholesalers, and toothpaste, selected by just under 4 percent of retailers but almost 27 percent of wholesalers. The snack foods category was chosen by ten percent of retailers but no wholesalers, probably because the category is mostly delivered directly to stores (DSD), thereby bypassing wholesalers and distribution centers.

Exploration and Expertise

One of the biggest impediments to the adoption of any new technology or management system is the lack of a specific blueprint for effective implementation. Since most industry observers agree that successful category management relies heavily manufacturer-generated information, it follows that retailers and wholesalers would rely importantly on manufacturers during the learning phases of the category management adoption process. Despite this apparent logic, about one third of retailers (32 percent) and wholesalers (35 percent) have explored category management independently, using only their own personnel and resources (Figure 6).

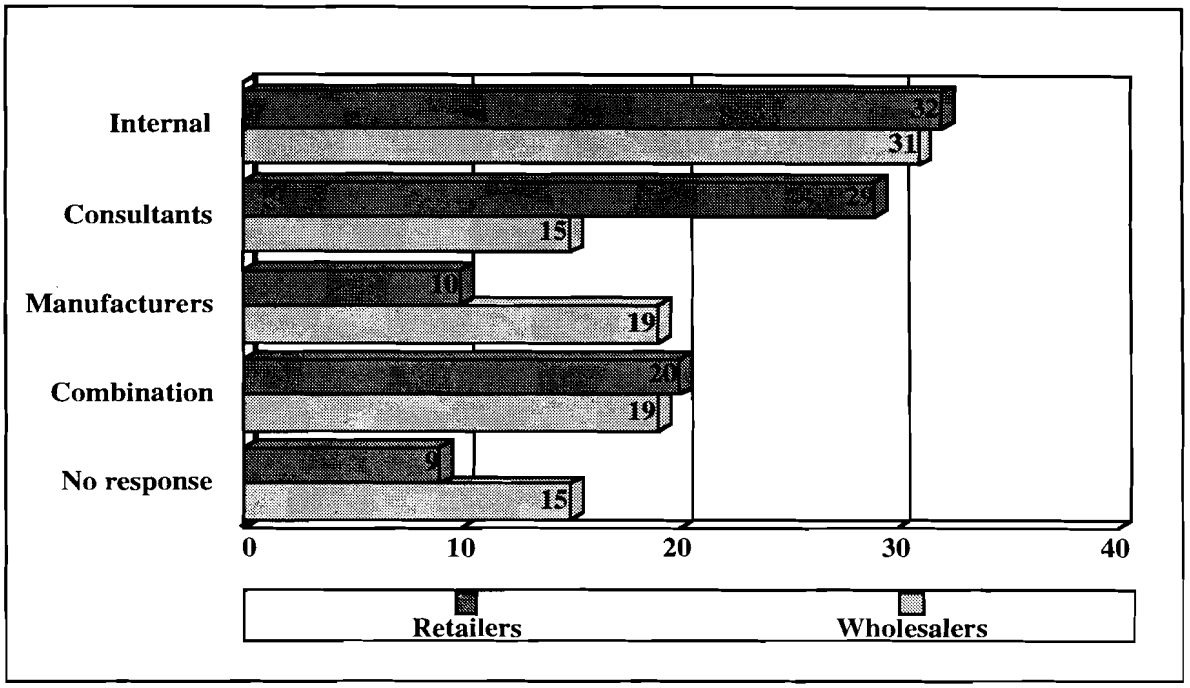
FIGURE 6
Exploration of Category Management, 1994
-percent-



Retailers who explored category management concepts jointly with manufacturers were about twice as likely to do so with just one manufacturer in each category (29 percent) than were wholesalers (15 percent) (Figure 6). Conversely, wholesalers were more than three times as likely than retailers to explore category management with more than one manufacturer per category (30 percent) than were retailers (10 percent).

Most companies begin implementation of category management by choosing pilot categories. Often this stage involves reliance on outside resources, usually manufacturers or consultants. Of those relying on external resources, retailers were about twice as likely (29 percent) as wholesalers (15 percent) to rely mostly on independent consultants in getting started (Figure 7). Conversely, wholesalers were twice as likely (19 percent) as retailers (10 percent) to rely mostly on manufacturers' expertise in getting started in category management. However, approximately the same proportion of retailers (32 percent) and wholesalers (31 percent) relied mostly on expertise within their own company in getting started with category management (Figure 7). These percentages mirror those of retailers and wholesalers who explored the category management concept independently (Figure 6).

