

**Category Management for Retail Businesses: Fowler & Goh
Chapter 1 Test Bank**

Multiple Choice Questions

1. SBU stands for:
 - a. Systematic Building Units
 - b. Strategic Building Units
 - c. Strategic Business Units
 - d. Systematic Business Units

Answer: C

2. A distinct, manageable group of products or services customers perceive as related or substitutes is a:
 - a. Brand
 - b. Category
 - c. Product
 - d. Vendor

Answer: B

3. The purposes of category management are all but:
 - A. Ensure high levels of productivity for the category
 - B. Ensure high levels of productivity for the stock keeping unit.
 - C. Ensure lower overall prices
 - D. Ensure product assortment

Answer: B

4. The average increase in sales for retailers due to category management is:
 - A. 12%
 - B. 14%
 - C. 17%
 - D. 19%

Answer: D

5. The increase in sales for vendors due to category management is:
- A. 12%
 - B. 14%
 - C. 17%
 - D. 19%

Answer: A

6. When category management is successfully implemented vendors and retailers become:
- A. Adversaries
 - B. Contemporaries
 - C. Rivals
 - D. Trade partners

Answer: D

7. When comparing how an electronics store defines a category as compared to a mass merchandiser, the most likely definitions are:
- A. Televisions and cell phones
 - B. Televisions and electronics
 - C. Televisions and DVDs
 - D. Televisions and computers

Answer: B

8. Which of the following is NOT one of the reasons for implementing category management:
- A. Eliminate waste in regard to space utilization
 - B. Focus on the merchandise sought by customers
 - C. Increase profit margin
 - D. Increase space allocation for major vendor's brands

Answer: D

9. A detailed depiction of a display of computer images or photographs:
- A. Data source
 - B. Image
 - C. Pictogram
 - D. Planogram

Answer: D

10. A bar and numeric code enabling retailers and their partners to use technology to maintain and assess inventory:
- A. Electronic data interchange
 - B. Point of Sales
 - C. Quick Response
 - D. Universal Product Code

Answer: D

11. A pathway allowing retailers and vendors to electronically exchange data and set criteria for re-ordering:
- A. Electronic data interchange
 - B. Point of Sales
 - C. Quick Response
 - D. Universal Product Code

Answer: A

12. A business strategy designed to reduce inventory and shorten the cycle time for a product to be made, distributed, and sold.
- A. Electronic data interchange
 - B. Point of Sales
 - C. Quick Response
 - D. Universal Product Code

Answer: C

13. Which is NOT considered a problem in the category captain arrangement?
- A. Ability to exclude rival vendors
 - B. Ability to increase cost of competing for the category captain's company
 - C. Ability to conspire with other vendors
 - D. Ability to determine which products are included in a planogram.

Answer: B

14. In brand management which of the following is true?
- A. Customers' buying behavior
 - B. Customers' decision making hierarchy
 - C. Profit generated by the brand
 - D. Profit generated by the category

Answer: C

15. Loyalty cards assist retailers in determining all except:
- A. Customers' buying behavior
 - B. Customers' decision making hierarchy
 - C. Customers' favorite brands
 - D. Customers' favorite sizes in products

Answer: B

16. The person ultimately responsible for a category is the:
- A. Category advisor
 - B. Category manager
 - C. Category consultant
 - D. Category validator

Answer: B

17. Which is not the role of a category advisor?
- A. Define the category
 - B. Determine fairness of allocations of space
 - C. Review planograms to determine if all brands are represented
 - D. Review promotions are fair

