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Title of the Master’s Thesis:

Continuous Management of a Retail Product Category

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Declaration of Authenticity

I hereby declare that the Master's Thesis presented herein is my own work, or fully and specifically acknowledged wherever adapted from other sources. This work has not been published or submitted elsewhere for the requirement of a degree programme.

Prague, May 9, 2016

Lucie Pospíšilová

A c k n o w l e d g e m e n t s

I would like to thank my supervisor, doc. Ing. Jan Koudelka, CSc. for his guidance. Furthermore, I would like to thank everybody, who provided me with necessary data and information and mainly my advisor from Ahold Czech Republic, Petr Hubený for his time and valuable advice.

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Abstract:

The aim of the thesis is to describe the Czech retail industry and the practice used in the category management. The work compares and evaluates the current state of the ice-cream category management in different retail chains and recommends changes for the next ice-cream season for one of the retailers. The description of the retail industry and the introduction set the background for the thesis and the explanation of the continuous category management provides the framework for the analysis. The empirical part conducts the category planning step by step. The key parts are category assessment and category scorecard, which benchmark different stores in terms of assortment, display, price, and promo. Finally, recommendations and conclusions are derived from the analysis to improve the category performance.

Key words:

Category Management, Retail Industry, Benchmarking, Category Planning

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1 Introduction

The aim of the thesis is to describe and to analyse the Czech retail industry and the practice used in the category management. Further it is to compare and evaluate the current state of the ice-cream category management in different retail chains and to recommend changes for the next ice-cream season during the summer 2016 in Ahold Czech Republic. The concepts and frameworks necessary to understand the thesis are outlined in the theoretical part to support the empirical part. The theoretical part also maps the retail industry with a focus on the Czech Republic and empirical part uses the data to conduct category planning, which is a part of the continuous category management process.

Every retailer undertakes category resets regularly because it is necessary for them to keep up with the evolution of the market, changes in consumer behaviour and competitors' actions. There are different depths of the category reset regarding the kind of business activities it involves. For some problematic categories more thorough analysis is needed, however, the approach to the ice-cream category is only outdated and the level of the reset corresponds with it. Considering the competition and new trends in the category, a better strategy, tactics and actions can be taken. The outcomes of the thesis are used by the frozen category manager in Ahold to improve the performance of the category.

As for the structure of the thesis, there are theoretical and empirical parts included, which are not precisely distinguished. However, the theoretical part describes the retail industry, category management and the methodology of the work. Retail industry description and introduction set the background for the thesis and explanation of the continuous category management provides the framework for the analysis. The empirical part focuses on the ice-cream market in the Czech Republic and elaborates on the category planning in Ahold retail chain. At the end, there are some recommendations building on the category tactics, which is the main part concerning further steps in the key areas.

The key areas, with regard to the extent of the thesis, are the assortment, display, price and leaflet promo. There are of course more areas concerned during a broad category reset, however, the thesis addresses mainly these four. The reason is that from the category manager's point of view these are the areas he or she can influence directly and with reasonable and foreseeable impact. The improvements have to be put in action enough time in advance so that the changes appear properly.

One of the issues, which the author has to deal with is the acquisition of Spar hypermarkets at the end of 2014. All the data in the thesis only consider original Ahold stores. Another difficulty appeared to be the data collection because sometimes the store security would not allow to observe and write down notes in the competitors' stores. The main limitation of the thesis was its focus on the day-to-day category management, which mainly concerns prices and promotions. Tenders for changing the assortment only happen few times a year and the display in the store is only changed twice a year for the ice-cream category.

The description and the analysis of the category planning should help the reader to orientate in the given problem and it provides an opportunity for the author of the thesis to gain experience and to conduct part of the category management cycle on her own. Not only the benchmarking but also the market trends have to be included in the analysis and the author is responsible for finding the right balance and providing eligible recommendations suited to the retailer. The practical use of the thesis and mainly the benchmarking analysis is proved. The ice-cream category was picked based on the retailer's needs and some of the recommendations will appear in Ahold during 2016.

2 Retail Industry

Wholesalers and retailers are the commonly known marketing intermediaries, which need to be described to define the area of the thesis with major focus on retailers. The difference between retailing and wholesaling is that in wholesaling customers buy for further resale or business use and are not the final consumer. Retail is the sale of goods or commodities in small quantities directly to the consumers. According to (Kotler & Keller, 2012) "Retailing includes all the activities in selling goods or services directly to final consumers for personal, non-business use. A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing."

Even though there is a clear difference between retailers and wholesalers, their functions are very similar because the customers (final consumers or resellers) are looking for the same benefits. The functions are selling, promoting, providing assortment, bulk breaking, inventory holding and providing services (Kotler & Keller, 2012). In other words, the role of a retailer is to satisfy final customers through offering wider range of products in smaller quantities than producers could, and tailoring the offer and services to customer needs.

For the retail industry standardization and returns to scale are essential. Therefore, there is a decreasing trend of independent retailers because it is beneficial for them to become chains. It also increases the barriers to enter the market and so increases the power of retailers. It is very important for retailers to exploit the relationships with suppliers. As the retailers get larger their power is growing. As for suppliers and customers as well, they have very little power. The latest trend in retail is to offer wide range of products and services i.e. not to specialise, which means that most of the stores offer the same things. It results in high rivalry in the market because companies fight each other for customers usually by reducing prices.

Less often the retailers search their competitive advantage in differentiating the merchandise offer. Merchandise is clustered into categories and retailers can differ by the number of categories (variety) but also by the number of items in the category (assortment). Variety is often referred to as the breadth of merchandise, and assortment is referred to as the depth of merchandise (Ferree, 2012). The merchandise items in retail are called stock-keeping units (SKUs) and each of them have specific referential number. For ice-cream category it is for example Algida Magnum Almond 110 ml or a multipack Algida Magnum Mini Classic, Almond, White 6x60 ml.

A unique type of assortment in the retail industry are private labels, which are brands that retailers and wholesalers develop (Kotler & Keller, 2012). Food retailers typically sell private labels alongside the branded products and create new competition for the producers to leverage retailer's quality and reputation. The reasons for a retailer to engage in private labels are to provide more choices for customers, creating products with lower price and higher quality than branded products. What is more, private labels have lower promo costs and higher margins and help retailers to differentiate themselves.

2.1 Types of Retailers

There are more approaches to the classification of retailers. (Kotler & Keller, 2012) identifies two main categories according to the distribution channel of store retailers and non-store retailers. Vast majority 97 % of retailing is done through the store retailers. Non-store type retailers do their business through different channels for instance Avon uses direct selling or Amazon sells online with direct marketing. The most obvious division of retailers can be done by the type of merchandise they sell, the two main categories being food and non-food retailers. Non Food retailers are for instance drug stores, pharmacies, electronics stores or apparel stores. Finally, it is important to differentiate the retail chains which dominate the industry from the independent stores because their positions are considerably different.

The food store retailers can be divided into the following formats (Ferree, 2012), (Kotler & Keller, 2012):

<u>Supermarkets</u>

- Large, low-cost, low-margin, high-volume, self-service retail stores offering food and non-food items of general merchandise. Conventional supermarkets offer as many as 30,000 SKUs.

<u>Hypermarket/Supercentres</u>

- Stores with huge selling space up to 18,500 m2, offering combination of food (about 60 %), non-food items of general merchandise and services such as dry cleaning or cashback. Hypermarkets offer usually fewer services and SKUs than supercentres, ranging between 50,000-60,000 SKUs.

<u>Discounters</u>

- Extreme-value, low-price, low-margin stores offering restricted merchandise. Stores are designed to maximize efficiency and optimize costs offering only about 1,500 SKUs mainly private labels.

<u>Convenience stores</u>

- Small stores with convenient location in residential areas, often open 24/7, offering limited number of SKUs at higher prices but with high-turnover.

<u>Independent shops</u>

- Small private stores with restricted merchandise, often open late or located at sole areas, with strong customer relationships but low power.

2.2 Retailers Worldwide

Some of the world's top 250 largest retailers in 2013 (Deloitte, 2015) can be found in the table 1. The revenues of top 10 retailers account for 30 % of total reaching $1.3 trillion. Half the retailers originate from the US and most of them are engaged in the food retailing. The optimal size of a retailer appears to be $100 billion in revenues, which indicated modest long term growth. Lately the revenue growth is caused by the raising power of internet retailers. The growth of sales by geography shows that the most profitable regions are Africa & Middle East and Latin America. The most profitable sectors are Apparel & Accessories with highest margin, then Hardlines & Leisure goods and finally FMCG. An important growth strategy for retailers is international expansion as implied by the number of countries of operation of the retailers.

Table 1: World's largest retailers in 2013

Rank	Name of company	Country of origin	2013 Retail revenue (US $mil)	Dominant Operational Format	Countries of Operation
1	Wal-Mart Stores, Inc.	U.S.	476,294	Hypermarket	28
2	Costco Wholesale Corporation	U.S.	105,156	Cash&Carry	9
3	Carrefour S.A.	France	98,688	Hypermarket	33
4	Schwarz Unternehmens Treuhand KG	Germany	98,662	Discount Store	26
5	Tesco PLC	U.K.	98,631	Hypermarket	13
6	The Kroger Co.	U.S.	98,375	Supermarket	1
7	Metro Ag	Germany	86,393	Cash&Carry	32
8	Aldi Einkauf GmbH & Co. oHG	Germany	81,090	Discount Store	17
9	The Home Depot, Inc.	U.S.	78,812	Home Improvement	4
10	Target Corporation	U.S.	72,596	Discount Store	2
24	Koninklijke Ahold	Netherlands	43,321	Supermarket	7

Source: adjusted (Deloitte, 2015)

Retail industry is growing because of constant innovation and retailers' effort to differentiate through non-traditional formats, products and services, which also help to diversify their portfolio (Deloitte, 2015). One of the new trends is for instance travel retail, which means utilizing travellers waiting time by selling and promoting at the airports. Mobile and faster retailing means adjusting websites to mobile use, providing in-store Wi-Fi, making shopping easier and providing same-day delivery (Deloitte, 2015).

Even though consumers prefer the in-store shopping experience (Deloitte, 2015), the vast majority also plans to do some online research prior the purchase decision. Therefore, retailers need to be present at all the distribution channels and most importantly align them. Being consistent in terms of assortment, pricing, shipping, return policy, promotions, design and atmosphere is also very important.

2.3 Retailers in the Czech Republic

Compared to other Central European countries, Czech Republic has the lowest density of retail stores. In 2014 there were only 15 shops per 10,000 inhabitants in the Czech Republic, 17 in Slovakia, 19 in Hungary and 22 in Poland (Nielsen, 2014). 15,842 shops currently operate in the Czech Republic out of which small stores with selling space below 200m^2 create up to 86 % because they are located closest to the customers' homes. Most of the stores are smaller than 50m^2, which implies that the independent market can still reasonably compete with the retail chains. There are approximately 3,000 independent stores in hands of Asian owners.

The global moderate growth reflects in the Czech market where retailers experienced 2 % growth of sales in 2014 (Global Agricultural Information Network, 2015). The biggest value share of 38 % goes to the 307 hypermarkets operated by 5 retailers. Discounters Penny Market and Lidl are getting more and more popular, growing faster than the market by 6 %. In 2012 Tesco first introduced online grocery shopping, which gained customers very quickly. The top retailers with their value shares in the Czech market are listed in the table 2. In 2015 Ahold gained stronger position because of the acquisition of Spar stores.

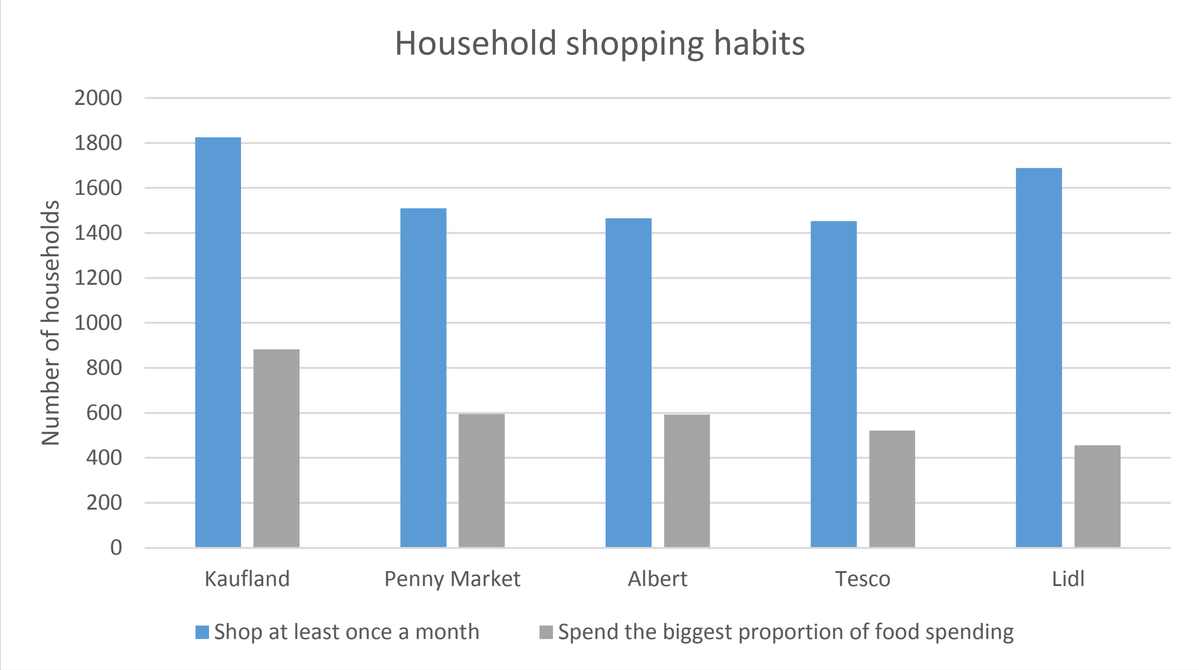
Table 2. Value shares of food retailers in the Czech Republic between 2010 and 2014

Grocery retailers shares in % value	2010	2011	2012	2013	2014
Kaufland	12.2	12.8	13.4	14.3	14.8
Ahold	11.4	11.4	11.3	11.0	11.2
Tesco Stores	10.8	11.3	10.9	10.4	10.1
Penny Market	8.1	8.2	8.7	8.9	9.2
Lidl	6.5	6.9	7.4	7.6	7.9
Billa	6.3	6.1	6.1	6.0	6.0
Globus	6.4	6.1	5.9	5.8	5.7
Spar	3.4	3.5	3.6	3.5	2.7
Other	34.9	33.7	32.8	32.5	32.4
Total	100.0	100.0	100.0	100.0	100.0

Source: (Global Agricultural Information Network, 2015)

The market shares are stagnating, which indicates that the market is saturated. The expansion is driven mainly by acquisition of other market players instead of opening new stores. Consumer loyalty is a good indicator of retailer's power and it can be measured by a percentage of families who primarily shop in a given retailer (Cabal, 2014). With 20 % of households spending the most in Kaufland it has the highest consumer loyalty followed by Albert and Penny Market with 14 %. Another useful indicator is number of visits at a given retailer. Kaufland is a leader with 42 % of households visiting the retailer at least once a month followed by Lidl with 39 % and Penny Market with 34 %. These two power indicators are captured in the figure 1.

Figure 1: Retailers' ranking according to household shopping habits



Source: adjusted (Cabal, 2014)

According to (Nielsen, 2014), it is highly important for customers that retail chains always have what customers want on stock, products are placed where it can be found easily and quickly, they provide pleasant shopping experience, wide selection and everything customers need in one shop, and good value for money. Czech consumers lately search for more quality products, they require wider range of products and usually shop in small stores close to their homes. There is also a tendency to do smaller purchases more often in different types of shops.

The largest food store retailers active in the Czech Republic are described below:

Kaufland

- The company was founded in 1930 in Germany and over the years became one of the leading retailers as part of the Schwarz Gruppe. Kaufland entered the Czech market in 1998 and is currently present also in Slovakia, Poland, Croatia, Romania and Bulgaria. In the Czech Republic Kaufland offers over 20,000 SKUs with focus on fresh food. It operates 120 stores of hypermarket format and employs 17,200 people (Kaufland, 2015).

Ahold

- Dutch company Ahold founded in 1887, which entered the Czech market in 1991 and in 1999 operated the Hypernova stores, is active not only in Europe but also in the US. Albert strengthened its position in the Czech Republic by acquisition of Julius Meinl in 2005 and Spar in 2014. After remodelling the acquired stores there are currently 334 Albert hypermarkets and supermarkets in the Czech Republic employing 17,500 people (Ahold, 2015).

Tesco

- Tesco, a British retailer founded in 1919, is one of the largest retailers in the world. The company entered the Czech Republic in 1996 when it bought 13 K-mart stores. Nowadays Tesco operates more than 200 stores of all formats and employs 14,000 people as well as runs about 100 Žabka convenience stores. It was the first retailer to offer online grocery shopping in 2012 (Tesco, 2015).

Penny Market

- Penny was founded in 1973 in Germany and operates stores all over Europe. The company entered the Czech market in 1997 and currently operates more than 350 stores employing 7,000 people. Penny Market is part of the REWE group, which overtook 146 stores of Plus in 2008. Penny Market is a discounter and offers about 2,000 SKUs in the Czech Republic (Penny, 2015).

Lidl

- German company Lidl was founded in 1930 is the parent company of the Schwarz Gruppe. It entered the Czech market in 2003 and currently operates 230 stores employing 5,000 people. As a discounter it offers products at the lowest prices in the market with vast majority of them being private labels (Lidl, 2015).

Billa

- The company was founded in 1953 in Austria but is currently owned by German REWE group. Billa entered the Czech market in 1990 and it operates all over Europe. There are about 200 supermarkets in the Czech Republic employing 6,000 people (Billa, 2015).

Globus

- Globus is a family retail chain founded in 1828. It is active in the Czech Republic since 1996 and later it expanded to Russia and Luxembourg. Globus operates 15 hypermarkets in the Czech Republic (Globus, 2015).

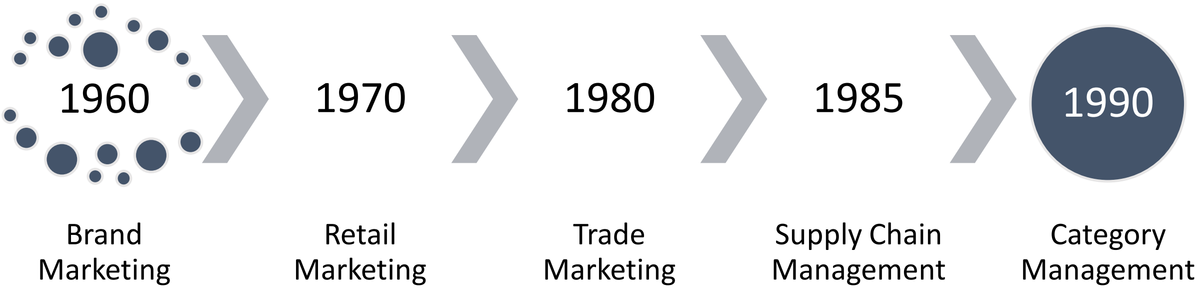
3 Category Management

The efforts to effectively manage retail in terms of cost optimization and customer satisfaction started in 1960s (Hesková, Moderní metody retail managementu, 2008). By that time product and brand marketing were used by the manufacturer to sell their products to final consumers with little help of retailers. Producers had bigger power over the retailers because they were responsible for all promo activities through a network of sales representatives.

In 1970s retailers took more initiative and started examining consumer values through retail marketing (Hesková, Moderní metody retail managementu, 2008). Retailers start to cluster into groups and the power of retailer is increasing. New disciplines are developed such as space management, merchandising and private labels. The concentration of retailers continued in the 1980s and most of the products were delivered through the distribution centres of retailers. Manufacturer and retailers started their cooperation on promo activities and trade marketing became very popular.

Supply chain management was developed in the mid-80s to support the relationships between producers and retailers through information sharing and mutually beneficial cooperation (Hesková, Moderní metody retail managementu, 2008). For the latest phase, new management techniques are characteristic such as effective consumer response. New forms of cooperation for better customer satisfaction were formed by retailers and produces. The importance of category management was rapidly increasing. Nowadays category management is used by many retailers worldwide for countless benefits, which are brought by the system.

Figure 2: Evolution of category management



Source: (Hesková, Moderní metody retail managementu, 2008)

The reasons for management evolution in the retail industry are (Hesková, Category Management, 2006):

<u>Consumer preferences</u>

- The lifestyle of people in developed countries is changing rapidly, which leads to changes in consumer preferences. Demography is one of the factors influencing the preferences. Average age is increasing, birth-rate is decreasing and the structure of household is changing. Companies need to react flexibly to the changes, adjust their strategies and adapt to needs of segments of consumers.

<u>Growing competition</u>

- The markets are getting saturated, which means that the competition is getting tougher because companies are attracting each other's customers. Implementing new management methods helps companies to differentiate themselves better. Category management arises from the effort to satisfy consumer needs more efficiently.

<u>Efficiency</u>

- Effective response to changing economic factors is another reason for evolution of management because of their impact on financial performance of companies. Economic recession, inflation or industry regulations cause sales and profits to fall. That is why companies have to optimize their process and keep costs at minimum.

<u>Information technologies</u>

- Boom in information technologies brought new opportunities to the companies. It helped them to share data and improve business process, which lead to higher competition espionage. It is easier for companies to take over new approaches such as category management or effective because the information is widely accessible.

3.1 Definition

Even though category management is a new concept, there are already several definition trying to capture the nature of the process. The official definition is (ECR Best Practices Operating Commitee, et. al, 1997) “A retailer-supplier process of managing categories as strategic business units, producing enhanced business results by focusing on delivering consumer value.” However, more precise characterization of category management can be found.

(Harris & McPartland, 1993) understand category management as a three interrelated elements. “First, it is a philosophy for strategically managing a retailer’s or a supplier’s business that recognizes categories as strategic business units for the purpose of planning and achieving sales and profit goals. Second, it is a process through which retailers and suppliers jointly develop strategic category plans. Third, category management is an organizational concept that dictates the integration of responsibility for buying and merchandising decisions.”

According to (Hesková, Category Management, 2006), “category management is a method of managing portfolios of items (categories) like business units. The goal of category management is to increase the proportion of satisfied customers and profit, decrease costs and optimize logistics through monitoring of purchase behaviour of consumers”.

(Nielsen, 2009) describes category management in its reports to be “a joint retailer-supplier process of managing categories as strategic business units and producing enhanced business results by focusing on delivering consumer value”. Products in a category should meet similar consumer needs, be somehow related or substitutable and manageable in the same way.

(Varley, 2014) defines category management as “a step-by-step planning and implementation process that helps retailers and suppliers to achieve both performance-based objectives and longer term strategic aims”. The process comprises of category definition, category planning in terms of strategy, KPIs and marketing mix and category management implementation.

From the definitions above we can derive some conclusions about category management. It is a management of a group of items (category) as a strategic business unit. The parties involved are consumer, retailer and supplier. Satisfied consumer is the target of a joint process of retailer and supplier. The target is achieved through information sharing and complex planning.

3.1.1 Merchandising

The connection of merchandising and category management in undeniable, therefore, the term of merchandising has to be defined and explained. Merchandising is the part of marketing, which focuses on selling to the final consumer. It used to be understood as amending products into the shelfs (Hesková, Category Management, 2006). Merchandising usually means the way goods is presented in the store e.g. its order, display, POS materials (Koudelka, 1997). Merchandising has its own principles and it can show consumers different offerings.

Nowadays merchandising deals with three main problems (Soca, 2008). Implementation of the selling point, which means attracting the consumers to the store through location, services or promotions. The arrangement of the shop in terms of design and atmosphere as well as trained staff also influences consumer behaviour. The display of the merchandise should present the items adequately and help the consumer to decide. Merchandising includes also services like dressing rooms, home delivery or credit sales.

Visual merchandising means that the products are displayed in a way, which attracts customer so usually colours and different angels are used. Some of the principles of merchandising can be a display at the eye level, uniform style, display around best-selling products or leading the customer's eye (Koudelka, 1997). Different approaches can be used for the lead the eyes principle for example colours, lines or step arrangements.

(Tichna, 2003) states several golden rules of merchandising, which are derived from the principles. Stores should sell best competitive products and provide the best display and more space to such products. Using secondary display at the checkout or front gondolas is beneficial. The communication of the retailer should be standardized and up-to-date so that the company processes could be aligned with promo materials and activities. In merchandising, human resources should be utilized and careful control should be implemented.

3.1.2 Further Terminology

To provide a complete picture, The Nielsen Company needs to be mentioned at this point. It is a marketing-research firm, which operates worldwide, gathers data about consumers and provide shopper insides for given market (Nielsen, 2015). Monitoring of shopper trends is used for further analyses and a detailed view on shopping behaviour is provided.