FIGURE 7
Sources of Category Management Expertise, 1994
-percent-

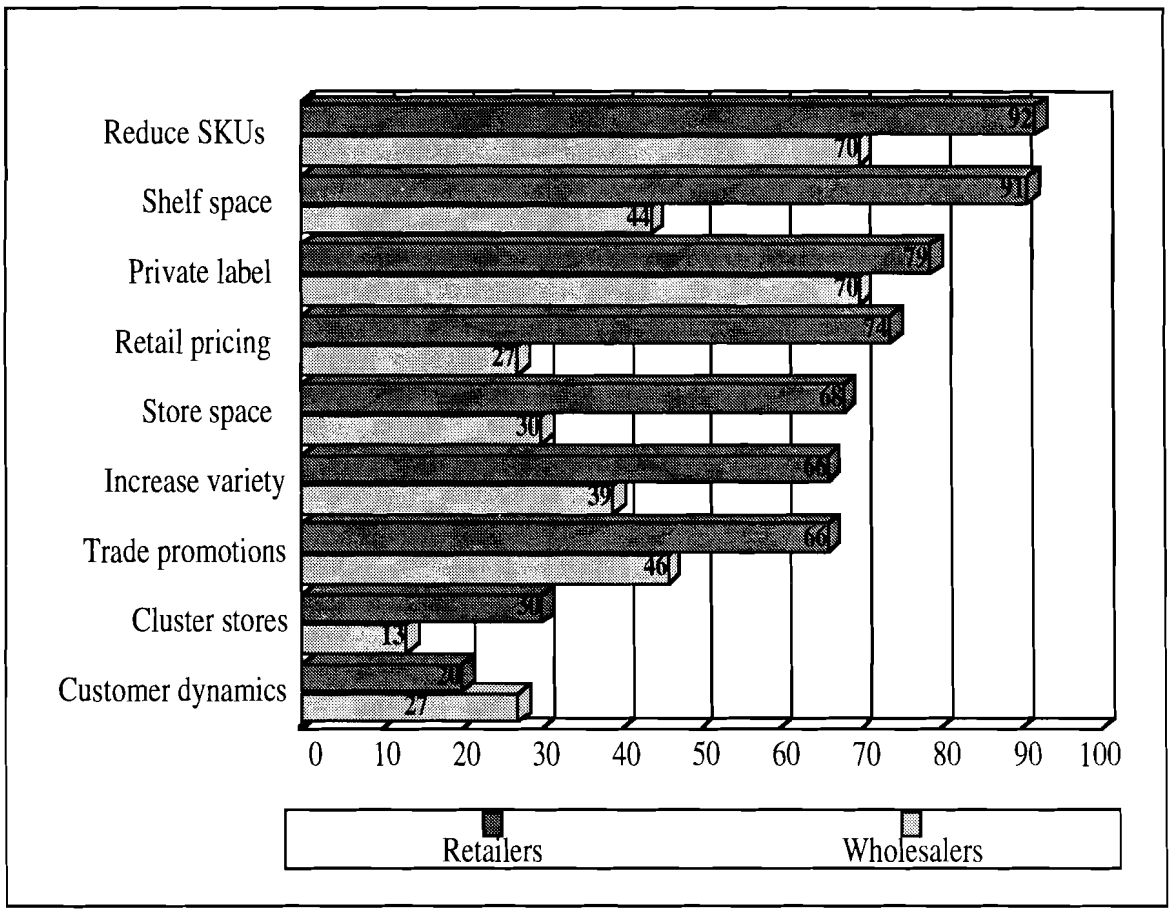


Applications

Category management has already made impressive inroads into supermarket operations. For example, over 92 percent of retailers report using category management analysis to reduce "duplicate" stock keeping units (SKU's) on supermarket shelves (Figure 8). Similarly, over 90 percent of retailers report using category management techniques to re-allocate shelf space within categories using new planograms.

Further, almost 80 percent of retailers are using category management to strengthen performance of their private label programs, about three quarters of retailers are using category management to optimize retail pricing and approximately two thirds of retailers report category management activities such as re-allocating store space among categories, increasing variety, sizes or forms of products in categories, and managing trade promotions and displays more efficiently.

FIGURE 8
Extent of Category Management Applications, 1994
-percent-



In general, wholesalers report considerably less involvement with category management than retailers (Figure 8). In fact, the majority of wholesalers report only two category management activities in which they are currently involved: reducing the number of duplicate SKU's in categories (70 percent) and strengthening private label programs (70 percent). A higher percentage of retailers reports involvement in each of these activities, 92 percent and 79 percent, respectively. Less than half of wholesalers report any current involvement with any other category management activities.

The most glaring differences between retailer and wholesaler category management activities are in the areas of shelf space allocation with planograms (91 percent of retailers vs. 44 percent of wholesalers), retail pricing analysis and optimization (74 percent vs. 27 percent), and store space allocation among categories (68 percent vs. 30 percent) (Figure 8). The only activity in which a slightly greater portion of wholesalers than retailers reported involvement was in managing customer dynamics (27 percent vs. 20 percent).

Impacts and Outlook

While this study has documented the evolution of category management and the degree to which it has been adapted by U.S. supermarket wholesale and retail companies, effective market and strategic planning requires information regarding the likely future development of this new management system as well. Accordingly, our survey made a number of inquiries of grocery executives regarding their predictions about the continued progress and probable future developments of category management.

Category Managers

The actual number of category managers employed and the number of categories each manager is assigned in the future is predicted to vary by company. Retailers and wholesalers both predict that they will employ more category managers in the future than today and each of these managers will be responsible for more categories. By the year 2000, retailers forecast their company will have an average of 13 category managers (vs. fewer than 10 today) while wholesalers anticipate an average of 9 category managers (vs. fewer than 4 today) (Table 11).

TABLE 11
Average Numbers of Category Managers and Categories Per Manager, 1994 vs. 2000

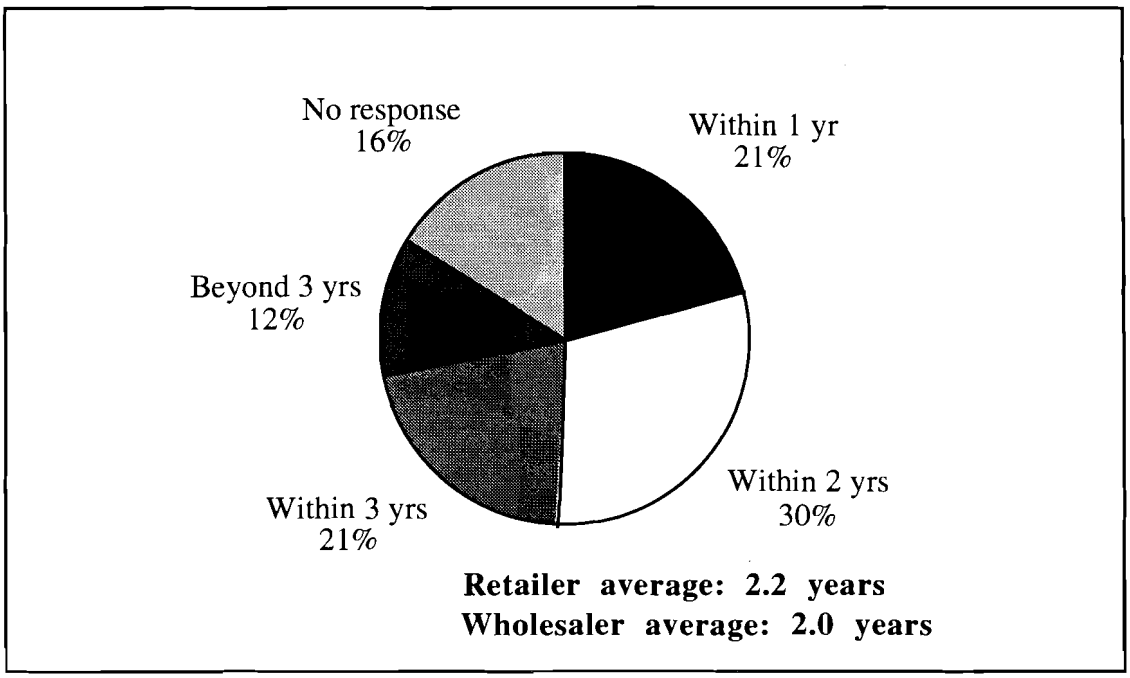
	Retailers		Wholesalers	
	1994	**2000**	**1994**	**2000**
Category managers per category	9.9	13.0	3.7	9.0
Categories per manager	13.8	15.9	12.0	17.0