Answer: A

Fill in the Blank Questions

18. One of the three core principles of category management is a focus of
Answer: strategic management of a product group/collaboration between retailers and vendors/satisfying the customers' needs.
19. _____ is a distinct, manageable group of products or services customers perceive as related, or as substitutes.
Answer: Category
20. _____ may be defined as a strategic management of product groups through trade partnerships which maximizes sales and profit while satisfying consumer and shopper needs.
Answer: Category management
21. A detailed depiction of a display of computer images is a _____.
Answer: planogram
22. The average increase in sales attributed to category management for retailers is about _____ and _____ for manufacturers or vendors.
Answer: 19 percent, 12 percent
23. _____ coined the term category management.
Answer: Brian Harris
24. _____ entails the application of marketing techniques to ensure the value of the brand by retaining and acquiring new customers.
Answer: Brand management
25. In _____ the category is more important than a single brand or stock keeping unit.
Answer: category management
26. _____ are often assigned to the category leader.
Answer: Category captains
27. _____ determine which brands and the sizes within the brands are included in the planogram.
Answer: Category advisors
28. _____ review planograms to determine if the planogram is fair to all vendors.
Answer: Category advisors

29. Ultimately the _____ makes the decision to accept, reject, or modify planograms.
Answer: retailer
30. The retailer's overall _____ should be implemented through category management.
Answer: strategy
31. With category management, unlike brand management the perspective of profit and margin generation is focused on the _____.
Answer: stock keeping unit

Essay Questions

32. Explain how the concept of category management in the context of a mall.
Answer: If you think of a retail store as a group of stores instead of a single store, each category becomes a mall. The mall manager determines the levels of productivity and the placement of all of the stores/categories.
33. List and explain the three guiding principles of category management.
Answer: Focus of strategic management on a product group or category. Each retailer defines the categories and determines the products in the category. Each category becomes a strategic business unit within the retailer. Retailers and vendors must work together to become successful and profitable. The customer ultimately benefits as they have the right product in the stores in which they shop.
34. Explain the difference in brand management and category management.
Answer: Brand management focuses on a single SKU whereas category management focuses on the well being of the entire category. They have an opposite perspective, in category management the focus is first on the category, then the sub-category, then the vendor and finally the SKU. Brand management is the opposite.

35. List the criteria used by Progressive Grocer to determine the best category captains.

Answer: Product innovation, creativity in merchandising, marketing, promotion, and advertising; consumer insights, innovative, dynamic category management tools; demonstrating commitment to meeting the retailer consumers' specific needs; effectiveness at differentiating a line or brand within a category; effectiveness at lifting sales for a brand's products in the category; and hard evidence of market-specific or account specific sales results that support the vendor's claims of excellence.

36. List the seven core features of category management.

Answer: Commitment to institutional change, teamwork, decisions based upon data analysis, comprehensive tools and techniques to assist in analysis including software applications, linkage between the business needs and sourcing including the internet and business intranet, a history of success, and trust.

Chapter 2 Test Bank

Multiple Choice Questions

2. What are the two retail pricing strategies retailers can use?

- a. Low-high pricing & Everyday price cuts
- b. High-low pricing & Everyday low pricing
- c. Low-high pricing & Everyday low pricing
- d. High-low pricing & Everyday price cuts

Answer: B

3. What is a factor that does NOT lead to the development of the retail value chain?

- a. Power of global suppliers over retail giants
- b. Intensified price competition
- c. Competitive and structural changes in the retail industry
- d. Growing number of private label products

Answer: A

4. Which of the following retailers use the experiential loop:

- a. Aldi
- b. SuperValu
- c. Walmart
- d. Whole Foods

Answer: D

5. Typical characteristics of a retailer using the experiential loop are all EXCEPT:

- a. Lower prices
- b. Personal shoppers
- c. Prepared meals
- d. Sushi bars

Answer: A

6. The number of different items in a merchandise category is called:
- a. Allocation
 - b. Assessment
 - c. Assortment
 - d. Collaboration

Answer: C

7. The number of categories in an assortment is:
- a. Breadth
 - b. Depth
 - c. Length
 - d. Width

Answer: A

8. The number of products in each category of an assortment is:
- a. Breadth
 - b. Depth
 - c. Length
 - d. Width

Answer: B

9. What are three major movements within the retail industry that has enabled the development of the retail value chain?
- a. ECR, QP, and CRPF
 - b. ECR, QR, and CPFR
 - c. ECR, QP, and CPFR
 - d. ECR, QR, and CRPF