Category management as well as merchandising go hand in hand with other concepts, which complement the process and support it. The most important ones are outlined further:

Space management

- Space management is planning, decision-making and controlling of all activities connected to the selling space of a store (Hesková, Category Management, 2006). To design the disposition of the selling space several factors have to be taken into account such as general rules for placing different categories, characteristics of store equipment, movement of the consumers in the store and consumer decision trees. Space is also allocated to the SKUs according to their size, packaging and sales performance.

Effective consumer response

- The concept of Effective Consumer Response appeared with the development of information technology (ECR Europe, 2011). The main goal of ECR is to serve consumers better, respond to demand faster and reduce costs due to cooperation along the supply chain. Close relationships between producers and intermediaries with support of electronic data interchange systems are essential. The main components of ECR are listed in the figure 3.

Figure 3: Components of ECR

Effective procurement	Effective promotion	Effective assortment	Effective product presentation
•Time and cost optimization: •JIT •Automated orders •EDI •Customer service	•Better planning and promo: •Overhead minimalization • Flexible response to demand changes	•Stock and store optimization: •Bigger selling space •Faster nventory turnover •Standardization	•Product life cycle management: •Testing possibilities •Immediate response to consumer preferences

Source: adjusted (Hesková, Category Management, 2006)

Retail demand and supply chain planning

- Retail demand and supply chain planning deals with retail operations, which need to respond to consumer demand with minimal costs (Hubner, 2011). The flow of the items at retailer's side starts with procurement, then continues to warehousing and distribution and ends by sales to the final consumers. The flow of information is more complicated and involves order planning, inbound planning, production planning, distribution planning, transport planning, instore planning and category planning.

Shelf planning

- The best selling merchandise is put in the most accessible place in the store by shelf planning (Saltzman, 2007). It defines where and how the goods is placed in the store and the planograms are the outcomes of the planning. Planogram is a scheme, which shows where are which products placed within the store and also within the shelf, fridge or freezer. A tool, used for creating the planograms, is customer decision tree, which tracks how customers divide the products when they make the purchase decision.

3.2 Continuous Category Management Process

The generally accepted framework for category management was developed in early 1990s (ECR Best Practices Operating Commitee, et. al, 1997) when efficient consumer response was being implemented in the category management. It is called the 8-step cycle and till nowadays it is a stepping stone for implementing best practices in the category management and improving efficiency in retail. Instant information and analysis were needed for merchandising decisions. Therefore, there are plenty of modifications and short versions of the 8 step cycle because some steps can be eliminated or on the other hand added in real life. New versions evolved gradually as the concept of category management was used by more and more retailers.

As managers were seeking for useful approaches, which could be automated and integrated in daily operations of the business, category management was adjusting accordingly. The continuity of the process is created by integrating the step, where retailer defines its strategy and expanding the 8 step cycle. The day-to-day category management is used to minimize costs and time required for the process and it comprises of 4 phases (ECR Europe, 2000), which can be found in the figure 4.

Figure 4: Steps of the Category Management process

Source: (ECR Europe, 2000)

3.2.1 Retailer Strategy

The whole category management process needs to be aligned with the strategy and vision of the company performing it (ECR Europe, 2000). The strategy should be defined annually assessing all the categories so that they could be managed efficiently. The bonds, relationships and influences across the categories need to be identified. The inputs in the analysis are corporate mission and component strategies of format, region, private labels, supply chain, etc.

The complex analysis of retailer's strategy should concern following questions (ECR Europe, 2000):

<u>Who are retailer's target shoppers and is the retailer reaching them?</u>

- Retailers compare spending of different segments at the retailer with total average spending and identify target shoppers. They have to adjust retailer's operations to suit the consumers. Further monitoring of major consumer and demographic changes as well as paying attention to regional variations improves retailer's targeting.

<u>Why are the target shoppers a total store opportunity for the retailer?</u>

- Retailers compare number of categories in the target shopper's basket, average basket value and average frequency with the national average and identify opportunities, where their performance is below the national average.

Who is the retailer's competition for target shopper?

- Retailers identify the competition and strength of the threat by lost consumer expenditures. They analyse where shoppers spend the residual to average total spending and how much it is.

What opportunities exist to improve position against key competitors?

- Retailers measure the opportunities either based on value share or based on total retail sales. Value share is a multiplication of penetration (% of households buying at the retailer), loyalty (% of spending shoppers spend at the retailer), spending index (spending of shoppers compared to average spending). Total retail sales are multiplication of number of shoppers who shop at the retailer, frequency of shopping and average basket value. All figures are benchmarked to the market.

What are the strategic categories in the market and for the retailer's target shopper?

- Retailers develop an understanding of which categories are shopped the most in the market, and which are important for the target consumers. Categories are classified by average yearly household spending and purchase frequency. ABC analysis is then performed on the categories to identify the most significant ones.

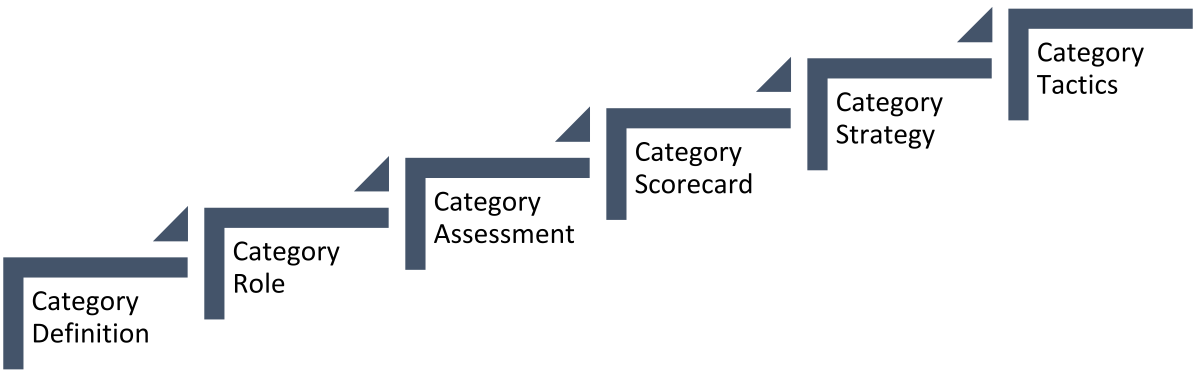
How should the retailer allocate category roles at a cross category level and thereby prioritise resources in line with category opportunities?

- Retailers need to assign roles to categories and define their priorities to allocate their resources effectively. The roles can be assigned based on market measures, retailer's internal measures or consumer measures. Therefore, value share, absolute value, market growth, retailer, growth, sales, margins, penetration, loyalty, spending index and more should be taken into account.

3.2.2 Category Planning

The most frequently discussed part of the category management process is category planning, which was the core of the 8 step cycle (ECR Best Practices Operating Commitee, et. al, 1997). Complex analysis needs to be carried out to understand the category in order to manage it effectively. The 6 steps of category planning can be found in the figure 5 and all of them are further described in detail.

Figure 5: Steps of category management planning



Source: (ECR Europe, 2000)

3.2.2.1 Category Definition

Defining category business unit is an essential step of category management. Category is a clearly defined and manageable group of products or services, which are related, connected or substitutable for a consumer (ECR Best Practices Operating Commitee, et. al, 1997). Category definition is trying to keep logistic costs at the minimum, trying to understand consumer decision making and trying to satisfy and influence consumer (Hesková, Category Management, 2006). Some of the questions asked during category definition are:

<u>How do consumers perceive the products and what should be included in the category?</u>

<u>How is the category structured and segmented?</u>

<u>Which products are substitutes and complements?</u>

<u>Is it possible to manage the SKU's together?</u>

Retailer's market position is also based on how the categories are defined and structured because they need to be aligned with needs of the target customers (ECR Europe, 2000). The relationships between products attributes and buying behaviour needs to be understood by the category manager. Category definitions can vary from retailer to retailer even though there is a common framework established by the Nielsen. In case of any significant market changes the category needs to be revised and redefined because of possible changes in decision making. The outcome of category definition is a name of the category and list of products, which belong to particular category and segment according to consumer decision tree. A basic template can be found in the table 3.

Table 3: Category structure according to a consumer decision tree

<table>
<tr><td rowspan="3">Category</td><td>Subcategory</td><td>Segment</td><td>Subsegments</td><td>SKUs</td></tr>
<tr><td rowspan="2">Subcategory</td><td>Segment</td><td>Subsegments</td><td>SKUs</td></tr>
<tr><td>Segment</td><td>Subsegments</td><td>SKUs</td></tr>
</table>

Source: (Hesková, Category Management, 2006)

3.2.2.2 Category Role

Already during retailer's strategy definition, category roles need to be taken into account during the cross category comparison. The role is assigned to a category according to the importance and the priority for a retailer. Category role depends on the volume of a category, penetration in the market, purchase frequency, average size, number of products bought by a consumer and so on (Hesková, Category Management, 2006). The roles need to be developed and assigned according to the market situation and also supplier, retailer and consumer view on the category answering for example these questions:

How important is the category for both a supplier and a retailer?

How much resources and emphasis is put on the category?

First step is selecting the roles that can be assigned to the categories. Possible category roles are routine, seasonal, destination and convenience (ECR Europe, 2000). Routine category provides consistent competitive SKUs, which are bought every day and have low margins but high volume. Seasonal category focuses on occasional products attractive for consumers in a given period (Hesková, Category Management, 2006). Destination category is a way to differentiate the retailer from the others and to attract consumers to the store. Convenience categories provide customers with goods they would go to buy elsewhere and complement the regular shopping. Core 60 % of categories are routine categories, 10 % are seasonal, 10 % are destination and 15 % are convenience categories.

Another approach divides categories into destination, ticket, basket and emergency (BCG, 2016). As previously defined, destination category differentiates a retailer from other players. Ticket category drives traffic to the store through attractive price or promo. Basket category provides additional sales and should be highly profitable. Regularly bought products, which can be found in every retailer the same have the emergency role.

Each category is managed according to the role it is assigned (Hesková, Category Management, 2006). It has to be taken under consideration how the particular category is important for a consumer, a retailer and its competition regarding prices, margins and sales. Final step is resource allocation such as stock, promo and advertising. The objectives define what is important for driving the category and how much of the budget should be dedicated to the category. The outcomes of the analysis are defined roles for each category and objectives as indicated in the table 4.

Table 4: Assigning roles and objectives to categories

Category	Role	Objectives

Source: (ECR Europe, 2000)

3.2.2.3 Category Assessment

Similarly to the category role, also the category assessment is part of the retailer's strategy and regards category performance. The category performance needs to be examined by the retailer as well as supplier and compared to the market situation (ECR Europe, 2000). That is why sharing information provides both parties with more accurate results. Information technology and data processing are necessary for the assessment (Hesková, Category Management, 2006). Questions during category assessment can be:

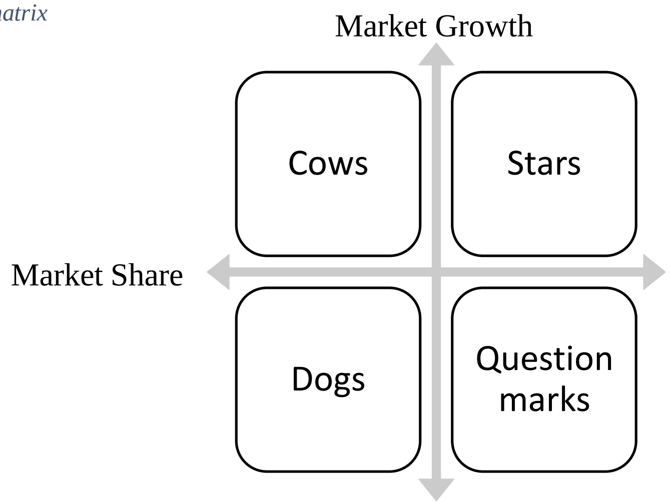
How do supplier and retailer assess the category?

What’s going on in the category from a consumer and market perspective?

Consumer assessment means tracking their behaviour to find out who shops for the category, why, when, how often, how much, where and so on (Hesková, Category Management, 2006). Market assessment observes market trends, shares of categories and segments and benchmarking with competition. Retailer considers costs, turnover, stocks, services and its own variables meaning products, prices, promo and display. Supplier assessment regards reliability, profitability, level of cooperation with the retailer and so on.

Opportunity gap concerns the segments of the category and can be analysed by the BCG portfolio matrix (Arline, 2015). All the segments are organized according to market share and market growth into quadrants. The analysis provides comparison of segments and suggests how to manage them by 4 quadrants identified in the figure 6. Dogs are products, which are not perspective and number of SKUs should be restricted or the margins should be increased. Stars on the other hand are managed well and more investment in them should be done. Question marks require further in-depth analysis considering pricing, promotion and assortment. Cows are profitable assortment, which do not need investment but it can be enlarged by additional SKUs.

Figure 6: BCG matrix



Source: (Arline, 2015)

There should be minimum of segments in the Dogs quadrant and most of them among stars or cows (Hesková, Category Management, 2006). Not only market share and growth can be used for the analysis but also sales and margins, or turnover and gross margin, or any other relevant measures. Similarly, not only segments can be compared but also categories or SKUs. A detailed assessment scheme can be found in the table 5.

Table 5: Category assessment scheme

Consumer Assessment	Market Assessment	Retailer Assessment	Supplier Assessment
Opportunity Gap Analysis			
Products	Prices	Promo	Display

Source: (Hesková, Category Management, 2006)

3.2.2.4 Category Scorecard

Category scorecard establishes measures for the previously identified opportunities so that results can be compared over periods. The goals need to be aligned, using a bottom up approach from measures over category role to retailer's strategy. The targets are usually set on yearly basis with quarterly check-ups. Various prognostic methods are used for quality decision making and answering such questions as:

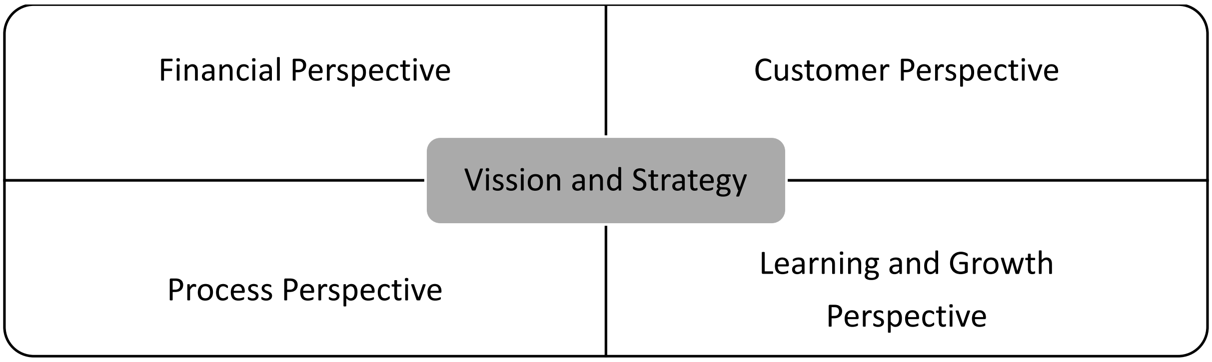
<u>What is the size of the market opportunities?</u>

<u>How is the success of a category measured?</u>

<u>Where is the category going?</u>

Balance Scorecard is a strategic method for measuring performance, which can be modified for category management purposes. The category performance can be measured from 4 different perspectives being financial, customer, process and organizational capacity (Balance Scorecard Institute, 2015). The balance scorecard has to be implemented by top management, which gives the process higher priority, eliminates consensus problems, aligns goals of the categories with business strategy and provides feedback from bottom to the top (Hesková, Category Management, 2006). The implementation of balance scorecard is suitable because categories can be managed as business units with their own strategies. Balance scorecard scheme can be found in the figure 7.

Figure 7: Balance Scorecard



Source: (Balance Scorecard Institute, 2015)

SMART goals for the category should be created to utilize the market opportunities (ECR Europe, 2000). The quantitative analysis should cover financial, value and market data and targets should be set for each criteria. Not only the category as a whole but also sub categories and segments need to be assessed in order to get a complex view on the performance of the category. The analysis compares given measures in previous period, current period and predicts the target as indicated in the table 6.

Table 6: Comparing previous and current measures with targets

	Previous period	Current period	Targets
Measures			

Source: (ECR Europe, 2000)

3.2.2.5 Category Strategy

Strategy definition for a category is based on the role of a category and results of the category scorecard. The strategy should capture maximum potential of a category, allocate resources optimally and help the category to evolve (ECR Europe, 2000). In other words strategy is a plan how to increase sales, differentiate retailer from its competition and how to effectively buy, distribute, promote and sell the goods. Sales can be increased by attracting new customers, increasing customer loyalty and increasing frequency or value of purchases. Questions asked usually are:

How can the performance targets be achieved?

How can the strategy further develop category role?

Do the marketing and product supply strategies correspond with the category strategy?

The category strategy is derived from retailer's marketing strategy and product supply strategy (Hesková, Category Management, 2006). Most typical retailer marketing strategies are traffic building (attracting consumer to the store), transaction building (increasing value of a purchase), turf defending (benefiting from advantageous display), profit generating (focusing on high margin products), cash generating (focusing on high sales and turnover products), excitement creating (initiating impulse purchases) and image enhancing (supporting retailer's image by prices, quality, services etc.) (Singh, 1997).

Product supply strategies are connected to the effective consumer response and should be defined for every category. Data sharing, ordering, physical distribution and financial transactions have to be considered (Hesková, Category Management, 2006). Some of the effective supply strategies are cross-docking (collecting and repacking orders for particular purchaser), Just-In-Time (eliminating stock by well-timed delivery), continuous replenishment process (using electronic data interchange systems to plan orders for JIT), quick response (sharing all data across the supply chain) and vendor managed inventory (sharing stock information with supplier who decides on orders) (Hesková, Category Management, 2006).

Strategies arise from the category roles, however, there can be more suitable marketing strategies and supply strategies for different groups of products within the category. It is important to define the primary and secondary focus of the category considering all the products included and linking the retailer's strategy with every SKU (ECR Europe, 2000). A template for category strategy can be found in the table 7.

Table 7: Defining a category strategy and its primary and secondary focus

Strategy	Primary focus	Secondary focus

Source: (ECR Europe, 2000)

3.2.2.6 Category Tactics

Last step, the category tactics define actions and recommendations to accomplish the strategy and reach the scorecard targets. The influence of the tactic actions on the performance measures should be tested. The actions and recommendations defined in the category tactics, as shown in the figure 9, should be able to answer following questions:

<u>What are the optimal assortment, pricing, display and promotion?</u>

<u>What are the elements of the plan for each segment?</u>

Assortment tactics are based on the category role, strategy and its targets (Hesková, Category Management, 2006). Product portfolio is also a way to differentiate retailer from the competition, therefore, a great deal of attention is dedicated. A depth and a width of the assortment need to be defined when analysing which new SKUs can be added, and which of the current ones should be eliminated. Costs and profits of each SKU, supplier skills and possibilities as well as consumer needs have to be taken into account. The outcome of assortment tactics are eliminated SKUs, added SKUs, adjusted assortment to different formats and portion of private labels.

Pricing tactics are also derived from the category role and strategy. When the prices are being set for every SKU various attributes are being considered such as costs, margins, strategies, current price, competitors' prices and value provided to the consumer (Hesková, Category Management, 2006). The outcome of pricing tactics can be keeping the current price, decreasing or increasing prices of some SKUs or of a category in general, differentiating prices between formats or markets, setting prices for private labels.

Promo tactics is usually a mix of promo tools supporting category sales (Hesková, Category Management, 2006). The benefits and costs of every promo action are what needs to be considered in this case. Sales promotion is the most common type of a promo action and some others are instore promotion, point of sale materials, sampling, direct marketing, coupons, themed campaigns and free presents. The outcome of the promo tactics is a detailed plan of promo actions their types and estimated periods.

Space management, merchandising and shelf presentation tactics should be planned together by the retailer and main supplier called category captain (Hesková, Moderní metody retail managementu, 2008). The right tactics should motivate consumers to buy the products. The outcome of the space management and merchandising tactics is a floor plan of the store with space allocated to different categories, segments and SKUs according to their sales performance, size etc. The tool of a shelf presentation is a planogram. It is a simulation, which proposes and optimizes the layout of SKUs for the category. Planograms are updated regularly because they are crucial during the implementation phase.

Table 8: Actions in the category tactics

	Actions/Recommendations
Assortment	
Price	
Promo	
Display	

Source: (ECR Europe, 2000)

3.2.3 Implementation

After approving the category plans and creating a schedule, responsibilities for each step of implementation have to be defined (Hesková, Category Management, 2006). The third phase of continuous management process is the most risky one because many companies have failed it (ECR Europe, 2000). It is highly important to involve the implementation already in the planning phase. Communication is a key to successful implementation of category plans. Not only the managers need to be informed about the category plans but also all the stores and most importantly consumers. Implementation can be divided into two steps central implementation and in-store implementation solving the question:

<u>Who does what, when and over what period?</u>

The in-store implementation requires preparation in terms of involving cross functional teams and senior management early in the project, enrolling store staff, selling in plans, communicating the findings of the category review and implementation plans, informing about cost and benefits of the recommended category plans, presenting a summary of the plan to all affected suppliers in the category so that all players understand and are aligned with the strategy and developing a reporting mechanism for implementation (ECR Europe, 2000). Each retailer has its own system of store changes and it is usually formally organized process. For the sake of category management, in-store trials and consumer communication are the most important operations of the process.

The evaluation of the implementation is the next step, however, it requires enough time for the impact of implementation changes to show, measuring against a control store group as well as previous years, include both quantitative and qualitative feedback etc. (ECR Europe, 2000). It also needs to be considered that different retailers and countries may have different level of centralization of store management decisions, the category plans may differ in the level of detail, the responsibilities may be distributed differently and the communication tools such as intranets also vary.

3.2.4 Performance Review

The final phase, which is closing the loop of continuous management process is review, which assesses if the category is reaching the goals set in the planning phase. Under performance review monitoring, evaluation, control and corrections are covered (Hesková, Category Management, 2006). The control will help the category manager to evaluate the category and reveal tasks for the next planning phase. The performance review compares projected targets with reality and searches for answers to the questions:

<u>What did go right?</u>

<u>What did go wrong?</u>

<u>What can we learn to do better in the future?</u>

It is important to establish a format for the control and frequency of the control (Hesková, Category Management, 2006). The format is supposed to eliminate any discrepancies, which can be created by incompatible measurements. If circumstances change the category plans have to be corrected as soon as possible. Proposed changes have to be prepared in agreement of both the retailer and the supplier. The most common are yearly category reviews and in case of need a quarterly reviews can be done, however, continuous monitoring is the most effective.

As the category management process gets automated, agreed variances of performance measures indicate under or over performance of a category (ECR Europe, 2000). The results will alert managers about the need to review a category. The key data for monitoring are retail scan data and household market measures. The internal data monitored are financials and productivity and the external data concern consumers and market. The retailer defines the suitable measures for monitoring and their limits, which are tracked and computed using information technologies.

3.3 Challenges and Benefits

As any concept, also category management has its benefits, which go hand by hand with challenges (Nielsen, 2009). It is important to be aware of the challenges and be prepared for them. The issues may include lack of resources in terms of staff, time or funds. Effective communication between headquarters and stores, which results in comprehension and agreement is a challenge for any retailer. Difficulties with information technology are a threat as well because the amount of data, which needs to be processed is excessive. The biggest challenge is to sustain the continuity of category management and cope with any misunderstandings, changing agreements and overall coordination of the process with proper control and evaluation.

Category management helps to identify and measure market opportunities. All the data gathered at retailers is used efficiently, which leads to overall increased effectiveness (Hesková, Category Management, 2006). All three parties involved being retailers and suppliers can benefit from category management (Nielsen, 2009). The assortment is evaluated according to consumer needs because the objective of category management is to provide satisfaction to the consumers and improve their shopping experience. Suppliers can enhance the relationships with retailers, become category advisors and improve financial results. Finally, retailers use category management to improve their image, which leads to increased customer loyalty as well as attracting new customers and improved financial results.

3.4 Competitive Advantage

It is also possible to look at the category management as a competitive advantage. Porter's generic strategies (Porter, 1980) can be used to explain why companies should focus on one of the management methods. The goal is to gain the competitive advantage at operations, products or customers. The strategic models used in retail are supply chain management for operations, category management for products and customer relationship marketing for customers. Therefore, category management is searching the competitive advantage through differentiation of products important for the consumers.

