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FACULTY OF ECONOMICS AND MANAGEMENT

INTERACTION OF TRADE ENTERPRISES IN THE PROCESS OF GOODS CATEGORY MANAGEMENT

Tirdzniecības uzņēmumu mijiedarbība preču kategoriju vadības procesā

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GLOSSARY OF TERMS AND DEFINITIONS

Baltic States – countries in the Baltic Sea region (Latvia, Lithuania and Estonia)

BAT – business action theory

BPM – Business Process Management

CM - Category Management

CSB - Central Statistical Bureau

ECR - effective consumer response

FMCG - Fast moving consumer goods, like meal, cosmetics, detergents etc.

GDP - Gross Domestic Product

GMYD - Total quality management

LAP- language action perspective

Retail- Sector of the economy, dealing with the sale of goods and services to consumers to satisfy their personal needs

SCM – Supply chain management

SQU – Stock Keeping Unit

TQM - Total quality management

Wholesale - sector of the economy, dealing with sales of big quantity of goods. Wholesaler's buyer usually is a retailer.

INTRODUCTION

Topicality of the doctoral thesis

The ability of entrepreneurs to manage their own business professionally not only is crucial for the internal entirety of the enterprise, but also serves as a critical success factor in the process of competition on the market. Owners and managers of a competitive enterprise should assess the causes and factors of market demand proficiently in order to provide customers with products and services of consistent quality. For trade enterprises the success of market operations is determined by market share, as well as the ability of executives to ensure the sustainability in the long term.

Experiences from the recent years show that Latvian entrepreneurs mostly think about the sales and profits of today. Company management often evaluate its competitiveness in short term and frequently is not ready to create strategy that strengthens competitiveness, provides the necessary impact on the market share of the enterprise, and ensures the development of the enterprise in the future. Today the Latvian enterprises must operate in rapidly increased competition environment under the united market conditions of the European Union. Thus, the Latvian companies can no longer exist with development strategies of short term and should strengthen their competitiveness in order to survive in the changed circumstances.

Support to and improvement of the competitiveness of Latvian enterprises is a necessary condition to ensure the increase of economic activities and integration of the Latvian enterprises in the Baltic Sea region, Europe, and world.

The thorough analysis of works and scientific publications on the researches carried out in industrially developed countries, as well as the examination of scientific researches of the Latvian scientists provided different theoretical perspectives and overviews about the necessity to strengthen the position of a company in the market and increase the existing market share by offering various strategies that lead to the growth of the market share. However, the reviewed literature does not provide any particular proposal how to arrange the management processes in a trade enterprise in order to reach the desired market share. As a result several unsolved research questions were defined:

- Enterprise executive has access to a number of practical approaches to define the position of the company in the competitive market and to identify the desired strategic direction. It is described in the literature on the market conquest experience of USA, Japan, and other industrialised countries. Starting with the creation of Porter's concept, scientists actively analyse the competitive advantage. However, the executive as a result does not have

a comprehensive proposal on how to properly apply these advantages to the company in order to strengthen the market position.

- The majority of scientific literature provides examples of multinational corporations who have conquered the leader position in the global market by use of huge investments, as well as state support. The market of Latvia consists mostly of small and medium-sized enterprises whose managers have the pipe dream about becoming a global corporation. These dreams are too far from their current business situation to be used as a business manual.
- Enterprise executive has a guide of how to develop the strategy of company to occupy the place in the market, however there is a lack of information about how to use the resources and capabilities of enterprise properly to achieve the desired place in the contemporary market conditions of increasing competition.

The research object and subject

The object of the research is — wholesale and retail trade enterprises in Latvia.

The subject of the research is — the use of category management approach in the process of interaction among trade enterprises.

The objective and tasks

The objective of the Doctoral Thesis is to conduct a research on the forms and instruments of using category management in the process of coordinating the activities of wholesale and retail trade enterprises aimed at strengthening the market position. In order to achieve the objective, the following tasks were carried out within the research:

- the basic conceptual principles of the management of modern trade enterprises were investigated;
- the peculiarities of enterprise interaction process and management principles were analysed;
- the classic and innovative management tools were explored by the author and the peculiarities of using category management as a tool in the process of interaction of wholesale and retail trade enterprises were investigated;
- the peculiarities of grocery industry operations in the Baltic States were analysed and the position of wholesale and retail trade enterprises on this market was defined;
- The applicable enterprise management technique was created that assists the management of wholesale and retail trade enterprise in the process of improving interaction among the enterprises and to increase the market share and profit of the enterprise by using the provided model.

Research limitations

The author is especially interested in the wholesale and retail trade enterprises of Latvia. The basic attention in the research process is focused on the analyses of enterprises engaged in sales of fast moving consumer goods (FMCG).

Hypothesis

Implementation of goods category management tool in the interaction process among trade enterprises can help the wholesale and retail trade enterprises improve the interaction process and ensure the performance enhancement. The use of goods category management should be complemented with the implementation of Total Quality Management (TQM) system in the enterprise.

Thesis to defend

1. The structure of the Latvian market development faces two opposite trends — on the one hand decrease in the number of wholesale companies operating on the market can be observed, on the other hand increase in the wholesale turnover distributed among those wholesalers who still are operate on the market can be monitored.
2. According to specified trends, already in the nearest future the wholesale market in Latvia will become of oligopolistic nature with several companies operating in these conditions.
3. The oligopolistic nature of the wholesale market will lead to inevitable control of retail trade enterprises by the wholesalers who will dictate the rules and conditions of the cooperation. Especially, small retail trade enterprises will fall under this control.
4. Category management will provide the shift from the traditional model of co-operation of wholesale and retail trade enterprises based on the structure: *manager—sales department—order department—warehouse—store shelve* to the more efficient process of iteration and implementation of procurement and sales decisions among *sales manager (category manager)* of wholesaler and *category manager* of retailer.
5. The ability of small retail enterprises in Latvia to strengthen and even expand their market position will be determined by the competence of owners and executives in effective implementation of the basic principles of quality management.

Research period

The research objective fell in the area of interest of the author several years before the doctoral studies. The main literature review was started in the late autumn 2008. The collection of empirical data was started in 2009. The survey took place between the autumn 2010 and spring 2011, and was followed by data analyses in 2011 and 2012.

Methodology and theoretical basis of the research

The methodology of research includes the analysis of management theory literature, as well as modelling, processing, and analysing of statistical data. In order to formulate the hypothesis and identify the basic problems of the research object, qualitative research techniques were used — interviews with executives of trade enterprises by dividing them into two groups —the enterprise executives of wholesale enterprises (in some cases also manufacturers) and enterprise executives of retail trade enterprises. In addition interviews with the staff of the non-profit enterprise ECR Baltic and with the president of the Latvian Chamber of Traders were used in order to get more comprehensive information about the research object.

For testing the hypothesis, a quantitative technique — questionnaire — was used. During the first stage, the employees of wholesale enterprises with the annual turnover not exceeding EUR 5 mln were invited to take part in a survey. The employees of wholesale companies with the annual turnover over EUR 5 mln and managers of retail trade companies were invited to take part in a survey during the second and final stage.

During the data processing stage, the basic statistics methodology was used — component analysis, estimate of arithmetic average comparisons, modelling, etc. Induction and deduction, as well as grouping and comparison techniques were used and presented in graphs and data comparison tables. For the analyses of results, *Microsoft Excel* and *SPSS* programs were used. For the creation of graphics, basic programs of Microsoft Office were employed.

The structure of doctoral thesis

The Doctoral Thesis consists of three chapters which are divided into subchapters. The volume of the Doctoral Thesis forms 163 pages, excluding appendices. There are 6 tables, 78 figures, and 14 appendices included. In total 232 literature sources have been used.

The first chapter presents theoretical overview of classic and modern management tools provided by researches in the available scientific literature. The second chapter presents thorough analysis of the industry and market, and practices of implementing management tools in real business conditions. The chapter defines the problems that are typical for trade enterprises and presents also the solutions proposed by the author.

The survey conducted by the author and the analyses of the results are presented in the third chapter. In the result of combining the investigated results with the interpretation of the gathered information, the practical implementation of the model has been presented in the third chapter. The conclusion of the Doctoral Thesis presents the basic themes highlighted

within the whole discussion about the research object, provides the recommendation for the effective implementation of the model, and discusses the possibilities for further research possibilities.

Novelty

The results presented in the Doctoral Thesis complement the existing scientific literature with the following features:

1. Original management tool for the process of interaction among trade enterprises has been developed by the author. The scientific evidence of category management tool as an effective management tool in trade industry is presented in this Doctoral Thesis.
2. The analyses of peculiarities of the functioning of wholesale and retail grocery trade in the Baltic region have been carried out for the first time. The activities of the Latvian trade enterprises operating in wholesale and retail trade sectors were investigated in detail and further trends in the development of the trade industry were defined.
3. The management of trade enterprises in Latvia was studied and the existing processes of interaction among wholesale and retail trade enterprises were analysed. The problems and weaknesses of the practical implementation of the current category management approach in the process of interaction among trade enterprises have been identified by the author.
4. The approach for the coordination of business process and interaction among the managers of trade enterprises has been developed allowing the increase in the market share of the supplier as well as the profit of both supplier and retailer within the definite category of goods.
5. The process of interaction among trade enterprises that can enhance the market competitiveness of supplier of goods has been proposed by the author to the management of wholesale enterprises.

The practical value of this research is determined by the practical implementation of the described approach in the real process of interaction among wholesale and retail trade companies in Latvia. During the project realisation stage, the profit of a retailer within the specific category of goods increased by 15%, while the wholesaler raised the market share in the target category from 11% to 17%.

Approbation

In the context of the topic and study results of the Doctoral Thesis, the author has also published the following **research papers in generally recognised publications**:

1. "Category management as an important management tool for rural trade enterprises' performance enhancement". 13th International Scientific Conference "Economic science

for rural development 2012" conference proceedings, (ISSN 1691-3078). p. 67–72, Latvia University of Agriculture, Faculty of Economics. Jelgava, Latvia. Indexed by ISI Web of Knowledge, AGRIS, CAB Abstracts, and EBSCO host Academic Search Complete databases. ISBN 978-9934-8304-1-9. ISSN 1691-3078. Electronically available at: http://www.ef.llu.lv/images/stories/faili_konferences/28_rural_business_and_finance.pdf

2. "Peculiarities of Small Trade Enterprises in Latvia and Solutions for Performance Enhancement". 2012 International Conference on Management and Education Innovation — ICMEI 2012 conference proceedings. p. 26–30, Kuala Lumpur, Malaysia. Published at 2012 International Conference on Management and Education Innovation IPEDR vol. 37 (2012) IACSIT Press, Singapore (ISSN: 2010-4626). Indexed by EBSCO, WorldCat, Google Scholar, CNKI. Electronically available at: http://www.ipedr.com/vol37/006-ICMEI2012-E00015.pdf
3. "Coordination & Interaction of Trade Enterprises in the Process of Category Management". 2012 2nd International Conference on Economics, Trade and Development — ICETD 2012 conference proceedings p. 28–32, Bangkok, Thailand. Published in 2012 2nd International Conference on Economics, Trade and Development IPEDR vol. 36 (2012) IACSIT Press (ISSN: 2010-4626 ISBN 978-967-5771-43-9). Indexed by EBSCO, WorldCat, Google Scholar. Electronically available at: http://www.ipedr.com/vol36/006-ICETD2012-D00020.pdf
4. "Peculiarities of trade enterprise management by use of quality management approach". European Integration and Baltic Sea Region: Diversity and Perspectives conference proceedings, p. 544–553, published in 2011. Riga, Latvia. ISBN 978-9984-45-398-9. Electronically available at: http://www.lu.lv/fileadmin/user_upload/lu_portal/apgads/PDF/Book_konference_EIBSRS_internetam.pdf
5. "The impact of quality management on trade enterprise management processes". LU Raksti Nr. 758, Ekonomika. Vadības zinātne, p. 449–458, published in 2010 (ISBN 978-9984-45-289-0, ISSN 1407-2157). Riga, Latvia. Electronically available at: http://www.lu.lv/fileadmin/user_upload/lu_portal/apgads/PDF/LUR-758_Ekonomika-Vadiba.pdf
6. "The choice of management tool to enhance competitiveness of trade enterprise". Business and Management 2010, selected papers, Volume 1, ISSN 2029-4441, p. 407–413, published in 2010. Vilnius, Lithuania. Indexed by Thomson Reuters. Electronically available at:

http://leidykla.vgtu.lt/conferences/BUS_AND_MANA_2010/International_Economy/407-413_Kulikova.pdf

7. "The use of category management, as mean for increasing business controllability in the wholesale organisation". Management Theory and Practice: Synergy in Organisations, 2009, Proceedings, ISBN 978-9985-4-0572-7, 15. p.-published in 2009. Tartu, Estonia.
8. "Preču kategoriju vadība kā vairumtirdzniecības uzņēmuma pārvaldīšanas instruments". LU Raksti Nr. 743, Ekonomika. Vadības zinātne, , p. 344–352, published in 2009 (ISBN-978-9984-45-153-4),. Riga, Latvia. Electronically available at: ttp://www.lu.lv/fileadmin/user_upload/lu_portal/apgads/PDF/LUR-743_Ekon-vad-zinatne.pdf

The results of the research have been introduced to a wide range of persons within the following **international scientific conferences**:

1. "Category management as an important management tool for rural trade enterprises' performance enhancement". 13th International Scientific Conference "Economic science for rural development 2012", Latvia University of Agriculture, Faculty of Economics. April 26–27, 2012, Jelgava, Latvia.
2. "Coordination & Interaction of Trade Enterprises in the Process of Category Management". 2012 2nd International Conference on Economics, Trade and Development — ICETD 2012. April 7–8, 2012, Bangkok, Thailand.
3. "Management tools for trade enterprise: basic features and development possibilities". The report was accepted for reward of the best report and presentation in the session. International Conference for Doctoral Students "Current Issues in Economic and Management Sciences", University of Latvia. November 10–12, 2011, Riga. Latvia.
4. "Peculiarities of trade enterprise management by use of quality management approach". International Conference, European Integration and Baltic Sea Region: Diversity and Perspectives, University of Latvia. September 26–27, 2011, Riga. Latvia
5. "The impact of quality management on trade enterprise management processes". The 6th International Scientific Conference, Business and Management, section "International Economy: Problems of Innovation and Marketing Management. May, 2010, Vilnius, Lithuania.
6. "The use of category management as mean for increasing business controllability in the wholesale organization". The IV international conference "Management Theory and Practice: Synergy in Organisations", Dorpat Conference Centre, Turu, 2. Section "Service sector performance". April, 2009, Tartu, Estonia.

The results of the research have been introduced to a wide range of persons within the following **scientific conferences of the University of Latvia**:

1. "TQM use in trade enterprise". The 68th scientific conference of the University of Latvia, section "Possibilities for Latvian Entrepreneurship in the united ES market." February, 2010, Riga. Latvia.
2. "Main directions of management quality improvements for wholesale enterprises". The 67th scientific conference of the University of Latvia, section "Enterprise management actualities." February, 2009, Riga, Latvia.

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1 THEORETICAL BACKGROUND FOR TRADE ENTERPRISE INTERACTION PROCESS

1.1 Goods category management as a management tool for trade enterprises

During the last three decades management tools became the basic part of the manager's day to day life. The current environment of globalization and economic turbulence requires from executives knowledge and thorough choice of management tools for their business. The usage of classic strategic planning and well known popular management principles are not enough in today's changing world. Modern researches provide business with new management tools.

One of the most popular management tools beside trade enterprises is Category Management Approach. The approach was launched in early 90th in United States. Continuous and interactive character of Category Management defines the strategy as an "ongoing, dynamic, interactive process whereby all trading partners jointly micro-analyze product categories to identify opportunities to service consumers better, while improving category and trading partner profitability (Vitek, 1998, p. 44).

Most of material about category management process is presented in scientific literature published by researches in United States of America. James W. Hamister discusses the supply chain under category management in his dissertation about the impact of category management practices on performance of FMCG Supply chains. According to Hamister the supply chain under category management adds several sources of complexity. Category plans are centrally developed for the retailer chain, but modified to meet the particular needs of individual outlets. The existence of multiple levels at each retail outlet (category SBU for the chain, particular store requirements) suggests that there are complex interactions inherent in CM. The number and difference of particular outlets may be considered as a "vertical" dimension from a supply chain perspective, while the relationships from consumer to category to suppliers represent the horizontal dimensions of supply chain management (Hamister, 2007, p.28).

The usage of category management approach within the company's strategy allows wholesale company to systemize sales processes and influence the sale of the product to the company's customer – retailer, so ensure the reach of the main goal – increase in turnover and income. Category Management is a retailer/supplier process of managing categories as strategic business units, producing enhanced business results by focusing on delivering consumer value. By category mean a distinct, manageable group of products/services that

consumers perceive to be interrelated and/or substitutable in meeting a consumer need (ECR Board, 1995). Trade enterprise managers define the category management as a process that involves managing product categories as business units and customising them on a store by store basis to satisfy customer needs. The goal of category management is to maximize customer satisfaction and increase the effectiveness of supplier – buyer collaboration. The crucial step in the development of category management theory was to put the marketing focus to the consumer- centric management apart of the product – centric management. So in order to complete the definition we can say, that category management is a formalised process where manufacturers, wholesalers and retailers work jointly, managing product categories as a strategic business units, producing enhanced business results by focusing on understanding and meeting consumer needs.

The goal of category management is to optimise assortments, promotions and product introductions, as well as consumer value creation. Category management is said to improve revenue creation, but it also aims to reduce costs. An example of a successful implementation is a Colgate-Palmolive project, where SKU count was reduced by 25%, the retailers' market share rose by 11% and margins went up by 9% (Mitchell, 1998, p.128).