Both retailers and wholesalers agreed that the number of categories for which each category manager would be responsible would increase by the year 2000. Retailers estimated that category managers who currently manage 13 to 15 categories will be responsible for 15 to 17 categories by the year 2000. Likewise, category managers at wholesale companies, who currently handle 11 to 13 product categories, are expected manage around 17 product categories in 2000.

Time to Adoption

On average, retailers predicted that their companies would be fully operational with category management in all product categories by 1996 (in 2.2 years). Curiously, wholesalers, generally much less involved in category management than retailers, anticipate being fully operational with category management in an average of only 2.0 years (Figure 9).

FIGURE 9
Expected Years to Complete Adoption
-percent-



The relatively low non-response levels for this question indicates that the majority of retail and wholesale executives have a reasonably clear vision of the time horizon for category management adoption.

Category Management Coverage

Our survey suggests that even upon full implementation, category management is not likely be used for every item distributed through wholesale and retail companies. Certain products, modes of distribution and some smaller stores, for example, are not likely to adopt the category management system. However, on average, retailers expect that over 90 percent of SKU's in the dry grocery, frozen food, dairy, general merchandise, and health and beauty care departments will be affected by category management (Table 12). Moreover, retailers anticipate that category management will be extended to over 75 percent of SKU's in the fresh meat and fresh produce departments.

TABLE 12
Expected Category Management Coverage, by Supermarket Department, 2000

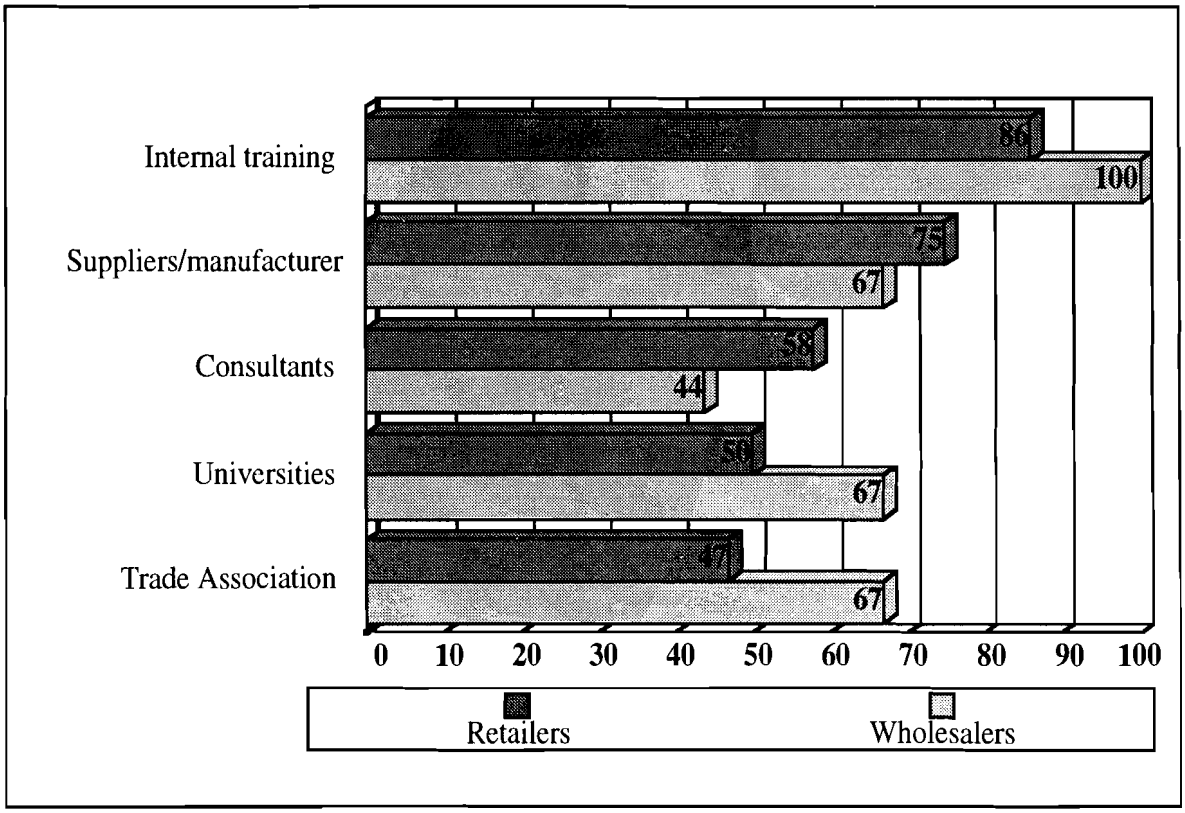
Supermarket Department	Retailers	Wholesalers
	- percent -	
Health and beauty care	97	89
Dry grocery	96	92
Frozen food	96	96
Dairy	96	90
General merchandise	93	86
Fresh produce	78	56
Fresh meat	76	72

Although average wholesaler estimates of the impact of category management are somewhat lower than retailer estimates for all departments, wholesaler estimates of category management SKU coverage are of similar magnitude as retailer estimates (Table 12). For example, wholesalers estimate that over 85 percent (vs. over 90 percent for retailers) of the dry grocery, frozen food, dairy, general merchandise, and health and beauty care SKU's and over 70 percent (vs. 75 percent for retailers) of fresh meat SKU's will be "category managed" by the year 2000. The only wide divergence in estimates of future category management SKU coverage was in the fresh produce department for which the wholesaler estimate was about 56 percent versus the retailer estimate of 78 percent.