The positive impact of category management implementation can be increased sales, reduced costs, fewer out-of-stocks and increased consumer satisfaction (Dupre & Gruen, 2004). The competitive advantage is dependent on the party, which initiated the category management cooperation, whether it was a supplier or a retailer. Supplier initiated category management was the original one, as multinational companies had experience with category management from early adapting countries and it would allow them to favorize key categories. It resulted in supply side driven cost leadership on these categories, which turns out to be short-run because it is not driven by differentiation. However, a positive experience builds system trust at the retailer and it is more likely to initiate category management cooperation with other suppliers.

Retailer initiated category management focuses on categories important for the consumers unlike suppliers (Dupre & Gruen, 2004). It results in differentiation of categories important for the targeted customers. To be able to do that retailers need to have better and earlier planning with the suppliers. Suitable assortment and promotion policy are prepared to enhance customer loyalty to both a retailer and a supplier brand. For a supplier, it means committing to ECR for the retailer important categories, which all together bring a sustainable competitive advantage.

4 Methodology

There are two types of data used in the thesis to reach the best outcome. Secondary data is information gathered for different purpose than the research have now. The secondary data is collected by a desk research, which is faster cheaper and easier that the field research. On the other hand the data may not be relevant enough. Primary data are collected when secondary data are not available or satisfactory for the analysis. The field research is suited to get the best data for the analysis, which on the other hand means it requires more time, costs and effort (Machková, Král, & Lhotáková, 2010).

The empirical part of the thesis consists of three steps, which were conducted to fulfil the practical aim of the thesis. Both the quantitative and qualitative data had to be acquired through the store observations and they were used for benchmarking. Together with internal data available, the information is used for the analysis of the ice-cream category. The store observations are an essential tool for any category manager because it provides relevant first-hand information.

4.1 Observations

Together with document analysis and interviews, observations are a data collection method used across many scientific fields to acquire mainly qualitative data. Observation used to get information from a primary source. It is market research approach, where the researcher intentionally observes defined phenomenon in order to describe and explain the facts (Kotler & Keller, 2012). The existing situation is described by the observer using his five senses and it involves good memory, active looking, interviewing and keeping notes. Recently photography has become an invaluable tool to capture the situation during observations.

Observations provide the researcher with detailed information relevant for the aim of the study (Kawulich, 2005). And unlike other methods it helps to identify unpredictable events and improves the overall quality of a research. On the other hand, the results are directly influenced by the observer, who may not be objective or interested enough in the research. Similarly to any qualitative research, the results can be bias because of the observer but what is more some information can be lost in the situation if the methodology of the observation is not clear.

There are four types of observations regarding the observer's involvement in the research (Kawulich, 2005):

Complete participant

- Observer is a member of the group being studied but he hides it from other participants. The ethics are contentious because of the researcher, who has to lie to the group and what is more he may not be able to sustain his objectivity.

Participant as observer

- The researcher is part of the group being studied but his role is revealed to everybody. It is necessary to balance the information sharing and the level of involvement of the observer in the research.

Observer as participant

- The members of the group being studied are aware of the observer, who mainly focuses on collecting the data and is not interested in participating in the situation. The researcher usually interacts with the participants to get as much information as possible but avoids taking part in the activities.

Complete observer

- The researcher is hidden from the group being studied and focuses only on collecting data without any interaction with the group members or participating in the activity being observed.

In the thesis there are three key areas observed in the stores being assortment, display and price because the data required for benchmarking are best acquired by primary field research. What is more, the basics of customer behaviour in the stores are studied to support the findings of the analysis. The author of the thesis is the observer, who captures relevant data and uses the findings for further analysis. The observer is also a participant and sometimes shops for ice-cream in the stores.

The observations focus on the ice-cream category in certain stores described below. The research took place during August and September 2015 so that the information about the summer season are registered. First of all the observer pays attention to the category's position within the store and the layout of the freezers and the types of the freezers. As for the assortment different segments, brands and specialities were observed. The amount of freezers and its proportions were counted to decide what proportion is dedicated to which segment and brand. Lastly, the price levels in different sub-categories were assessed and the full template for the data collection in the sores can be found in appendices.

Finally, the customers shopping at the ice-cream freezers were monitored so the author got familiar with the process and consumer habits suggested by previous researches. The similarities and differences in the key areas are used to reset the category in Ahold and improve the ice-cream category performance. The data collected are used for the retail benchmarking and analysis of the ice-cream category.

4.2 Analysed Stores

For the sake of this thesis, several stores are compared and analysed in terms of assortment, display, promo and price. Since Albert Czech Republic operates different sizes of both supermarkets and hypermarkets, the shops were clustered into groups. Comparable information can be used within the groups to identify the relevant gaps and opportunities.

Supermarkets of the similar size and most importantly location can be compared representatively. The key competitor for Albert supermarket in the field is Billa and less importantly Penny Market. From the consumer point of view also the discounter Lidl competes with Albert in the same locations. Therefore, for the benchmarking analysis Albert supermarket Veletržní and Billa Letenské náměstí are direct competitors in the urban part of the city with similar size. Furthermore, Penny Market Revoluční and Lidl Na Poříčí are included in the comparison because they are located in the centre of the city and in a reasonable proximity from the first two.

Hypermarkets are subdivided into two groups, the reason being different sizes and concepts of the hypermarkets. The main competitors in the field are Kaufland and Tesco, and with minor importance also Globus. The concept of Globus is very different from the others and there is only a handful of stores operated in the Czech Republic. The concepts within the retail chains can differ according to the location, age of store and level of innovation.

As a model store, Albert hypermarket Nové Butovice is taken because it is where the Czech Support Office is located. Since it is the closest store, it is also the most controlled one. According to the concept, size and location, Tesco Zličín and Kaufland Stodůlky are considered to be the benchmark for Albert hypermarket Nové Butovice and are used for the analysis.

Furthermore, the retailers have their flagship innovative stores, which are usually the biggest ones. Kaufland has its specific hypermarket in Vypich, which is the biggest spread over two floors and deviates from the usual store concept. Tesco has its flagship store in Letňany, it is supposed to be the most modern and customer friendly offering all kinds of services. Concept ONE is the newest store format of Albert, however, it cannot be found anywhere in Prague. The closest ONE hypermarket is in Beroun and so that one is used for the comparison. Pictures of the hypermarkets can be found below in the figure 8.

Figure 8: Compared hypermarkets

Source: (Author, Store observations, 2015)

4.3 Analytical Tools

The analytical tools used in the empirical part, which elaborates on the planning phase of the ice-cream category are basic statistical tools applied on the ice-cream category in order to get useful and relevant information for the analysis. The analysis should help to evaluate a given situation from different points of view.

4.3.1 Seasonal Index

Seasonal index is a tool to measure seasonal variations of specific time series (Hindls, Hronová, Seger, & Fischer, 2007), (Weiss, 2012). The seasonal indices determine how a specific period is different to an average period. It is usually used in forecasting because it shows the differences of sales over different time periods. Even though they are usually used to deseasonalise the data to make them comparable there is plenty of other applications. It is an important planning tool and it is used in the thesis to define the ice-cream season.

The moving average is used to straighten the data and estimate a straight line fitting all the points. The average smoothens the time series and is calculated (Hindls, Hronová, Seger, & Fischer, 2007):

$$Moving\ average = \frac{\sum_{i=-p}^{p} y_{t+i}}{m} = \frac{y_{t-p} + y_{t-p+1} + \cdots + y_{t+p}}{m}$$

Equation 1: Moving average

Using the moving average over a given period the seasonal indices can be calculated for each period e.g. month, to identify the seasonal trends by the difference from the standard month (Hindls, Hronová, Seger, & Fischer, 2007):

$$Seasonal\ index = \frac{y_t}{moving\ average_t}$$

Equation 2: Seasonal index

Finally, average seasonal index for a season is calculated to define the seasonal decrease or increase, which can be used to dispose the data of the seasonality (Hindls, Hronová, Seger, & Fischer, 2007):

$$Average\ seasonal\ index = \frac{\sum seasonal\ indices\ of\ i\ periods}{number\ of\ i\ periods}$$

Equation 3: Average seasonal index

Overall the average seasonal indices can be interpreted as the increase or decrease of the measure from the standard average period depending on the time.

4.3.2 Regression Analysis

Regression analysis is a way of estimating the relationship among variables (Weiss, 2012). Linear regression is the easiest and most commonly used it consists of two variables and examines the relationship between dependent variable and one independent variable. The data is plot as points in a scatterplot, using the horizontal axis to measure independent variables and vertical axis to measure dependent variables. To predict the dependent variable based on the independent one, a line is fit to the data points using the least squares criterion.

The line fits the data points based on the analysis of the errors called the least squares criterion. To measure how well the line fits the scatterplot errors are calculated (Weiss, 2012):

$$e = y - \hat{y}$$

Equation 4: Least squares errors

Where y is the real measure and $\hat{y}$ is the value predicted by the line meaning that an error is the vertical distance from the line to a data point. The least-squares criterion used for the regression analysis determines the line that best fits a set of data points by the smallest possible sum of squared errors.

The regression equation is the equation of the regression line, which is found according to the least-squares criterion. The linear regression is expressed by a linear equation (Weiss, 2012):

$$\hat{y} = b_0 + b_1 x$$

Equation 5: Linear regression equation

Where b_1 and b_0 are coefficients indicating the intercepts of the line with the axes and can be found (Weiss, 2012):

$$b_1 = \frac{\sum(x_i - \bar{x})(y_i - \bar{y})}{\sum(x_i - \bar{x})^2} \text{ and } b_0 = \frac{\sum y_i - b_1 \sum x_i}{n}$$

Equation 6: Regression coefficients

Coefficient of determination, denoted R^2, is a key output of the regression analysis and is calculated (Weiss, 2012):

$$R^2 = \frac{SSR}{SST}$$

Equation 7: Coefficient of determination

Where SSR is the regression sum of squares, which is the variation in the observed values of the response variable explained by the regression calculated (Weiss, 2012):

$$SSR = \sum (\hat{y}_i - \bar{y})^2$$

Equation 8: Regression sum of squares

And SST is the total sum of squares, which is the total variation in the observed values of the response variable calculated (Weiss, 2012):

$$SST = \sum (y_i - \bar{y})^2$$

Equation 9: Total sum of squares

The coefficient of determination is the proportion of variation in the dependent variable explained by the regression of independent variable. In other words by how much can the dependent variable be explained by the independent variable.

5 Ice-cream Market

The consumption of ice-cream in 2013 accounted for 16.3 billion EUR in 20 EU countries plus Norway and Switzerland (FFT, 2013). France, Germany, Italy and UK are the biggest markets in Europe and create about 60 % of all sales. On the other hand, the consumption per capita is the highest in the Scandinavian countries about 10 litres per year (Nielsen, 2015). The reason for that is that ice-cream is not considered a seasonal treat but a proper dessert any time along the year. The production of ice-cream in 2011 was estimated to be 2.2 billion litres with the annual average consumption 6.8 litres per capita in the EU (Euroglaces, 2011). Most of the ice-cream is manufactured by local small and medium enterprises nevertheless the market leader across Europe is Unilever.

Compared to the other European countries the ice-cream consumption in the Czech Republic is below European average. Each year people buy about 34 million litres of ice-cream out of which 13 million are in single portions and 21 million in family packages (Česká tisková kancelář, 2014). It means that every person consumes over 3 litres of ice-cream a year. In 2013 it was spent about 2 980 million CZK on the packed ice-cream, which meant an annual 1 % drop of sales. The reason for the drop in sales was caused by a bad and late season start and also by changing trends. In the Czech Republic Tesco is a leader in frozen and usually starts the season as a first retailer.

Ice-cream is the 16th biggest food category in the Czech Republic with sales 2 702 million CZK in the moving annual total for 12 months from March 2014 to March 2015 (Nielsen, 2015). The data are only considering hypermarkets and supermarkets sales, which acknowledged 4.9 % year-on-year drop in sales. In general, the ice-cream market in the Czech Republic is falling by 5.7 % annually. The trend is moving towards higher quality ice-cream because people are more conscious about food composition (Česká tisková kancelář, 2014).

One of the main reasons for the decrease is the boom of scoop ice-cream and ice-creams from the specialized stores, which account for up to 40 % of all ice-cream sales (Francová, 2015). Consumers prefer handmade ice-cream to the packed one because they believe the quality and also the healthiness of the ingredients are better. That is why the market for the retailers and packed ice-cream producers is diminishing every year.

5.1 Market Structure

The total market sales can be divided between modern market and traditional market (Nielsen, 2015). Traditional market covers all the independent convenience stores mainly stores with selling space below 400m^2. The modern market is created by the retailers. Out of the 2 702 million CZK 39 % of sales is made in supermarket, 36 % in the traditional market and 25 % in hypermarkets. In the Czech Republic there are two main ice-cream producers Unilever and Bidvest with a few marginal players:

<u>Unilever</u>

- The total global sales of Unilever group were 48.5 billion EUR in 2014 with the revenue share in Europe being 27 %. Even though, the biggest portion of Unilever revenues comes from personal care segment about 37 %, it also has 50 % global share in the grocery market (Statista, 2015). Unilever is not only the market leader in the Czech Republic but also an important player in the whole Europe region. The upmarket ice-cream brand of Unilever sold in the Czech Republic is Ben & Jerry's.

Bidvest

- Bidvest Opava belongs to the international Bidvest Group, which experienced sales of 912 million CZK and profit of 55 million CZK in 2013 (Česká tisková kancelář, 2015). The company is involved in production of frozen goods such as ice-cream, ready to eat or fish fingers. Bidvest Opava is the biggest ice-cream manufacturer in the Czech Republic producing 11 million litres of ice-cream each year in 80 different kinds. The premium ice-cream brand managed by Bidvest is Haagen Dazs.

Other producers

- The marginal players at the ice-cream market have the value share below 4 % each (Nielsen, 2015). Not only do the local companies such as Wera Nova or Pinko belong to this group but also an international company Nestlé. They usually produce special assortment, which does not need to compete with the leaders.

5.2 Shopper Insights

The trend nowadays in the Czech market is that consumers are moving from the cheap brands to the more quality ones (Česká tisková kancelář, 2014). Another trend is that the health-conscious consumers prefer small portions to large packs. In general Czech consumers prefer less sweet ice-creams the most popular flavours being vanilla, strawberry, chocolate and traditional cream cheese. The top two best-selling brands are Algida and Prima, however, private labels have experienced growth lately.

Particularly traditional brands like Russian ice-cream, Míša, Eskymo or Ledňáček are very popular in the Czech Republic. The best-selling one portion ice-cream is the classic Míša with 141 million turnover followed by strawberry Mrož and Twister green. Regardless flavours Mrož is the most successful ice-cream brand in the Czech market with 16 % market share. Brands with heavy marketing campaigns such as Carte D'Or or Magnum by Unilever have also high sales.

Identified shopper insights say that ice-cream is indulgence, dessert, happiness, refreshment, family fun and celebration for the consumers and it is important to use the insights for sales support. There are 6 possible drivers for the category (Nielsen, 2015):

See it, want it, find it

- There is a desire to enjoy ice-cream in every person but it has to be activated. Even when consumers have ice-cream at home, they always forget about it. Constant reminders are necessary so ice-cream stays in consumers' minds. It can be done through secondary displays, visuals, announcements etc.

Right offering, right place

- Providing the right experience at the right place. Considering that ice-cream is a frozen good, consumers are always aware of the possibility it will melt before they get home.

Therefore, they put off the shopping decision till the very last moment and that is why offering ice-cream at the checkout is the right place.

Drive occasions and celebrations

- Encouraging people to consume ice-cream at different occasions as a dessert not only when it is hot outside. Christmas and Easter have a great potential to drive ice-cream sales if it is communicated to the consumers.

Premium indulgence

- Encouraging customers to consume ice-cream with higher quality and better experience. Trade-up of a category means that consumers can be offered with better products for more money, which increase the value of a category. Trade-up can be made thorough using better ingredients or offering interesting flavours.

Taste and goodness

- Providing options, which are aligned with family diet or personal values. Using sustainable ingredients can attract environment conscious customers. Similarly, healthier and more natural ice-creams have supporter, who also want to enjoy ice-cream and maintain healthy habits.

Affordable for all

- Giving the opportunity to consume ice-cream to everybody. Not only high quality high value ice-creams can be included in the assortment. Value for money or even cheap ice-cream also have its consumers, and therefore, the offer should be diversified not only from the product point of view but also from the price point.

5.3 Summer and Winter Season

About 70 % of all ice-cream sales is generated during the period between April and September, which puts the emphasis and interest of retailers on second and third quarter of the year (Nielsen, 2015). One portion ice-creams dominate the sales during the summer season. Furthermore, a bigger range of products is available with new trends and flavour being heavily promoted. Ice-cream producers invest in marketing communication during the summer season and increase visibility of their products.

The winter period from October to March has been supressed because of disproportional sales (Nielsen, 2015). The display of ice-cream is less visible and sometimes even restricted. Even though only 1/3 of sales is made during winter, there is a hidden potential. Two major holidays take place during this period being Christmas and Easter and sales can be driven by occasions and celebrations. Furthermore, point of sales materials, which can attract consumers to buy ice-cream can be used for see it, want it, find it driver. During winter, bigger emphasis is put on the family packages because ice-cream is consumed mainly as a dessert at home.

Even though ice-cream is obviously a seasonal product there is space for improvement of sales in the winter period. The communication, promo, assortment and display should not be restricted but changed accordingly to suit the period and occasions. For example, the freezers placed by the check-outs, which are used for offering ice-cream, should offer more suitable larger packages during winter.

6 Ahold Retail Chain

From the whole category management process, the part of the category planning is subject for the thesis. It is performed on the ice-cream category in one of the Czech retailers Ahold, which operates Albert hypermarkets and Albert supermarkets. The analysis uses benchmark data from the Czech market and internal data of Ahold Czech Republic comparing current state of the ice-cream category in order to suggest effective recommendations for the next summer season.

In 2015 Ahold Czech Republic acquired Interspar and gained a primary market share. The data used for the analysis are mainly from years 2014 and 2015, which means that there would be a growth cause by the acquisition. That is why all Interspar data is removed from 2015 and the information is comparable with previous years. As previously indicated the category planning builds on the retailer's strategy, which is defined by the senior management.

6.1 Retailer's Strategy

The strategy of a retailer is defined by a reshaping retail framework, which was developed in order to map the strategic ambitions, vision, values, promises and a business model of the company (Ahold, 2016). Ahold businesses share a common set of values, which determine how things are done across the organization. The values can be found in the figure 9 but they are also reflected in company's vision.

Figure 9: Ahold Company values

Source: (Ahold, 2016)

> *"Our vision is to offer better choice, better value, and a better life to all of our stakeholders – our customers, associates, suppliers, shareholders, and the communities we serve."*
>
> (Ahold, 2016)

Robust business model built on strong local brands consists of continuous cycle with four steps lowering cost base, building strong consumer brand, driving identical sales growth, allocating capital to new growth (Ahold, 2016). In other words, Ahold makes its operations more efficient to lower the costs, which can be reinvested in increasing customer loyalty to further increase sales, volumes and market shares and the capital is used to drive new growth.

The promises that Ahold is keeping are a better place to shop, a better place to work and a better neighbour (Ahold, 2016). The main goal is to be better every day for the customers, employees and communities. Specifically a better place to shop means providing quality and freshness, finding the products customers want, offering good prices and promotions, helping customers to shop. A better neighbour makes healthy living choices easy, contributes to community's well-being, sources products responsibly and cares for the environment. A better place to work means that employees show respect for each other, have good working conditions, have opportunities to develop, receive support from managers and their performance is recognized.

The strategic ambition of Ahold is formulated in six strategic pillars, which are supposed to create and enable growth (Ahold, 2016):

<u>Increasing customer loyalty</u>

- The key to customer loyalty is understanding what customers want and providing products, services, quality and value they expect. It is important to create a unique shopping experience, which makes customers' lives easier. Ahold focuses on high adaptation because offering local brands makes the assortment relevant for customers at every market. Furthermore, the personalized communication is a tool for customer loyalty and employees play a great role in it.

<u>Broadening the offering</u>

- As a response to changing consumer needs Ahold is broadening its offering through several channels such as growing online businesses, developing store formats and improving assortment and services. The improved assortment focuses on creating stronger position of private labels and wider range of non-food products. Additional formats to hypermarkets and supermarkets are developed and for example convenience stores.

<u>Expanding geographic reach</u>

- Ahold is expanding to new markets but also spreading across its current markets by acquiring stores. New stores in current markets can benefit from economies of scale and help improve existing operations.

<u>Simplicity</u>

- Simplified operations contribute to increased cost efficiency, which was already mentioned in the business model. For an international player standardization and optimized processes lead to utilizing the capabilities and resources. The cost savings can be reinvested in better customer offering and they drive further growth of the retailer.

<u>Responsible retailing</u>

- Ahold has the ambition to have a positive impact on all the communities it interacts with such as employees, customers, local suppliers etc. There are five priorities the retailer pursues. It makes healthy living choices easier, contributes to community well-being, sources products responsibly, and cares for the environment and also the people, which is put into action by the better everyday promise.

People performance

- The importance of people in retail is undeniable, therefore, good conditions for employees are necessary for them to enjoy their job and to pass the good feeling onto customers, Development of current employees as well as hiring new talents increases the diversity in the company. The areas of actions are again formulated in the better everyday promise.

6.2 Target Customer

As any company, food retail chains target their customers as well even though it is more difficult for them. Everybody buys food and most people in the retail chains, therefore, it is complicated to target only one group of customers. However, a particular segment has to be selected to complete the strategy of retailer. All the activities are then executed keeping in mind the desired target customer, which a retailer wants to focus on. Trying to satisfy all the segments would be confusing and counterproductive because there is no universal strategy, which can be successful.

For Ahold Czech Republic the target customer is a Hero Mum. From the marketing point of view, it means that the target customer is a woman between 25 and 50 years old. She lives in a multi-person household with children but not necessarily with a man. She has a daily job and her income is average or higher than average. The Hero Mum usually stops by the supermarket on her way home from work. On the weekends she goes to the hypermarket by car for the big shopping.

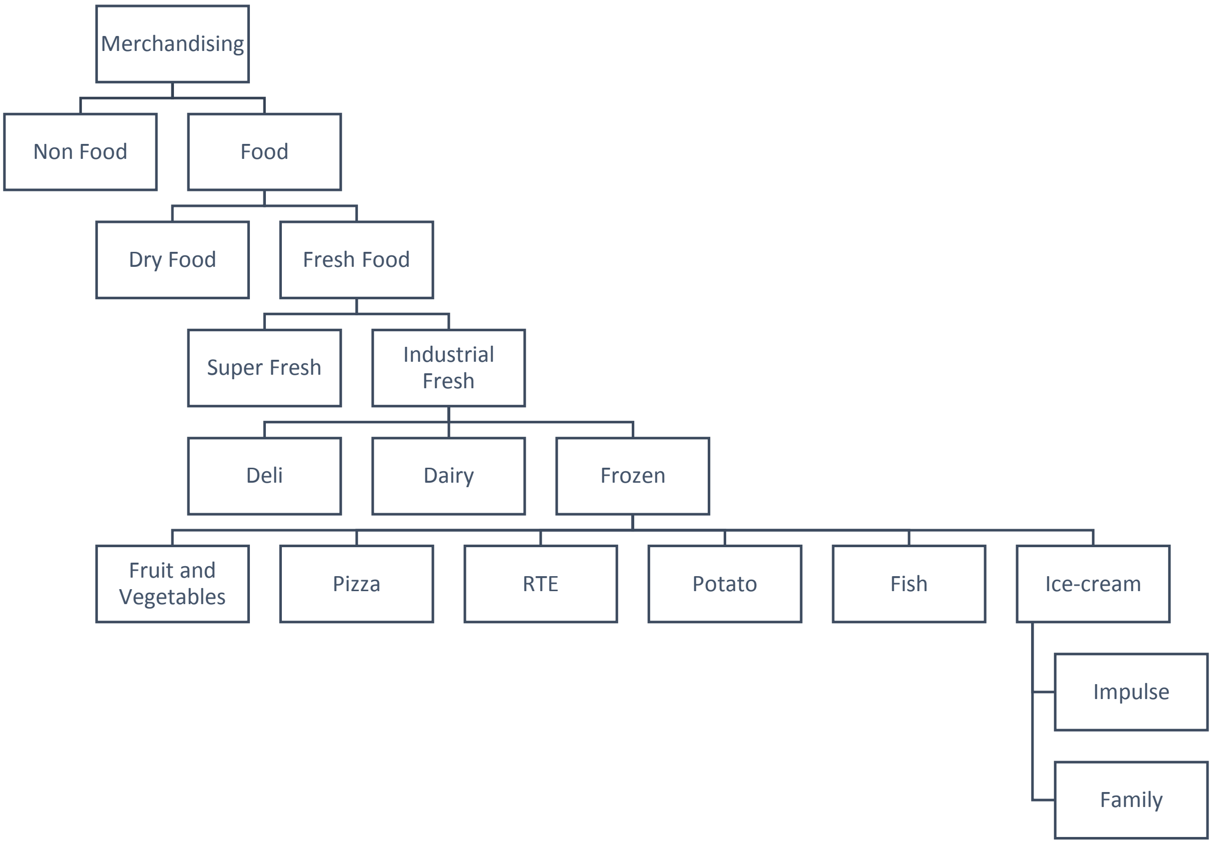
The campaigns, which are planned for the stores demonstrate Ahold's focus on its target customer. The latest examples are campaigns offering children books, children DVDs, and kitchenware or gardening supplies, which are rewarded to customers for some purchase levels. Furthermore, it can be seen in the packaging of private labels, which try to be appealing to children.