Category management brings tools and guidelines for promotion, new product introduction and assortment forming. The management of these issues is becoming more and more important, since the SKU count in grocery products is growing all the time, product life cycles are shortening and, furthermore, the change rate is accelerating. The major challenge is to operationalize the ECR guidelines, which often seems to remain at the marketing or conceptual level. Kapia presents in his work that category management often work forms a basis for the vendor managed category management concept. Category management clarifies the roles of categories in the retail store and therefore offers tools for identifying the core functions to be managed internally and also non-core categories, the management of which can be bought outside (Kaipia & Tanskanen, 2003. p.167).

The relevance of implementing category management rests on the fact that it enables grocers to focus on the consumer; to use available information in order to make better, fact-based decisions; to defend themselves from competitors; and to create a relationship between grocers and suppliers that facilitates both a strategic and a tactical alignment between the parties (Blattberg, 1995, p.123).

A high interest in category management on the side of retailers has been signalled in the specialized trade press and industry reports—a survey indicated that 83 percent of grocery retailers consider category management to be the most important issue facing them and

another study highlighted that category management initiatives were the most important reason why retailers were improving their information technology systems (Basuroy, Mantrala, & Walters, 2001, p. 19).

Suppliers play an important role in implementing category management in the grocery retail industry mainly because they are the key providers of information necessary to establish a category plan, having to share with retailers the results of their market research efforts and providing them with analytical and human resources (Johanson, 1998, p.41).

Suppliers willing to take on the role of category leaders in category management initiatives should be ready to align their organizations and business processes according to categories—and not to brands. This is a crucial point in the initiative (Gruen & Shah, 2000. p.492), and suppliers should be focusing on the profitability of categories as a whole and not on the individual performance of their products in a category (Dussart, 1998, p.57).

Table 1-1 presents the summarized point of views of the analysed the researches works about implementation of Category management approach.

Table 1-1: Summarized researcher's opinions about Category management approach.

Author	Researches perspective about Category Management (CM)
Mitchell A. (Mitchell, 1998)	CM - is tool for assortment optimization
Kaipia, R.& Tanskanen, K. (Kaipia & Tanskanen, 2003)	CM clarifies the roles of categories in the retail store; a tool for identifying the core functions to be managed
Blattberg, R.C. (Blattberg, 1995)	CM enables grocers to focus on the consumer
Basuroy, S.; Mantrala, M.K.; Walters, R.G. (Basuroy, S. at all. 2001)	CM initiatives retailers to improve their information technology systems
Johanson, M. & Pinnington, D. (Johanson, 1998)	Suppliers are key providers of information in implementing CM and to establish a category plan
Gruen, T.W.& Shah, R.H. (Gruen & Shah, 2000)	Suppliers should be ready to align their organizations and business processes according to categories—and not to brands
Dussart, C. (Dussart, 1998)	Suppliers should be focusing on the profitability of categories as a whole
Fel, E. (Fel, 2008)	Enterprises should focus on core ECR practices, especially on collaborative practices as the base for Category Management and Supply Chain Management.
Neil A. Morgan (Morgan, Kaleja, & Gooner, 2007)	Focal supplier opportunism decreases retailer category performance and increases militant behaviours among non-focal suppliers in the category supply chain.

Author	Researches perspective about Category Management (CM)
Michael S. Pepe (Pepe, 2008), (Pepe, Abratt, & Dion, 2012)	Category management seeks to enhance the overall performance of product categories as measured by such metrics as sales, units, market share and profitability. Private-label products can help in the overall enhancement of product category performance.
Matthew J. Drake (Drake, 2006)	Vendors are in charge of the stocking and assortment decisions for a given amount of shelf space at a vendor when the retailer retains control over the re-tail price implementing category management
James W. Hamister (Hamister, 2007)	Some of the expected benefits of Category Management are improved responsiveness to consumer needs, better performing mix of products at the SKU level, improved merchandizing effectiveness through combined retailer and manufacturer knowledge, and achieving a more entrepreneurial approach by organizing categories as strategic business units.
Richard A. Gooner (Gooner, A. Richard, & William, 2011)	Category management (CM) is challenging for retailers that sell thousands of products across hundreds of categories and often lack the resources and capabilities to manage all of them intensively.
Mumin Kurtulus & L. Beril Toktay (Kurtulus & Toktai, 2011)	Consider two category management mechanisms: retailer category management (RCM), where the retailer determines product prices and category captainship (CC), where a manufacturer in the category determines them.

Source: author prepared table.

The category management approach was based on marketing platform aiming to help retailers and manufactures reach the customer. The process observes and investigates customer needs and as a result brings a satisfied loyal customer. The approach started with the creation 8 strategic step process. However later on retailer modified the classical process changing the number and order of steps according to company's needs as well as experience and competence in category management. Today you can find the companies that within the category management approach use 6 steps or sometimes even 4 step models. Usually every company start to use the classical 8 step model and later adapt the model according to company's internal environment requirements , cut out the steps that are not so essential to take often and change the step sequence in line with company's strategy, rules and culture.

Starting from the very basics of marketing strategy, researches were discussing about the necessity to satisfy customer needs. Still a number of years passed while within the strategic marketing planning the significant consumer role were acknowledged in business. The “General Electric” corporation (USA) is thought to be the first company that clearly formulated its marketing strategy. At the same time “General Electric” opponents call the company as “company that moved its face to the president, while showed the back to the consumer” (O'Shaughnessy, 2002, p.32).

Together with global marketing development more and more attention is put on consumer behaviour. There was developed the new sciences like hermeneutic and ethology that started to examine the consumer behaviour. Even today the consumer is viewed as one of elements not the key element in marketing strategy planning process. Only in case when supplier and buyer are pursuing the customer needs and aiming to reach customer satisfaction business negotiation process will result in product category growth.

Supermarket retailers were the first who started to use the Category Management approach in USA in the beginning of 1990th. Very rapidly the retail companies like book shops, housekeeping appliances and consumer electronic retailer started to use category management theory.

Using category management strategic approach and assortment planning principles based on Efficient Consumer Response the wholesale organisations has an opportunity to strengthen the market position and obviously show the retailers it advantage.

The most successful companies today are those with a strong strategy. The category management begins with the strategy (Karolefski & Heller, 2006). The wholesaler first of all should:

- Define the company’s strategy;
- Examine the client – partner-retailer strategy

The knowledge of retailer’s strategy allows the wholesaler to create a product supply that completely match the client demand and defence the wholesaler from possible mistakes that could lead to unprofitable deal. At the same time it is highly important for the wholesaler to inform the retailer about the own chosen strategy. It is more likely that the retailer will include those supplier products in the strategic category development plans, whose strategy and positioning is clear for the retailer representative. As well it is essential for the wholesaler to know the producer strategy as well, and communicate it to the retailer and customer.

Now we can define the functions of Category management in the process of administration of trade enterprise as follows:

Category management approach creates a practical collaboration, which result that wholesaler and retailer has a common goal – customer satisfaction that lead to the increase in income and turnover due to higher sales volume. Category management process helps to create a competitive advantage, improve the inventory turnover and plan the purchasing and sales volume of the products.

Category management process was initiated by retailers starting from its creation in the United States and in the biggest Europe countries. Only in the XXI century some of producers started to initiate category management implementation. One of the first manufactures who started to practice category management principles was Procter & Gamble company (Walton, 2003, p. 34).

Since the category management is a collaboration process each of the category management process team members differently look on importance and meaning of each step. The classical category management process's steps are shown on Figure 1-1: Category management process Figure 1-1 (Karolefski & Heller, 2006, p.64).

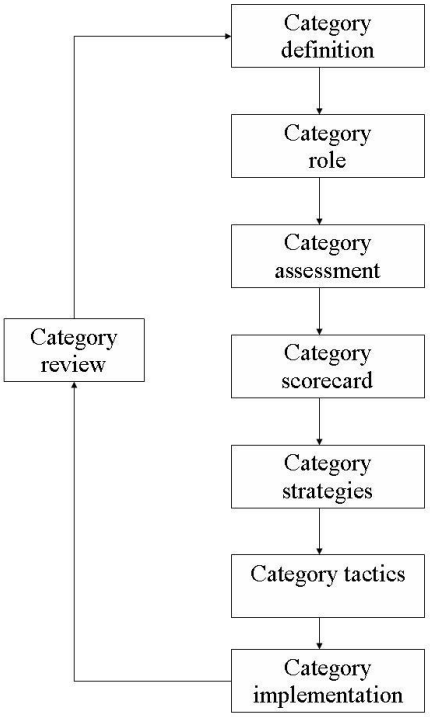


Figure 1-1: Category management process

Source: Karolefski & Heller, Concumer Centric Category Management, 2006, p.6)

The definition of goods categories is essential to the implementation and monitoring process for every wholesale firm adopting category management. Essentially, goods categories should be defined by customers. The category definition determines the products that constitute a category, sub-category and major segmentation. In common management process the role of category definition is usually assigned to the retailer within the category

management team member. At this step, the retailer assigns products to the various categories based on factors such as consumer usage and packaging. The category definition should include all products that are either highly substitutable or closely replaced.

However the wholesaler participation is a must to successful result. The wholesaler should prepare and combine the maximum information about its products, about product peculiarities, its usage and positioning within the global market, obtaining in its turn the information from the producer. Gathering and adopting the precise information about the product the wholesaler could highly influence the category definition process done by the retailer. As a first step this process is very important in category management approach, since the wrong Category Definition may lead to mistaken strategic decisions, resulting in a loss of income.

This Category Role step assigns the category role based on a cross-category analysis that considers the consumer, retailer, wholesaler and marketplace. Designing a category role gives the wholesaler a possibility to allocate resources among various categories. Traditionally, four category roles have been resented:

I. Destination: The primary category provider that helps to define a retailer as a store of choice by delivering superior target consumer value. It means that offering the products within such a category for the retailer the wholesaler can take the leading role within the other competitors and reach high sales volumes; however the competition in this segment is very hard.

II. Routine: Helps the retailer provide the consumer purchases as a matter of routine. Shampoo, soap, toothpaste are such kind of product categories. Such categories help to develop the retailer as a store of choice by delivering consistent, competitive target consumer value. Distribution of such kind of categories allows wholesaler work with higher margins, comparing to Destination categories, however requires higher investment in category promotion.

III. Seasonal/Occasional: Theses are product categories customer purchases infrequently or seasonally. Seasonal fruits and similar food items are part of this group. Some of the seasonal categories may become part of the destination category group on that season for the retailer.

IV. Convenience: These are the categories that the consumer finds convenient to pick up at a neighbourhood retailer rather than go to a distant retailer offering better value. The other option is when consumer purchases the category goods additionally to the main purchases. Stationery products and certain commodity items form part of this group.

The category helps to reinforce the retailer as the full service store of choice by delivering good target consumer value. The wholesaler can operate with high margins and should invest in promotion and merchandising.

In order to choose the appropriate role of the category use different analytical instruments:

- Purchasing basket analysis
- Purchase frequency data analysis
- Family data analysis (usually get through the customer questionnaires)
- Point of sale data
- Occasion Analyses
- Market data
- Financial analyses

In order to receive all the necessary data cooperation of retailer and wholesaler is necessary. While retailer is gathering the information about customers, wholesaler has a possibility to gather market data about the category. The assignment of roles to categories is supposed to be one of the most important benefits to be achieved by the wholesaler from category management (Singh, 1997, p.67).

Category assessment step involves gathering and analysing historical data and relevant information and then developing insights for managing the category. At his stage, a detailed assessment of the sales and income is done on the basis of an analysis of categories' components including elements such as subcategories, brands and SKUs (Stock keeping Units). In order to maintain the assessment use same analytical instruments as for the definition of category role. Wholesaler need to stimulate retailer carry on these analyses as well as during the collaboration process analyse the data together with retailer. Category assessment is done to find opportunities for improvement from four perspectives: consumer, supplier, distributor and market. Acquired information helps the wholesaler define its importance for the retailer in comparison to competitors and allows strategically promote product categories at the retailers point of sales.

Category Scorecard step involves establishment of performance measures to evaluate program execution. At this stage, baselines and targets are established. The category role matrix is used here along with other parameters such as Gross Margin Return on Investment, return on inventory goals, service levels and so forth.

Development of marketing strategies for the category is a fifth step in category management process. Category marketing strategies can be classified into demand-chain and

supply-chain categories. The strategies regarding cash generation, traffic building, profit, transaction, image, and excitement creation come under the demand-chain strategies. The strategies regarding merchandising flow and transaction costs come under the supply chain categories. Wholesaler should choose a marketing strategy for the product category together with retailer. Choosing the strategy it is very important to reach customer satisfaction as a result. So for the wholesaler, choosing strategy, it is essential to satisfy customer needs, not the buyer – retailer needs.

The assignment of strategies to various components (subcategories, segments, brands,) provides the guidelines for which tactics (ranging, pricing, promotions, and shelf presentation) are employed. The tactics of the retailer have direct implications on development, introduction, pricing and positioning of the wholesaler's product portfolio.

Selecting strategies for the different categories and their subcategories is supposed to be one of the most important steps within the category management process for the wholesaler (Woswinkel, 2001). The wholesaler needs to adopt his marketing, in-store service and product supply strategies to fit different category roles and retail formats. When the strategy is chosen it becomes necessary to create effective strategy communication that is completed during the tactics step.

This step involves decision on specific activities that will achieve chosen category strategy. Determined optimal category pricing, promotion, assortment, and shelf management should be planed aiming to achieve the goals established during the scorecard process. The wholesaler who could become an initiator of tactics has a great potential to influence the sales growth of product category. Wholesaler should propose pricing policy, promotion tactics and product placement at the retailer point of sales. As a result in some cases wholesaler's representative can become the only one person, who is responsible for category placement at the retailer's shelves. Wholesaler participation in tactics process allows retailer's inventory management monitoring. The wholesaler is able to have information not only about the volumes the retailer is obtained but also how fast the retailer is able to sell these goods. Such information allows retailer and wholesaler take prompt decisions about promotions, sales and other activities. In such situation the goal of wholesaler becomes not to increase the sales volume to buyer – retailer, but to increase sales volume to retailer's customer – end - user that will result in higher sales volumes for the retailer and as a result the wholesaler also will benefit.

Within the category plan implementation stage the action happens by virtue of performance. The implementation plan includes what specific tasks need to be done, when

each task should be completed, and who is to accomplish each task. The implementation of the category plan is perhaps the most vital linkage in the entire chain. The wholesaler and retailer together with other category management team members agree on actions, budgets and divide the plan implementation responsibilities.

The last activity involves the regular management of the intended results of the overall plan. Wholesaler may undertake review ether separately or together with retailer. Reviews should be scheduled at established intervals in the implementation plan. During the category review process retailer may take a decision to exclude the category from the retailer's assortment ether to continue work with it, such strategic decision can extremely influence the wholesaler's business development.

Nevertheless most of discussions about the category impact on trade enterprise interaction processes are discussed by researches in USA as on a birthplace of the approach. Some active discussions moved also to European territory. Some researches started to search if the supplier opportunism is dependent on the usage of category management tool.

UK researcher, Richard Hutchins discussed the question: why might category management be of interest to academic researchers? (Hutchins, 1997, p.179) Category management techniques were developed largely in the USA, where, in 1994, category management was fully operational in around 20% of major retailers, with a further 62% in the development stage (McLaughlin & Hawkes, 1994). In the UK, it is likely that uptake would mirror that in the USA. However, accurate estimates are difficult to come by (most large food manufacturers and retailers claim they have either adopted or are in the process of adopting category management, but there is evidence to suggest that their understanding of it may vary considerably (Whitworth, 1996, p. 157).

James W. Hamister in his work about category management practices compares Europe and USA differences. He point out that when he visited retail outlets, he was amazed by the huge assortment of products available at reasonable prices, all offered in attractive atmosphere. He had the good fortune to visit Eastern Europe prior to 1989, before the Berlin wall was pulled down and Eastern Europe became much more open to western influences. Visiting retail outlets at this earlier time was shocking. Shelves were essentially bare, and what product was available was usually of inferior quality. Prices were generally very low, but his acquaintances that lived there had little money for even these poor products. The contrast in consumer welfare between east and west was stark. Since that time he had maintained an interest in how Americans achieve such high levels of performance in the retail sector, and how they can go about enhancing this performance (Hamister, 2007, p. 5).

The research of Morgan illuminates the supply chain management situation where a buyer's relationship with a focal supplier allows that supplier to directly influence the buyer's relationships with competing suppliers who continue to supply products to the buyer. The researchers found that in such situations, opportunistic behaviour by a focal supplier provokes responses from other suppliers as well as having a direct negative impact on the retailer's performance. Since similar buyer–supplier dynamics occur in many other retail sectors, as well as in other industries such as electronics and automotive, these findings offer important new insights into supply chain management in the theoretically important and empirically largely ignored context of networks of suppliers that simultaneously sell competing products to a single buyer (Morgan, Kaleja, & Gooner, 2007, p. 512-527).

According to Hamister Category Management has led to substantial operational improvements in some cases, yet overall the promises have yet to be realized. The literature on a topic has identified several potential barriers to fully implementing category management; yet two areas remain unexplored in the literature. First, it seems clear for Hamister that category management and supply chain management are related areas, but how exactly these two issues are related remains unexplored empirically. This research puts forward the proposition that the two methodologies are self-reinforcing, and that successful programs should be coupled in practice. Second, technologies have been identified as a barrier to further exploiting and automating the category management process. Hamister proposed to address these issues in his research, by examining which technologies have been effective in practice, and which technologies come up short of expectations (Hamister, 2007, p. 36).

Hamister also stressed the correlation of supplier resources and category management practices. The business philosophy of the Category Captain is also representative of the supplier's resources. Two aspects of business philosophy are relevant: willingness to align with retailer objectives, and desire for mutual benefit. Manufacturers may have objectives that are necessarily in line with retailers' objectives. For example, category planning may suggest a smaller role for some products of the Category Captain, while emphasizing her competitor's products. The willingness to recognize and support the category goals as more important than the narrowly-defined interest of the manufacturer as illustrated by this point is suggestive of a philosophical approach of alignment. These philosophical dimensions are closely aligned with the supply chain management paradigm (Hamister, 2007, p. 41).