Answer: B

10. During the CPFR Cycle, this stage includes collaboration between the retailer and vendor:
- a. Analysis
 - b. Demand and supply management
 - c. Execution
 - d. Strategy and planning

Answer: D

11. During the CPFR Cycle, this stage includes forecasting sales:
- a. Analysis
 - b. Demand and supply management
 - c. Execution
 - d. Strategy and planning

Answer: B

12. During the CPFR Cycle, this stage includes ordering and distributing goods:
- a. Analysis
 - b. Demand and supply management
 - c. Execution
 - d. Strategy and planning

Answer: C

13. During the CPFR Cycle, this stage includes a review of performance of all parties of the supply chain:
- a. Analysis
 - b. Demand and supply management
 - c. Execution
 - d. Strategy and planning

Answer: A

14. The number of products lined up on a shelf in front of a customer is called:
- a. Breadth
 - b. Depth
 - c. Facings
 - d. Frontage

Answer: C

15. Retailers use cameras inside of the store to determine all BUT:
- a. Shoplifting behavior
 - b. Traffic patterns inside the store
 - c. Time spent on an aisle
 - d. Traffic patterns outside the store

Answer: D

16. Which of the following is not a characteristic of supply chain management:
- a. Effective integration of suppliers and stores
 - b. Maximizing system wide costs
 - c. Production of the correct amount of merchandise
 - d. Satisfying customers

Answer: B

Fill in the Blank Questions

17. _____ is a corporate strategy used by retailers to support the overall corporate strategy.

Answer: Category management

18. The _____ loop offers lower prices, lower levels of service, and limits the assortment.

Answer: productivity

19. The _____ loop offers customers a constant and changing variety of products.

Answer: experiential

20. Customers often stock up when a retailer using _____ cuts a price.

Answer: high low pricing

21. A _____ pricing strategy often causes large fluctuations in sales.

Answer: high low

22. _____ often causes retailers to have excessive inventory and higher warehouse costs.
Answer: Forward buying
23. The _____ moved into prominence with the advent of the discount store.
Answer: productivity loop
24. _____ includes audio, visual, and scents which enhance a retail space.
Answer: Atmospherics
25. Retailers classify their stores by customer _____ and _____ characteristics.
Answer: demographic, lifestyle
26. By planning an assortment based on the typical customer on a store retailers are able to _____ cash flow.
Answer: increase
27. _____ is the strategy that focuses on the optimization of space to increase sales.
Answer: Space management
28. Early space managers used _____ to prepare planograms.
Answer: magnet boards
29. European retailers typically call a standard package such as a box, jar, can or bottle a _____.
Answer: fast moving consumer good.
29. American retailers typically call a standard package such as a box, jar, can or bottle a _____.
Answer: consumer packaged good

Essay Questions

30. When small retailers became larger chains, what were the major challenges they faced?
Answer: They lost touch with their core customers and they began buying in larger quantities which may not have suited all customers.
31. How did mom and pop retailers implement customer relationship management?
Answer: They knew all of their customers, could anticipate their purchases, and ordered products they knew they would like.

32. What were the two major forces enabling the retail industry to develop category management?

Answer: Universal Product Code and point of sale technology.

33. Explain the differences in the experiential and productivity loops and give examples of retailers who practice each.

Answer: The experiential loop focuses on atmospherics to improve the experience to increase sales, whereas the productivity loop focuses on superior execution to lower prices to increase sales. Walmart and Target use the productivity loop, whereas Whole Foods and United use the experiential loop.

34. Based upon the characteristics of the American consumers, why are both the productivity and experiential loop effective?

Answer: The American consumer is interested in both saving money on some occasions while seeking new and different experiences on other occasions.

35. Why is the CPFR cycle important in the implementation of ECR?

Answer: CPFR is the integrator which enables all ECR concepts. It is a continuous cycle which includes strategy and planning, demand and supply management, execution, and analysis. It combines all of the knowledge of all participants to reduce out of stocks and shorten cycle times. Trading partners benefit because of sharing of information, increased sales, lowered inventory levels and overall lowered costs.