7 Category Definition

Since category is a manageable group of products keeping the logistics costs at the minimum all frozen products excluding meat create one large grouping of categories. All SKUs are managed together because the logistics of the frozen products is outsourced to HOPI s.r.o. in Ahold. On the other hand, the products are not usually substitutable or connected for the final consumer, therefore, each category has different definition, role, etc. Frozen grouping is very diverse and planning of each category has to be done separately so that it is successful and effective.

The complex structure can be found below in the figure 10 outlining the categories which belong to frozen grouping and where it is positioned in the retailer's structure. Different levels of the structure are defined by identification numbers enabling easier orientation. The classification system allocates the code for instance Fresh Food (120)-Frozen goods (70)-Ice-cream (11). The codes of other categories of frozen are analogical Fruit and Vegetables (12), Pizza (13), Ready-To-Eat (14), Potato (15), Fish (16).

Figure 10: The complex structure of merchandising in Ahold



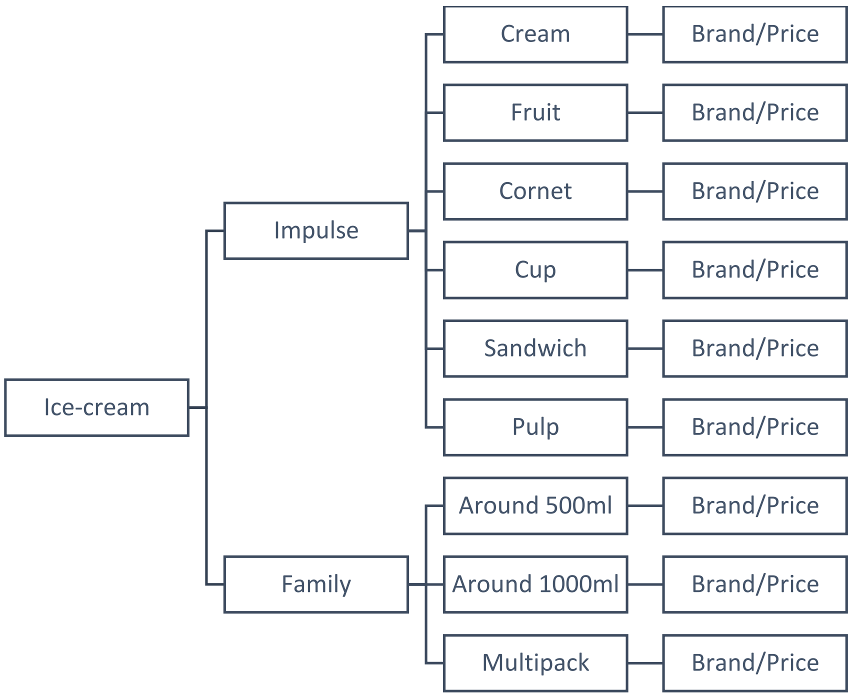
Source: adjusted (Ahold, 2015)

Ice-cream is a sweet frozen food made of milk, cream, fresh cheese, vegetable fats or such and is usually flavoured with vanilla, chocolate, fruit juices etc. Sorbet is a frozen mix of sweetened fruit juices, pulp, puree and water. Frozen yogurt includes whipped yogurt with added flavours. All SKUs from the ice-cream category are kept exclusively in the freezing equipment in the stores. All products are classified into segments, which are described and provide a detailed view on the consumer decision tree.

7.1 Consumer decision tree

The customer decision tree (CDT) is a merchandising tool, which provides insight on how the consumer shops. Once the consumer realizes he wants to buy an ice-cream he decides according to the decision tree. The planograms are usually created based on the CDT, therefore, the store is organized in a way, which helps the consumer to decide. The CDT also helps to find possible assortment gaps and identify opportunities. The ice-cream CDT as defined in Ahold can be found in the figure 11.

Figure 11: Ice-cream consumer decision tree



Source: (Ahold, 2015) (Author, 2016)

The consumer decision tree of the ice-cream category can be found in the figure 11 and subcategories are defined as follows:

<u>Impulse</u>

- This subcategory includes ice-creams, which are packed individually with volume up to 220 ml and are intended to be one portion. There are different types of impulse ice-creams in terms of a shape. Bars with or without frosting are similar to chocolate snack bars, cones have ice-cream inside a biscuit with nuts or other ingredients on top, ice-cream can be in paper or plastic cups or tubes and are meant to be consumed by a spoon. Sandwiches have ice-cream in between two slices of biscuits and finally, most common are popsicles on wooden or plastic sticks.

<u>Family</u>

- This subcategory includes ice-creams over the 220 ml of volume. They are intended to be consumed immediately and shared among more people. However, they are usually packed in plastic or paper bowls and need to be carved by a spoon or a scoop. Ice-cream desserts and cakes are also part of the subcategory but they are usually cut by knife. Family ice-creams can have all flavours from pulp to cream and can be divided into two segments small ones with volume around 500 ml and big ones around 1000 ml.

Multipack

- This subcategory includes all packs, which consist of more one portion ice-creams. They can be of the same kind and flavour or different flavours. The packs, which consist of more one portion ice-creams of different kinds are called variety packs but they are still included in the multipack sub-category. Since multipacks account for a small portion of the total ice-cream category they are included in the family subcategory in the Ahold Czech Republic internal data.

7.2 Consumer perception

According to the consumer, in the ice-cream category all the sweet frozen products perceived as desserts are included. Ice-cream is usually bought as an impulse. The purchase decision is an emotional one because it brings happiness to the consumer and the idea feels like an inspiration. Consumers usually react on seeing ice-cream somewhere or seeing somebody eat it by buying it with a stronger impact in sunny and hot weather. Ice-cream is considered to be an indulgence with a little guilt because of the high fat and sugar it includes (The Free Library, 1992).

The health aspect is becoming more and more important. Consumers are concerned about the ingredients used to manufacture ice-cream because in the past ice-cream was perceived as a synthetic product. Therefore, consumers focus on quality ingredients and ice-cream actually made of cream. Also new niche products are getting popular for example free from ice-cream and frozen yogurts. Another approach to the health conscious customer is to offer smaller portions of ice-cream, which have less calories and consumers feel more in control (The Free Library, 1992).

As mentioned previously the most favourite flavours are vanilla, chocolate and strawberry in this order. However, consumers are looking for innovation in terms of new flavours and ingredients. The innovation should be communicated sufficiently to the consumer and all aspects of the ice-cream should be described on packaging. Since ice-cream is an occasional and impulse purchase, consumers are not too concerned about its price (Nielsen, 2015). There is room for premium high quality ice-cream as well as innovative products to be sold at higher price and with high margins.

Considering cross-selling, there is not much success in there because the area around the freezers is not pleasant for consumers and people tend to spend as little time there as possible. Some biscuits, chocolate, toppings and whipped cream can be considered as complements but the relationships are not strong. On the other hand, there is a wide range of possible substitutes from the consumer point of view.

The closest substitute to the packed ice-cream bought in a hypermarket or a supermarket is scooped ice-cream. On one hand, consumers perceive the scooped ice-cream as the fresher one with higher quality because it comes from a specialized sweet shop. On the other hand, the packed ice-cream is easier to consume not only for children but also adults (The Free Library, 1992). What is more there is a wider offering in the store from cheap to premium ice-creams and also innovative flavours.

From consumers point of view ice-cream classifies as a snack, which can fight off slight hunger cravings (The Free Library, 1992). That is also why additional ingredients are added to the ice cream such as cookies, chocolate chip etc. so that they would create the crunchy attribute of the product. It was the first successful innovation in the ice-cream market, which make it compete with various biscuits, snack bars, chocolates and other sweets.

However, hot weather is the main trigger for ice-cream consumption, therefore, it is an alternative not only to chocolate bars, but also soft drinks or even smoothies because it helps to cool down the organism. The combination of a refreshment provided by a drink and the ability to satisfy small hunger such a snack, makes ice-cream competitive (The Free Library, 1992).

When having the inspiration to buy ice-cream consumers also face some obstacles. In a hot day they are concerned that the ice-cream can melt before they eat it. What is more, since the purchase decision in an immediate impulse, consumers usually do not want to wait to eat it (Nielsen, 2015) (The Free Library, 1992). For those reasons long queues at the checkout can actually discourage people from buying ice cream. As retailers try to solve the problem there is usually a secondary impulse freezer by the checkout and fast track checkout for people buying few items.

7.3 Seasonality

The importance of seasons is undeniable for the ice-cream category. In terms of sales summer season is much stronger than winter season so retailers focus on this period. For the category planning process, it is important to know when exactly the ice-cream season starts because of the planograms and promotions. Seasonal products get usually more space in the store display and receive further support in communication to consumers when their time comes. Not only are more leaflet windows dedicated to ice-cream, but also promo campaigns and competitions take place to support the sales.

That is why it is crucial to start planning the season on time. The top season is obviously during the summer months June, July, and August, however, the sales start to raise sooner. Most retailers plan their season to start in April unlike Tesco, which is the first comer starting in March. To understand the potential of the category, estimating the season is part of the category definition. First of all, seasonal indices are calculated according to equations in the chapter analytical tools and they can be found in the table 9.

Table 9: Average seasonal indices

Season 2011/2012	
January	0.46
February	0.54
March	0.72
April	0.93
May	1.16

Season 2014/2015	
January	0.56
February	0.64
March	0.81
April	1.05
May	1.36

June	1.35		June	1.61
July	1.42		July	1.66
August	1.30		August	1.53
September	1.07		September	1.28
October	0.85		October	1.01
November	0.65		November	0.73
December	0.49		December	0.58

Source: (Author, 2016)

In the table 10, there are the data which show the percentage difference between the monthly sales and the average sales. The numbers are calculated as an average of monthly seasonal indexes deducted from 100 %. The results are interpreted as the amount of sales under or over the sales in average period and indicate the start and end of a season. In fact a seasonal index compares a given period with an average period.

The results show that in the past precisely the seasons 2011 and 2012 started in May because the sales in May are already 16 % above the average and end in September because the sales are still 7 % above the average. Nowadays, considering the seasons 2014 and 2015 the period is expanding and the ice-cream sales are raising already in April and falling in October. Therefore, not only does the ice-cream season start sooner but it also ends later. It means that retailers should initiate the activities already in March to be prepared for the sales in April and also that they should still promote ice-cream in September.

Table 10: Data calculated through seasonal index identifying the ice-cream season

Season 2011/2012			**Season 2014/2015**	
January	-54 %		January	-44 %
February	-46 %		February	-36 %
March	-28 %		March	-19 %
April	-7 %		April	5 %
May	16 %		May	36 %
June	35 %		June	61 %
July	42 %		July	66 %
August	30 %		August	53 %
September	7 %		September	28 %
October	-15 %		October	1 %
November	-35 %		November	-27 %
December	-51 %		December	-42 %

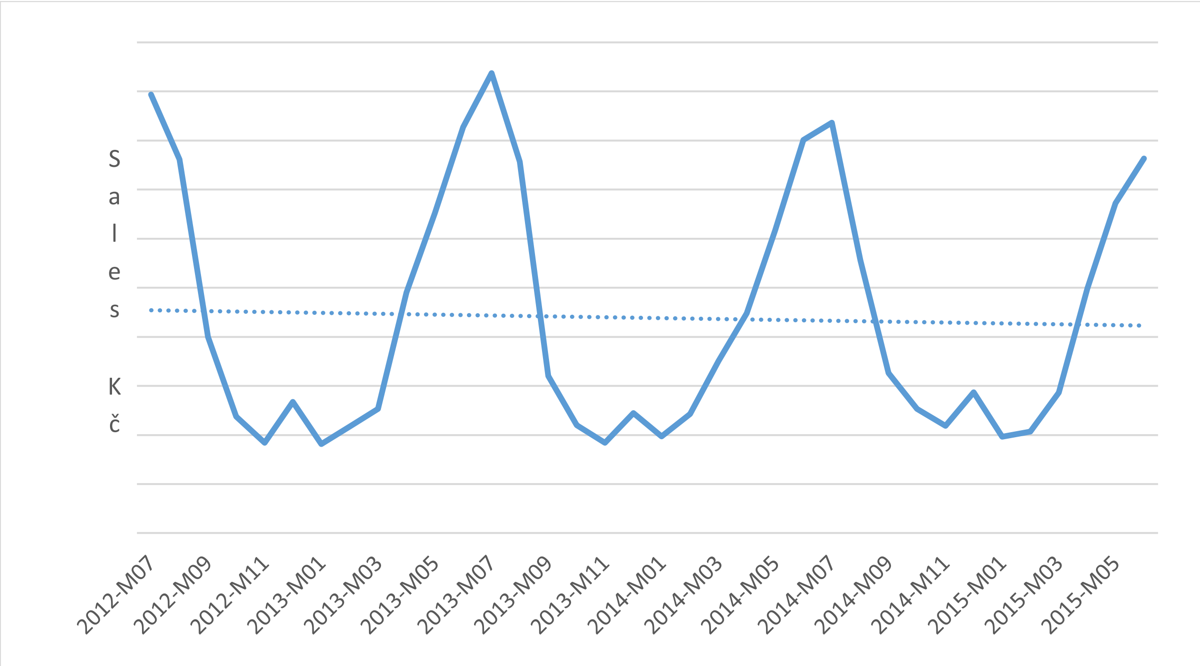
Source: (Author, 2016)

8 Category Role

The ice-cream category accounts for up to 40 % of the frozen sales, which makes it the biggest category of the frozen. Furthermore, ice-cream products have big margins compared to other goods around 30 % mark-up. As a result, the ice-cream category is an important sales and profitability driver of frozen grouping and is given a high priority in the summer season. The two key suppliers are Unilever and Bidvest, out of which Unilever is the category captain and usually prepares wide promo activities to support ice-cream sales.

The market trend in the ice-cream category is decreasing by -6 % annually (Česká tisková kancelář, 2014). The monthly sales in Ahold are plot in the figure 12 and connected by the bold line with a trend drafted over the period represented by the dot line. As the graph shows, the overall trend in the ice-cream market is decreasing nevertheless in Ahold the sales fall only by -3 % annually. Furthermore, the trend can be used to estimate the seasonality previously determined.

Figure 12: Monthly ice-cream sales with a trend over the period July 2013 till June 2015



Source: (Ahold, 2015) (Author, 2016)

The category roles were defined in the theoretical part of the thesis. Even though most of the frozen categories have an emergency role, ice-cream is a basket category. It is obvious that ice-cream has a seasonal role, however, it is not a desired state. We can deduce the classification from the purchase frequency, number of products bought in regular sales and promo sales, size of the category and so on.

8.1 Basket category

The characteristics of a basket category are that it provides additional sales and profit to other categories and customers value the assortment and offering. Target customer wants to find fair prices, but in some cases they are willing to pay more for a treat because the category allows them to try out new exciting products. The customers are always tempted to try something new and they browse the freezers. The availability of the product is increased by placing secondary impulse freezers by the checkout where customers can realize they want an ice-cream while waiting in the queue.

The category manager should drive sales and profitability from the category, the prices should be aligned with the competitors and the pricing strategy should not be aggressive to protect the category margins. Different range of products should be tried out as well as innovation and various choices should be supported. The manager should follow all the customer need stages and sales driver and try to cover them. The basket category is usually an impulse purchase so the manager should offer more options for purchase and secure the on-shelf availability. The category manager should pay medium attention to the costs but still assure high profitability by the high sustainable margins.

8.2 Objectives

The role of the ice-cream category is seasonal and basket and from such several objectives are implied. Close monitoring of the key competitors is essential because the usual strategy for the category is to be in line with them mainly in terms of pricing. However, even the assortment, promotion and display should be compared so no differences escape the attention of the retailer. The offering should always be the same or better than in other stores so the consumers have a great choice.

Because of the nature of the category and the way consumers perceive ice-cream it is important to focus on the secondary displays, which support the impulse purchases. The impulse freezers placed at the checkouts and even at the entrance to the store as well as POS materials support the sales by increasing visibility of the products. Therefore, the second objective is to increase the availability and support the decision-making of the category for a consumer.

The next objective is to make the category less seasonal and generate sales during whole year. The drop in sales during the winter season is caused by the close relation of demand and weather, however, there is a potential to grow the sales. The higher consumption can be triggered by the producers, which should position ice-cream as a dessert that can be consumed anytime. What can be done from the retailer perspective is not restricting the assortment, display and promotion over the winter months.

Lastly the overall decrease of the ice-cream category can be noticed not only from the Ahold data but also from the market data. The reason for that is the increased health consciousness of consumers who should be provided with new options. Initiating the growth of the ice-cream category again relies on all the objectives mentioned. Furthermore, the cooperation of the retailers and the suppliers is crucial because otherwise the activities will not have such an impact on the consumers.

9 Category Assessment

The ice-cream category is assessed based on the store observations of the author of the thesis and internal information from Ahold Czech Republic. The assessment includes comparison of assortment, display, price and leaflet promotion of the stores, which are representative for the analysis. The objective of the category reset is to be in line with the main competitors in both formats hypermarket and supermarket. A detailed view on the category is necessary, therefore, the data was collected following the CDT of the category. Private labels form a specific part of the assessment because they are monitored for strategic reasons. They are important for retailers because they contribute to the presentation and image of the company.

9.1 Assortment

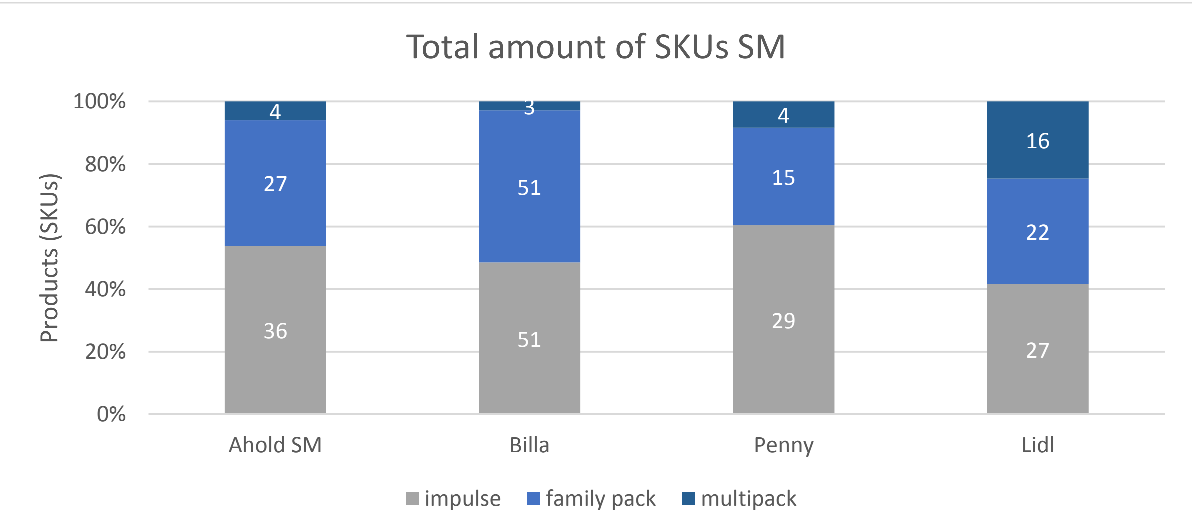
Following the CDT, which divides the category into impulse, family and multipack ice-cream and further into segments, the analysis of assortment was carried out. In the stores the number of different SKUs was observed as well as brands. The information is compared across the stores to identify potential assortment gaps and opportunities for broadening the offering.

The impulse ice cream is divided according to the type being cream, fruit, cornet, cups up to 200 ml, sandwiches such as Russian ice-cream and fruit pulp. Multipacks can be classified the same way but since they only make up for a marginal part of the category, they are usually neglected. The family ice-cream is divided by size into the small category around 500 ml and large around 1000 ml.

9.1.1 Supermarkets

An overall view on the ice-cream category in the supermarkets can be found in the figure 13, which shows how many SKUs belong to each category in a given store. The relative numbers can be found on the scale in the right and the absolute numbers are in the bars. As the graph shows, Billa has the biggest assortment with 105 SKUs on the other hand Penny has the smallest with 48. Anyway Penny provides the largest percentage of impulse ice-cream out of all.

Figure 13: Total amount of ice-cream SKUs in supermarkets

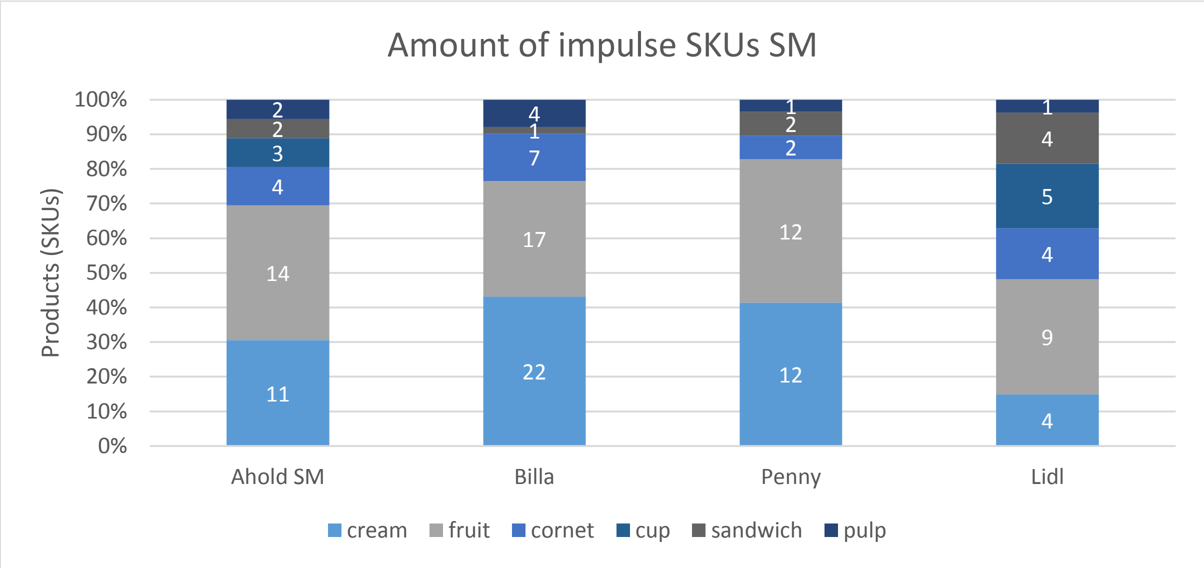


Source: (Author, Store observations, 2015)

Usually the supermarkets offer more impulse ice-cream than family packs only Billa offers the same percentage of those. Furthermore, Billa has the largest number and percentage of family packs out of all the compared stores. Lastly multipacks are the growing sub-category of ice-cream, which is widely underestimated in most stores. The biggest portion of multipacks can be found in Lidl and with 25 % the difference from the other retailers is significant. On average Albert offers smaller assortment with only 4 multipacks compared to average 8.

Comparing the types of impulse ice-cream in the figure 14, Lidl provides the most balanced offering with focus on fruit ice-creams. Together with Albert SM, they are the only two offering any impulse cups. As for the rest, Ahold has the lowest percentage of cream ice-creams, Billa has the biggest percentage of cream ice-creams and Penny has the same amount of cream and fruit ice-creams.