Earlier also other American researcher Gooner, R.A studied the literature and practice and suggested that therefore reveal no widely accepted descriptions or definitions of category management forms, types or approaches. However, both literature and practice suggest that

category management is fundamentally concerned with activities focused on managing categories of products as strategies business units and on the relationships formed between retailers and suppliers in the planning and execution of such activities. Further the variety of viewpoints in the literature and practice suggests that category management is characterized by wide variation in both the number and intensity with which such activities are executed and the extent to which categories are jointly managed by the retailer and a focal or most-influential supplier (Gooner R. , 2001, p. 34).

It is possible by look on Category management perspective from the BPM by usage of Goldkuhl analysed perspective about the role of assignment and transformation process during the process of interaction of trade enterprises. Figure 1-2 presents the BAT model between the customer and supplier.

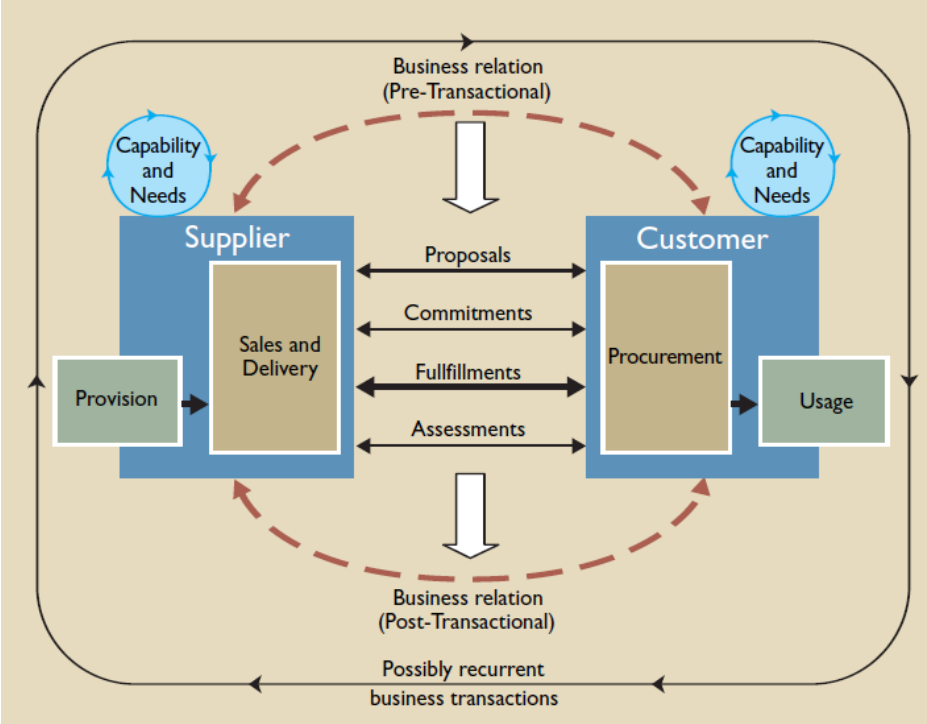


Figure 1-2: Business interaction, within a business transaction, between a customer and a supplier (the BAT model)

Source: (Goldkuhl, 2006, p.55)

Category management serves as a necessary tool for the stage of fulfilment defined in business action perspective. The BAT model acknowledges that business interaction consists not only of communication, but also of an exchange of value (Goldkuhl, 2006, pp. 53-57). This also means, however, that actions are restricted and constrained. There are usually some predefined communicative actions that can be performed through usage of Category management. We can use the BAT model to investigate the usage of Category management approach in business interaction. It is important to raise questions like: Who is in charge of

the implementation of Category management? What purposes are in use of CM as a management tool?

During the process of interaction between trade enterprises the wholesaler plays a supplier role, retailer in this case plays the role of customer whose needs and preferences should be satisfied. Category management in this case serve as an effective tool for the implementation of fulfilment stage within business process implementation as it is highlighted in Figure 1-3.

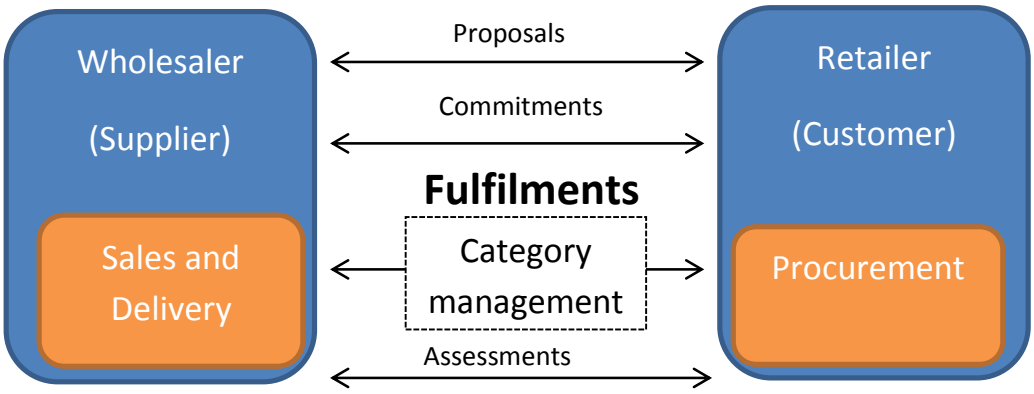


Figure 1-3: Category management implementation in business interaction, within a business transaction, between trade enterprises.

Source: Goldkuhl, 2006,p.56.

To conclude the author can define the functions of Category management in the process of administration of trade enterprise as follows:

Category management approach is an important management tool for implementation within the Business Management Process between trade enterprises, effective for implementation during the fulfilment stage of business action model, that create a practical collaboration, which result that wholesaler and retailer has a common goal – customer satisfaction that lead to the increase in income and turnover due to higher sales volume. As a result of implementation in a fulfilment business process stage within the interaction process between wholesaler and retailer Category management process helps to create a competitive advantage, improve the inventory turnover and plan the purchasing and sales volume of the products.

1.2 The role of quality management in interaction of trade enterprises

Category management theoretical perspectives discussed in previous chapter help to settle the desired products and prices for trade enterprises. Together with products and prices

the management of trade enterprises however mention also the quality of products and services as an important factor that influences the enterprise performance on the market.

Quality Management Systems help to enhance product quality, providing the organisations with means to achieve higher quality processes. As a direct consequence of this, customer satisfaction will be improved (Pfeifer, Reissinger, & Canales, 2004, pp. 241-249). The approach as well is considered to be beside the category of tools enhancing performance by customer satisfaction.

Nowadays there is a general agreement in the literature that the implementation of a Total Quality Management (TQM) system in a company is beneficial for its management and leads to improved performance (Martinez-Costa & Jimenez-Jimenez, 2009). However before the concepts and ideas of Total Quality Management (TQM) were formalized, much work had taken place over the centuries to reach this stage. Already in the 1920's statistical theory began to be applied effectively to quality control, and in 1924 Shewhart made the first sketch of a modern control chart (Shewhart, 1931). His work was later developed by Deming and the early work of Shewhart, Deming, Dodge and Romig constitutes much of what today composes the theory of statistical process control. However, there was little usage of these techniques in manufacturing companies until the late 1940's. Dr. W. Edwards Deming was the first American quality expert moved to teach Japanese managers methodically about quality. Today the leading Japanese companies successfully implement the quality management principals in everyday management. The approach was farther developed by guru of quality managements like Philip B. Crosby who presented the concept of zero defects; Kaoru Ishikawa, known as "Father of Quality Cycles; and Armand V. Feigenbaum who developed the Total Quality Control principals.

In the second part of XX century there were many attempts to standardise quality management principles. The British Standard (BS) 5750 for quality systems had been published in 1979, and in 1983 the National Quality Campaign was launched, using BS5750 as its main theme. The aim was to bring to the attention of industry the importance of quality for competitiveness and survival in the world market place. Since then the International Standardization Organisation (ISO) 9000 has become the internationally recognised standard for quality management systems. It comprises a number of standards that specify the requirements for the documentation, implementation and maintenance of a quality system.

ISO 9000 was the first and the most popular quality oriented meta-standard, which applies to different industries. In its early development, ISO 9000 was more commonly adopted in the manufacturing industries. By the end of 2005, the standard had been adapted

by 776,608 companies or business divisions in 161 countries. ISO 9000 is now "a passport to the global business" and a basic requirement for many governments tenders. The number of ISO 9000 certified firms has been increasing dramatically since its introduction 20 years ago (Chris, 2007).

Total quality management (TQM) became the centre of Quality Management theories. In a Department of Trade & Industry publication in 1982 it was stated that Britain's world trade share was declining and this was having a dramatic effect on the standard of living in the country. There was intense global competition and any country's economic performance and reputation for quality was made up of the reputations and performances of its individual companies and products/services (Charantimah, 2011).

TQM is now part of a much wider concept that addresses overall organisational performance and recognises the importance of processes. There is also extensive research evidence that demonstrates the benefits from the approach. As we move into the 21st century, TQM has developed in many countries into holistic frameworks, aimed at helping organisations achieve excellent performance, particularly in customer and business results. In Europe, a widely adopted framework is the so-called "Business Excellence" or "Excellence" Model, promoted by the European Foundation for Quality Management (EFQM), and in the UK by the British Quality Foundation (BQF)."

While it is widely agreed that implementation of a Total Quality Management (TQM) system in a company is beneficial for its management and leads to improved performance the implementation of approach differs between the researches. Whether people take one or another type of approach, the major part of the frequently discussed TQM literature provides a common set of principles and concepts, which are considered to be essential elements in TQM.

The following key issues are a result of a literature study where the aim was to identify the main principles and concepts in a TQM approach and to determine the recent trend (Bergman & Klefsjo, 1994) (Dahlgaard, Kristensen, & Kanji, 1998) (Deming, 1986) (Juran, 1995) (Kondo, 1993):

1) strong management commitment, leadership, strategically based;
2) continuous improvement as a result of a focus on quality;
3) focus on customers, customer-driven organization;
4) total involvement, total commitment, total responsibility;
5) focus on processes, making processes so it works better;

6) actions based on facts, usage of SPC and statistical tools, performance measurements;
7) focus on employees, teamwork, motivation, empowerment;
8) learning, training and education;
9) building a TQM culture, organizational change;
10) partnership with suppliers, customers and society;
11) total approach, holistic approach;
12) scientific approach.

Enterprises often look for ways to improve their competitive advantage within their respective industries. Many organizations are unsuccessful at accomplishing this goal without the usage of a systematic approach to improve their organizational performance as it relates to quality products or services. Systematic approaches to quality improvement can be achieved with TQM methodologies. Organizational quality objectives, type of industry, and culture often influence the effectiveness on the quality management program (Lee & Lee, 2001). Each of mentioned aspects is addressed within the frameworks of TQM. Quality management is an approach to establishing a fundamental business strategy (Cheng, 2007, pp. 234-253). In an effort to provide quality products and services in globally competitive environments, many organizations have invested great amounts of time and resources to establish and maintain quality management programs such as TQM. Some of the successful organizations include; AT&T, IBM, Hitachi, Sony, and Johnson& Johnson (Matthews, 2006, pp. 29-35).

Although quality management has been well established in manufacturing sectors, it has grown in popularity with non-manufacturing sectors such as retail industry. Quality management has been an integration of achieving and maintaining quality excellence through continual process improvements and prevention of defects throughout an organization to meet customer expectations (Flynn & Schroeder, 1995, pp. 659-692). Many organizations strive for quality improvements and cost cutting measures through continual improvement activities. These efforts often fail due to poorly structured and lack of leadership support (O'Rourke, 2005, pp. 581-592). Companies should identify their strengths and weaknesses before carrying out an improvement methodology aimed to improve productivity, product or service quality, and efficiencies (Deros, 2006, pp. 396-430). Researchers show that more importance should be emphasized with an organization to integrate a comprehensive quality management tactics rather than carrying out individual improvement methodologies. Still there is a lack of practices of implementation of TQM principals in trade enterprises.

TQM approach combined most of the features discussed in various management tools used by enterprises. Strong management commitment and strategically based tools are familiar for Balanced Score Card approach (Kaplan & Norton, 1992), (Kaplan & Norton, 1996), (Brown & McDonnel, 1995), (Chavan, 2009), (Waal, 2003) as well as implementing Knowledge Management (Nonaka & Takeuchi, 1995), (Hazlett Shirley-Ann & Seamus, 2005), (Tsouskas & Vladimirou, 2001), (Wang W. , 2009) and Growth Strategies (Rigby D. K., 2009), (Zook & Allen, Harvard Business School Press), (Majumdar, 2008). Focus on customers is typical for Customer relationship management and Category management, the tools that are directed to performance improvement via customer satisfaction. Focus on processes in combination with statistical tools and performance measurements are features of Activity Based Management (Ghikajanu, 2008), (Trotta, 2003) and Business Process Reengineering (Hammer & Champy, 1993) (Davenport T. , 1993) (Johansson H. J., 1993) (Leoveanu, 2011). At the same time the TQM concept contains also some additional features that were not visible in previous tools analyses. The most important peculiarity of TQM is continuous improvement as a result of focus on quality. The presence of all the discussed features in TQM approach defines the necessity of combination of management tools.

However the combination of all the necessary concepts in only one TQM tool does not allow supposing that all the mentioned Management Tools can be substituted by the TQM approach. Conversely the usage of TQM concept should be a primary guide for the creation of management policy of the enterprise. The manager should choose the most successful combination of management tools following the TQM concepts.

The approach of effective category management implementation supposes the increase of market share of wholesaler that obviously will lead to the development trade enterprise. Beside the variety of management tools Total Quality Management is considered as one of the most popular tools for implementation in trade enterprises. Some advices of implementation of Quality Management approach could be found in professor of Harvard University, James L. Heskett and his co-authors publications. In their work on the service profit chain (Heskett, 1987); (Heskett & Sasser, 1997); (Heskett, Jones, Loveman, & Sasser, 1994) use the terms "external service quality" and "external service value" as ways to describe how customers access service operations. Regardless of what term they used to designate the concept, they give many far-reaching examples to illustrate the notion. For instance, at Southwest Airlines customers appreciate frequent departures, on-time service and friendly employees besides the low prices they receive (1997). Progressive insurance customers value quick-response damage assessment and claims processing (1994). With each example, while the precise criteria of

what makes good "service quality" or "service value" may change, some common categories continuously re-occur. Some of the typical customer demands include: rapid service, knowledgeable and friendly employees, high quality products, convenient service and aesthetically pleasing surroundings. These demands are comprehensive and extend far beyond traditional customer assessment scales found within service management literature (e.g. "service" quality). As such a new assessment tool will be needed.

One emerging research construct that closely resembles all the concepts found within Heskett (Heskett, Jones, Loveman, & Sasser, 1994, pp. 164-174) notion of external service quality is total retail experience. There is a definition of total retail experience as "all the elements that encourage or inhibit consumers during their contact with the retailer". The examples they include in their theoretical work closely resemble those used by Heskett et al in their work on the service profit chain: superior customer service, knowledgeable and friendly employees, etc (Berman, 1998). Further structure for assessing the dimensions of total retail experience was provided by Terblanche & Boshoff (Terblanche, 2001, pp. 35-41). Their framework breaks total retail experience into controllable and non-controllable elements. Figure 1-4 illustrates their structural schema.

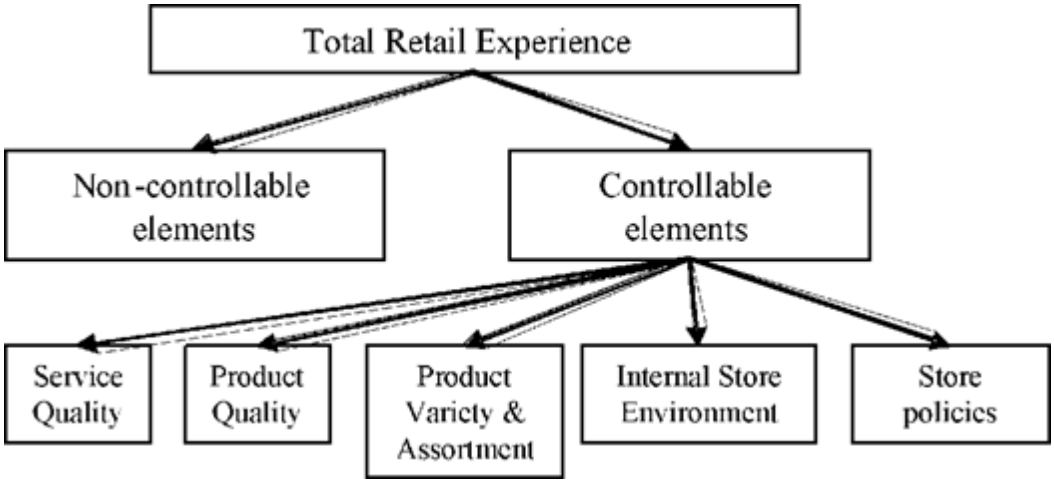


Figure 1-4: Total retail experience schema.

Source: Terblanche and Boshoffs (2001), p.38

Thus in retail enterprise it is not enough simply to follow and declare about implementation of TQM principals. It is necessary to line the TQM principals with Total Retail Experience Controllable elements.

Still some companies not always are satisfied with usage and implementations of TQM principals. According to Bain & Company survey the TQM was ranked below the mean within other management tools (Rigby & Darell, 2009, p.17). Weaknesses and faults the company faces carrying out the TQM appears not because of ineffectiveness of the concept,

but because of the fact that manager often lack a clear understanding of where and how to apply the approach. Although most enterprises want to improve quality and cut costs, the deployment and implementation of continual improvement methodologies are commonly viewed as a daunting undertaking. Many enterprises fail to structure properly or support continual improvement initiatives which ultimately doom them to failure (O'Rourke, 2005, pp. 581-592). This failure has led to many misconceptions about the results of carrying out improvement methodologies (Arnheiter, 2005, pp. 5-18).