Training Needs

There was very little disagreement among wholesalers or retailers that better training is needed for companies interested in moving to category management. Virtually no companies found current training adequate. However, there were some differences in opinion between retailers and wholesalers about the proper source of such training (Figure 10). All wholesale respondents and 86 percent of retail respondents felt that category management training should originate from their own internal training/education department. Product suppliers were the next most appropriate source for category management training according to three quarters of retailers and two thirds of wholesalers. Retailers were more likely than wholesalers to look to consultants for category management training (58 percent vs. 44 percent, respectively). Conversely, wholesalers were more likely than retailers to look to trade associations (67 percent vs. 47 percent) and universities (67 percent vs. 50 percent) for their category management training needs.

FIGURE 10
Expected Sources of Category Management Training
-percent-

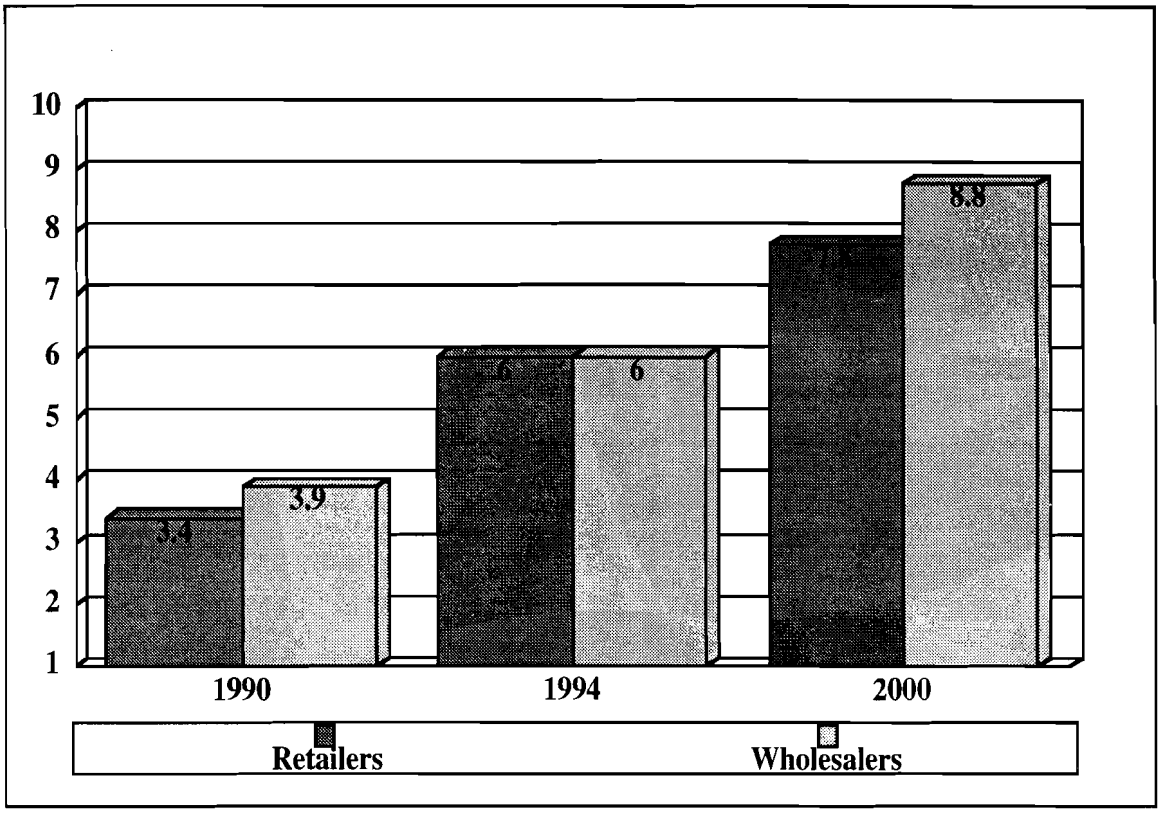


Supplier Relations

Retailer and wholesaler trust of manufacturers, of course a critical component of successful category management, has improved markedly over the past few years and is expected by our respondents to continue to improve by the year 2000 (Figure 11). On a 1 to 10 scale (where 1 equals "do not trust" and 10 equals "completely trust"), retailer and wholesaler evaluations of the level of trust between their firm and manufacturers in 1990 were both less than 4 (3.4 and 3.9, respectively), improved to 6.0 in 1994, and were estimated to improve by the year 2000 to 7.8 by retailers and 8.8 by wholesalers.

FIGURE 11
Estimates of Manufacturer Trust Level: 1990, 1994, 2000

-- average ratings where 1 = "do not trust" and 10 = "completely trust" --



Though the majority of both retailers and wholesalers explored category management jointly with manufacturers (see Figure 6), retailers and wholesalers appear to differ in terms of their "ideal" number of manufacturer "partnerships" per category (Table 13). Primarily because of their category-specific information, strategic partnerships with manufacturers are generally considered cornerstones of successful category management. Retailers, reporting an average of 1.7 manufacturer partnerships per product category in 1994, anticipate that number increasing to 4.3 partnerships per category by 2000 (Table 13). Likewise, retailers estimated that they maintain a total of 27 partnerships over all categories but by 2000, the total number of partnerships should nearly double to about 52. On the other hand, wholesalers estimate a higher number of current partnerships per product category than retailers (2.4 vs. 1.7) and anticipate a greater number of partnerships in 2000 as well (8.6 vs. 4.3). Wholesalers currently estimate that in total, across categories, they currently maintain about 19 established partnerships and expect that the total number of partnerships will increase to around 60 by the year 2000.

