



An **ids** Success Story

RESOLVING A CATEGORY MANAGEMENT CHALLENGE IN THAILAND



More and more retailers are practicing the art of category management in the modern trade sector in Thailand. Buyers today have become category managers and category captains who have discovered that a scientific approach to marketing yields far better results than the traditional approach. One result of this change is that product suppliers are being constantly dictated to by retailers on how the category management should best be run.

Brand owners naturally have a big stake in the decisions made by category managers. Thailand is a fast growing and increasingly affluent market. With more and more brands competing for shelf space, the threat of deletion is very real – and very devastating to a brand's prospects. There are basically only two choices for any brand owner in such an environment. Either rapidly acquire category management skills, or partner with someone who

already has a strong record in category management. In Thailand, that means IDS Marketing.

The following pages examine how IDS Marketing applied one of its added value services to help a key customer turn around its brand's outlook and improve sales by maintaining a stronger shelf presence in a major retail chain.

FROM CATEGORY MANAGEMENT CALAMITY TO EVERYBODY WINS

In 2003, IDS Marketing was approached by an existing customer to examine ways to avoid its products being deleted from the shelf at a key outlet. The customer also sought a way to improve the overall numeric distribution for its total range of products.

THE SITUATION

The customer, a major local player in both healthcare and consumer products approached IDS Marketing for a category management solution that would:

1. Expand the current numeric distribution
2. Improve the shelf presence for key products
3. Keep one of its threatened products on the shelf of a key modern trade outlet.

Many aggressive new players had entered the lucrative target category and were fighting for position on the retailer's shelves. Shelf space became the key component, where sales off-take translated directly into the percentage of space allotted to individual products.

With limited category management knowledge, the customer turned to IDS Marketing for help before it was too late.

THE SOLUTION

IDS Marketing immediately performed a space and category management analysis using the customer's purchased data. The precise current market situation was then evaluated using state-of-the-art *Spaceman* software.

IDS Marketing then performed an analysis to identify key segments driving the category, followed by a gap analysis

on individual brands, which would reveal which brands were the real growth contributor to the category.

The results clearly showed that the customer's products were the key driver in two important segments in the category. However the buyer had reduced the customer's facing to introduce new brands. This ultimately led to a negative effect on the sales performance on the customer's products in the two months previous to the study.

IDS Marketing also calculated the average sales turnover per store of the customer's brand versus competing products. This revealed that the customer had much higher sales (and profitability) than what was reflected in the total numeric distribution matrix.

IDS Marketing specialists went on to discover that the introduction of additional competing products from the retailer's own house brand actually led to a reduction of sales in the category.

After IDS Marketing had completed the category management evaluation process, they came up with several recommendations for the customer. Reinforced with both qualitative and quantitative data, the findings were presented to the buyer:

1. It turned out that the customer's brand was the main growth contributor to the category. The sales versus linear space analysis indicated the customer's product was under faced, and the least popular brand had more shelf facing than it truly deserved. This situation lost sales for both IDS Marketing's customer and the retailer.
2. The introduction of a bigger pack size of the retailer's house brand was in direct conflict with its smaller pack as consumers switched to purchase the bigger size. In absolute value terms however, it did not help the growth of overall sales. The retailer's strategy also had an impact on other leading brands as the consumer was trading down to try the new product.
3. The baseline/promotional sales pattern indicated that when the customer's brand was on promotion, the retailer's house brand was also on promotion as well. This was damaging to the profitability of both brands and prevented the retailer from maximizing the promotional opportunity.
4. The overall days of supply was reduced from eight days to three days without safety stock. This translated into a potential out-of-stock situation and lower percentage service levels – undoubtedly sending consumers away from the retailer.

THE RESULT

The retailer's buyer agreed to take a closer look at the recommendations of IDS Marketing and focus on key areas of improvement. As a result, proper re-allocation of shelf space was given to the customer's products. By boosting the key driver of the segment, better overall category sales soon became noticeable.

The buyer also saw how certain products with greater overall sales had been given a lower numeric distribution attribute than others with lower turnover. This situation was rectified and IDS Marketing's customer witnessed an improvement in sales figures.

The retailer also instituted a more careful schedule for promotions that would maximize the returns from temporarily cutting prices on various brands.

IDS Marketing's customer was delighted with the outcome. The numeric distribution for key products was expanded from 85% to 100%. Not only that, proper shelf facing was restored to minimize future potential out-of-stock situations. Overall the ROII (return on inventory investment) was improved significantly.

One of the customer's products that was previously at a risk of being deleted was now back in a prime position on the retailer's shelf. Everyone concerned achieved a win!



BEFORE



AFTER

Planogram showing the shelf space allocation in one of the retailer's outlets before and after IDS Marketing presented its category management evaluation results. Shelf facing of our customer's products (area enclosed in red line) was increased by 10 – 15%.

IDS MARKETING TAKES GLOBAL BRANDS TO MARKETS IN ASIA

IDS Marketing reaches deep into many of Asia's most promising and profitable healthcare and consumer markets. We have become the choice of multinationals seeking a partner to enter Asia because:

- We have more than a century of experience in marketing and distribution in the Asia Pacific region
- We have extensive channel coverage including an array of retail outlets
- We provide a full range of marketing services from initial research, to billing and collecting
- We can handle all logistics, transportation, warehousing and back office support services
- We market and distribute to multiple industry segments
- All our operations are supported by a sophisticated and transparent IT network that provides customers with complete visibility into every aspect of their business
- We are prepared to invest in any resources necessary to meet a customer's highly customized demands
- We own no brands nor operate any outlets of our own – all our resources and knowledge is dedicated to enhancing our customers' businesses
- We provide a wide range of value-added and associated logistics and manufacturing services through our sister companies throughout Asia

INTEGRATED-DISTRIBUTION SERVICES FROM THE IDS GROUP

The IDS Group provides our business partners a menu of Integrated-Distribution Services in three core businesses across Asia:

Marketing, Logistics, and Manufacturing

Logistics is the fundamental enabler, connecting each into an end-to-end value chain from raw materials to consumer.

We call this unique proposition

Value-Chain Logistics