It was already stated by author in that TQM is a philosophy, not a separate tool. TQM is quality management methodology which provides significant benefits to the organization's financial bottom line. Although documented cases of successful implementation exist, there are documented failures associated with unsuccessful attempts of implementation (Anderson & Eriksson, 2006, pp. 282-296). These misguided TQM implementation efforts of many organizations led to scepticism of the improvement approach (Tiwari & Turner, 2007, pp. 736-760). Harari cites ten reasons for TQM program failures including (Harari, 1993, pp. 33-38):

(a) focus on internal processes rather than external processes;

(b) focus on minimum standards;

(c) development of bureaucracy;

(d) delegation of quality experts excluding others in the organization;

(e) lack of organizational change;

(f) no changes in management compensation;

(g) no demand for new external partners;

(h) focus on quick fixes;

(i) draining innovation;

(j) utilizing an analytically detached mechanical method.

TQM concept should be a primary guide for the creation of management policy of trade enterprise. Companies often make the mistake using every quality tool and techniques, as a completely separate, isolated quality management tool, while the manager should choose the most successful combination and sequence of selected management tools following the TQM concepts.

As it was already highlighted by author all defined TQM principles could be combined into tree main categories. The divisions could be maid according to the results the management may achieve following TQM key issues. The division of key issues into three basic categories according to author's proposal is presented at Figure 1-5:

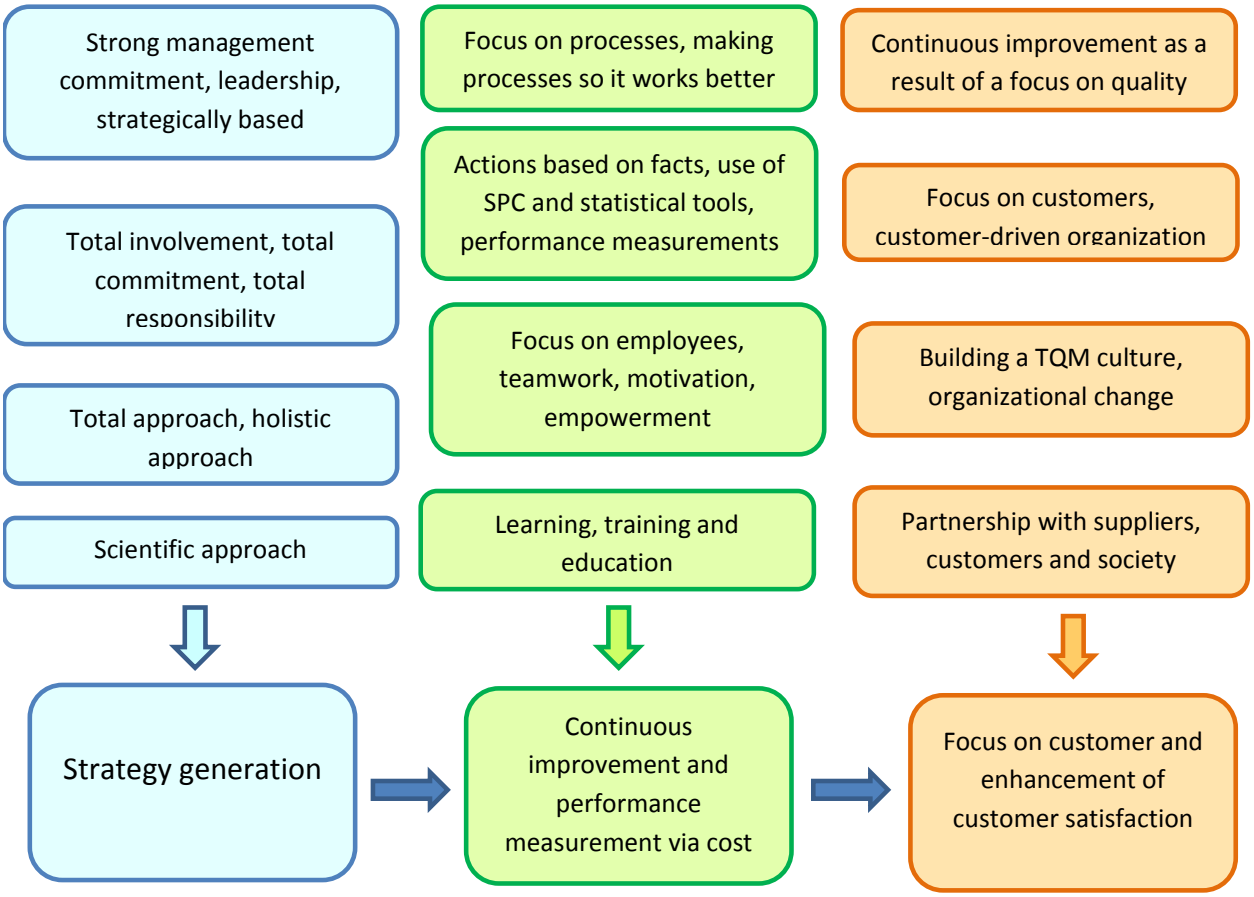


Figure 1-5: TQM key issues division by category

Source: Author prepared figure

Organizational success on quality improvement practices requires a strong connection among managerial dimensions and a results-based approach. In general, quality management is identified with seven categories: top-level management, tactical management, customer and market focused management, information management, human resource management, process management, and results-based management. Successful and sustainable quality management should be incorporated through satisfying key aspects of quality improvement. The holistic process of quality management should be conducted in a systematic feedback loop because quality dimensions are mutually influenced by one another in terms of achieving expected results (Holzer, Charbonneau, & Kim, 2009).

The executives of trade enterprises have a possibility to choose from a variety of different management tools aiming to increase the competitiveness of the managed business unit. Quality management approach is a proven management tool that helps the management of the enterprise effectively increase the competitiveness of enterprise. It is already proven that implementation of a TQM system in a company is beneficial for its management and leads to improved performance. TQM principles serve as effective instrument of management

in manufacturing industry. At the same time it is not easy to find examples of implementation of TQM in trade enterprises.

1.3 Management tool selection and implementation in the process of interaction of trade enterprises

Still some companies not always are satisfied with usage and implementations of TQM principles. According to Bain & Company survey the TQM was ranked below the mean within other management tools (Rigby & Darell, 2009, p. 7). Weaknesses and faults the company faces implementing the TQM appears not because of ineffectiveness of the concept, but because of the fact that managers often lack a clear understanding of where and how to apply the approach. TQM is a philosophy, not a separate tool. TQM concept should be a primary guide for the creation of management policy of the enterprise. Companies often make the mistake using every quality tool and techniques, as a completely separate, isolated quality management tool. The manager should choose the most successful combination and sequence of selected management tools following the TQM concepts. Following the TQM principles the management process could be combined into three main sequenced management stages as it is presented in Figure 1-6:

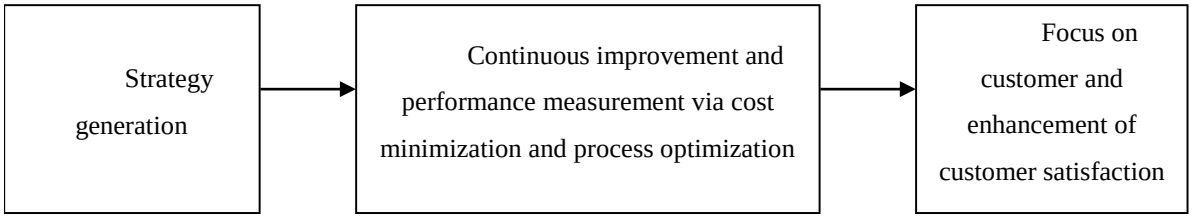


Figure 1-6: Management stages following the TQM principles

Source: Author prepared figure

Management stages following the TQM principles Organizational success on quality improvement practices requires a strong connection between managerial dimensions and a results-based approach. In general, quality management is identified with seven categories: top-level management, strategic management, customer and market focused management, information management, human resource management, process management, and results-based management. Successful and sustainable quality management should be incorporated through satisfying key aspects of quality improvement. The holistic process of quality management should be conducted in a systematic feedback loop because quality dimensions are mutually influenced by each other in terms of achieving expected results (Holzer, Charbonneau, & Kim, 2009).

The management tools available for the modern manager similarly could be divided into 3 major categories as it is showed in Figure 1-7 according to the management stage of usage and following the TQM principles. Strong management commitment and strategically based tools could be combined in *Strategy generation tools* category. Focus on processes in combination with statistical tools and performance measurements are features of *Cost minimizing and optimization tools*. Customer satisfaction is crucial for the trade enterprise thus the third category *Customer satisfaction attaining tools* combine the management tools that promote the customer satisfaction principles and customer driven enterprise.

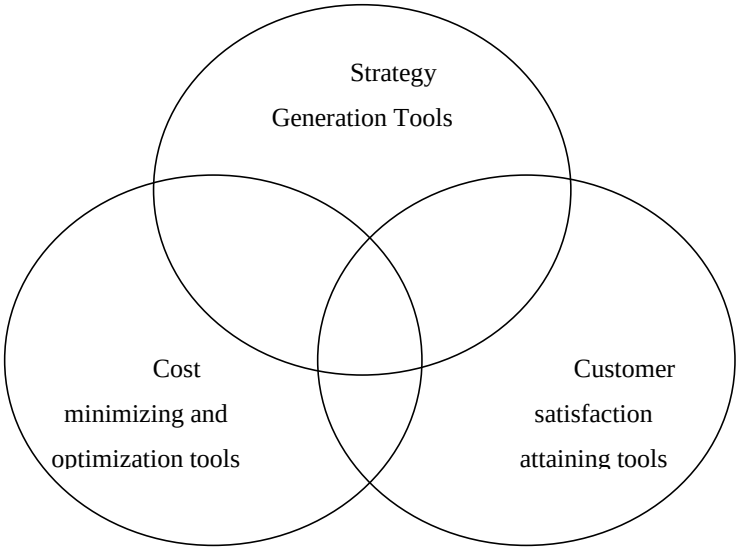


Figure 1-7: Basic categories of management tools (author proposed combination)

Source: Author prepared figure

Within the management process the executives make a decision about choice of tools necessary for implementation in a specific business choosing a tool from the mentioned groups.

The huge range of available management tools confuses the enterprise manager and encourage them ether not to choose anything or make the wrong choice. Good knowledge about the strategic planning usually lead to a choice of Strategy Generation management Tools. However for the trade enterprise still is necessary to use the strategic approach and additionally to reduce costs, optimize processes as well as acquire the best performance by reach of customer satisfaction. Especially for trade enterprise the goal to reach the customer satisfaction should be the most important. The successful result could be reached creating the balanced combination choosing at least one management tools from each of the presented three categories. Aiming to allow the enterprise to use the best outcomes of all management tools from all three dimensions the manager should look and practice the quality improvement technique that as a result will allow the manager to implement all the other tools.

Organizational success on quality improvement practices requires a strong connection between managerial dimensions and a results-based approach. In general, quality management is identified with seven categories: top-level management, strategic management, customer and market focused management, information management, human resource management, process management, and results-based management. Successful and sustainable quality management should be incorporated through satisfying key aspects of quality improvement. The holistic process of quality management should be conducted in a systematic feedback loop because quality dimensions are mutually influenced by each other in terms of achieving expected results (Holzer, Charbonneau, & Kim, 2009, p. 403).

The division of various management tools according to three classification groups are combined in Figure 1-8.

Strategy Generation Tools	Cost minimizing and optimization tools	Customer satisfaction attaining tools
Fayol's management approach	*Activity based management*	*Core competences*
SWOT	*Outsourcing*	*Customer segmentation*
7S	*Price optimization models*	*Customer relationship management*
Balanced scorecard	*Downsizing*	*Category management*
Knowledge management	*Business process reengineering*	*Social media plan*
Growth strategy	*Scenario and contingency planning*	

Figure 1-8: Division of management tools according to classification group

Source: Author prepared figure

In addition to the tools mentioned earlier the table contains also the important tools for optimization like outsourcing (Grimshaw & Miozzo, 2009), (Hecker & Kretschmer, 2010), (Deros, 2006) and downsizing (Vollman & Brazas, 1993), recession (Datta, Guthrie, Basuil, & Pandey, 2010), (Schmitt, Borzilo, & Probst, 2011), (Bacon, Blyton, & Dastmalchian, 2010), (Parker & McKinley, 2008) should be also taken into consideration. Various strategic management tools and tools that help to optimize organization processes have already a numerous discussions within researchers. Since the object of authors research is trade organizations the tools helping to attain customer satisfaction lays beside the most important.

The category Management tool is a management tool for usage spatially in trade organizations. That is why the author would like to pay a special attention to Category Management tool as a management tool used in trade enterprises. However while Category Management tool is a tool that helps to enhance the performance of enterprise it is important to ensure the efficient implementation of the tool within the process of interaction of trade enterprises.

Business process management (BPM) is a view on organisations where emphasis is made on the horizontal work in contrast to vertical division of labour as described in the traditional organisation chart. BPM has its origin from total quality management – TQM (Harrington, 1991) and business process reengineering – BPR (Hammer, Reengeneering work: Don't automate, obliterate, 1990) (Davenport, 1993) and already presented by author earlier in this paper. Basically, this can be seen as an industrial view on business processes, where input (raw material) is transformed into output (finished products). This is not the only possible view on business processes (Keen & Knapp, 1996) but contrast of two different views on business processes; "process as workflow" versus "process as the coordination of work" (Ljungberg, 1997). The coordination view on business processes is mainly based on the language/action perspective (Winograd & Flores, 1986) where coordination, agreements and commitments are emphasised.

Business processes consist of transformations of inputs to outputs. This view is expressed in a classical definition of business process made by Hammer and Champy (Hammer & Champy, 2003). Other similar definitions are made by Davenport and some other researches (Davenport, 1993), (Johansson, 1994), (Rummler, 1995), (Fürstenau, 2008) These definitions build on a value adding perspective (Porter M. , 1985) where every activity ideally is seen to contribute to more value for the customer. Typically, this is an industrial perspective; in the workflow, input is transformed through some kind of refinement to output (Harrington, 1991). The BPM wave that started during the 1990s had its origin in this transformative view on business processes. The two schools of thought, BPR and TQM, contributed to this transformative process view. The difference between these approaches lies in the view of organisational change radical in BPR vs piecemeal in TQM (Harmon, 2007). During the 1990s a business process view became the ontological backbone for many change methods; old ones as well as new methods (Born, 1994), (Jacka, 2009), (Osterle, 1995), (Aalst & Hee, 2004). Many new approaches and methods were launched based on the business process concept.

Linking the Category management approach with BPM allows to look on Category Management procedure from a different perspective. Turning the organisation on its side means precisely to change the perspective from hierarchical (vertical) view to horizontal processes. BPM was thus a move away from the traditional way of viewing organisation as a hierarchical structure. A main criticism, from BPM advocates, was that the traditional hierarchical view on organisations, embodied in the organisational chart, disregarded the customers. This BPM view emphasises the ordering of activities, the workflow. A business process is often seen to consist of sequential sub processes or activities. It emphasises also the customers as the main receivers of the output and that the customers should appropriate a high value to the output (Goldkuhl & Lind, Coordination and transformation in business processes: towards an integrated view, 2008).

There are many aspects of organisations, which are disregarded in a transformative business process view. Issues of power and control are usually not in focus when adopting a business process focus. One exception is Harmon (Harmon, 2007) who tries to integrate the process view with a traditional systems view on organisations. Even if there are certain merits in the workflow view, this can be challenged as a too restricted view, exclusively on transformations. An alternative view touches the coordination aspect in business processes.

The basic view on organisations supposes they essentially are created through communicative actions (Winograd & Flores, 1986), (Taylor & Van Every, 2000). Business processes are mainly coordination processes in this communicative view. Business processes arise through requests, offers, agreements and commitments and other communicative acts. The theoretical inspiration comes mainly from speech act theory (Austin, 1980), (Vanderveken & Kubo, 2002). The transformative view on business processes is rejected and as an alternative a communicative and coordinative view has been formulated.

There are several business process methods, which have been launched, based on this communicative perspective or as it is sometimes called the language action perspective. Action workflow describes the business process as a loop consisting of four generic phases:

(1) Preparation.

(2) Negotiation.

(3) Performance.

(4) Acceptance (Medina-Mora, 1992)

This researcher highlights two basic business parties participating in business process; a customer and a performer (supplier). There are several approaches to business modeling. The two most famous approaches seem to be Action Workflow (Medina-Mora, 1992) and DEMO

methodology (Dietz, 2006). The general idea is to get a business model of how people, through conversation, coordinate their work. Such a business model, focusing on coordination, should be seen as foundational for the development of supporting software.

The significance of these coordinative approaches is the identification of generic communicative acts in business processes. Business processes are only performed by virtue of established agreements and commitments. Such agreements are recognized as having a basic governing force in the performance of the business. (Goldkuhl & Lind, Coordination and transformation in business processes: towards an integrated view, 2008)

The coordinative approaches have identified blind spots in transformative approaches, i.e. their lack of explicit recognition of different communicative acts governing business processes. Unfortunately, however, these language action perspective approaches seem to overemphasize communication and coordination at the expense of transformative and material actions (Goldkuhl & Ro¨stlinger, 2003) (Lind M. , 2006). One thing that transformative and coordinative process approaches have in common is that they both take a strict horizontal view on enterprises. Vertical aspects power and authority are usually disregarded.