TABLE 13
Number of Manufacturer "Partnerships", Per Category and Per Firm, 1994 and 2000

YEAR	Retailers	Wholesalers
	- average number -	
Per Category:		
1994	1.7	2.4
2000	4.3	8.6
Per Firm:		
1994	27	19
2000	52	60

Future Performance Impacts

There has been widespread speculation about the possible impacts of category management on food system efficiency and, in particular, on supermarket operations. The strong industry commitment to category management revealed in this study suggests that the majority of the food distribution industry believes the benefits of category management outweigh the costs of converting to this new way of doing business. At this early point in its development, however, the exact impacts of category management appear to be difficult for retailers and wholesalers to quantify.

Very few respondents were able to precisely estimate the current or future impacts of category management on operations in areas as diverse as sales, costs, inventory turnover, profits and others. Many stated that it is simply too soon to measure the results of category management in absolute terms since most are still in various stages of experimentation.

From those willing to make estimates, however, the relative size of current versus future impacts presents an outlook for dramatic future improvement in food distribution efficiency (Table 14). Indeed, on most measures, the estimated impact in the year 2000 is estimated to be nearly twice the impact realized by 1994. Wholesaler estimates tend to be more conservative than retailer estimates on most measures.

On average, estimates of current cost savings from category management ranged from around 3 percent of total costs by wholesalers to over 8 percent by retailers (Table 14). However, by the year 2000, wholesalers estimate that category management will reduce overall costs by almost 10 percent while retailers anticipate cost savings of over 18 percent. There are staggering forecasts for an industry grown accustomed to a net profit structure in the neighborhood of 1 to 1.5 percent of revenues.

TABLE 14
Estimated Impacts of Category Management, 1994 and 2000

Area of Impact	1994		2000	
	Retailers	Wholesalers	Retailers	Wholesalers
	-- *percent impact* --			
Cost savings	8.3	3.4	18.3	9.6
Sales increase	7.3	5.7	13.3	10.8
Increase in turnover	8.4	5.5	20.8	46.7
Increase in net bottom line (EBIT)	4.9	4.0	6.9	6.5
Decrease in new product introductions	13.2	2.5	16.3	25.0
Improvement in business reviews	21.4	2.5	55.0	35.0
Improvement in customer service	19.6	3.3	32.0	21.5

Such cost reductions, when combined with predicted sales and stock turnover increases, result in estimated increases in earnings before income taxes (EBIT) of between 4 and 5 percent in 1994 and between 6 and 7 percent in 2000, according to both retailers and wholesalers (Table 14). Retailers are much more optimistic than wholesalers about the current impacts of category management on the other measures listed: new product introductions, business reviews, and customer service. However, by the year 2000, wholesalers expect impacts in these areas of similar magnitude as retailers predict.

Summary and Implications

The preceding analyses paint a dynamic picture of a rapidly evolving, fundamental change in the distribution of food and grocery products in the U.S. The impacts of category management on the future of the food industry will be far reaching and irreversible. The pressure of price competition from often more efficient non-traditional food retailers such as mass merchandisers or "category killers" as well as the many emerging electronic technologies resulting in new shopping alternatives are driving inefficiencies out of distribution systems. In order to survive, supermarket operators will have little choice other than to adopt new management techniques such as category management. The following perspectives provide a summary of the main results of this study and develop implications for the food industry as a whole.

- Category management is one of the tools with which supermarket operators can participate in the cost savings arising from the industry-wide efficient consumer response (ECR) initiative. At its full potential, ECR promises system wide distribution efficiencies through cooperation among intermediaries and coordination of information technologies. Our study reveals the current status and future outlook for utilizing the category management "tool" by both major grocery retailers and wholesalers: currently, few retailers and even fewer wholesalers are fully utilizing category management. However, the majority of both retailers and wholesalers expect to be fully operational with category management within three years, a relatively short period of time considering the dramatic changes required in operations, structure, and organizational culture.

- Category management requires a new skills set as well as tremendous labor effort to make the transition from current standard operating procedures. For example, our survey indicates that the greatest impediments to category management adoption are information systems, both hardware and software, and the training necessary to utilize these technological tools. The need for better category management training was an issue unanimously cited in our survey by both retailers and wholesalers.

- Almost one fifth of wholesalers surveyed in our study mentioned the "wholesale nature" of their business as an important constraint to category management adoption. They were referring to the general lack of wholesaler control over certain of their independent retailer customers' in-store merchandising and management activities. Likewise, this is a concern for combined retailing and wholesaling companies. These hybrid operators have to resolve restructuring buying and merchandising functions to adopt category management for their own retail stores while maintaining wholesale service levels to independent supermarkets and grocery stores. Serving possibly two or more divergent strategic directions may mitigate some of the efficiencies of category management.

- In fact, our research suggests that the benefits of category management may be less directly applicable to wholesalers. The explanation for this lies in wholesalers' historical method of operations. They traditionally have been able to bolster profits by buying huge volumes of merchandise on various promotions, warehousing this low cost product and, subsequently, distributing it to independent grocery stores and supermarkets. However, category management benefits derive less from such buying efficiency and more from various store level merchandising and space management activities.

- Not all parties in the wholesale and retail distribution of groceries will benefit equally from category management. Technologically advanced companies, for example, will have distinct advantages in the future since information systems are the leading constraint to category management cited in our survey. Wholesalers must explore expanded corporate retail store operations and creative ways to organize smaller independent operators perhaps in "technology share groups" or other marketing affiliations in order to reap maximum category management benefits.

- It appears from this study that independent supermarkets will be hard pressed to reap benefits equivalent to those of their chain supermarket competitors unless they can establish closer relationships with their wholesalers than typically exist today. Ironically, independent supermarket operators, for whom capital constraints may make asset management even more critical than it is for chains, may have the most to gain from the fine tuning and efficiencies that category management portends. Indeed, the information sharing necessary for successful category management will require reliance on wholesaler and/or manufacturer analysis of store-level scanner data and, perhaps, coordinated advertising, promotion, and merchandising activities between retailers and wholesalers.

- Manufacturer motivation for introducing and promoting category management may be traced to several long term trends in the grocery industry. Principal among these trends are forward buying, diverting, private label development, and fragmentation of media and markets. These in turn may have adversely affected manufacturers' ability to maintain brand equity and to manage and grow sales. Despite these apparently strong motivations for manufacturer involvement in category management, our survey indicates that only 5 percent of retailers and no wholesalers felt that manufacturers were more enthusiastic than they about the concept.