Figure 14: Impulse ice-cream in supermarkets



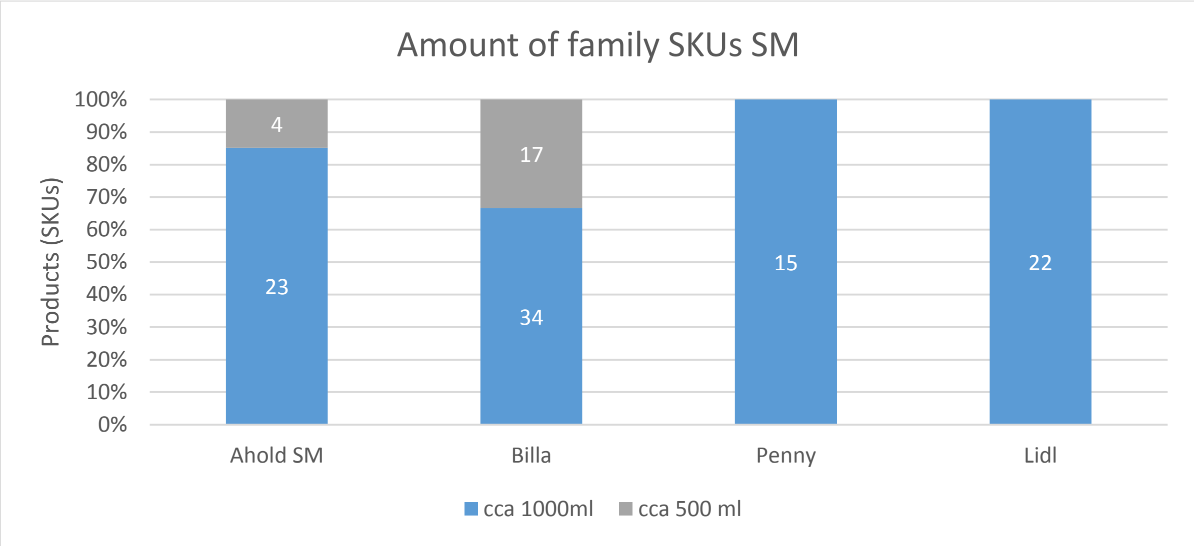
Source: (Author, Store observations, 2015)

Mostly cream multipacks can be found in the stores even though Albert offers one from each type and also cornets are popular in Lidl. Family packs in the figure 15 show that only Billa and Albert have small packages in the assortment, nevertheless there is only a few of them. Since Billa has a large number of family packs overall, it can offer more of the small ones, which form about 33 % of the total family SKUs.

Regarding brands, only Albert SM has more Unilever brands than Bidvest brands. Billa has slightly more and Penny has mostly Bidvest brands. The private labels are represented most in Albert and least in Penny. Lidl does not have any private label because it only offers fancy labels, which are labels that seem like brands but they are operated by the retailer.

Comparing Albert to the average calculated across the other supermarkets, Albert provides 2 less cream impulse ice-creams. As for the family packs in Albert there is a smaller amount of the 500 ml and 1000 ml than in other supermarkets. The number of multipacks is smaller than average mainly because of Lidl's focus on at home consumption. More information about the comparison of Albert with the average calculated across the other stores can be found in appendices.

Figure 15: Family ice-cream in supermarkets

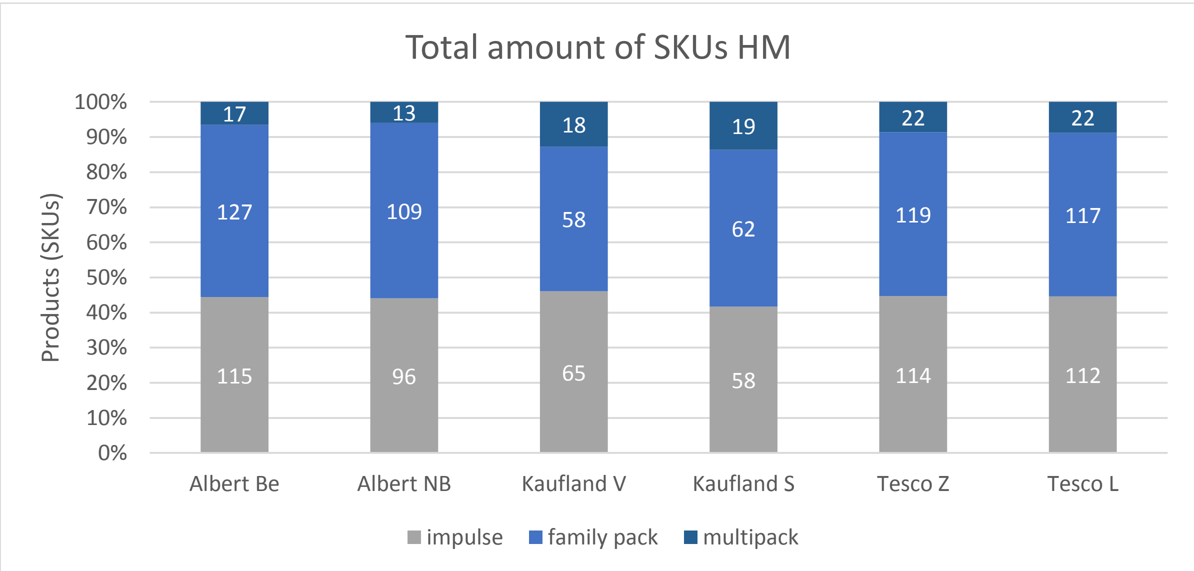


Source: (Author, Store observations, 2015)

9.1.2 Hypermarkets

An overall view on the ice-cream category in the hypermarkets can be found in the figure 16. The relative numbers can be found on the scale on the left and the absolute numbers are added to the bars. Tesco has the largest assortment, which is not too different from Albert HM, however, Kaufland has a significantly smaller number of total ice-cream SKUs.

Figure 16: Total amount of ice-cream SKUs in hypermarkets

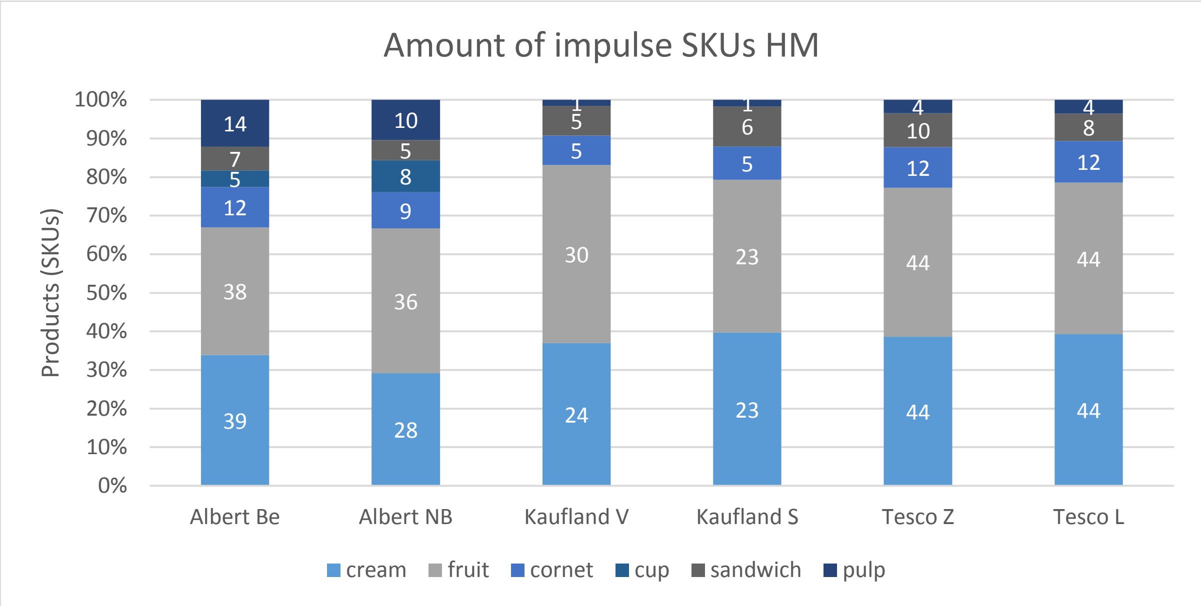


Source: (Author, Store observations, 2015)

From the graph, it can be concluded that Albert has the biggest percentage of family packs and at the same time the smallest percentage of multipacks. On the other hand, Kaufland has the largest proportion of multipacks. What is interesting, the assortments in Tesco Zličín and Tesco Letňany seem to be the same ones, which shows high standardization of the retailer.

The structure of impulse ice-creams is in the figure 17. Albert HM is the only one offering impulse cups and many more fruit pulp SKUs that other retailers. However, it provides less cream ice-cream than the others. Most fruit ice-cream can be found in Kaufland and Tesco has the same proportion of cream and fruit impulse ice-cream.

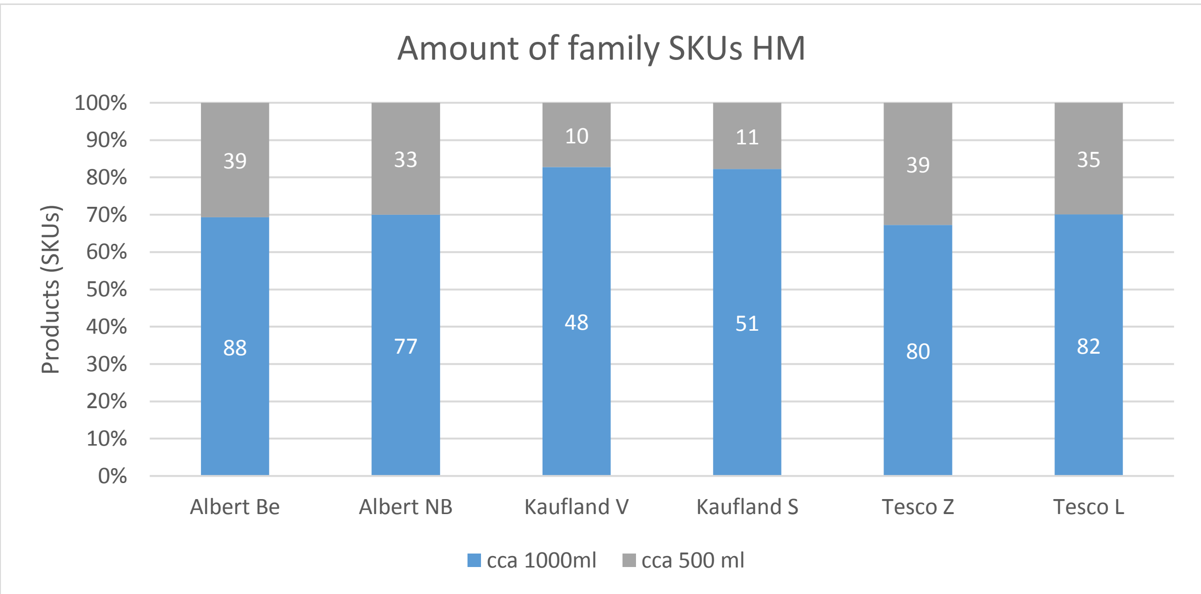
Figure 17: Impulse ice-cream in hypermarkets



Source: (Author, Store observations, 2015)

Considering multipacks, most of the SKUs are again cream ice-cream. An innovation in multipacks is the mix box with different flavours and types of ice-cream, which can be found in Tesco and new Albert ONE HM. As for the family packs, they form about one third of family SKUs in Albert and Tesco but significantly less in Kaufland, the numbers can be found in the figure 18.

Figure 18: Family ice-cream in hypermarkets



Source: (Author, Store observations, 2015)

As for the private labels, Kaufland has the most of them about 30 % of its assortment. Tesco has about 20 % of private labels and Albert has the least around 15 %. Private labels are most common in multipacks with Kaufland reaching 80 % in this subcategory. They are least represented in the impulse ice-creams, with Albert having only 10 %. Most brands in all the retailers come from Unilever.

Comparing Albert to the average calculated across the other hypermarkets, Albert has more SKUs in total by 42. It provides more products in the impulse and family sub-categories but less in multipacks than average. In detail Albert offers smaller proportion of cream impulse ice-creams than average. As for family packs Albert provides higher proportion than is the average in the other hypermarkets. Also there is significantly less fruit multipacks in Albert. In all the subcategories Ahold has less private labels than is the average.

9.2 Display

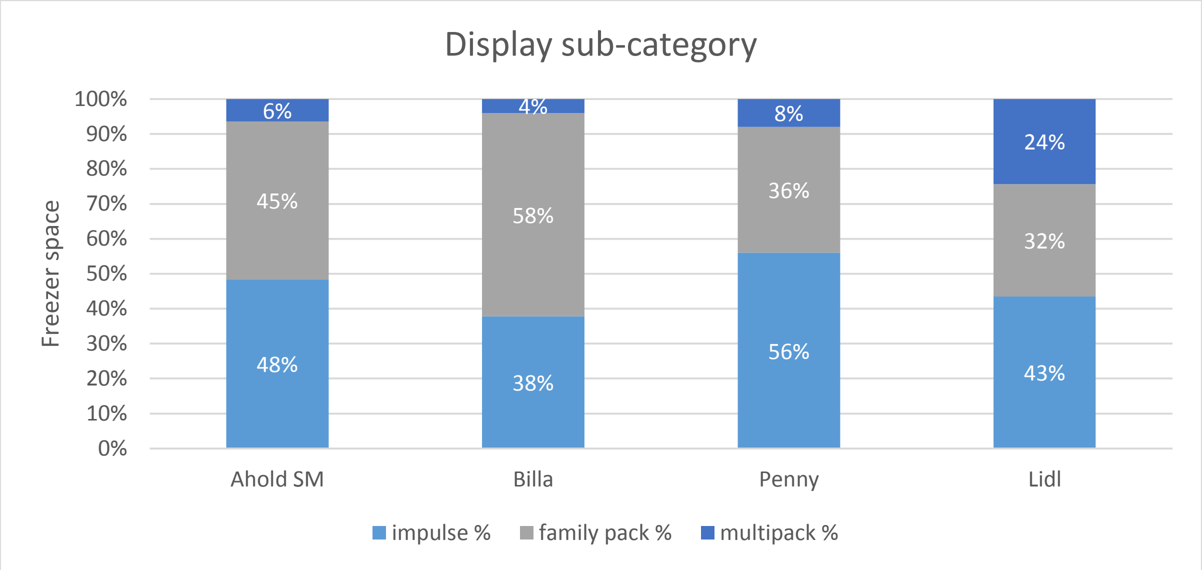
This part analyses the space different sub-categories form in the freezer and on the shelves. The display is also comparing different suppliers because it shows the relationship of the supplier with the retail chain. Only primary displays are counted in the analysis, where the main freezers are located including the brand freezers. The positions in the chest freezers, vitrines and combined freezers are recalculated to be comparable to show how much different sub-categories and suppliers are displayed.

Each face of the product, which means one basket in the chest freezer for the impulse ice-cream, one top in the chest freezer for the family and multipack ice-cream and one front facing the customer in the vitrine is counted as one position for the given product. The amount of pieces in the basket or row are not relevant for the analysis because they depend on the replenishment of the store staff. The amount of faces recognized by the customer is comparable across the ice-cream subcategories.

9.2.1 Supermarkets

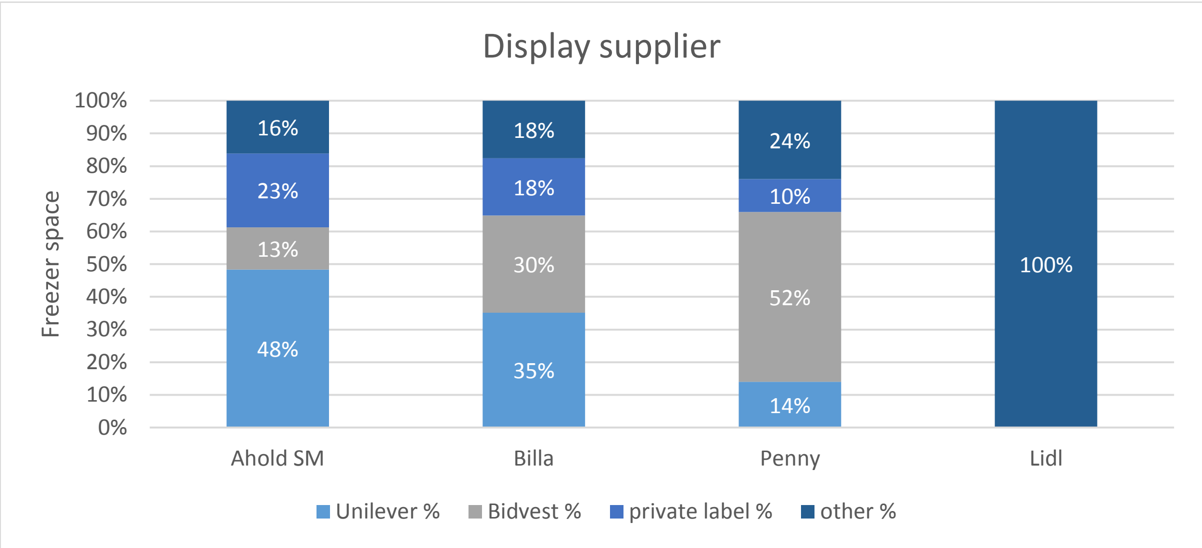
Ice-cream forms the biggest part of the freezers in supermarkets up to one quarter of the display. Billa has the biggest display of family packs because of a Haagen Dazs brand freezer, however, the display of Unilever brands is still bigger by 5 %. Albert SM has same display of impulse and family packs with mostly Unilever brands on display. On the other hand, Penny has the biggest display of impulse with mostly Bidvest brands about 52 %. The comparison can be found in the figure 19 for the sub-categories and in the figure 20 for suppliers.

Figure 19: Display by sub-category in supermarkets



Source: (Author, Store observations, 2015)

Figure 20: Display by supplier in supermarkets



Source: (Author, Store observations, 2015)

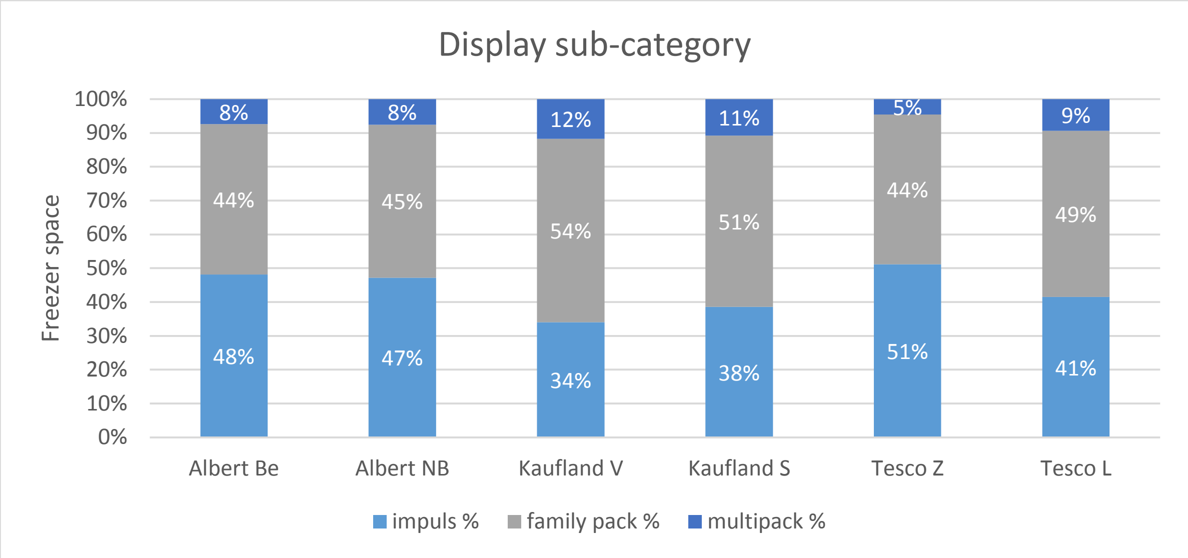
Lidl is a special case, as a discounter it primarily offers fancy labels and sometimes as an in-out item also branded products on sale. However, such cannot be included in the analysis because they are not always available. In Billa and less in Penny the private labels cover more space in the freezer than what their proportion on total assortment is. Only in Albert SM 24 % of the assortment are private labels and they take 23 % of the freezers. Comparing Albert to the average calculated across the other supermarkets, more space is dedicated to impulse and family packs but less to multipacks, which corresponds with the assortment.

9.2.2 Hypermarkets

Ice-cream usually takes the biggest part of the freezers in hypermarkets, in Tesco and Albert about one third of frozen excluding meat. However, in Kaufland it is only 23 % with about the same display of ready-to-eat products and frozen fruit and vegetables. Furthermore, family packs take more than 50 % and multipacks more than 10 % of the ice-cream display in

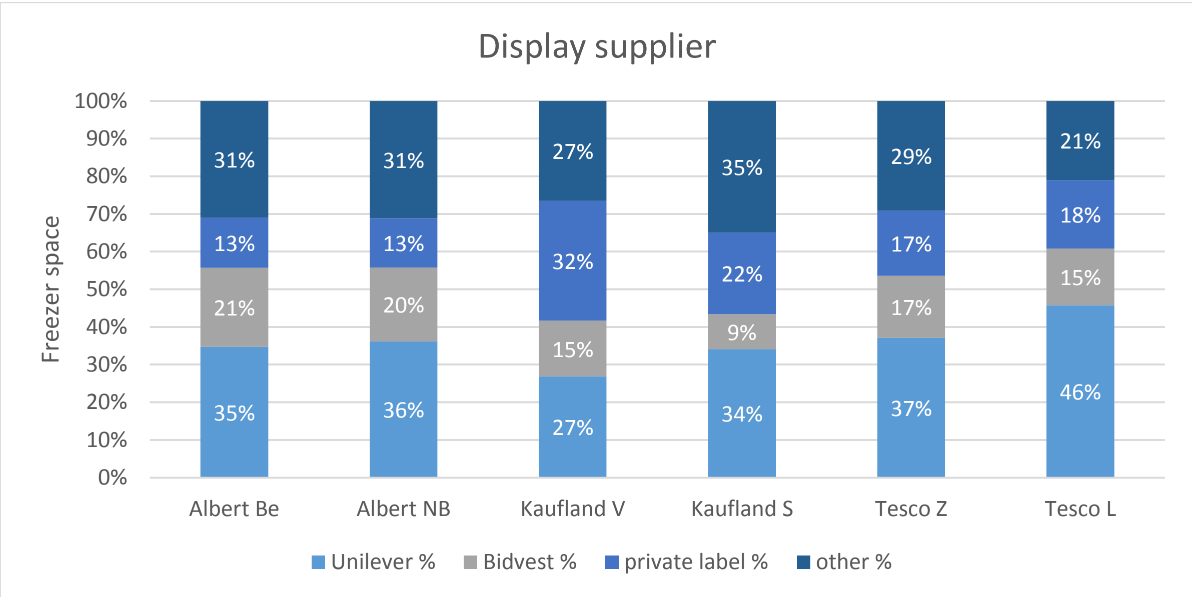
Kaufland, which is the most, compared to other retailers. As for the private labels, Kaufland displays most of them because most of them are among multipacks and family packs, see figures 21 and 22.

Figure 21: Display by sub-category in hypermarkets



Source: (Author, Store observations, 2015)

Figure 22: Display by supplier in hypermarkets



Source: (Author, Store observations, 2015)

Tesco displays impulse and family pack similarly with most Unilever brands out of all. On the other hand, Albert has an equal display of impulse and family pack with more Bidvest brands than competition about 20 % on display. It is interesting to see that the big store Kafland Vypich compared to the smaller one Kaufland Stodůlky fills up the space with private labels whereas the big Tesco Letňany displays more Unilever brands than Tesco Zličín.

The display of private labels also differs among the retailers. In Kaufland, bigger proportion of the freezer is dedicated to the smaller proportion of private labels in assortment. Albert displays it equally and Tesco displays private labels less than what they offer. It means that e.g. in Albert HM 13 % of the assortment are private labels and they take 13 % of the freezers. Comparing Albert to the average calculated across the other hypermarkets, more space is dedicated to impulse but less to multipacks and significantly less to family packs. The Unilever brands have the same display as average, however, Bidvest is displayed more and private labels less.