If one looks at classical BPM approaches, there are no frameworks to elaborate on coordination and communication issues. There is an overemphasis on coordination at the expense of transformation in language active perspective approaches to business process development. Goldkuhl looked a bit closer to what coordination in business process really means. Is it something special in business processes or is it just an aspect of transformation? The coordination perspective emphasizes that two actors need to come to an agreement what should be performed before the actual performance. Business interaction between a supplier and a customer, several phases in such interaction can be revealed. With inspiration from the language-action perspective Goldkuhl have developed a business interaction model, the Business Action Theory (BAT) model. In his model business interaction is divided into four generic phases, depicted in Figure 1-9 (Goldkuhl & Lind, 2004).

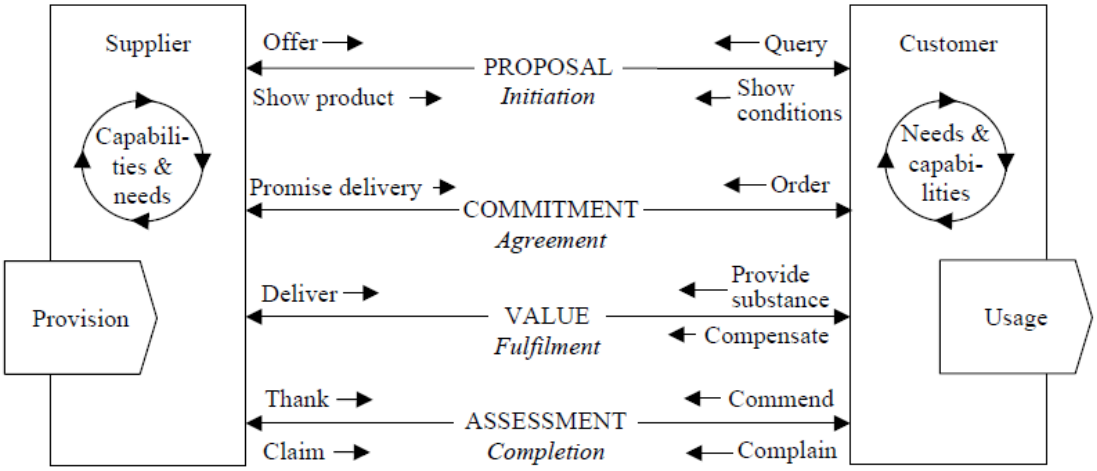


Figure 1-9: Four generic phases of business interaction – the BAT model

Source: (Goldkuhl & Lind, Coordination and transformation in business processes: towards an integrated view, 2008, p. 765).

The business interaction model is based on an exchange perspective (Glynn & Lehtinen, 1995) (Gummesson, 1999). The customer and supplier make exchanges of different character on each of the four phases (Lind & Goldkuhl, 2003). The first two phases are associated with coming to an agreement. In the first phase proposals are exchanged. The customer is making queries about products and the supplier gives offers. Bids and counter-bids are expressed and exchanged. If the business parties are satisfied with proposals they can move into the next phase, the commitment phase. In this phase, the business parties come to an agreement; the business deal is settled. Commitments are exchanged. The supplier makes commitments about future delivery and the customer makes commitments about future payment. This is the contracting phase where the customer orders the product and the supplier gives a delivery promise. The third phase is the fulfilment phase. This phase is an exchange of value; product vs money. The supplier delivers the product and the customer pays for the delivery. The fourth and concluding phase is an assessment. The business parties value the fulfilments and if not satisfied they may express their discontent and make claims (Goldkuhl & Lind, 2008).

Claims can lead to a renewed fulfilment or they can be dismissed and resolved in other ways. Satisfaction may sometimes be expressed and commendations given. The model in Figure 1-9 describes the generic business logic where agreements are developed, settled, fulfilled and assessed. The first two phases consist of exchanges concerning the creation of an agreement and the third phase is the resolution and the fourth phase is the assessment. Taking a customer perspective, a business process can (in this coordination view) be described as moving from customer requirements to customer satisfaction. The process can be called an

assignment process (a customer-to-customer process). This means that it is a process where the customer gives an assignment to the supplier and the supplier performs what the assignment expresses. In the transformation view the process goes from raw material to finished products delivered to a customer. This is a way to compare the two business process views; the starting point and the end point Figure 1-10.

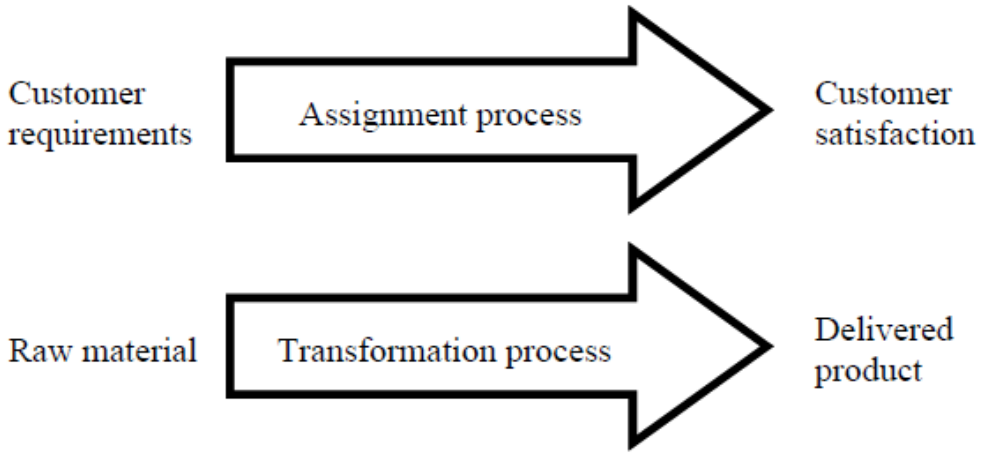


Figure 1-10: Two complementary views on business processes

Source: (Goldkuhl & Lind, Coordination and transformation in business processes: towards an integrated view, 2008, p. 766)

The challenge is to bring these two process views together. In real business processes, transformation and coordination are of course, not separated as depicted above. It is just when inquirers in the business process studies tend to neglect or downplay some aspects that they get separated. In Figure 1-11, the presents two types of processes superposed by the researcher.

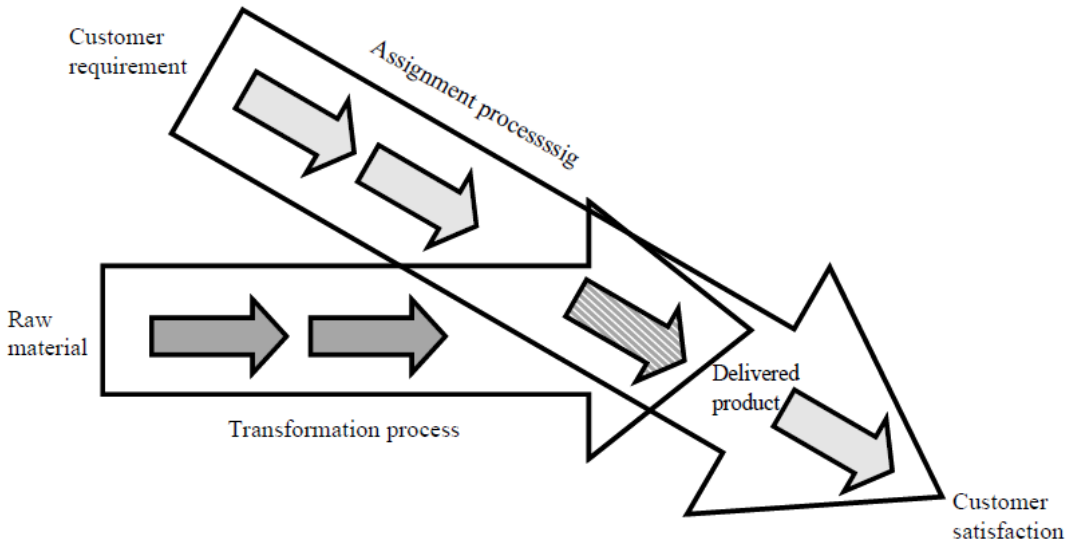


Figure 1-11: Integration of assignment and transformation processes

Source: (Goldkuhl & Lind, Coordination and transformation in business processes: towards an integrated view, 2008, p. 766).

All kind of coordinative interaction between supplier and customer are parts of assignment process and not in the transformation process. The assignment process in Figure 5 consists of four sub-processes (arrows). The first sub-process is then a proposal process with offers and queries. The second sub-process is an order process where the assignment (agreement) is settled. The fourth sub-process is what happens after the delivery, the usage and assessment of the product hopefully leading to customer satisfaction. These three sub-processes lie outside the transformation of products. The third phase of the assignment process is the fulfilment. This sub-process is also part of transformation. There may be earlier parts of the transformation process that do not belong to the assignment process. (Goldkuhl & Lind, 2008)

There may be different types of organizational arrangements. Procurement and manufacturing can be made based on and initiated by a particular customer order. In such cases these transformative sub-processes will be part of the assignment process. The assignment process may cover the whole transformation process. Transformation processes are seen too often be partially overlapping with assignment process. Those parts of transformation processes, which are outside an assignment are seen as support processes to the assignment process. The assignment process is supported by product provision through the transformation process. This is interesting to compare to the view expressed by Harrington (Harrington, 1991). He distinguishes between different processes; production process and business process. Production process seems to be rather similar to transformation process.

Harrington writes about production process: “Any process that comes into physical contact with the hardware or software that will be delivered to an external customer”. The description of business processes to be “all service processes or processes that support production processes”. One example of a business process is an order process. Order process is a fundamental part of the assignment process, and it is rather the production/transformation process that is a support to the business interaction process/assignment process, than the other way around. (Goldkuhl & Lind, 2008)

According to Goldkuhl a business process is set of activities where some producers create some product aimed for some beneficiary. Activities can be of coordinative and/or transformative character. An assignment process is a business process where agreements are created, fulfilled and assessed through coordination and interaction between a customer and a supplier. An assignment process consists of coordinative and transformative activities. A transformation process is a business process consisting of activities where some producers transform some pre-products into products aimed for some beneficiary. Transformation can be made before and after the assignment from the customer is given. A provision process is that part of a transformation process, which is not part of an assignment process;, i.e. those activities which are performed before the assignment is given. How these different phenomena are related to each other is clarified in a conceptual model presented in. (Goldkuhl & Lind, 2008)

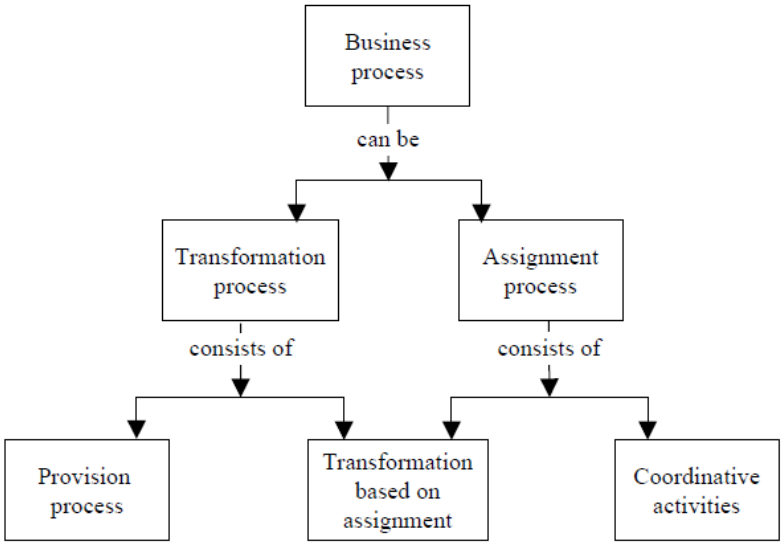


Figure 1-12: A conceptual model of different types of business processes and their constituents

Source: (Goldkuhl & Lind, Coordination and transformation in business processes: towards an integrated view, 2008, p. 768)

Goldkhul characterized most BPM approaches to be transformation oriented (input-process-output models). This does not mean that coordination is excluded in practical modelling. For example, order processes are usually modelled. The problem is, however, that traditional BPM approaches do not incorporate a coordination framework to govern the business process inquiry. When studying coordination and assignment, without a proper framework, the analysis may become superficial and haphazard. A coordination framework, as in most LAP approaches may govern process inquirers to direct their attention to decisive characteristics in the business process. The coordination logic of assignment process can more easily be revealed when using a coordination framework. As said above, well-known LAP approaches (like Action Workflow and DEMO) tend to neglect the transformative aspects of business processes. Transformation needs to be studied; otherwise important aspects of business processes are disregarded in the analysis. In comparison to those mentioned LAP approaches, Golddkuhl approach is a serious attempt to bring together coordination and transformation into one integrated modelling and analysis. Action Workflow and DEMO build on pre-defined process structures which are put together during modelling. A LAP-based coordination framework does not, however, need to be as rigid as those approaches (Goldkuhl, Generic business frameworks and action modelling, 1996) (Ljungberg, 1997).

Goldkuhl with his colleagues investigated two perspectives on business processes. These two perspectives are the transformative view and the coordinative view. The investigation has been made with the purpose of developing a synthesis of these views working as thesis and antithesis. The core of such dialectic approach is to create a synthesis that transcends contradictions of the thesis and antithesis. Pros and cons in the two perspectives have been identified and an integrated process view has been proposed as well as operationalized. The integrated process view comprises a number of definitions of different process types (business process, assignment process, transformation process, provision process). Researcher consequently bases the integrated process view on characteristics from both the transformative and the coordinative view.

Important characteristics of the transformative view are:

- Transformation shall result in deliverable products aimed for customers.
- Deliverable products are transformed in structured and sequenced way from base products.

Important characteristics of the coordinative view are:

- The business interaction logic between supplier and customer frame the process structure.

- Business interaction consists of establishment, fulfilment and assessment of agreements between customer and supplier.

Important characteristics of Goldkul integrative view are:

- Coordination and transformation form an integrated texture of actions.
- Assignment processes are superior in relation to the transformation process.
- A transformation process consists of sub processes where some parts belong to the assignment process and other parts may be external to the assignment process.
- Those parts of the transformation process that are external (prior) to the assignment process are called provision process.

The integrated view and its accompanying definitions should be used in evaluating and redesigning business processes. The view has been operationalized by the aid of some modelling methods. (Goldkuhl & Lind, Coordination and transformation in business processes: towards an integrated view, 2008)

The principles used by Goldkul were applied for the analyses of organization Steelco. Steelco is a manufacturing company, which mainly transforms steel into pipes for hydraulic cylinders. Steelco has different ways of performing business, i.e. the company takes part in different business interactions. However similar integrative view to business process is applicable also for enterprises operating in trade industry due to similar structure of negotiation process implementing the category management approach.

1.4 Peculiarities of management tools implementation in trade enterprises

Strategic planning is one of the basic management tools used beside the executives of wholesale company's. Between the authors research respondents' 87% representatives of wholesalers answered that sometimes or regular implement the strategic planning technique. Thus we can conclude that the practice of wholesale company's marketing strategy implementation recognizes the importance of strategic planning. Business strategic planning process, analysed by most of researches within management sciences, includes seven basic steps (Kotler, 1994, p. 79) (Reeves, 2005) (Ansoff, 1991) (Spee & Jarzabkowski, 2011)

- ✓ Mission Statement
- ✓ Internal and external environmental analysis
- ✓ Target/goal formulation
- ✓ Formulation of strategy
- ✓ Program formulation

- ✓ Strategy Implementation
- ✓ Monitoring and feedback

Business unit should determine the specific mission, usually resulting from a general business mission to carry out a thorough internal and external environmental analysis that will help clients to explore and provide information on buyer behaviour, and to formulate concrete objectives, which is planned to reach up to the implementation of the strategy. The aim may be required for the turnover and profit figures, scheduled for market shares or raising the quality and positive changes in public opinion.

Kotler offers three main steps for successful wholesaler strategy implementation (Kotler, 1994, p. 580):

1) To define and choose the target market and target customers
2) To create an appropriate product assortment
3) To make decision of a pricing policy

These activities are obviously important for wholesaler during the strategic planning process, but today are not enough to make a narrow plan of trade enterprise strategy. Wholesaler is required to pay a special attention to consumer needs that create demand and as a result have a significant influence on establishing of retailer's assortment of products. In order to achieve effective development of products assortment both retailer and wholesaler should implement strategically management of product categories.

Category of goods is a set of products - range of products combined from different goods due to their common characteristics or features, usually by usage, such as bakery products, sporting goods, toys, etc.. The process of management of Product groups or categories of goods first was proposed by The Partnering Group consulting firm, USA, 1990. They called this process by "Category Management"

During the planning process of product strategy usually focuses on scientists' classic product life cycles and brand-building strategies. As a result, the proposed category of goods, the strategy is examined based on the achievement of profit targets, and proposed strategies will depend on the selected target (O'Shaughnessy, 2002, p. 377). However, once again, the proposed strategy scenarios do not offer customer satisfaction concepts.

As it was already reflected earlier the management tools used by trade enterprises could be divided in tree basic groups. Tools that help formulate and implement the enterprise management strategy. There are numerous researches and proposals about the usage of different management tools aiming to formulate the strategy of enterprise. The examples of management tools that helps for strategic planning are already presented in chapter one and

include the proposal useful also for wholesale trade enterprise management. The author is definite that there are enough suggestions available in numerous researches the management of trade enterprise may choose for this purpose thus is not planned to enlarge the discussion about usage of strategic management tools.

The second category supposes the usage of management tools that help to reach the continuous improvement by usage of process improvement utilities and control of expenses. As an example the proven experiences of implementation of meta-standards like ISO 9000 certification already confirmed the effectiveness of implementation beside the other process optimisation utilities.