- Conventional industry wisdom suggests that "partnering" with just one manufacturer per category is the most effective way to manage a category. This industry wisdom suggests that the manufacturer chosen as category "partner" or "table captain" should work with the distributor to increase the sales and profits of the whole category to the benefit of all parties. However, our survey indicates that both retailers and manufacturers anticipate having more than one manufacturer partnership per product category as they further expand category management into their operations.

- Retailers responding to our survey predicted having over 4 manufacturer "partners" per category by the year 2000, only 5 years from now. Considering the collapse of market share that has taken place in most product categories among relatively few manufacturers, the clear implication of this retailer prediction, is that the term "partner" may become synonymous with "supplier" in the near future. It appears that retailers are sending the industry a clear signal: suppliers must adopt category management if they expect to survive. This outlook has major strategic implications for suppliers, particularly for smaller or regional manufacturers who may not be as well situated as their larger competitors to restructure for category management.

- It is possible that brokers could become the key variable in the category management equation for smaller or regional manufacturers. However, the broker role is likely to be quite different than the traditional one of sales agent. More likely, brokers will become category management agents by providing information, software, and the merchandising support that retailers will need from strategic partners but which small or regional manufacturers are not likely have the resources to provide.

- The retailers and wholesalers in our survey both exhibit an extremely wide range of estimates regarding the specific product categories their companies define. While Nielsen Market Research, for example, tracks 292 supermarket product categories, only about a third of responding retailers identified more than 200 individual product categories while over a quarter identified fewer than 100 product categories. Responding wholesalers present approximately the same picture. It is not clear whether the explanation for this wide disparity in level of detail lies in individual interpretation of the category management concept, that is, the level of detail at which individual companies are comfortable analyzing data, or in the redefinition of traditional product categories that may now be taking place under category management. Under category management, a category defined as "beverages" may now include grocery, dairy, and frozen products which traditionally were considered entirely different, even unrelated, categories. Therefore, as category definitions make "cross department leaps," total category numbers may be consolidated.

- Buying committees, traditionally used at many retail and wholesale organizations to make new product acceptance and deletion decisions, seem to have taken on more limited roles or been eliminated completely at companies which have shifted to category management. This reflects both the transfer of committee responsibilities for accepting new products and eliminating existing products to category managers as well as the availability of better category information. Employing category management principles, the new product acceptance process is simplified by placing the accept-reject decision in one well-informed person's hands. Further, it is additionally possible that with better informed decisions those products accepted will have a higher success rate on store shelves.

- Our study underscores the need for improved industry training in the use of current technologies. As with any new concept or technology, training and education in category management typically must provide the comfort level necessary for productive use of the new system.

- These activities will certainly evolve gradually as retailers become more experienced with category management and move from mass marketing to "micro" marketing via frequent shopper programs and other targeted, information-based direct marketing programs.

Appendix A: A Review of Selected Research and Readings on Category Management

A Review of Selected Research and Readings on Category Management

"Category Management: An Ongoing Process." Karl Gnau in Discount Merchandiser, May 1994.

- States 1) the foundation of CM is a business' strategic direction and 2) an effective program depends on business strategy and personnel development
- Discusses the importance of assigning the "right" personnel with the necessary education and training to CM responsibilities

"Kmart's Category Approach." Jennifer Pellet in Discount Merchandiser, May 1994.

- Based on an interview with Ron Gellish, Director of Strategic Market Planning at Kmart. Gellish:
  - defines category management
  - discusses the changing role of Kmart's suppliers
  - cautions readers not to forget the human element when implementing CM

"Catching the Wave." Jennifer Pellet in Discount Merchandiser, May 1994.

- Suggests adopting category management requires 4 fundamental organizational changes:
  - development of a corporate identity
  - development of strategic and financial goals
  - definition of categories
  - replacement of traditional organizational structure
- Offers a 5 step implementation process

"Category Management: Changing the Face of Retail." Jennifer Pellet in Discount Merchandiser, May 1994.

- Describes category management as an efficient and effective way for retailers to gain customer information
- Suggests category management enables:
  - retailers to align their businesses with customer needs
  - differentiate product mix from competition
  - improve internal management
  - increase sales and profitability
- Suggests there are three forces driving this management trend:
  - market fragmentation
  - new product explosion
  - streamlined operations and intensified competition

"Why Category Management Will Fail." Glen A. Terbeek in Progressive Grocer, Sept. 1993.

- States category management is not a "strategy", it is a "tactic"
- Discusses the importance of considering the total environment of the retailer in implementing category management

"Partners vs. Profits." Michael Sansolo in Progressive Grocer, Dec. 1993.

- IRI study found the key to category management is understanding variations and setting up programs to deal with them
- Breaks category management into 4 areas
- Identifies lack of trust among trading partners as a major hurdle

"Choose Your Partners." Leslie Gilbert Elman in Progressive Grocer, May 1994.

- Suggests that the trends of developing partnerships through category management activities in the grocery aisles are now crossing over to the bakery and deli departments.
- Offers several benefits which accrue from partnerships between retailers and suppliers

"Category Management: Chains on Some Path." Subha Narayanan in Retail World, Aug. 30, 1993.

- Describes 3 stages of development in the implementation of category management

"Category Management: Launching Pad for Needed Distribution Improvements." Supermarket Business, August 1992.

- Discusses the need for organizations to adopt category management if they want to take advantage of continuous replenishment for inventory control
- Outlines the importance of developing strategic partnerships with select manufacturers
- Portrays category management as a evolutionary process

"The Category Management Drumbeat." Ken Partch in Supermarket Business, April 1994.

- An interview with consultant Win Weber, an expert on category management

"An Update on Category Management with Dr. Brian Harris." Supermarket Business, June 1994.

- In an interview with Dr. Brian Harris, chairman of The Partnering Group, he offers a general discussion regarding status of category management today.

A.C. Nielsen, Category Management: Positioning Your Organization to Win., NTC Business Books in Association with Nielsen Marketing Research and the American Marketing Association. 1992.