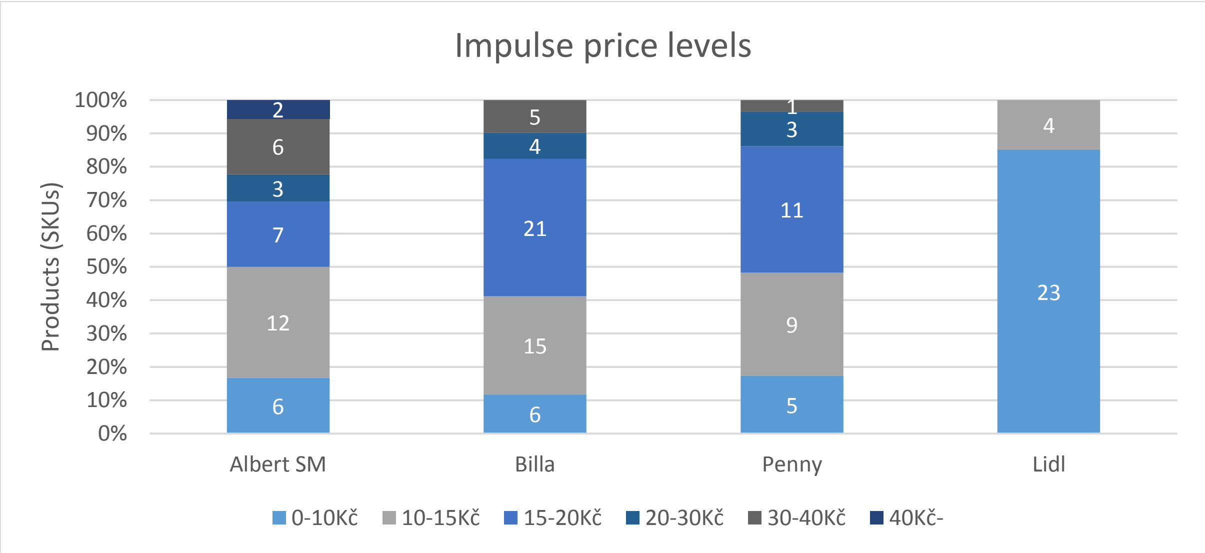
9.3 Price

Comparing prices with competition is a key activity in the retail industry. Different price levels were identified among impulse ice-cream and family packs. For impulse the levels in CZK are 0-10, 10-15, 15-20, 20-30, 30-40, 40 and more. For family packs the levels in CZK are 0-20, 20-50, 50-70, 70-100, 100-150, 150 and more. The analysis should show the optimal number of SKUs in different price levels of the sub-categories compared to competition.

9.3.1 Supermarkets

The analysis compares the relative and absolute numbers of SKUs in different price levels. From the figure 23, it is clear that the majority of impulse ice-creams costs under 20 CZK. What is more, no impulse item over 15 CZK can be found in Lidl. On the other hand, Albert offers more than 30 % of impulse products at a price over 20 CZK, which is the biggest proportion of all the stores.

Figure 23: Impulse ice-cream by price levels in supermarkets

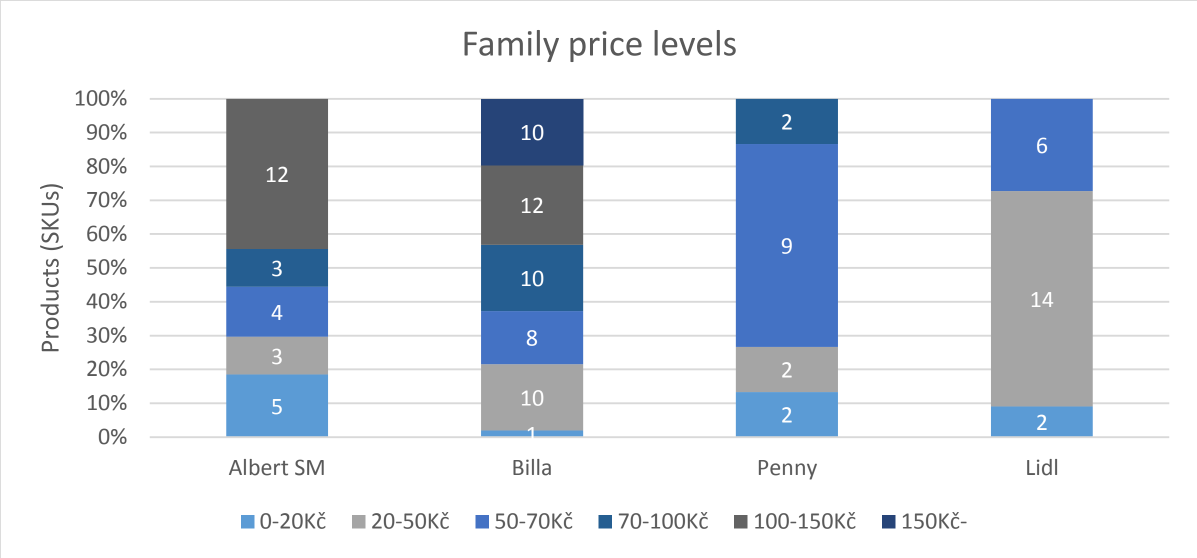


Source: (Author, Store observations, 2015)

There is no family pack over 70 CZK in Lidl, which proves its focus on cheap ice-cream, see the figure 24. Even though Billa has the biggest proportion of expensive ice-cream it is caused by the Haagen Dazs brand freezer, which only contains ice-creams over 150 CZK. Furthermore, in the next level 100-150 CZK only Carte D'Or ice-creams can be found and they are not present neither in Penny nor in Lidl.

Albert SM has the most private labels and it has them spread around different price levels. Penny has only two products in each subcategory family and impulse and all of them belong to the cheapest price level. On the other hand, all the impulse private labels in Billa cost between 15-20 CZK and family 70-100 CZK, which are relatively expensive levels for private labels.

Figure 24: Family ice-cream by price levels in supermarkets



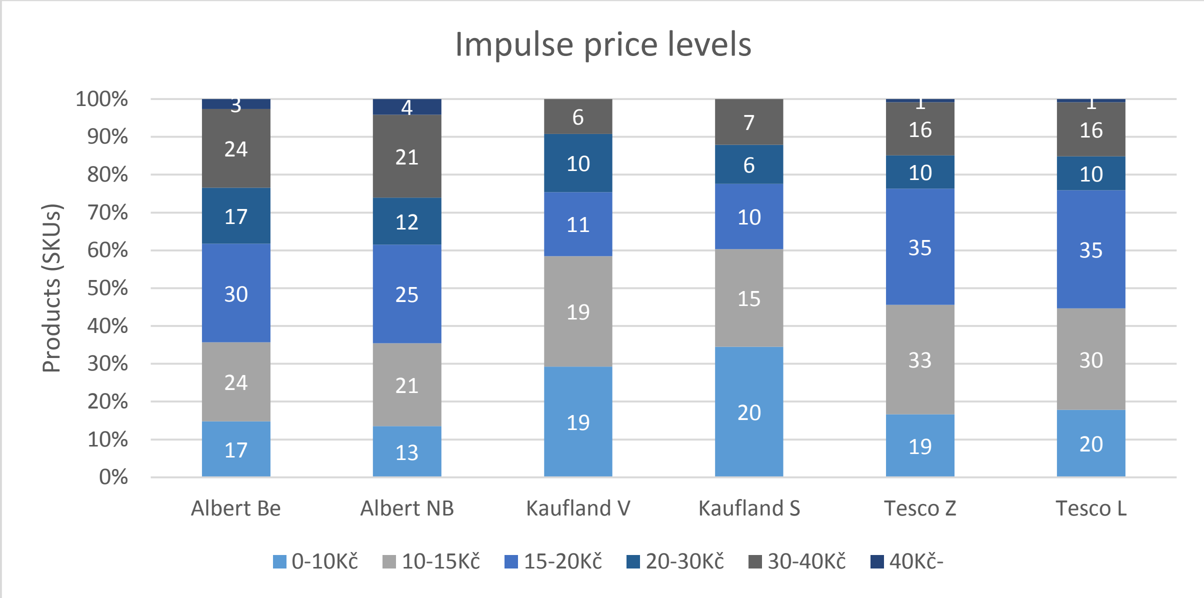
Source: (Author, Store observations, 2015)

Comparing Albert to the average calculated across the other supermarkets, Albert provides more expensive assortment. Even though in the family packs in the 0-20 CZK level there are only two products available in the other supermarkets, in the following level 20-50 there are 9 SKUs on average. More information about the comparison of Albert with average calculated across the other stores can be found in appendices.

9.3.2 Hypermarkets

Similarly to supermarkets, even in hypermarkets most of the impulse products cost below 20 CZK as indicated in the figure 25. However, Albert HM has a significantly higher proportion of impulse ice-creams over 20 CZK than other retailers. If the data is further broken down it reveals that cream impulse products cost mostly 15-20 and 30-40 CZK whereas fruit ice-cream level is mostly 10-15 CZK. Sandwiches can be found in the 0-10 CZK price level.

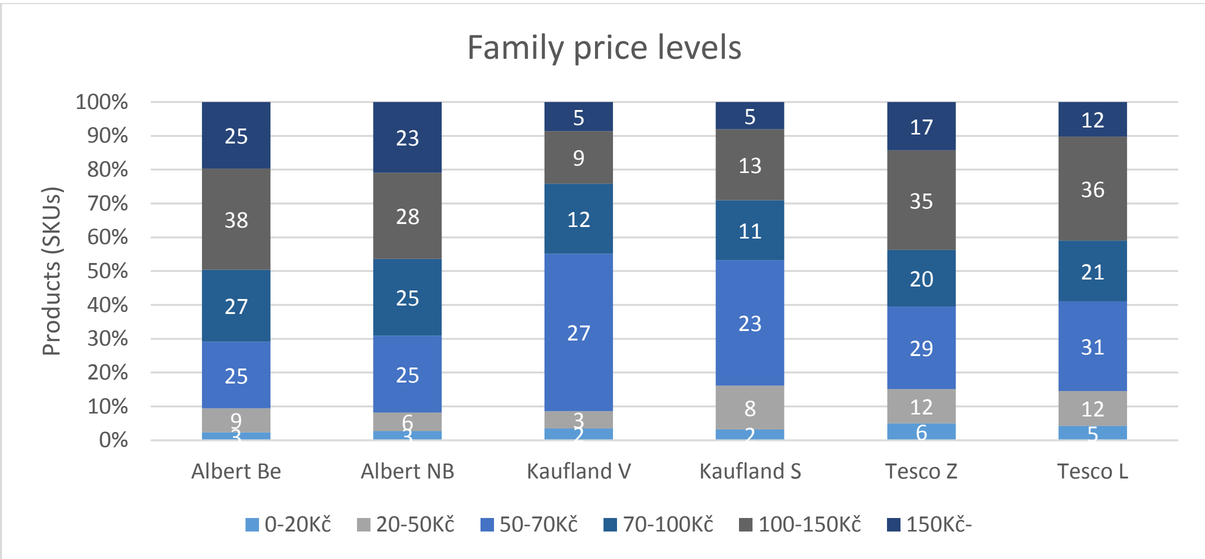
Figure 25: Impulse ice-cream by price levels in hypermarkets



Source: (Author, Store observations, 2015)

Among the hypermarkets Kaufland is the one focusing on cheap ice-cream in both sub-categories, see the figure 26. Tesco has also relatively high percentage of family packs below 50 CZK. The family ice-creams over 150 CZK are usually the small ones with volume of 500 ml being Haagen Dazs and Ben & Jerry's. The 1000 ml family packs are mostly in the price levels 50-70 CZK and 100-150 CZK.

Figure 26: Family ice-cream by price levels in hypermarkets



Source: (Author, Store observations, 2015)

In hypermarkets, most of the impulse private labels are in the price level 0-10 CZK and family packs in 50-70 CZK. Tesco has the widest range of products available in different price levels whereas Kaufland has all its impulse private labels up to 15 CZK and family packs in the price level 50-70 CZK. Albert private labels cost either 0-10 CZK or 30-40 CZK for impulse ice-creams and 50-100 CZK for family packs. The prices are higher compared to average because the most frequent group is 50-70 but in Albert HM it is 100-150 CZK. More information about the comparison of Albert with average calculated across the other stores can be found in appendices.

9.4 Promotion

The leaflets of different retailers are compared in order to calculate how much ice-cream is promoted. The amount of leaflet windows over a given period dedicated to ice-cream, its subcategories and particular brands is analysed. The period is the first half of years 2014 and 2015. Since Albert HM and Albert SM have different leaflets, the analysis can be carried out across the two formats. Hypermarket Globus, which is not analysed in the previous parts, is included just for informative reasons. Regional leaflets are not included in the data.

9.4.1 Supermarkets

Some leaflet pages dedicated to ice-cream in supermarkets can be found in the pictures in the figure 27.

Figure 27: Examples of ice-cream page in leaflets of Lidl, Penny and Billa

Source: (Leaflet Monitor, 2015)

From the frozen grouping, ice-cream is promoted the most in all the supermarkets except for Lidl where the focus is put on the ready-to-eat frozen products. The number of windows is growing between 2014 and 2015, which is obvious from the table 11. In total numbers Penny reaches almost double of what others promote and it is caused by the weekend leaflets they have. In fact, they have twice as many leaflets as any other retailer.

Table 11: Ice-cream leaflet windows in supermarkets

	Ahold SM		Billa		Penny		Lidl	
	I. H 2014	I. H 2015	I. H 2014	I. H 2015	I. H 2014	I. H 2015	I. H 2014	I. H 2015
Absolute nº	26	29	28	38	55	60	20	26
Impulse	46 %	38 %	29 %	53 %	45 %	45 %	15 %	27 %
Family pack	54 %	55 %	71 %	47 %	55 %	55 %	35 %	35 %

Multipack	0 %	7 %	0 %	0 %	0 %	0 %	50 %	38 %
Private label	4 %	7 %	0 %	11 %	7 %	10 %	0 %	0 %

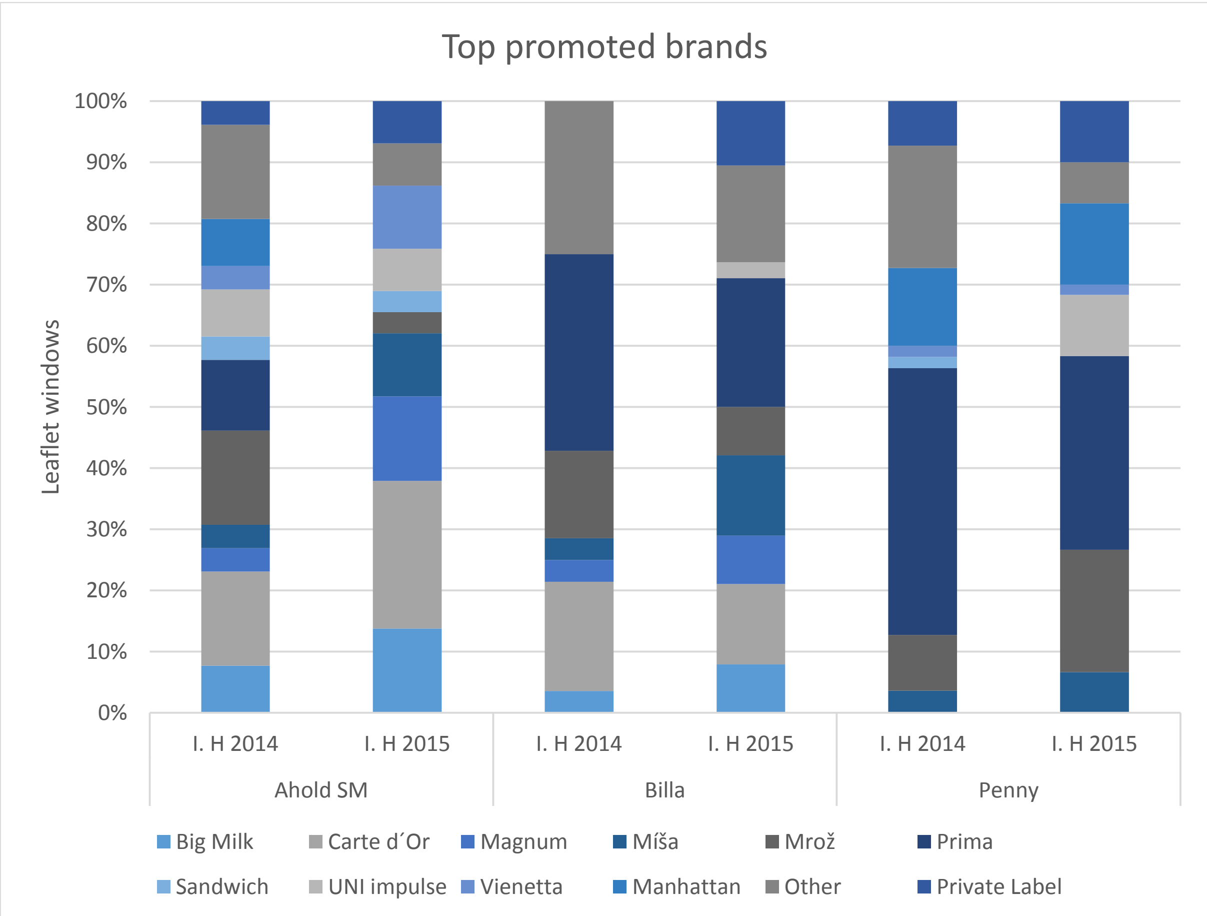
Source: (Leaflet Monitor, 2015) (Author, 2016)

Lidl promotes multipack the most out of all sub-categories and also other retailers, which do not promote them at all. Billa changed its focus from promoting family packs to promoting impulse ice-cream, however, overall family packs are more promoted. Private labels are promoted more in all the supermarkets compared to 2014.

Comparing Albert to the average calculated across the other supermarkets shows that there are significantly less leaflet windows dedicated to Frozen and Ice-cream category. The average in 2015 is 172 window for the first half of a year, which is 93 windows less than in Albert. There were only 11 windows dedicated to impulse ice-cream in Albert compared to 18 on average. More information about the comparison of Albert with average calculated across the other stores can be found in appendices.

Top promoted brands are only counted in Albert SM, Billa and Penny because of Lidl's fancy labels. From the window dedicated to different brands, the growth of private labels can be spotted in the figure 28. In Albert SM and Billa Unilever strengthened its position because Míša became more promoted than Mrož. Furthermore, it started cooperating with Penny and promoted its impulse ice-creams there.

Figure 28: Top promoted brands in supermarkets



Source: (Leaflet Monitor, 2015) (Author, 2016)

9.4.2 Hypermarkets

Some leaflet pages dedicated to ice-cream in hypermarkets can be found in the pictures in the figure 29.

Figure 29: Examples of ice-cream page in leaflets of Kaufland, Tesco and Globus

Source: (Leaflet Monitor, 2015)

Ice-cream category has the most windows from the frozen grouping in most hypermarkets, however Kaufland focuses on ready-to-eat category with about 30 % of all leaflet windows. Overall Albert HM has significantly less leaflet windows dedicated to frozen than other retailers. The amount and proportion of ice-cream windows is growing between 2014 and 2015, which is shown in the table 12.

Albert increased the number of ice-cream windows the most and it was caused by two full thematic pages with private labels in 2015, which were not present in 2014. Kaufland promotes multipacks most out of all the retailers but still less than family packs and impulse ice-cream. Because of the two flyers with private labels Albert managed to approach Kaufland's percentage of private label promotions.

Table 12: Ice-cream leaflet windows in hypermarkets

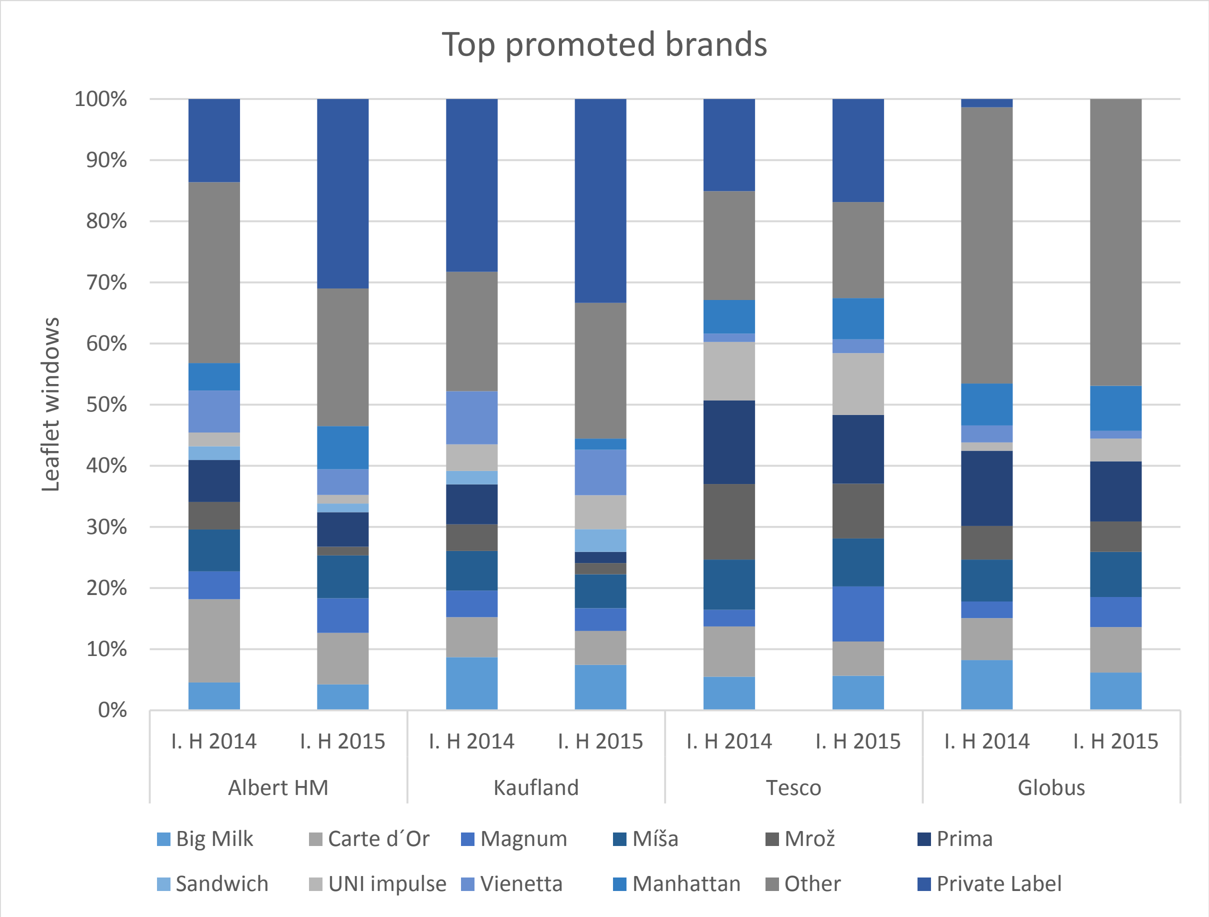
	Ahold HM		Kaufland		Tesco		Globus	
	I. H 2014	I. H 2015	I. H 2014	I. H 2015	I. H 2014	I. H 2015	I. H 2014	I. H 2015
Absolute nº	44	71	46	54	73	89	73	81
Impulse	30 %	41 %	52 %	35 %	47 %	49 %	38 %	43 %
Family pack	61 %	49 %	37 %	44 %	47 %	43 %	49 %	43 %
Multipack	9 %	10 %	11 %	20 %	3 %	7 %	12 %	12 %
Private label	14 %	31 %	28 %	33 %	15 %	17 %	1 %	0 %

Source: (Leaflet Monitor, 2015) (Author, 2016)

The average calculated across the other hypermarkets shows the underestimated state of frozen leaflet windows in Albert. A good sign is the steep increase in the amount of windows between 2014 and 2015 created by the private labels promotion. In the first half of 2015 there were 22 windows dedicated to private labels in Albert compared to 11 in average hypermarket. More information about the comparison of Albert with average calculated across the other stores can be found in appendices.

The structure of the top promoted brands in hypermarkets is more complicated because the amount of leaflets and windows is much bigger, therefore, more brands can be promoted. That is why in the figure 30 there is the large block of other brands. The promo strategies in Globus and Tesco are very consistent. On the other hand, Kaufland and Albert HM support private labels more in 2015 at the expense of other labels. The decrease in promotion of Bidvest brands is noticeable across all the retailers.

Figure 30: Top promoted brands in hypermarkets



Source: (Leaflet Monitor, 2015) (Author, 2016)

9.5 Summary

To sum up the assessment certain similarities of the retailers need to be highlighted. The analysis shows the resemblance of Lidl and Kaufland and their focus on cost leadership and low prices. They mostly provide goods for at home consumption, therefore, multipack ice-creams and ready-to-eat frozen products create a bigger portion of the assortment than in other stores and they are promoted more. Discounters usually provide smaller choice so the number of products and brands is limited in Lidl and Kaufland. They also provide bigger proportion of the display to private labels and keep the products in the low price levels.

Albert HM is comparing itself to Tesco even though the assortment is a little bit smaller they focus on specialty products different from other retailers like cups and fruit pulp. From the fact that Tesco provides such a big proportion of its display to Unilever brands it can be assumed that their relationship is better than with other retailers. Considering the price levels, Albert is undeniably the most expensive retailer offering more products in the most expensive levels than any other retailer.

Even though Billa is a supermarket, it provides bigger choice to the consumers than other such formats and has a branded Haagen Dazs freezer almost like a hypermarket. Apart from that Billa and Albert SM are positioned similarly with the assortment, display and price levels. Penny Market has a significantly smaller assortment than other retailers, however, the display of the Bidvest brands is incomparable with others, which points out the special relationship of the supplier with this retailer. Lastly Penny promotes its products twice as often as other retailers, even though the number of leaflet windows grew in the last years, other retailers did not keep up with Penny.