Still according to the official data presented by Latvian Association of Quality only one beside the reviewed retailer chains have chosen to implement ISO certification in order to optimizes processes in enterprise. As it is stated by the personal of the biggest retailer Maxima Latvia is the first retail chain in Latvia that organized the processes according to the quality management principles and got the international specification. Appendix 2 presents the official view of retail chain Maxima Latvia about the implementation of ISO certification and reasons of choice of quality management tool implementation.[1]

Surely other appropriate tools could be chosen by management of trade company in order to reach the goals. Still the aim of the author by holding this research also is not to recommend choice of any specific tool within this category or provide the method for process optimisation. Within this research the author set to look for the most appropriate tool within the third category of principles - customer satisfaction and performance enhancement by usage of customer satisfaction, that are aligned with Total Retail experience and differ particularly managing the trade enterprise within the trade companies interaction process.

Traditionally marketing strategy has served as a basic tool of customer satisfaction and as the company's management functional element. Modern marketing theory offers various models of marketing strategies. Strategy is a thorough and detailed planning of activities to achieve the long term objective. It is a higher public art management processes and industry practices, which include the regular research of management activities and persistent usage of archived research results (Nacionālais apgāds, 2002).

A plan identifying what marketing goals and objectives will be pursued to sell a particular product or product line and how these objectives will be achieved in the time available. (Law, A Dictionary of Business and Management, 2006).

[1] Published at www.maxima.lv and reflects the basic concepts discussed during the interview with the enterprise' quality control department director

The company's marketing strategy is usually focused on the objective to increase sales and create or develop the company's competitive advantage. The company's marketing strategy describes the business, its products and the company's position relative to competitors. By planning a marketing strategy is important to realize who will be the customers, who are the competitors, a company's capabilities and resources and the company's internal environment.

Most of scientists note the customer's primary role and influence in marketing strategy and discuss the need to create customer value. F. Kotler said, it is necessary to create "customer value" and achieve customer satisfaction (Kotler, 1994). Marketing theory focuses on the customer, analysing internal and external environment, describing the need for marketing research, buyer behaviour theory for the study. When planning a strategy, it is necessary to evaluate the buyer's needs and preferences (Cravens & W., 1997, p. 133).

Wholesale company is an important element of the distribution chain that by implementation of its marketing strategy solves the producer's marketing tasks. However, according to the basic principles of marketing the wholesaler takes the specific role in products distribution process. The wholesaler function from a marketing perspective is the necessity to reach the customer maximum satisfaction. While the customer role for the wholesaler plays the retailer the objective of wholesaler is to satisfy the retailer needs by regular deliveries of desired goods, according to the ordered quantities and within the agreed deadlines. Within the marketing strategy formulation stage the wholesale companies usually set the targets like increase of sales volumes and the creation and development of a sustainable competitive advantage.

In order to implement the developed competitive advantage the executives of wholesale organizations usually apply generally accepted scientific models of marketing strategies. Scientific literature offers plenty of decisions on how to plan and implement the company's marketing strategy. Popular McCarthy's marketing mix, or 4 P model can be applied in wholesale business activities in combination with Robert Lauterborn 4 C's model. It is important to take into consideration that effective marketing strategy planning can be achieved only by alignment of "4 P's" (*Product* as - goods assortment and sales volumes, *Prices* and trade *Promotion* activities and *Place* as a choice of place of product distribution) with "4 C's" Consumer wants and needs, Cost to satisfy, Convenience to bye and Communication of promotions. Using Lauterborn model, it is important to realize that the wholesale company's customers - is the buyer the retailer that is not at the same time the consumer of goods and could not be considered as a product consumer. Therefore by planning

the wholesale company's product strategy it is important to recognize both the buyer and consumer needs at the same time. Wholesale business strategy is important to plan using all the elements of the McCarthy model in combination with Lauterborn model creating a four-set strategy (Cravens & W., 1997, p. 18). By planning of product strategy, pricing strategy, place strategy and promotion strategy the product category positioning strategy is defined. Consequently to marketing theory development McCarthy 4 P's model was supplemented by three new factors in year 1980 - people, processes and physical attributes (Blait) - emphasizing the importance of internal environment in the organization management strategy.

McCarthy, marketing strategy planning approach can be used evidentially as a basic approach for all trade organizations that are operating at the same time as manufacturers, wholesalers or retailers. By settlement a profit results as a basic target the executives of trade organizations commonly analyse and plan their product, price, place of distribution and promotion strategies, based on available resources and the common need to reduce costs.

Today, retailers changed significantly its attitude and treatment both for sale and the purchase process. More recent researches pay a special attention to a supply chain management process within the process of interaction of trade enterprises. There are several excellent review articles on the modelling of traditional supply chain management. Swaminathan and Tayur focuses on the supply chain issues of visibility, supplier relationships, distribution and pricing, customization, and real-time decision technologies that have significant relevance to e-commerce (Swaminathan, 2003). They present an overview of relevant analytical research models that have developed in these areas, discuss their contributions, and conclude with a discussion on future modelling opportunities in this area. Gunasekaran classifies the supply chain management processes into two basic divisions (Gunasekaran & Ngai, 2009):

1. Configuration-level issues (product design decisions, procurement and supplier decisions, production decisions, distribution decisions, and information technology/systems decisions).
2. Coordination-level issues (material flow decisions, and performance measures and metrics).

In today’s global market, more and more companies realize that the performance of their businesses depends largely on external collaboration and coordination across the supply chain. As chain members are primarily concerned about their individual interests which may not contribute to the overall supply chain performance, their decisions may result in an inefficient network system with problems like high costs, compromised customer service and

a weakened strategic position (Fugate, 2005). Wong in his study discussed the influence of cost cutting and rebate of supplier to a number of retailers. This study examines a two-echelon supply chain with a single supplier and multiple retailers based on the Newsvendor model, in which the retailers face stochastic demand sensitive to the retail price. Coordination process is formulated in a model and the supplier adopts a sales rebate contract to stimulate retailers to increase sales. The results demonstrate that when the sales rebate contract combines with the vendor managed inventory mechanism, the supply chain achieves perfect coordination, which means that retailers acting strategically in their individual interests can also make price decisions to maximize the aggregate chain profit. Because of a proper rebate contract, the retailers lower prices to the system-wide optimal prices so as to increase demand and further improve the aggregate chain profit (Wong, Qi, & Leung, 2008).

Though, there are efforts in literature regarding coordination of different functions of the supply chains, the study of coordinating functions in isolation may not help to coordinate the whole supply chain. It appears that the study of supply chain coordination is still in its infancy. Though, the need for coordination is realized, a little effort has been reported in the literature to develop a holistic view of coordination (Arshinder, 2008).

These changes simultaneously affecting the wholesaler opportunities and ability to coordinate the relationship process with retailers and motivate use the category management approach.

Kotler offers choice of one of four basic classic strategy types within the categories management and product branding thinking:

- ✓ category extension
- ✓ brand extension
- ✓ multi-brand strategy and
- ✓ new brand into (Kotler, 1994, p. 454).

As a result we can conclude that very minor attention is devoted to goods category management approach as well as to comprehensive strategic solutions that give companies "recipe" for the effective category management process.

The fact that consumer is not specified in the strategy practice process at the planning stage is irrelevant as long as the buyer and the consumer is one person. Usually such fit is experienced as an example in retail when strategy is designed to satisfy the customer, so at the same time consumer needs. End user often plays the client’s role in goods and services market. However, in industrial and organizational markets in most of the cases the buyer is

not the end user. As a result, the consumer's needs are not taken into account within marketing strategy planning process.

In order to achieve its strategic goal - profit and turnover increase - wholesaler shall set itself the primary objective: the buyer that in a specific case is a retailer customer needs satisfaction. Watching classic purchase-sale process between retailers and wholesalers, you can see the same picture. Wholesaler' sales representative arrives to the retailer purchasing manager aiming to agree about deliveries of goods and terms of delivery

Within the described situation the goals of wholesaler are:

In this situation, the wholesaler target is:

- √ to inform about the product
- √ to convince retailers that the product is interesting to the consumer (new product promotion is always more difficult)
- √ to make sure that the product meets the retailer's overall strategy for the retailer
- √ to prove that the product will bring him into the mix in addition to sales and profits

Retailer chooses a product range to include the case: see the potential for high turnover in comparison to products in a group or expect from a planned return of the product.

When deciding on the product in the assortment, the retailer uses the following rating system criteria (O'Shaughnessy, 2002, p. 623) :

- √ adequate price
- √ adequate quality
- √ delivery terms and conditions
- √ stability of supply
- √ post sales service
- √ repair if necessary
- √ relationship with the supplier
- √ stockpiling help

Adequate, the price of all these factors are undoubtedly important, but need to remember that the retailer's goal, as a wholesaler of income extraction. To maximize the income of the retailer will prefer a product that provides a stable, high turnover, which means that only if the retailer will take care of your product and category sales to end users, then the wholesaler will be an interesting category of retailer.

In addition it is important to remember that the customer of the wholesale enterprise is not only the buyer of the goods but at the same time the retailer who further is planning to sell these goods to consumer. The rule of customer satisfaction comes as a necessity to satisfy the

retailer needs and preferences following the basic customer satisfaction marketing techniques. We should conclude that the possibility to reach the retailer satisfaction as a buyer of goods and at the same time the necessity of wholesaler to reach the fulfilment of wholesaler needs results in the assessment of mutual work of both parties with the category of goods that is presented by different researches as a Category Management approached discussed by author as one of the techniques driving the customer satisfaction and performance enhancement as a specific tool used in trade industry.

Following the category management principles it is supposed to operate with category of goods as with a separate strategic unit. Thus one of the most significant parameter the retailer takes into account is market share. Since customer satisfaction is crucial for retailer and beside the basic need of retailer is the willingness to attract and retain customer the necessity to provide the customer with the products that takes the highest market share within the group.

On the other hand in order to satisfy the other retailer preference – willingness to increase income made the retailer to analyse the income the retailer gets from the category of goods. The best strategy surely is to choose the product or brand within the category with highest market share and get from it the biggest income. However in real business relations such situation rarely could be reached. Big producers and wholesalers propose the brands with high market share and try to influence the shelf prise. Sometimes the wholesaler or producer requires form the retailer to keep the mark-up of retailer not more than 15% in order to regulate the retail price on the market. At the same time the retailer should keep on average not less than 18% of mark up in order to result at least slightly more than zero income.[2]

Figure 1-13 presents the main resources wholesaler and retailer use within the cooperation process.

[2] Summarized from interview with AIBE general management, Elvi management and Maxima Latvia

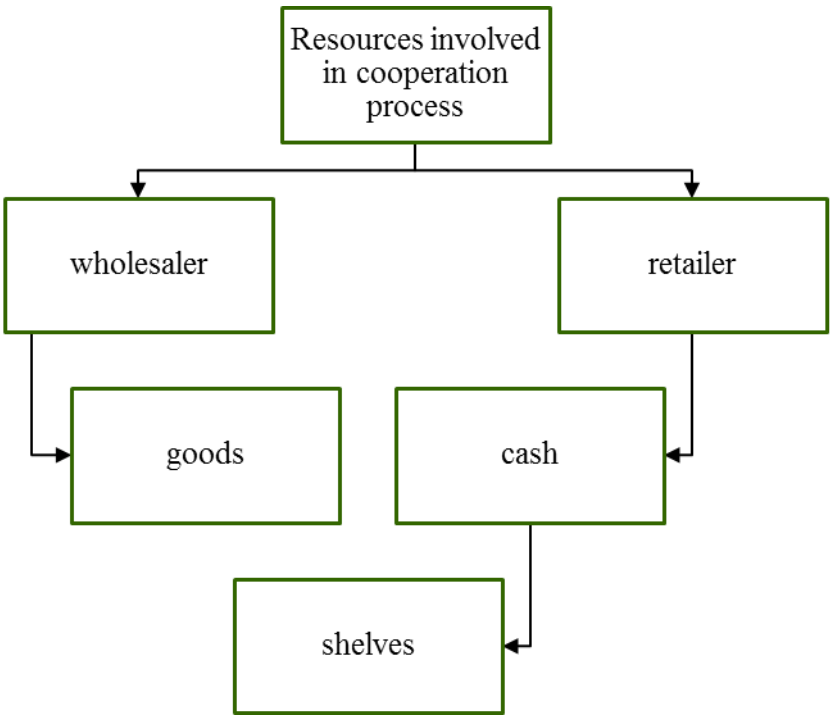


Figure 1-13: Resources used in cooperation process

Source: Author prepared figure

Retailer uses cash resources in order to buy goods. Retailer also has shelves to put the goods, delivered by supplier of goods – wholesaler. In order to merge the interest and asses the needs and preferences of wholesaler and retailer we should define these needs and preferences, like it is viewed at Figure 1-14.

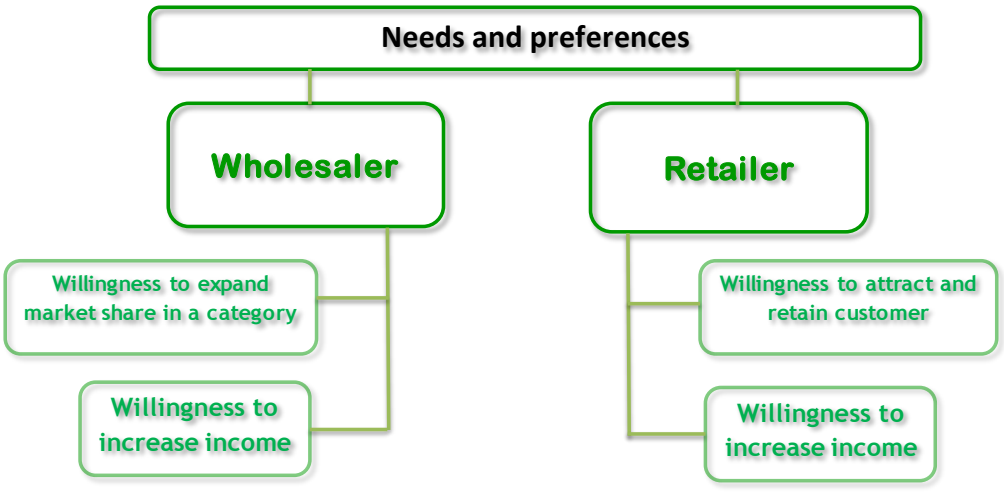


Figure 1-14: Needs and preferences

Source: Author prepared figure

Willingness of wholesaler to expand the market share push the wholesaler to increase the number of goods delivered to retailers shop. By delivery of bigger volume of goods wholesaler generates the higher income. It seems similarly for the retailer's strategy. Retailer

is able to attract and retain customer if provide on the market goods that have high market share, advertised and well known to customer. In order to satisfy willingness to get higher income the retailer should sell more such goods, so to buy more from the supplier.

The author indeed believe in all the basics marketing tools that lead the management of the wholesales companies choose such model of behaviour and strategy implementation in cooperation with retailers. This model could be real for the simple math task at school. However in real world too many other variables influence the retailer – supplier cooperation process.

The important role within the trade company's interaction process plays the persons who participate in coordination of sales and purchases activities. The appendix 1 presents some different structure of the department of trade organizations that are participating in collaboration process. While most of the retailers use category managers as a bargaining person about the decisions of goods assortment and choice of suppliers still wholesalers use different organization structure and thus the contact positions in this process. Some wholesale company's experiences usage of brand managers who are planning the sales policy of the brand and at the same time communicate with retailer's category management sales activities. In other cases the wholesaler design the key account manager who is responsible for the client to communicate about the coordination's of sales of all the categories of wholesaler with several category managers of retailer. While the wholesalers are the first who usually say they are ready to implement the principles of category management they still are not ready to implement the management by categories in its own enterprise structure.

In addition increasing the volumes of delivered goods the wholesaler diminishes the retailer's cash resources and as a result negatively influences all the future possible deliveries of goods. In cases when such kind of increased goods deliveries are too big some retailers already are not able to pay for the other goods as well as to pay for the delivered goods of the wholesaler. Beside the small retailers that were bankrupted over the last couple of years there were many companies who simply already were not able to pay for the goods delivered by wholesaler in big quantities when the stock of such goods in the shop was much higher than it was required because of efficient work of trade agents.[3]

Category management is already proven and practically tested management tool that used in trade organizations in order to improve buyer – supplier coordination of interaction process. Already several successful practices of category management implementation are

[3] According to the information gathered from expert interview.

experienced in Baltic trade companies. Both biggest retailers like Rimi and Maxima as well as the representatives of wholesale companies, distributers of world well known products like Unilever, Danon, and Wrigley etc. approved that they regularly implement category management practices in their interaction process.[4]

Chapter summary

The aim of first chapter is to present the theoretical background for the process of interaction between trade enterprises. The chapter presents the information about the classic management tools available for the managers of trade enterprises, the tools that lead to improvement of interaction processes between trade enterprises. The improvement of interaction process in its turn helps the enterprise to enhance the performance of the company. The management tools applicable in trade enterprise like retail and wholesale trade companies are of the most interest within the held research. The role of wholesale companies within the Baltic States appeared to be already not so important as a couple of years ago. In order to keep and develop the position on the consumer market today it is very important for trade enterprise to develop the company's competitiveness.

Within the first chapter the discussion is held about recent trends in management sciences and principles of modern management tools used by executives of enterprises in order to enhance the performance of enterprise. Within the discussion the author pays a special attention to Category management approach as a most important management tool for trade enterprises.

The special attention of author takes the Total Quality Management. While some of the researches recognize the TQM as one of management tools the author considers that TQM should be perceived as more than simply a management tool. TQM approach combined most of the characters presented in most popular management tools and contains also some additional features. The most important peculiarity of TQM is continuous improvement as a result of focus on quality. The author sees three basic directions of TQM features: strategy generation, continuous improvement and performance measurement via cost minimization and process optimization and finally focus on customer and performance enhancement via customer satisfaction. The author concludes that the usage of TQM concept should be used as a primary philosophy for the creation of management policy of the enterprise. The manager

[4] Author personal conclusions from the interviews with companies representatives during the participation in ECR Baltic Forum 2011.

should choose the most successful combination of management tools following the TQM concepts.

