

Nolan's Finer Foods: Introducing Category Management

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

To date Nolan's did not have any experience with category management. A decision was also made to pilot test Category Management in some test categories before implementing a system wide roll out. One of the categories chosen for the test was shampoo. Roberto's immediate assignment was to review the

product category and report back to management with an initial report. As Roberto looked out of his window at the scenic sunset over the San Francisco bay, he reviewed the events of the past few weeks and the information that he had obtained on the shampoo category. He had obtained several third party reports (Exhibit 1, 2 and 3) that provided background information about national trends in the shampoo category and trends in supermarkets. Another report (Exhibit 4) provided him with information on how Nolan’s shampoo sales compared to the rest of the market. However, these reports did not provide Roberto with information on how Nolan’s stacked up against the competition in terms of its assortment and pricing. After some checking around, Roberto found that he could order reports from third party vendors that would provide him with an analysis of Nolan’s and the competition on product mix and pricing. He had placed an urgent order for these analysis and they had arrived this morning through courier (Exhibits 5, 6 and 7). After reviewing these reports he concluded that there were several possible courses of action.

As Roberto headed for the water cooler, feeling upbeat in the thought that he

had a handle on the shampoo category, he ran into Hal Jeffreys, who was a longtime veteran of Nolan’s and a vice president of information systems. Knowing that Hal had at one time managed Health and Beauty Aids at Nolan’s, Roberto mentioned his review of the shampoo category and the category management initiative. Hal mentioned that for years he had a simple approach for ‘category management’. He would begin by generating a list of slow sellers in the category and then try to replace these slow sellers with new products or by increasing the shelf space for existing products. With the new information systems that Nolan’s had installed in the past year, generating a slow seller lists was very easy. To prove his point Hal walked back with Roberto to his office and using his PC generated a slow seller report for the shampoo category (Exhibit 8). “See, technology has made this a real cinch” said Hal and wondered whether the expense and effort of category management would produce net improvements over and above this very simple ‘knock off the slow seller’ approach. “I’ll try to come to your presentation tomorrow” said Hal as he left Roberto’s office.

As Hal left his office, Roberto sank back into his chair with a knot in his stomach. He felt that he had jumped the gun in thinking that he had a handle on the shampoo category. Things seemed to be more complicated compared to what they appeared earlier in the day. Roberto wondered whether the shampoo category seemed so difficult because it was the first attempt at category management. In any case his immediate concern was to prepare for his presentation tomorrow. Knowing

that Hal Jeffreys would be in the audience he knew that he would have to address the “knock out the slow sellers” perspective.

Preparation Questions

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

Exhibit 1: Total U.S. Supermarket Dynamics:

Shampoo-aerosol, liquid, lotion, powder

	#active	%new	#UPCs	UPC dollar
52-weeks	UPCs	UPCs	handled	velocity
Category	1,974	15%	235	\$1.64
Brands	1,714	16%	229	\$1.65
Private label	241	12%	6	\$1.33
Generic	19	-	2	\$1.00

Source: Nielsen Marketing Research. Nielsen Highlights. Category Performance Report
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Exhibit 2: Shampoo Dollar Share

Trade Channel	12 Months last year	12 Months this year
Food	51.7%	50.5%
Drug	25.6%	25.0%
Mass Merchant	22.7%	24.5%

Source: Nielsen Marketing Research: Procision

Exhibit 3 Shampoo Growth

Trade Channel	Dollar Sales % Change vs. year ago
Food	0.9%
Drug	4.2%
Mass Merchant	8.1%

Source: Nielsen Marketing Research: Procision

Exhibit 4 Dollar Sales
Percent Change vs. Year-Ago

	Market		Nolan's Finest	
	13 weeks	52 weeks	13 weeks	52 weeks
Total dollar sales	+1	+1.2	-10.6	-4.5
HBA department	+1.5	+4.2	-8.5	-4.3
Shampoo category	-3.5	+7	-19.6	-9.7

Source: Nielsen Marketing Research. SCAN*FACT PC for Retailers

Exhibit 5 Competitive Price Comparison

Compare: Shampoo

Counts of items showing differences from the base zone (Nolan's Finest Foods)

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

Source: Nielsen Marketing Research. Nielsen Retail Price Simulator

Exhibit 6 Brand Importance Report for Shampoo

Nolan's Foods vs. Remaining Market for 13 Weeks

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

Source: Nielsen Marketing Research. SCAN*FACT PC for Retailers

Exhibit 7 Product Mix Summary Report

Shampoo Dollar Sales – 13 weeks

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

Source: Nielsen Marketing Research. SCAN*FACT PC for Retailers

Exhibit 8 Slow Mover Report:

Shampoo for Nolan's Foods – 13 Weeks vs. Year-Ago

Item	Chain \$ Sales	Chain mkt shr.	Chain sub-cat impt.	Rem. Mkt. growth	Chain growth	Chain avg. % stores selling
Golden JJB Lq T 3 oz	3	9.9	.0	-51.2	-50.0	0%
1 st Impr. DF ND Lot. 11 oz.	10	.7	.0	-59.4	-99.4	0%
Gentle GLD Lq. 11 oz.	11	100.0	.0	-100.0	9.6	0%
Golden AV Lq. T 3 oz.	12	22.4	.0	13.2	-69.2	1%
Suds PB Lq. 8 oz.	14	6	.0	107.1	2.9	0%
Silky Style X-B Lq. 18 oz.	14	1.6	.0	-65.6	-99.5	0%

Source: Nielsen Marketing Research. SCAN*FACT PC for Retailers

Exhibit 9: Nielsen Report Terminology

UPC	Supermarket terminology for SKU (stock keeping unit)
UPC's Handled:	Average number of UPC's stocked by food stores
UPC Dollar Velocity:	Revenue per UPC per store per week
HBA	Health and beauty aids
Market	All food stores
Remaining Market	All food stores excluding Nolan's