Even though the structure of the assortment is heavily dependent on the competition analysis it should be also substantiated by other indicators. Considering display the relationships with supplier differ based on the ongoing negotiations and company’s strategy on private labels. When assessing the prices the balance between sales and margins needs to be considered keeping in mind that ice-cream is a basket category with profitable role. Overall family packs are more promoted than impulse ice-creams, which needs to be justified by further analysis. There are many factors influencing the category and its sales and the resources should be used in the right combination of assortment, display, price and promo.

10 Category Scorecard

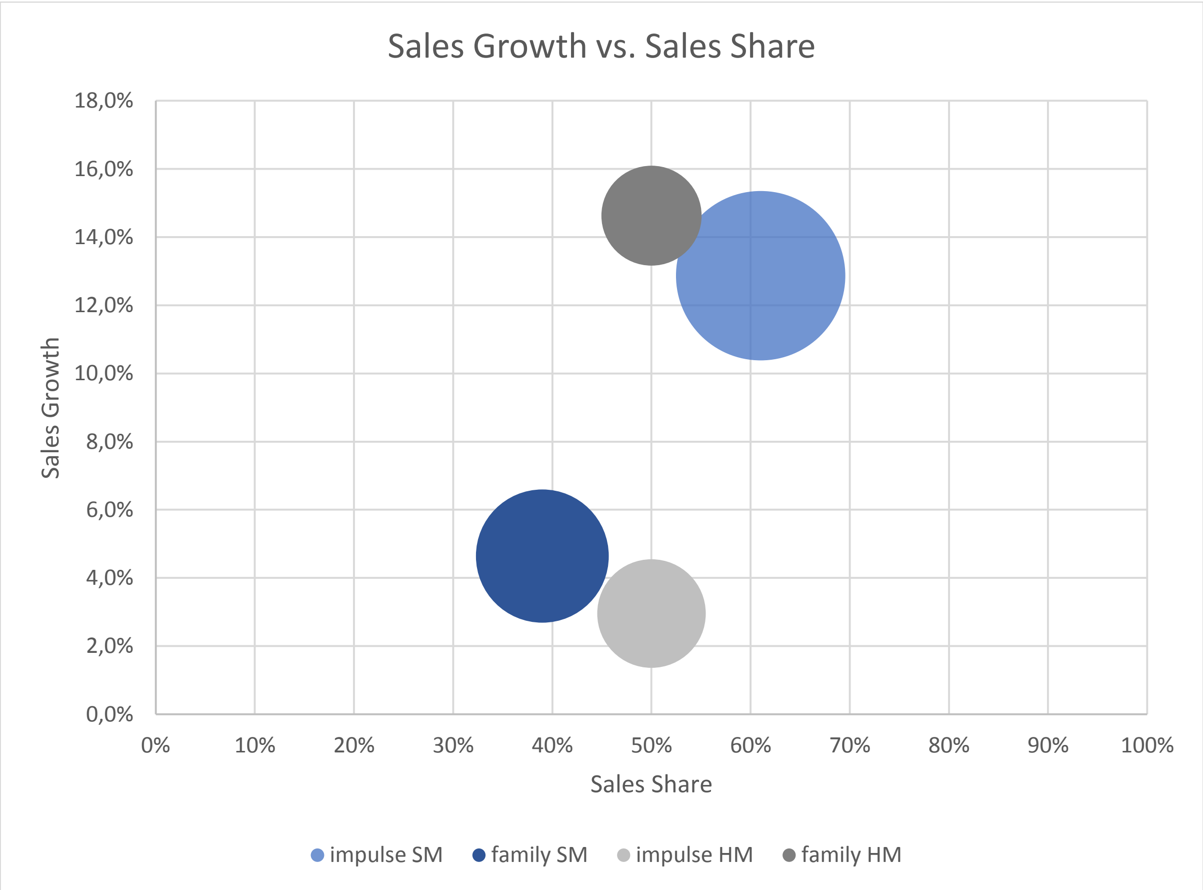
The category scorecard elaborates on the measures of the retailers to support the information from the category assessment. The key performance indicators in category management are sales, which create volume and margins, which create profitability. In case of the ice-cream category profitability is considered to be more important and that is how the success of the category is measured.

The total sales and margins can be broken down to regular and promo sales and margins, which again influence the profitability of the category. What is more the category is also dependant on the format since Albert hypermarket and supermarket have different prices and competitors. To find the optimal sales and profitability for each format and subcategory the data is compared.

10.1 Sales and Margins

To analyse the overall turnover and profitability of the category the measures have to be broken down. In general the sales of the ice-cream category can be in general divided between impulse ice-cream about 57 % and family packs about 43 %. In terms of margins the proportion is even more in favour of impulse ice-cream with 59 % and family bringing 41 % of margins. A more careful look at the subcategory in different formats can be found in the figure 31.

Figure 31: Matrix of subcategories in different formats



Source: (Ahold, 2015) (Author, 2016)

The graph compares the average sales share versus sales growth between 2014 and 2015 in different formats and subcategories and the size of a bubble is determined by the margin. From the graph it can be concluded that in yearly data the sales of impulse ice-cream in supermarkets grew by 13 % and family sales in hypermarkets by 14.5 %. Regarding the margins, supermarkets are generally more profitable than hypermarkets with a focus on impulse ice-cream. It means that investments should be made to support the impulse sales in supermarkets and the family sales in hypermarkets.

Considering the promotions of the ice-cream category, it can be compared how much of each subcategory is sold in regular sales and in promo sales. In tables 13 and 14 the proportions can be found. It is clear that the family pack sales are more sensitive on promotions than impulse and also that the impact is bigger in hypermarkets. Overall the family packs are sold in hypermarkets usually with promotion and impulse ice-creams are sold in supermarkets usually without promotion.

Table 13: Proportions of impulse and family ice-cream in regular sales,

Regular Sales Proportions	**2014**		**2015**	
	impulse	family	impulse	family
total	62 %	38 %	60 %	40 %
HM	57 %	43 %	51 %	49 %
SM	64 %	36 %	64 %	36 %

Source: (Ahold, 2015) (Author, 2016)

Table 14: Proportions of impulse and family ice-cream in promo sales

Promo Sales Proportions	**2014**		**2015**	
	impulse	family	impulse	family
total	41 %	59 %	49 %	51 %
HM	36 %	64 %	38 %	62 %
SM	43 %	57 %	57 %	43 %

Source: (Ahold, 2015) (Author, 2016)

As for the suppliers, Unilever as a market leader accounts for the biggest part of the ice-cream sales followed by Bidvest. All Unilever brands bring as much as 53 % of all ice-cream sales for Ahold whereas Bidvest about 17 %. The reason is the background of an international company, the range of products and name that Unilever can offer. The top selling impulse products can be found in the table 15. The popularity of Czech traditional brands is undeniable with Míša dominating the top of the category.

Table 15: Best-selling impulse SKUs

Top Products Impulse Q2 2014	Top Products Impulse Q2 2015
Unilever MÍŠA 55 ml	Unilever MÍŠA 55 ml
Bidvest MROŽ JAHODA V TMAVÉ POLEVĚ 45 ml	Unilever TWISTER ZELENÝ 80 ml
Bidvest MROŽ JAHODA V BÍLÉ POLEVĚ 45 ml	Bidvest MROŽ JAHODA V TMAVÉ POLEVĚ 45 ml
Unilever TWISTER ZELENÝ 80 ml	Wera Nova ZMRZLINA RUSKÁ MRAZÍK 220 ml
Wera Nova ZMRZLINA RUSKÁ MRAZÍK 220 ml	Bidvest MROŽ JAHODA V BÍLÉ POLEVĚ 45 ml
Unilever LEDNÁČEK VANILKA 45 ml	Unilever LEDNÁČEK VANILKA 45 ml

Source: (Ahold, 2015) (Author, 2016)

Regarding the family packs, the top of the category is dominated by cheap products with private label leading the table 16. What is more the table shows the popularity of vanilla and chocolate ice-cream since all the products contain both or either one of the flavours. Unilever brand Carte D'Or is one of the best-selling family pack ice-cream, which have a large number of flavours and a heavy marketing support.

Table 16: Best-selling family SKUs

Top Products Family Q2 2014	Top Products Family Q2 2014
Albert Quality ZMRZLINOVÝ DORT VAN/ČOKO 600 ml	Albert Quality ZMRZLINOVÝ DORT VAN/ČOKO 600 ml
Tipa POLÁRKOVÝ DORT VANILKA 615 ml	Tipa POLÁRKOVÝ DORT VANILKA 615 ml
Tipa POLÁRKOVÝ DORT KAKAO 615 ml	Tipa POLÁRKOVÝ DORT KAKAO 615 ml
Unilever CARTE D'OR VANILKA 1 l	Unilever CARTE D'OR ČOKO/CHERRY 900 ml
Unilever CARTE D'OR STRAWBERRY/MERING 900 ml	Unilever CARTE D'OR VANILKA 1 l

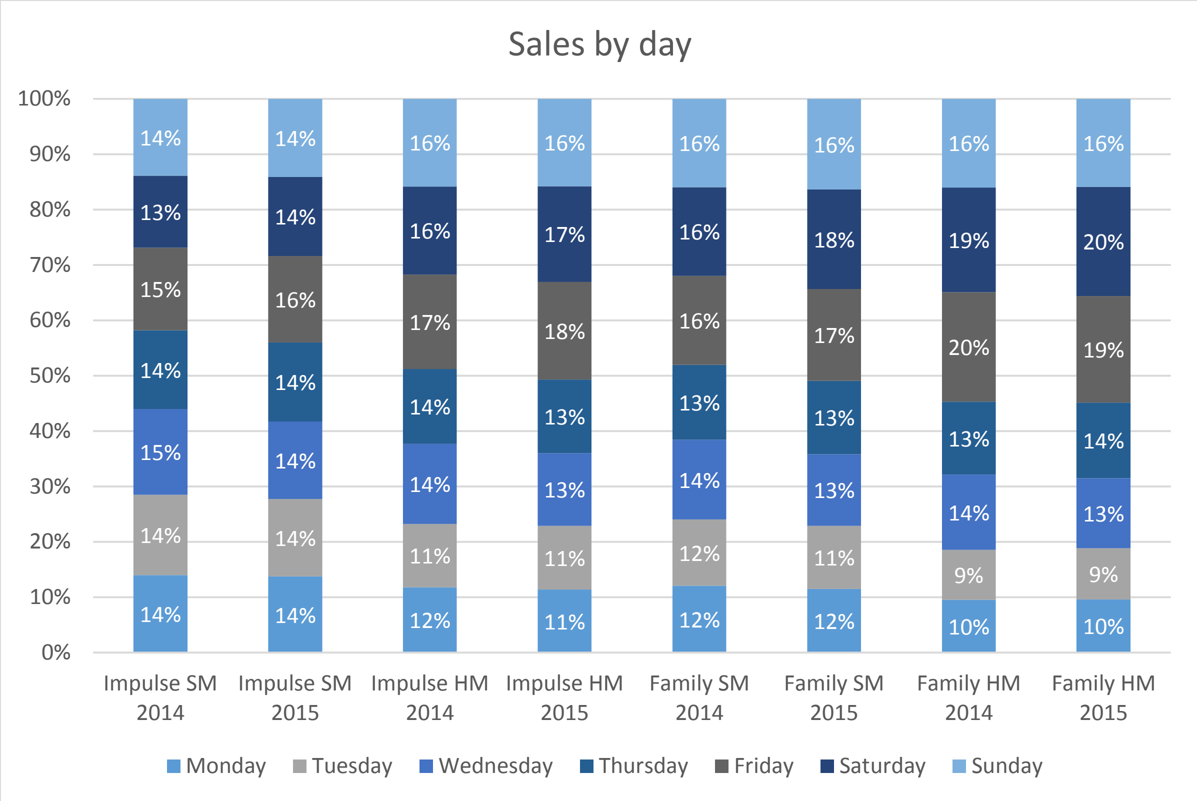
Source: (Ahold, 2015) (Author, 2016)

The most profitable products are the specialities, which cannot be found in other stores. In general impulse ice-cream have higher margin than family packs. The cream segment has 26 % mark-up, fruit ice-cream 35 % and the rest around 38 %. The bigger family packs around 1000 ml have 26 % mark-up and smaller around 500 ml 28 %. On average, ice-cream is a very profitable category for retail chains with a decreasing trend, however, the sales increased in 2015 for the first time.

10.2 Category Influencing Factors

The category is influenced by many factors, therefore, the dependences of the ice-cream sales are analysed. The factors, which come to mind, are day of the week, time of the year and outside temperature. In the figure 32, the sales by day of a week are demonstrated for the second quarter of 2014 and 2015 and the formats are also differentiated.

Figure 32: Sales of subcategories different formats by day



Source: (Ahold, 2015) (Author, 2016)

The impulse ice-cream sales in the supermarkets are almost the same every day with a slight 1 % increase on Friday. Family packs are sold more over the weekend Friday, Saturday, and Sunday in the supermarkets. On the other hand, hypermarket sales are more dependent on the day because even impulse is sold better over the weekend. What is more, 55 % of family packs is sold in hypermarkets over Friday, Saturday and Sunday. The weakest day of the week is Tuesday because the new weekly promotions start on Wednesdays.

For ice-cream the outside temperature is an influencer. To estimate the impact of it on the sales a regression analysis was performed on the data. For the period April to June 2014 and 2015 the highest daily temperature averages for the Czech Republic were taken and compared with the daily sales of ice-cream subcategories. The figure 33 shows the close relationship of impulse ice-cream and temperature followed by the weaker relationship of family packs in the figure 34.

Through regression analysis it was calculated that the coefficient of determination is 0.798 in 2015 and 0.755 in 2014. The calculation is done using Excel according to the equations in the chapter analytical tools and the outcome is a linear regression function:

$$\hat{y} = b_0 + b_1 x$$

Equation 10: Linear regression equation

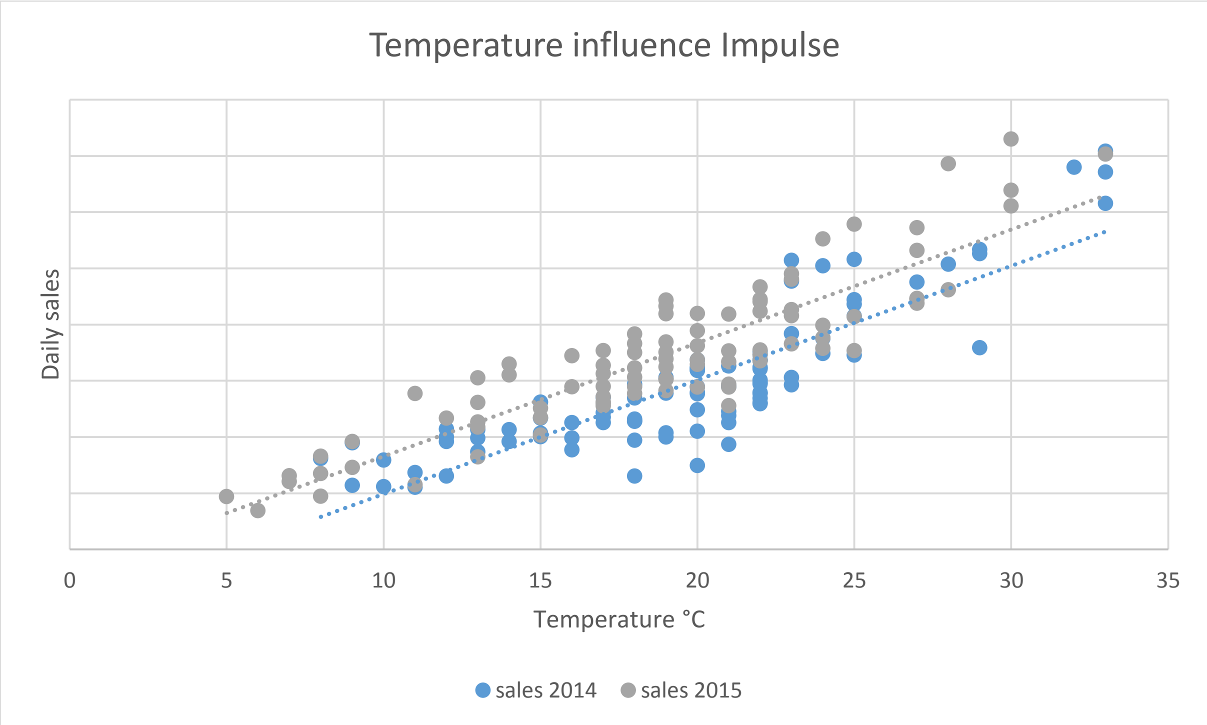
Where b_1 and b_0 are coefficients indicating the intercepts of the line with the axes and for the year 2015 they are b_1=40,359 and b_0=72,736, which define the regression function for the temperature influence on the impulse ice-cream:

$$\hat{y} = 40359x - 72736$$

Equation 11: Linear regression equation for impulse ice-cream sales in 2015 dependent on temperature

As a result, it can be said that up to 80 % of impulse ice-cream sales can be explained by the outside temperature and only the other 20 % is influenced by other factors. The b_0 coefficient defines the marginal increment, in other words, when the temperature increases by 1°C, the impulse sales rise by 40,400 CZK.

Figure 33: Influence of the daily temperatures on the daily impulse sales



Source: (Ahold, 2015) (In-Počasí, 2016) (Author, 2016)

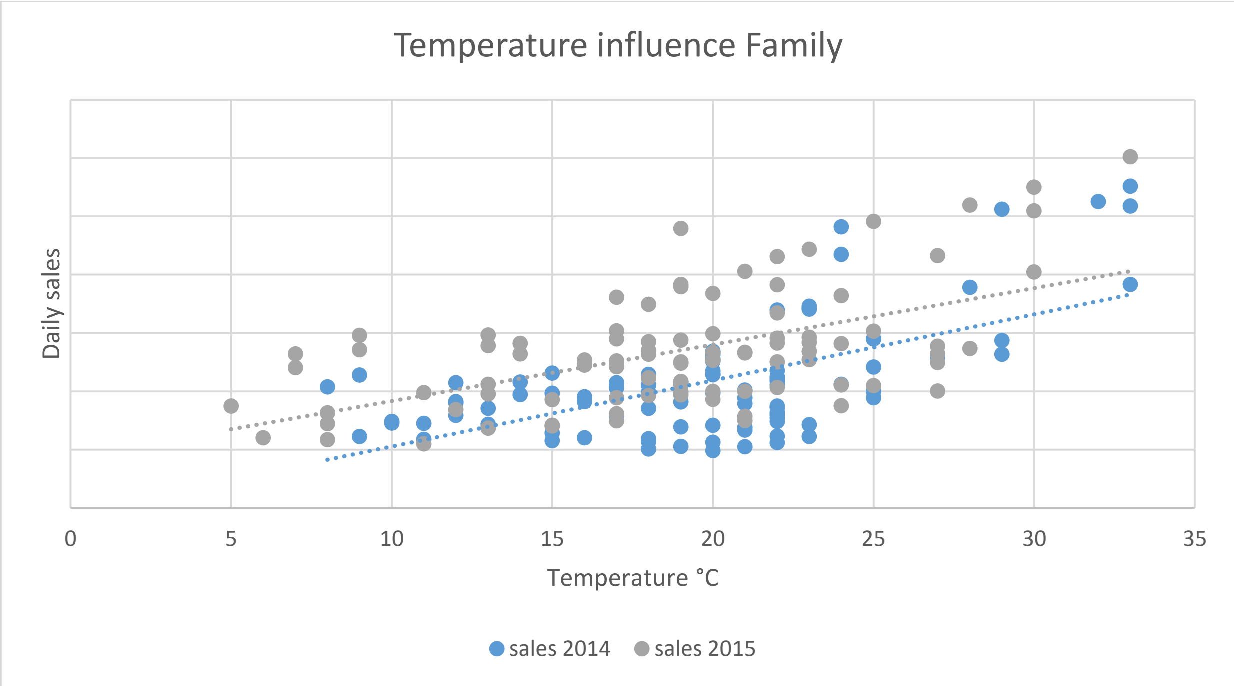
On the other hand, the dependence of family pack sales on the weather is not that strong, see the figure 34. The coefficients of determination for family packs are 0.318 in 2015 and 0.385 in 2014. Furthermore, the regression equation defining the linear regression function for the year 2015 is defined by the coefficients b_1=19,347 and b_0=173,510 so the regression function for the temperature influence on the family pack ice-cream is:

$$\hat{y} = 19347x - 173510$$

Equation 12: Linear regression equation for family pack ice-cream sales in 2015 dependent on temperature

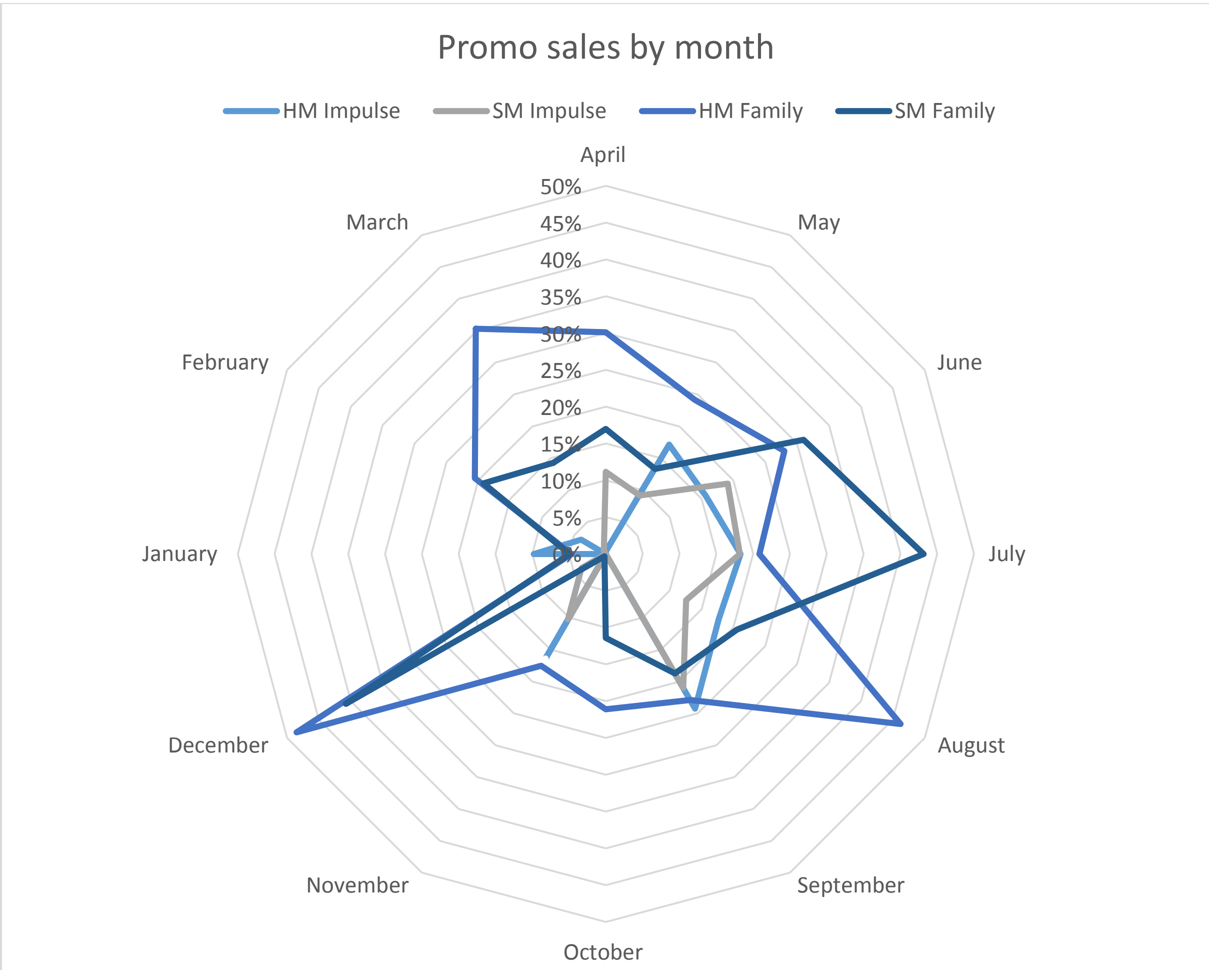
The coefficient of determination says that only about 35 % of the family sales can be explained by the outside temperature. It means that the family pack sales are influenced by the promotions and other factors significantly more than impulse ice-cream sales, which are basically dependent only on the weather. From the regression equation, we can also see that the sales do not change that much over the year.