Category Management tool in its turn is one of the most popular tools within the executives of trade enterprises and there exist different perceptions of this tool by researches. The Category management perspective is analysed as one of the important tools used in during the interaction process between trade organizations. Concluding the theoretical perspective of the modern researches the author defines the functions of Category management in the process of administration of trade enterprise an important management tool for implementation within the Business Management Process between trade enterprises. Category management is an effective management tool for implementation during the fulfilment stage of business action model, that create a practical collaboration, which result that wholesaler and retailer has a common goal – customer satisfaction that lead to the increase in income and turnover due to higher sales volume. As a result of implementation in a fulfilment business process stage within the interaction process between wholesaler and retailer Category management process helps to create a competitive advantage, improve the inventory turnover and plan the purchasing and sales volume of the products.

2 TRADE ENTERPRISE PERFORMANCE IN CHANGING MARKET CONDITIONS

2.1 The analyses of trade enterprise performance operating in retail industry

Grocery retailing

The object of the performed research is – wholesale and retail trade organizations in Latvia. Trade organizations are enterprises that are operating in trade industry. Economic sciences usually describe the trade industry as segment of economics or type of business activity characterized by the following objects:

- Sales and purchases of goods and services
- Storage of goods and warehousing
- Process of preparation for sales
- Customer service within the process of sales
- Delivery of goods to customer

In accordance with the interpretation of the Terminology commission of Latvian Academy of Sciences trade is classified as a sector of national economy (wholesale and retail sector of G category economics according to international classification standards) that ensure change of goods and goods movement from seller to buyer (Latvian Academy of Sciences, 2000).

According to Euromonitor International data analysis (GMYD database) the Gross Domestic Product (GDP) from wholesale and Retail trade generates 10% of GDP in Western Europe and 14% of GDP in Eastern Europe countries. The dynamics of change of share of GDP from trade as a percentage from total GDP in Eastern and Western Europe and separately in each Baltic country is presented in Figure 2-1 below.

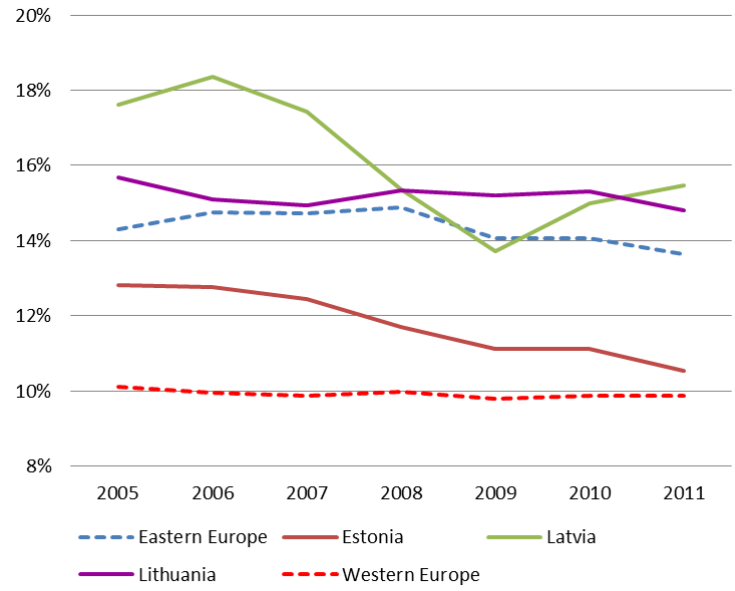


Figure 2-1: GDP from trade, as a % from total GDP, Europe, 2005-2011

Source: the data summarised and calculated by author based on statistics gathered from GMYD Database, Euromonitor International from national statistics.

The Baltic countries generate about 3% of the Eastern Europe GDP and 0.13% of World GDP. Wholesale and Retail almost equally takes the half of GDP from trade operations in all three Baltic countries. The percentage of GDP from Retail for each country is presented in Table 1-1below.

Table 2-1: Share of GDP from Retail Trade as a % from GDP from trade, Baltic States, 2005-2011

Geographies	2005	2006	2007	2008	2009	2010	2011
Estonia	38	40	41	41	41	41	42
Latvia	40	38	47	44	48	51	52
Lithuania	49	49	48	48	50	45	44

Source: author prepared table, data summarised and calculated by author based on statistics gathered from GMYD Database.

In the year 2010 the world retail turnover calculated more then 8,7 billion EUR[5], 32% of which was generated in Europe, however only 5% in Eastern Europe. Figure 2-2 shows more detailed distribution of retail turnover according to geographic location.

[5] 8,7 billion EUR as $8.7*10^{12}$ EUR, GMID

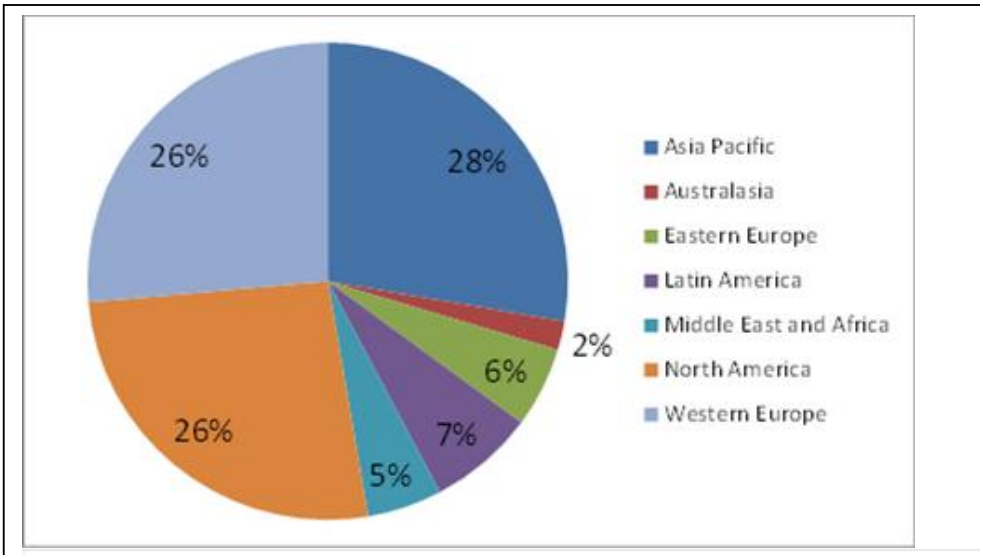


Figure 2-2: Distribution of Retail Turnover in the world according to geography

Source: author prepared figure

15% of the world retail turnover makes TOP 20 retailer, presented in Figure 2-3

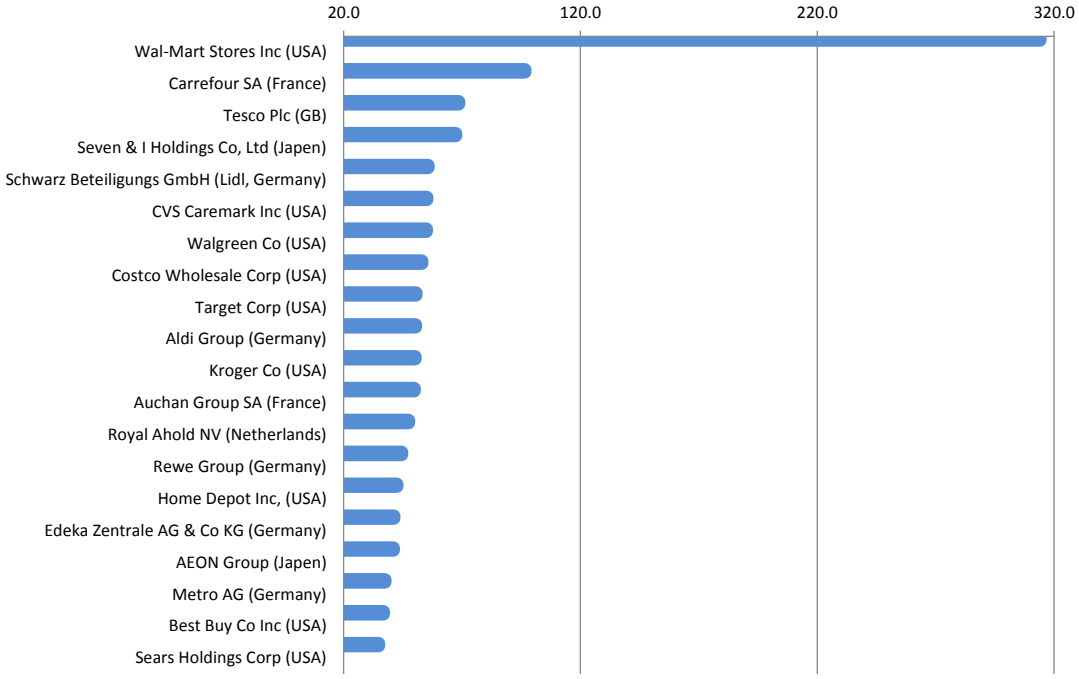


Figure 2-3: The world biggest Retailers – TOP 20 retailers turnover in the world, 2010, € mn.

Source: author prepared figure

Nine of the top companies are based in United States of America. Wall-Mart Stores with the revenues of more than 300 thousands millions € rules the world's largest corporations TOP 500 for the second year in a row (Fortune Global Europe Edition, 2009, 2010).

Wide international presence and low price positioning boost sales Several major global grocery retailers, such as Auchan, Carrefour, Tesco and Wal-Mart, saw sales growth largely driven by expansion in emerging markets. Retailers with a discount or a strong value-orientated positioning feature are among the fastest growing retailers, with the presence of the two largest European discounters, Aldi and Schwarz, and the largest discounter in the US, Supervalu. The sharp downturn in the global economy in 2008 and 2009 favoured these retailers at the expense of those with a mid-market or premium price positioning.

Beside the Non-Grocery retailers strong growth in the end of the first decade of XXI sensory is typical for pharmacies/ drugstores and internet retailers. The fastest growth rate was recorded by Amazon, which grew organically, as well as through acquisitions, benefiting from the rapid expansion of internet retailing and an aggressive pricing strategy backed by efficient operations. The two largest US-based pharmacy/drugstore retailers, CVS Caremark and Walgreen, also saw strong sales growth, as they benefited from the positive impact of an ageing population. The acquisition by CVS Corp of the pharmacy benefits manager Caremark in 2007 also contributed to make CVS Caremark the second largest growing retailer behind Wal-Mart over the 2005-2010 period. (Euromonitor International, 2010, November)

The structure of retailing industry traditionally is divided into three basic directions, as it is presented at the Figure 2-4 :

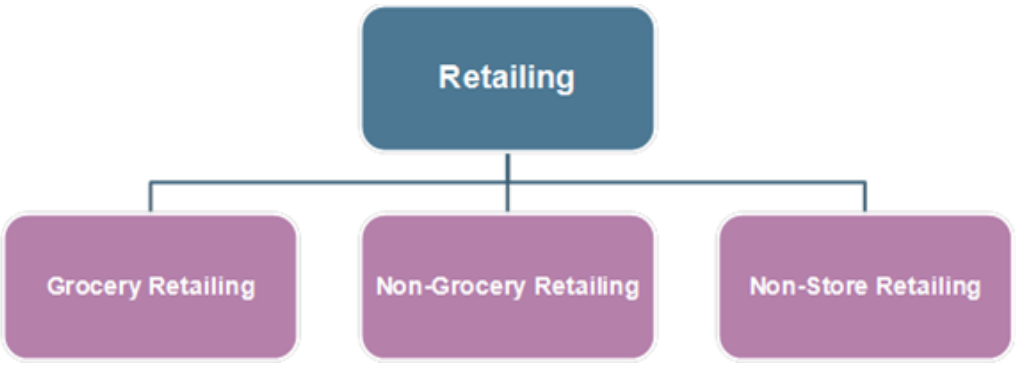


Figure 2-4: Divisions in Retailing

Source: the division proposed by Euromonitor International, September 2009

However Non-Store retailing counts only for 6% of the retail industry, so the major part of revenues comes from Grocery and Non-Grocery Retailing. Between 2003 and 2008, grocery drove value growth in store-based retailing. Although from a comparatively low base (grocery accounted for 45% of store-based retail value sales, versus 55% for non-grocery),

grocery retailing saw value sales increase by a CAGR of 8%, compared with 7% for non-grocery retailing. (Euromonitor International, 2009, September)

Grocery retailing has benefited in recent years from a coming together of long-held strategies (globalisation, changing product mix, private label) and a short-term boost: rising consumer spending. The latter point has come into stark importance as a result of the beginning of the credit crunch and the effects of the fallout from it on a global scale.

If grocery's strong historic growth was underpinned to a large degree by rising consumer spending and strategies to increase non-grocery product ranges, then the credit crunch could be the start of a slower period of development. However, by the same token, it can be seen as providing grocers with support for their longer term growth, forcing consumers to spend more through them and eroding the market shares of weak specialist chains.

Annual disposable incomes have risen steadily for a number of years, leaving consumers with more money to spend in retailers' stores. Between 2003 and 2008, annual disposable incomes rose by a CAGR of 15% in Eastern Europe, while even in North America, where growth was slowest, the rate was 5%.

As consumers' levels of disposable income have grown, grocery retailers have benefited. Sales have been boosted as people seek out higher quality versions of products, which cost more, while manufacturers' attempts to drive their own sales through the addition of value-added items to their ranges have also helped grocers. Between July and August 2007 and August/September 2008 grocers' sales growth was also aided by rising commodity prices, which drove a period of "agriflation". Figure 2-5 presents the dynamics of rivalry between grocery and non-grocery retailing. (Euromonitor International, 2009, September)

Figure 2-5: Grocery Retailing Drives Total Retailing

Source: Grocery Retailing versus Total Retail Industry (Euromonitor International, 2009, September.

It is visible in Figure 2-5 that starting from year 2003 and till the period of recession in 2008-2009 the constant growth was typical both for grocery and non-grocery industry driving

the Total Retailing growth. The decrease of growth in grocery retailing became twice smaller and counts for only 2% starting already from year 2009 and will keep similar trend at least up to year 2013. The decline of growth could be even more visible; however, the real bonus of rising disposable incomes has come for grocery retailers that have pushed into stocking non-grocery products. Utilising the same business model for non-grocery as they do for food, which has meant adherence to low margins to help drive higher volume sales, grocery retailers have increased their share of overall retailing in a number of regions.

Globalization in Retail industry

Although grocers have been expanding abroad in recent years, the importance of their home markets to their overall sales position is clear. Of the leading 10 store-based grocery retailers, only three of them generate more sales abroad than they do in their home markets: Ahold (77% of sales occur outside the Netherlands), Auchan (67% outside France) and Carrefour (53% outside France). Strength at home, therefore, is key for expansion abroad. The likes of Wal-Mart and Tesco utilise the profits generated in the US and UK, respectively ,to fund acquisitions or the building of new stores abroad (Euromonitor International, 2009, September).

As a result, remaining strong at home is becoming almost as important as expanding abroad, as without the former, the latter becomes increasingly difficult to fund. During 2008, questions have arisen about the strength of Carrefour's and Tesco's positions in their home market, with suggestions that both were losing share to competitors. The effect of this has been that both have been pushed towards cutting prices, which could have the effect of eroding margins and affecting incomes. While Tesco showed that this was not the case in its full year results for its 2008/2009 financial year, the concern caused many to wonder whether it may have to cut its investments abroad, just at a time when competition was increasing in a number of its foreign markets.

Grocery retailers' expansion has not just been global in nature. Some have decided to expand regionally, using knowledge about neighbouring markets to enter further countries in an attempt to leverage localised understanding of retail to drive growth. Figure 2-6 shows the level of globalization within the major retailers of the world.

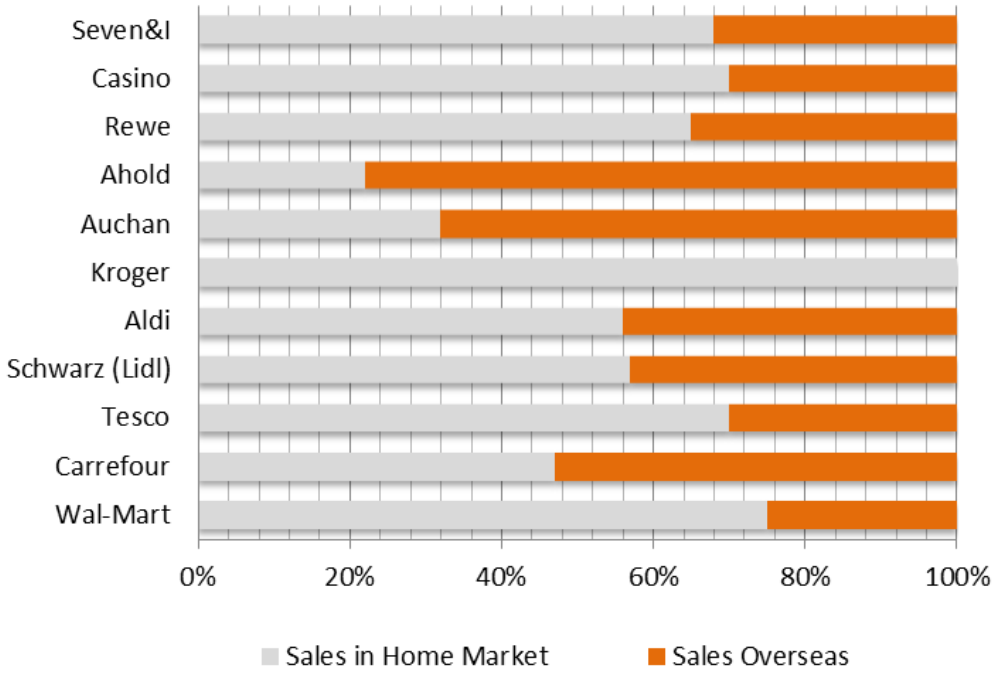


Figure 2-6: Expansion of Retailers to Foreign Markets

Source: Grocery Retailing versus Total Retail Industry (Euromonitor International, 2009, September.