- Changing Marketplace
- Consumer, retailer and manufacturer trends
- Retailers/Manufacturers and category management
  - Why category management
  - Benefits of category management
  - Building category management into business
  - Role of category manager
  - Stages of category management
  - Targeting customers
  - Planning, merchandising, evaluating
- Future of category management
- Provides detailed case studies

Deloitte & Touche. "Category Management Technology Survey for Supermarkets-1993 Eighth Annual Survey Results."

- Presents the eighth annual survey of category management for supermarkets
- 63% of respondents believe a profit of 0.5%-2% can be expected from ECR
- Promotion planning perceived to hold greatest promise
- Manufacturer support rated good to excellent
- Surveyed 32 supermarket chains and 8 combination food wholesaler/retailers

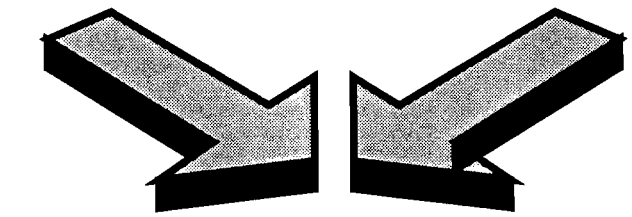
Zenor, Michael J., "The Profit Benefits of Category Management." Journal of Marketing Research, Vol. XXXI (May 1994), 202-213.

- A general product line pricing model that calibrates the potential profit benefits of a coordinated category-level pricing strategy is compared to an uncoordinated brand-level pricing strategy. Major findings include:
- The profit benefit from a coordinated category management pricing structure can be substantial
- Category management benefits both the firm and its competitors

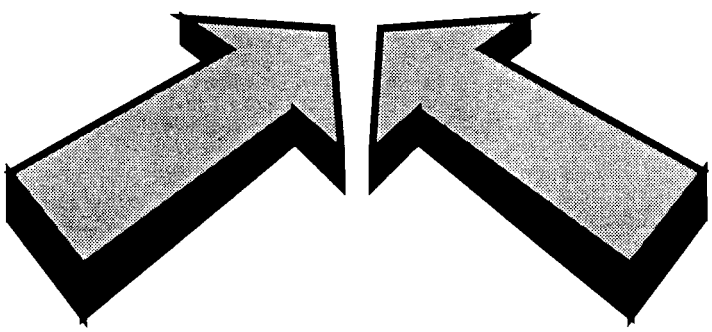
- The results indicate that the benefit of category management (to adopter, competitor and retailer) is determined by market demand structure, competitor policy, and retailer policy.

Appendix B: Category Management Survey

An Industry Survey of Category Managment:



Status, Impacts and the Future



Conducted by
Food Industry Management Program
Cornell University
Ithaca, NY 14853

Sponsored by
Kraft General Foods

Category Management

Category Management (CM) is being explored by many food manufacturers, retailers and wholesalers. Like most emerging management concepts, the definition of CM is evolving, and its interpretation varies by company. Yet most industry observers agree that it is a business philosophy that recognizes categories as strategic business units where buying, merchandising and profitability are incorporated into one decision-making unit. It generally combines concepts such as shelf space management, Direct Product Profit (DPP) or Activity Based Costing (ABC), and variety duplication analysis.

The purpose of the following questions is to document the current status of category management acceptance, adoption, and perceived benefits within the wholesale and retail sectors of the food industry.

Current Status

1. The current status of Category Management (CM) at my company is best described by the following (choose one of the following) :

   a. _____not considered an option for our company

   b. _____is being considered but no experimentation begun

   c. _____experimentation has begun but too early to judge results

   d. _____experimentation well under way but CM not yet integrated into daily operations

   e. _____experimentation completed for some categories and CM now operational for those categories

   f. _____experimentation complete for all categories but CM not yet operational in all categories

   g. _____CM is fully integrated and operational

2. The most important constraints preventing more rapid adoption of CM techniques in my company are:_

_____

_____

_____

(If you checked question 1.a. or 1.b., please skip to "Company Information" on page 11)

3. The top management of my company is: ***(choose one of the following)***

   a. _____not committed to category management

   b. _____somewhat committed to category management

   c. _____very committed to category management

4. In our company, the responsibilities of the category manager currently include: ***(check the appropriate status for each job task)***

Job Task	Currently part of job description	Will be added to job description	Not part of job description and will not be added
a. Sales, profit or market share goals	☐	☐	☐
b. Negotiation with manufacturers/suppliers	☐	☐	☐
c. Strategic category planning	☐	☐	☐
d. Competitive store visits or analysis	☐	☐	☐
e. Optimize SKU mix, sales or GM by store clusters	☐	☐	☐
f. Determine investment buys	☐	☐	☐
g. Develop or implement shelf planograms	☐	☐	☐
h. Develop strategic alliances with manufacturers	☐	☐	☐
i. Budget development or compliance	☐	☐	☐
j. Determine items to be promoted or promotion schedules	☐	☐	☐

5. Currently, my company has approximately_____separate product categories.

6. Currently, my company has_____category managers each responsible for _____product categories.

7. a. How often is category performance reviewed in your company? _____

   b. How often do you believe it will be reviewed in the future?_____

8. Would you say you are more or less enthusiastic than the majority of your suppliers regarding CM: ***(choose one of the following)***

   a. _____more

   b. _____less

   c. _____about the same

Getting Started

9. To adopt category management, the merchandising and buying functions of my company: ***(choose one of the following)***

   a. _____underwent a complete structural reorganization

      which was completed in _____months

   b. _____are currently undergoing a complete structural reorganization

      which is expected to be completed in _____months

   c. _____will undergo a complete structural reorganization

      which is expected to be completed in _____months

   d. _____are not going to reorganize

10. The key differences between the functions/responsibilities of "buyers" and "category managers" in my company are:

_____

_____

_____

11. For our initial experiments with CM, my company chose the following categories: **(Please list up to three categories)**

Category	**Reasons why**
a._____	a1._____
	_____
	_____
b._____	b1._____
	_____
	_____
c._____	c1._____
	_____
	_____