Figure 34: Influence of the daily temperatures on the daily family sales



Source: (Ahold, 2015) (In-Počasí, 2016) (Author, 2016)

Figure 35: Promo sales proportion by month



Source: (Ahold, 2015) (Leaflet Monitor, 2015) (Author, 2016)

It is clear that the sales are bigger during the summer season as it was previously stated in the figure 12. Further analysis breaks down the proportion of promo sales on total in different months. The smallest promo sales during the last year were in January and biggest in December. Impulse promo sales were significant only during the summer season, which can be seen in the figure 35. Overall the impulse ice-cream is promoted less than family packs and with smaller success.

10.3 Opportunities

The key performance indicators in category management are sales and margins. The ice-cream category is a profitable one but with decreasing sales. In terms of targets it means that the retailers want to keep the margins and return to the growth of the category to increase overall profitability. The ways of driving the sales are different and a suitable one has to be chosen to fit the intentions of the retailer.

The right products in the suitable price levels have to be provided to the consumer. The display and visibility of the category has to be increased and the promotion has to be thought through. The leaflet promo is dependent on the format, day of a week and many other factors, therefore, the right number of leaflet windows should be dedicated to each segment.

The category should be planned at least from four different points of view. Impulse ice-cream in the supermarkets, impulse ice-cream in the hypermarkets, family packs in the supermarkets and family packs in the hypermarkets should each be considered during different times of the year. Such division should help to embrace the differences and increase the total performance of the category.

Overall, it can be observed that the family ice-cream is more important in the hypermarkets because it is meant for the at home consumption. On the other hand, impulse ice-cream is more significant in the supermarkets. The main targets is to support the sales mainly of family packs using different kinds of promo activities.

11 Category Strategy

The category strategy should describe the most important targets of the category and how they can be achieved. The basic initiatives should be set in order to shape the strategy, however, the exact recommendations belong to category tactics. The retailer's strategy as well as the target customer, described in the chapter 6 Ahold retail chain, have to be taken into account when creating the strategy.

Regarding the strategy of the retailer, Ahold wants to provide better offering, better value and better life to the customers. Combining it with the target customer, Hero Mum probably shops with her children very often. Considering the role of the category, ice-cream is a profitable category, which fills the customer basket. The primary goal of the ice-cream category in Ahold is profit generating and the secondary focus is excitement creating, both of which support the role of the category, strategy of the retailer and react on the target customer.

Ice-cream should be highly profitable for both the supplier and the retailer, which means keeping the margins at current levels or even increasing them. Therefore, sales should not be supported by vast price decreases and a large amount of leaflet promotions but more creative options should be looked for. Furthermore, it corresponds with the secondary focus of the category excitement creating, which should provide the customers with innovation and emotion. Not only assortment should be adjusted to the consumer but also the display, price and promo.

Finally, the strategy should reflect current trends in the ice-cream market and also the tastes of the customers. As mentioned before healthy lifestyle has to be considered because it is very important to Hero Mums. On the other hand, the ice-cream has to also excite the children so attractive displays and packaging, which alert the children can make the mums buy the ice-cream for them. What else has to be taken into account is the customers' unwillingness to wait in the line or look for products because the children need attention otherwise they get bored quickly.

Therefore, the assortment should be adjusted to the consumer preferences and ice-cream purchase should be made easier. The image of a retailer is also built through its private labels so they should reflect its strategy. The fact, that as a retailer Ahold wants to offer more sustainable products for affordable prices, is a great match with the private labels. Innovative and trendy products can be offered cheaper under private labels than brands.

The initiatives for aligning the strategy in Ahold are (Author, 2016):

<u>Driving sales while keeping profitability</u>

- To support the sales without discounts, several actions can be taken like increasing visibility of the category, beautification of the freezers, gamification in cooperation with the suppliers etc. The activities should focus mainly on the Albert supermarkets since they bring more margin than the hypermarkets. Reasonable promo can be done to increase the sales while not forgiving too much margin but such approach is more suitable for the Albert hypermarkets.

Increasing value of the purchase

- The value of the purchase can be increased by providing the customers with more premium and quality products, which corresponds with the health awareness of the target customer, who is willing to pay more for the products in exchange for healthy treat for her kids. Smaller packages and better ingredients are typical for the 500 ml family packs, therefore, more promotion and visibility should be dedicated to them. Preparing a small family pack for kids with less sugar and quality ingredients, while marketing it and designing it to attract kids, could attract customers. Such products in Ahold are a subject for a negotiation with the suppliers and an opportunity for private labels.

Employing impulse freezers

- Ice-cream is bought as an impulse so freezers, which are placed near the most obvious paths of the customers make the category more visible. Advantageous display, which helps the customers to decide is also beneficial for the retailer so in Ahold case beautification targeting children could help to increase sales. To reduce the seasonal imbalances in Ahold, the secondary impulse freezers by the checkout should be keep over the whole year with only the assortment being different. It means that during the summer impulse ice-cream is place in the check-out freezers but during the winter Ahold can place there the 500 ml packs.

Providing innovations

- Innovation is very important for excitement creating, which is the secondary focus of the strategy. What is more, specialties have the best margins out of the assortment so new products and flavours should be supported and brought to the market. Ahold has to communicate its strategy of listing the new products to the suppliers and encourage them to follow market trends. Other innovations like interesting types of promotion or new kinds of display should be part of the cooperation too.

Building image with private labels

- Private labels should reflect the strategy of the retailer and help to build its image. Providing innovative and trendy products at more accessible prices helps to introduce such products to the customers. Ahold should dedicate more space of the freezer to private labels and place them into the impulse freezers to drive the sales. Branded products receive much bigger marketing support and consumers are more familiar with them. For Ahold it makes sense to support its own labels and dedicate proportionally larger spaces of display to them than they make of sales because that is how the retailer can increase visibility of them.

The category strategy has to be updated regularly every time the category management cycle repeats. Therefore, the initiatives supporting the strategy change every time and they are mostly connected to the assortment, display, price and promotion. Some further recommendations for Ahold are derived from the analysis. The processes can be improved in multiple ways, which correspond with the strategy but are different form the key areas.

12 Category Tactics

The final step of the category planning is the category tactics, which are derived from the category strategy. The tactics are the exact actions, which should be taken to improve the performance of the ice-cream category. According to the information analysed in the category assessment and category scorecard, several recommendations are suggested in the key areas regarding the differences among different formats, subcategories and segments.

12.1 Assortment

From the analysis, Ahold has more marginal assortment than the other retailers. On one hand, the marginal products help to differentiate the retailer but on the other hand, they do not have high sales and may have high stoking costs. Therefore, the retailer should balance its offered brands in terms of margins and sales because well-known brands have high turnover with lower margins. A good way for Ahold to keep the marginal products is to introduce them under their private labels, which boost the image of the retailer and have lower costs. The retailer should follow market trends and provide innovation under private labels.

Regarding impulse ice-cream, the two main segments fruit and cream should account for the same proportion of the assortment. There are not enough private labels impulse ice-cream in Ahold and at least those available in multipacks should be added and sold individually. Multipacks are the only growing subcategory but they are neglected in Ahold unlike Kaufland and Lidl. Favourite products should be available as multipacks, which is for discussion with suppliers. Private labels dominate the subcategory so the recommendation is to create variety packs consisting of different kinds and flavours from the private labels. The marginal products and innovations should be part of the pack, which would make the customers try the products and get used to them.

As for the family packs, there is no doubt that the bigger segment is 1000 ml packs, however, the 500 ml packs may have potential during the winter season. The assortment is usually bigger in the hypermarkets and concerning the analysis family packs are more important there as well. The reason is that family packs are usually bought for at home consumption and hypermarkets are intended for the big shopping. There should be relatively more family packs available at the hypermarkets and more impulse products in the supermarkets.

12.2 Display

To build on the recommendations for the assortment, more space should be dedicate to family packs in the hypermarkets. A planogram for a template freezer is drafted in the table 17, considering it is one long chest freezer.

Table 17: Freezer in a hypermarket

<table>
<tr><td>Multipacks (10 %)</td><td>Impulse ice-cream (40 %)</td></tr>
<tr><td colspan="2">Family packs (50 %)</td></tr>
</table>

Source: (Author, 2016)

More display should be dedicated to impulse in the supermarkets because the impulse sales are more important there. The composition of a template freezer is in the table 18.

Table 18: Freezer in a supermarket

Multipacks (10 %)	Family packs (40 %)
Impulse ice-cream (50 %)	

Source: (Author, 2016)

Overall, the space for multipacks in Ahold should be bigger than it is now in both formats. Similarly, more space should be provided for private labels so people have better chance to notice them and get used to buying them. It is a good way of competing with the heavy marketing support some brands receive.

Display is very important in terms of changing planograms over the different periods of the year. To fight the seasonality of the category the impulse freezers by the checkout should operate all year long with adjusted assortment. In the hypermarkets the segment of 500 ml family packs could be placed there to provide an indulgence for the shopper waiting in the queue. Similarly, in the supermarkets the multipacks, which are meant for the at home consumption would suite the impulse freezers. Increased visibility is a key for the category so more ways of inspiring the customers should be used.

A closer look at the impulse ice-cream display puts all the segments in order according to the CDT. Since cream and fruit are the biggest segments and customers usually head to them they should be at the edges of the freezer. The brands are usually ordered by the price and brand of the ice-cream. Considering the space dedicated to each segment, there should be more cream impulse offered and displayed in Ahold reducing the space of cups and pulps. The planogram for the impulse ice-cream should look like in the table 19.

Table 19: Impulse part of the freezer

Cream	Sandwich	Cornet	Cup	Pulp	Fruit
35 %	8 %	10 %	6 %	6 %	35 %

Source: (Author, 2016)

The place dedicated to cream and fruit impulse should be the same 35 % as they are the most sold ones. On the other hand, there should be enough space for the marginal products too. That is why the cups and pulps are placed in the middle of the freezer having the smallest share. Considering brands there should be fair shares for the supplier meaning the space dedicated to a brand corresponds with the sales it has. In such case Míša should have the biggest exposure, which on the other hand is not necessary because people search for the brand in the freezer. Balancing the fair shares and exposing new products and private labels is a topic for negotiations and company’s strategy.

12.3 Price

Regarding price Ahold offers generally more expensive products than other retailers, which is harmful for attracting the customers. Therefore, the price levels of the products should be adjusted to correspond with the competition. The prices of the marginal products should be reconsidered and in case of implementing the previous idea about introducing them as private labels the assortment could overall be cheaper.

About 75 % of the impulse products should cost less than 20 CZK taking into account that only luxury creamy and special products should be over this price. About 50 % of family packs should cost less than 70 CZK. The cheap ice-cream cakes are best sellers in the family subcategory but that is not what the strategy is aiming for. The focus should be put on the price level 50-70 CZK, where also the private labels should be placed. The smaller 500 ml segment is mainly represented by Haagen Dazs and Ben & Jerry’s, which are quite expensive, therefore, products, which could balance them out should be included.

As for multipacks, the packs have to be cheaper or at least that same as a sum of individual products otherwise the logic behind the segment is lost.

12.4 Promotion

Concluding from the analysis, promotion in leaflets is a questionable tool for ice-cream mainly in the supermarkets. Of course the discounts boost sales but the regression analysis shows that the impulse ice-cream is closely dependant on the outside temperature and customers do not hesitate to buy the products in regular sales. On the other hand in hypermarkets and for family packs, the leaflets are an important way of increasing ice-cream category profits.

A good way of leaflet promo is a thematic page paid by the suppliers. It is used for example by Tesco, which provides branded half page to either Unilever or Bidvest and gets money for marketing. The thematic pages should be used more in Ahold because it is in favour of the supplier to promote its ice-cream products. The retailer should not promote the category in leaflets too much to sustain its profitability and it better look for other ways of promotion.

Family packs are relative well sold in promo sales in hypermarkets and over the weekend. To compete with the amount of leaflets Penny has, weekend leaflets should be made just for hypermarkets to boost the family packs sales. As mentioned before, impulse ice-cream has regular sales mainly in the supermarkets so it should be promoted only time to time to push the sales and react to the weather changes in April and September. The flexibility of the consumer response should be increased but for a general use a promo calendar indicating when should what be promoted in the leaflets can be found in the table 20.

Table 20: Recommended promo calendar

		Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
SM	**Impulse**				x	x			x	x			
	Family		x	x			x	x					x

HM	**Impulse**				X	X	X	X	X	X			
	Family	X	X	X			X	X			X	X	X

Source: (Author, 2016)

Even though the thesis focuses on the leaflet promotion in Ahold, there are other forms of market communication, which can be used to promote ice cream. First of all, Ahold should use its own means to boost the category. Doing weekend promo activities for mums with children can make people buy more mainly in hypermarkets as the assessment indicated. The word can be spread for example by Albert magazine, which is an informative tool. The innovation and customization of the products for the target customer have to be communicated properly and the magazine provides enough room for that.

From a broader perspective, suppliers have to be included in the promotion of the ice-cream category. They can participate in personal selling through offering samples and tastings of new products with providing personalized advice. While people are waiting in the line at the check-out, there is a unique opportunity for the retailer let them try the innovations and inform the customers about the strategy of private labels in Ahold. On the other hand, personal selling is very demanding on the resources.

Christmas and Easter are ideal for leaflet promo, which can market ice-cream as a dessert. Flavours can be adjusted to the seasons such as egg nog, gingerbread, lemon cake or carrot cake. The original flavours can be provided to Ahold only, which would create a special relationship of the retailer and the supplier. The cooperation of the two is essential for changing anything in the ice-cream market because the power over the market will get bigger.

13 Further Recommendations

The most important and realistic recommendations are described in the category tactics. Apart from the changes in assortment, display, price and promo other recommendations are suggested to improve the processes in Ahold. The recommendations outline the main ideas, which are dependent on many conditions and restrictions. The main goal is to grab customers' attention and make their shopping experience more pleasant while following the strategy of the retailer and the category.

13.1 Weather Alert

The first suggestion is a weather alert, since impulse ice-cream sales are closely related to the outside temperature. It means that Ahold should have the means to get ice-cream to the stores in case the temperature increases to efficiently respond to higher consumer demand. The hotter weather the more consumer thinks about ice-cream and the category can even become the store destination. The main issue is the flexibility of the response because the weather forecasts are available about a week in advance, which is very demanding for the processes in terms of category management coordination and also logistics.

The recommendation is to implement a fast-track process for the ice-cream category. In other words the products and some conditions can be negotiated and ordered with only a week's notice. Such a process requires close cooperation of the supplier with the retailer and can be mutually beneficial. The process would allow fast reactions to avoid stock-outs and to adjust display, price and promo according to the demand. From the figure 33, the alert outside temperature can be adjusted to 27°C. Therefore, if higher temperature is forecasted, the weather alert fast track process will take place and the ice-cream category consumer response will improve.

13.2 Cooperation

There is a wide range of advantages that a close cooperation could bring. Some of the promo actions, which could be done collaboratively were already mentioned. Apart from that Ahold's strategy includes fighting the seasonality of the category so actions to support the sales in winter should be taken. Driving the ice-cream sales over the whole year requires a common message sent to the customers. What is more not only the benefits but also the risks of radical actions should be distributed.

Collaborative planning with a supplier as a category management captain would be mutually beneficial for the retailer and also suppliers. Since Unilever is the category leader, the logical step would be to include the company into some relevant decision making in Ahold. Such cooperation would require more transparency and mutual information sharing, which would create a unique relationship between Ahold and Unilever. From figures 20 and 22, it is obvious that Unilever's position in Ahold is strong but it could be improved and most importantly the companies would gain a bigger power over the ice-cream market and they would be able to influence consumer's shopping habits.

13.3 Fast Check-out

Considering the product and Ahold's target customer, waiting in the line is an important issue. When shopping, the consumers are concerned that the ice-cream may melt before they get out of the store. Furthermore, the children shopping with their mums are not patient and employ other people. Taking into account the fact that the sales in the hypermarkets and supermarkets are decreasing compared to sales in specialized stores, Ahold should try to simplify the purchasing process for its customers as much as possible.

In hot weather consumers may be put-off by the check-outs in the stores when they only want to buy the ice-cream. So far there are express check-outs in the hypermarkets for customers, however, consumers usually buy impulse ice-cream in the supermarkets. Therefore, an express ice-cream check out could be created to fast track the purchase. Another option would be placing the impulse freezers outside the stores, which would not only make it easier for consumers to buy ice-cream but it would also increase its visibility.

14 Conclusion

To sum up the main points of the thesis, the theoretical part introduces the problem of the category management and elaborates on the retail industry with a focus on the Czech ice-cream market. The thesis establishes the position of Ahold in the retail world as well as in the Czech Republic. The specifics of the ice-cream category as well as the consumer behaviour are described based on previous marketing researches and internal information.

The main task of the thesis is to analyse the current state of the ice-cream category and benchmark it with the competition in order to recommend improvements. Step by step the category planning process is conducted. The category is defined by the products it includes, and the sub-categories and segments the ice-cream can be broken down into. The ice-cream category has a basket role, which means the retailer should try to fill customers' baskets with it because it is very profitable. The assessment carried out by the author leads to the following foundings about Ahold, which are further used to derive the recommendations.

There are not enough cream impulse SKUs, small family packs and multipacks in Ahold. The assortment includes more specialities than other retailers but less private labels. Corresponding with the strategies of the retailer and the category, the innovations should be presented as private labels to the consumers. To support the private labels, Ahold should provide more display to them and increase their visibility.

As far as price is concerned, Ahold offers more products in the more expensive price levels than other retailers. The family packs are slightly more promoted than impulse ice-cream and overall, Ahold has lower number of leaflet windows than other retailers. A promo calendar as well as display proportions are suggested in the thesis. Different sub-categories are important in different formats, which means that in the supermarkets more space and attention should be dedicated to impulse ice-cream, whereas in the hypermarkets there should be more focus on the family packs.

The impulse ice-cream sales are closely related to the weather, however, the family packs depend on the temperature by only about one third. It means that promo activities have bigger impact on family packs and also in hypermarkets. What is more, family packs are the right tool to fight the seasonality of the ice-cream category because they are more of a dessert. The impulse freezers by the check-outs should be employed all year long replacing the impulse ice-cream by small family packs in the winter. Innovation and market trends should reflect in the stores in a way to satisfy Hero Mums, the target customers of Ahold.

The main recommendations concern the key areas assortment, display, price and promotion, but they are accompanied by few further suggestions. Weather alert would help the retailer to react more flexibly on the weather changes starting at 27°C. Collaborative planning is based on information sharing and picking the category captain from the suppliers, who would be part of the relevant decision making about the ice-cream category. Finally, fast check-out would make the purchasing process easier for the consumers who only go to the retailer to buy ice-cream and do not want to wait in the line.

Out of all the recommendations the most realistic ones, implying they are the most likely to be put into actions, are balancing the assortment, increasing the number of private labels and the space dedicated to them, offering more products in the popular price ranges and focusing the promo activities on the family packs. A detailed information can be found in the chapter 12 Category Tactics. The cooperation of Ahold with the ice-cream suppliers, in order to provide innovation and respond to market trends, is a long-term goal. Similarly, all the mutual promo activities, which can fight seasonality have to be negotiated. The ideas from the further recommendations are very unlikely to take place in the foreseeable future because they involve many stakeholders.

The analysis was conducted in cooperation with Ahold Czech Republic, however, the benchmarking information is useful to any Czech retailer. The results are used to improve the performance of the ice-cream category in Ahold in the year 2016. Such analysis is supposed to be carried out every year to keep up with Ahold's competition. However, the scope of the analysis can differ every year according to the urgency for a change in the category.

Even though Ahold has one of the top market shares, the results show that it should better connect its strategy with its actions. On top of that, the benchmarking analysis showed the areas where Ahold is stronger than its competition such as marginal assortment but also the weaknesses such as high price levels. The important characteristics of the ice-cream category are profitability and excitement, which require creative actions from the category manager. Customers have to be given more impulses such as new flavours, interesting displays or unusual promotions, which will give them the opportunity to buy an ice-cream while not jeopardizing the margins for the retailer.

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16 Lists

16.1 List of Figures

16.2 List of Tables

16.3 List of Equations

18 Appendices

18.1 Templates for Observations

Table 21: Assortment template

Assortment	Total SKUs	Total brands	Unilever SKUs	Unilever brands	Bidvest SKUs	Bidvest brands	Private labels SKUs	Private labels brands
impulse								
cream								
fruit								
cornet								
cup								
sandwich								
pulp								
Family pack								
cca 1000 ml								
cca 500 ml								
Multipack								
cream								
fruit								
cornet								
sandwich								
mix								
Specialties								
lactose-free								
other								

Table 22: Display template

Display	Total display	Unilever display	Bidvest display	Private labels display
Impulse				
cream				
fruit				
cornet				

cup				
sandwich				
pulp				
Family pack				
cca 1000 ml				
cca 500 ml				
Multipack				
cream				
fruit				
cornet				
sandwich				
mix				
Specialties				
lactose-free				
other				

Table 23: Price template

IMPULS	0-10	10-15	15-20	20-30	30-40	40-
cream						
fruit						
cornet						
cup						
sandwich						
pulp						

FAMILY PACK	0-20	20-50	50-70	70-100	100-150	150-
cca 1000 ml						
cca 500 ml						

18.2 Calculated Average Data

Table 24: Assortment averages

TOTAL	Albert HM	Average HM rest	Albert SM	Average SM rest
total	239	197	67	73
impulse	106	87	36	36

family pack	118	89	27	29
multipack	15	20	4	8
private label	33	43	16	5

IMPULS	Albert HM	Average HM rest	Albert SM	Average SM rest
total	106	87	36	36
cream	34	34	11	13
fruit	37	35	14	13
cornet	11	9	4	4
cup	7	0	3	2
sandwich	6	7	2	2
pulp	12	3	2	2
private label	10	12	5	2

FAMILY PACK	Albert HM	Average HM rest	Albert SM	Average SM rest
total	119	89	27	29
cca 1000 ml	83	65	23	24
cca 500 ml	36	24	4	6
private label	18	22	9	2

MULTIPACK	Albert HM	Average HM rest	Albert SM	Average SM rest
total	15	20	4	8
cream	8	11	1	4
fruit	2	6	1	2

cornet	2	2	1	2
sandwich	2	1	1	1
mix	3	3	0	0
private label	5	10	2	0

Table 25: Display averages

TOTAL	Albert HM	Average HM rest	Albert SM	Average SM rest
impulse %	48 %	41 %	48 %	46 %
family pack %	45 %	50 %	45 %	42 %
multipack %	7 %	9 %	6 %	12 %
Unilever %	35 %	36 %	48 %	16 %
Bidvest %	20 %	14 %	13 %	27 %
private label %	13 %	22 %	23 %	9 %

Table 26: Price averages

Impuls	Albert HM	Average HM rest	Albert SM	Average SM rest
0-10 Kč	15	20	6	11
10-15 Kč	23	24	12	9
15-20 Kč	28	23	7	11
20-30 Kč	15	9	3	2
30-40 Kč	23	11	6	2
40 Kč-	4	1	2	0

Family	Albert HM	Average HM rest	Albert SM	Average SM rest
0-20 Kč	3	4	5	2
20-50 Kč	8	9	3	9
50-70 Kč	25	28	4	8
70-100 Kč	26	16	3	4
100-150 Kč	33	23	12	4
150 Kč-	24	10	0	3

Table 27: Price averages by segment

IMPULS						
Average HM rest	0-10	10-15	15-20	20-30	30-40	40-
cream	9	5	8	4	9	1
fruit	6	16	11	2		
cornet	1	2	3	3	2	
cup						
sandwich	4	3	2		1	
pulp			2	1	1	
FAMILY PACK						
Average HM rest	0-20	20-50	50-70	70-100	100-150	150-
cca 1000 ml	3	6	24	13	20	
cca 500 ml	1	3	4	3	7	10

IMPULS						
Average SM rest	0-10	10-15	15-20	20-30	30-40	40-
cream	4	3	7	3	3	
fruit	1	7	7	1		
cornet	6	2	2	2		
cup	4					
sandwich	2	2				
pulp	4	1	2	1		
FAMILY PACK						
Average SM rest	0-20	20-50	50-70	70-100	100-150	150-

cca 1000 ml	2	7	8	6	10	
cca 500 ml		4		1	2	10

Table 28: Promo averages,

Promo	Ahold HM		Average HM rest	
	I. H 2014	I. H 2015	I. H 2014	I. H 2015
FROZEN total	127	163	218	224
ICE total	44	71	64	75
impulse	13	29	29	33
family pack	27	35	29	32
multipack	4	7	5	9
private label	6	22	8	11

Promo	Ahold SM		Average SM rest	
	I. H 2014	I. H 2015	I. H 2014	I. H 2015
FROZEN total	82	79	153	172
ICE total	26	29	34	41
impulse	12	11	12	18
family pack	14	16	19	20
multipack	0	2	3	3
private label	1	2	1	3