12. So far, my company has used CM activities and information to: ***(check all those that apply)***

    a. _____re-allocate shelf space within categories with new planograms

    b. _____re-allocate store space among categories

    c. _____reduce the number of "duplicate" SKU's in a category

    d. _____increase the variety of brands, sizes, or forms of products in categories

    e. _____cluster stores for targeted advertising, promotion, or merchandising

    f. _____to strengthen private label performance

    g. _____manage customer dynamics

    h. _____optimize retail pricing

    i. _____manage trade promotions and displays better

    j. _____other (please describe)_____

    _____

13. My company has explored CM: ***(check all those that apply)***

    a. _____independently

    b. _____jointly with one manufacturer per category

    c. _____jointly with more than one manufacturer per category

14. In getting started with CM, my company has relied <u>mostly</u> on: ***(check one of the following)***

    a. _____expertise within our company

    b. _____independent category management consultants

    c. _____manufacturers' expertise

15. Please list the first three steps that you took to initiate the transition to CM in your company:

1. _____

2. _____

3. _____

Impacts

16. Please approximate the impacts, if any, that the adoption of CM has had in your company (1994). What do you expect it to have in the Year 2000? ***(please approximate)***

	1994	2000
a. Cost savings	_____ %	_____ %
b. Sales increase	_____ %	_____ %
c. Increase in turnover	_____ %	_____ %
d. Increase in net bottom line (EBIT)	_____ %	_____ %
e. Decrease in new product introductions	_____ %	_____ %
f. Improvement in business reviews	_____ %	_____ %
g. Improvement in customer service	_____ %	_____ %
h. New areas of merchandising	_____	_____
(briefly describe)	_____	_____
	_____	_____
i. New store formats	_____	_____
(briefly describe)	_____	_____
	_____	_____

17. If your company made use of a buying committee in the past, has the adoption of CM made any difference in its use?

_____

_____

_____

Future

18. I expect my company will be fully operational with CM in all categories within the next

_____years.

19. By the Year 2000, I think my company will have_____category managers each responsible for approximately _____product categories.

20. By the Year 2000, I think CM will be employed for:

____% of dry grocery SKU's

____% of frozen food SKU's

____% of dairy SKU's

____% of fresh meat SKU's

_____% of fresh produce SKU's

_____% of general merchandise SKU's

_____% of health and beauty care SKU's

21. Is better training needed for companies interested in moving to CM?

a.___No, current training is adequate.

b.___Yes. If yes, from where? ***(check all that apply)***:

_____internal training/education department

_____industry trade associations

_____Suppliers

_____consultants

_____universities

22. On a scale of 1 to 10 (where 1=do not trust and 10=completely trust) evaluate the "trust" between your company and your suppliers regarding the principal issues on which CM is dependent: ***(please evaluate for each of the following years)***

1990	1994	2000
_____	_____	_____

23. My company has the following approximate number of current and expected supplier "partnerships"

	1994	2000
Per category *(indicate range)*	_____	_____
Total store	_____	_____

Company Information

24. My company is primarily a: ***(choose one of the following)***

    a. _____retailer b._____wholesaler

25. My company operates/serves _____supermarkets.

26. My company's approximate 1993 sales were $_____(million).

27. My current job title is:

    _____

THANK YOU FOR YOUR HELP IN THIS IMPORTANT STUDY! PLEASE ENCLOSE THE COMPLETE QUESTIONNAIRE IN THE ENVELOPE PROVIDED AND MAIL IT TO US TODAY.

If you would like a copy of the report of the survey results, please provide the following information. *(This page will be separated from the questionnaire to ensure the confidentiality of your response).*

Name_____

Title_____

Company_____

Street Address_____

City_____State_____zip code_____

Additionally, we would be happy to send you a copy of any of the following recent Cornell University Food Industry Management Program reports. Please check those of interest, and we will enclose them with the survey results.

____Fredericks, Peter J. and Edward W. McLaughlin, "New Product Procurement: A Summary of Buying Practices and Acceptance Criteria at U.S. Supermarket Chains."

____German, Gene A., Gerard Hawkes, and Debra Perosio, "Supercenters: The Emerging Force in Food Retailing."

____McLaughlin, Edward W., Gerard Hawkes, and Debra Perosio, "Wholesale Club Stores: The Emerging Challenge."

____McLaughlin, Edward W., and Debra Perosio, "Fresh Fruit and Vegetable Procurement Dynamics: The Role of the Supermarket Buyer."

____McLaughlin, Edward W. and Vithala R. Rao, "The Strategic Role of Supermarket Buyer Intermediaries in New Product Selection: Public Policy Implications."

____Russo, David M. and Edward W. McLaughlin, "The Year 2000: A Food Industry Forecast."

If you have any questions regarding this study or this questionnaire, please contact:

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OTHER A.R.M.E. EXTENSION BULLETINS
(Formerly A.E. Extension Publications)

No. 94-18	Your Dairy in Transition Your Farm and the Industry	Faculty & Staff Cornell University
No. 94-19	Your Dairy in Transition A Planning Process for Considering Dairy Farm Expansion	Faculty & Staff Cornell University
No. 94-20	Your Dairy in Transition Winding Down Your Farm Operation	John R. Brake
No. 94-21	Dairy Farm Business Summary Eastern New York Renter Summary 1993	Stuart F. Smith Linda D. Putnam
No. 94-22	Income Tax Consequences of Farm Debt Cancellation and Bankruptcy	George Casler
No. 94-23	Farm Income Tax Management and Reporting Reference Manual	George L.Casler Stuart F. Smith
No. 94-24	Dairy Farm Business Summary New York Large Herd Farms, 300 Cows or Larger 1993	Jason Karszes Stuart F. Smith Linda D. Putnam
No. 94-25	New York Economic Handbook 1995 Agricultural Situation and Outlook	A.R.M.E. Staff
No. 94-26	Census of Agriculture Highlights New York State, 1992	W. Knoblauch L. Putnam B. Stanton N. Merrill
No. 94-27	Fruit Farm Business Summary Lake Ontario Region New York 1993	Gerald B. White Alison DeMarree Linda D. Putnam