It is important to point out that exactly these biggest retailers – global corporations like Ahold who operates with more than 75% sales overseas, Auchan with its almost 70% overseas sales enormously influence the form of management processes in retail companies in a separate countries. France-based Casino[6] and Germany-based Rewe are very similar companies in a number of ways: Western European based, both account for about 1% of global store-based grocery retail value sales and have a similar share of sales accounted for by their home market (about 70%) versus their operations overseas.

However, the two companies have developed very different strategies concerning expansion. Casino has grown globally, expanding into Latin America, Africa and Asia-Pacific, while Rewe has a taken a more regional approach, growing country-by-country from

[6] The Casino Group is one of the world's leading food retailers. €29,1 billion euros in consolidated net sales 11,663 stores worldwide, of which 9,461 in France 7.5 million sq.m of sales surface 230,000 employees worldwide. At the international level, Casino has chosen to focus its efforts on emerging countries with high growth potential, primarily in South America and Southeast Asia where its subsidiaries are industry leaders and firmly anchored in their communities. According to the information on official web site, get on 08.02.2012. http://www.groupe-casino.fr/en/Vision-and-Strategy.html

its home market in Germany into neighbouring markets in Western Europe before entering Eastern Europe.

It appears, therefore, that retailers' expansion strategies depend as much on their management team as anything else, with very different approaches leading to a similar level of sales globally. The only difference may come in the pace of expansion, with Rewe expanding quicker than Casino at the moment. The knowledge and understanding built up in regionally close countries can enable a company to expand more quickly, rather than trying to grow globally and attempting to utilise knowledge about very disparate countries.

According to Euromonitor International forecasts by the end of the forecast period Years 2013, store-based grocery retailing is set to be worth more US$5 billion (3.14 €, exchange rate 1.59) following annual growth of 2%. Although the economic downturn is likely to hit growth rates to a degree, the overall trends towards further growth are expected to continue in the longer term.

Consumers have to eat, which will continue to support growth within the majority of channels, although it may not benefit the continued, large-scale expansion within hypermarkets, especially in Eastern Europe. While people do have to eat, they clearly do not have to eat ever more expensive versions of what they have purchased before, and so a slowing in the amount of upgrading to premium offerings will affect overall growth rates.

Clearly, the rise of discounters and trading down in the short term are likely also to affect growth rates within grocery retailing, but whether these trends remain after the downturn is moot. During previous economic downturns, "apocalyptic" statements about consumer spending have been uttered by people within retailing, but have clearly not been borne out. While consumers in Western markets may need to reduce debt, this could be offset by rising spending elsewhere. As such, while the outlook may be negative at the present time, the future may not bring about the gloomy reality that some are predicting.

Grocery Retail of Eastern Europe

Latvia as all Baltic countries belongs to Eastern Europe region and is influenced by trends in Retailing of Eastern Europe. Eastern Europe is defined here to consist of 22 countries. They include Albania, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Kosovo, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Russia, Serbia, Montenegro, Slovakia, Slovenia, and Ukraine (Passport Gmid, 2012). Eastern Europe – Modern Channels Account for 60% of Growth. Eastern Europe was the fastest growing region for grocery retailing in current value terms between 2003 and 2008, advancing by 140% in total (Euromonitor International, 2009, September).

The proximity of the region, consumers' rising spending power and the availability of comparatively cheap land has seen a number of Western European retailers expand quickly and to a large degree, bringing with them store formats that work in their home markets.

The top five operators of hypermarkets and three of the top five supermarket companies in emerging region's retail landscape. Discounters (CAGR of 34% in current value terms) and hypermarkets (26%) were the fastest growing channels, with the former supported by growth within Russia, while the latter advanced in a number of markets (Euromonitor International, 2009, September).

The importance of the Russian market to growth in Eastern Europe overall is substantial, as it accounted for 72% of value sales added within the region between 2003 and 2008. The emergence of the country as a viable and exciting market for retailers has seen it become one that all global grocery retailers want to become involved in (Euromonitor International, 2009, September).

By contrast to the rest of the region, which is dominated by the likes of Carrefour, Tesco, Aldi and Schwarz Beteiligungs (Lidl), Russia remains firmly in the hands of locally-based companies. Global retailers have been deterred from investing in the market so far, due to the difficult business environment and the relative lack of opportunities to invest at the "right" price. (Euromonitor International, 2009, September)

The fallout from the credit crunch, which has hampered expansion for Russia-based companies, may provide such an opportunity. Figure 2-7 presents the structure of retail grocery according to kind of retail chain operations. Almost one third of the market belongs to Supermarkets 29%. Hypermarkets counts for 16% of total value sales of retail in Eastern Europe region. Discounters became more and more popular and counts for 13% of value share. Thus these tree major channels generates 58% of retail turnover.

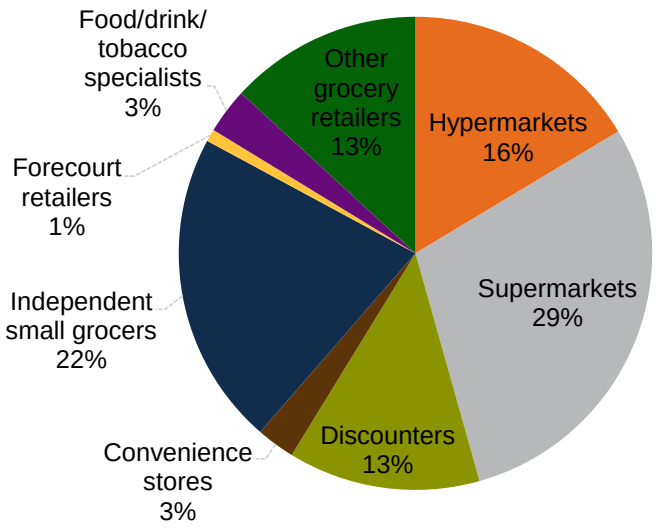


Figure 2-7: Share of total value sales growth by channel for the region between 2003 and 2008.

Source: Euromonitor International report, September, 2009

Hipermarkets popularity becomes more and more obvious. Still the standard supermarket format remains the biggest and counts for almost third part of sales. The market of independent small grocers still stay of a level of 22% on average in observed by Euromonitor international Eastern Europe countries (Euromonitor International, 2009, September).

Structure of Retail Industry in Baltics

There countries Latvia, Estonia and Lithuania are called further as Baltic States. Over the last decade the Baltic States have seen a rapid development of their retail grocery sector. Starting in the 1990s from a Soviet trading system in which, for instance, supermarkets did not exist, all three countries are now served by a mix of modern retail formats – hypermarkets, supermarkets, convenience and discount stores – as well as traditional open markets (Vanags & Chandler, 2006).

The sustainable growth of economic indexes is typical for Baltic countries during first decade of XXI century. Figure 2-8 shows the speedy growth of retail trade turnover in Baltic States till the period of fallout. The figure highlights also the difference of turnover volume in mln of EUR between the countries and dynamics of changes over the second part of first decade of the XXI century.

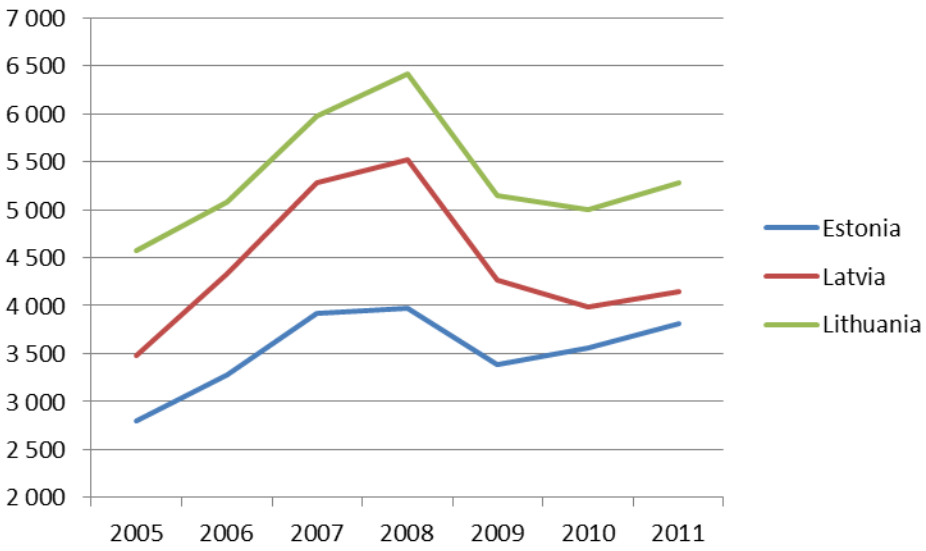


Figure 2-8: Retail trade turnover, Baltic States, mln EUR, 2005-2011

Source: The data summarized and calculated by author based on statistics gathered from GMID and CSB.

Beside the retail Industry the highest economic growth rate is typical for Latvia. Steady growth in retail industry continued up to economic fallout. During the last years the retail companies were growing very fast. The steady growth of retail turnover was typical from 2005 till the period of economic recession in 2008. After stable period of growth the retail trade turnover dropped by 15% in Estonia, by 20% in Lithuania. Latvia faced the biggest drop in retail sales volume of 23% and continued to fall also in year 2010 when reached the lowest rate within analysed period of 3,4 mln of EUR (GMYD database). The decrease of turnover in 2010 was typical only for Latvia and Lithuania while Estonia faced already a slight increase of 5% in 2010. Year 2011 brought increase of turnover already for all three Baltic countries.

The retailing also could be divided in store retailing and non-store based retailing. Non - store based retailing counts slightly more than 1.5% from total retail turnover that is less than average world 6% rate and is insignificant. The highest store based retail turnover in the first decade of XXI century was in Lithuania and counts for 6.2 billion €.

There were developed supermarket chains that used to satisfy the consumer needs. Most of the retail companies starting business in one of the Baltic countries constantly broader the distribution chain. They were opening one by other new shops in their own country as well as in the neighbour countries.

Latvia

As the author previously mentioned the Retail trade in Latvia generates about 46% of GDP from trade. The retail industry turnover of Latvia in the year 2010 was about 3 500 mln €. Non-Store retailing counts only 1.5%-1.8% according to Euromonitor data, however analysing the data provided by Central Statistical Bureau of Latvia the author found difference in calculations. Figure 2-9 shows that it was a delicate grows in non-store retailing. The growth of non-store retailing can be explained by common development of sales via internet.

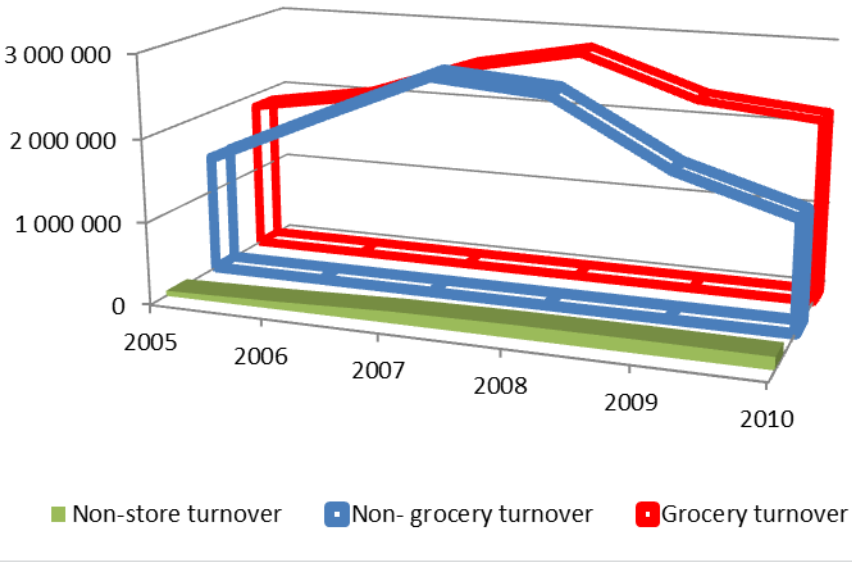


Figure 2-9: The structure of Retail Turnover in Latvia, mln EUR, 2005-2010

Source: The data summarized and calculated by author based on statistics gathered from GMID and CSB.

The distribution of percentage of sales between grocery and non-grocery turnover changed slightly within analysed 5 years. The highest 56% part in year 2005 declined over time and reached again the 57% in the year 2009. In order to attract more consumers and boost sales, grocery retailers started to offer more and more non-grocery goods in their stores, such as clothing, cosmetics, home and garden goods, electrical appliances, etc. Non- grocery retailers, especially leading home and garden specialist retailers, also installed shelves with food and beverages in their stores, so the distinct boundary between grocery and non-grocery channels is gradually fading. In addition, in 2009 and 2010, due to the appearance of fixed price stores, there was a breakthrough in the number of mixed retailers in Latvia. The growing number and popularity of shopping centres also leads to gradual centralisation and concentration of retail sales in urban areas, especially Riga and the surrounding district (Euromonitor International, 2011, January)

However during the economic crises the most crucial decline of turnover was particular for non-grocery products resulted in increase in grocery part in total retail turnover. The part of non-grocery sales dropped under 40% in the year 2010. The distribution between grocery and non-grocery turnover is shown on Figure 2-10.

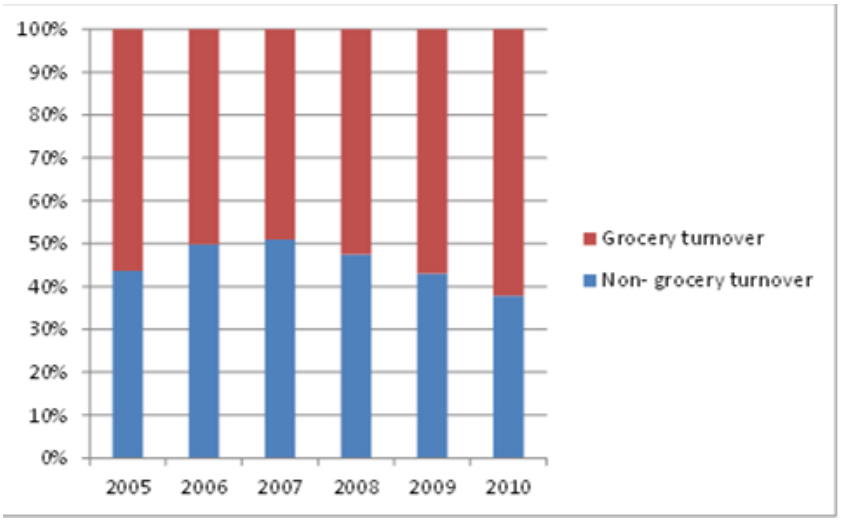


Figure 2-10: Share of Grocery Turnover %, Latvia

Source: The data summarized and calculated by author based on statistics gathered from GMID and CSB.

However both grocery and non-grocery sales dropped dramatically after the fall out. While grocery turnover declined by 22% in the year 2010 in comparison to 2008, the decline in non-grocery retail sector at the same period of time was almost 50% and dropped under the level of the year 2005. The dinamics of retail turnover during last years in Latvia is presented at Figure 2-11.

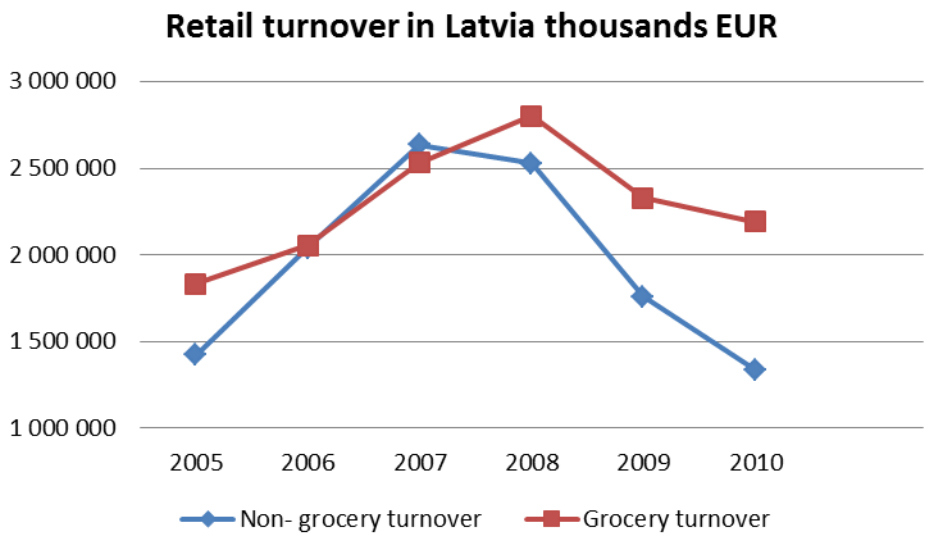


Figure 2-11: Retail Turnover in Latvia, thousands EUR, 2005-2010

Source: The data summarized and calculated by author based on statistics gathered from GMID and CSB.

Sales of non-grocery retailers suffered much more as the majority of the goods they sell are not staples, so purchases of these during times of crisis were either cancelled or delayed. Sales of clothing and footwear specialist retailers dropped by -29% in 2009 and -18% in 2010 and the majority of these players admit there was no other way to attract consumers' attention and stimulate sales than to offer considerable discounts and up to 75% off. Many closed some of their stores as sales turnover did not always justify expensive rent in shopping centres. (Euromonitor International, 2011, January). Also according to author calculations if to compare the retail turnover changes by years we can conclude that the turnover per inhabitant was the highest in 2008 and counted for 2 346 LVL per inhabitant per year and dropped to 1 568 LVL in year 2010.

Within recent years grocery retailing has benefited from a coming together of long-held strategies (globalisation, changing product mix, private label) and a short-term enhancement: rising consumer spending. The latter point has come into stark importance as a result of the beginning of the credit crunch and the effects of the fallout from it on a global scale.

If grocery's strong historic growth was underpinned to a large degree by rising consumer spending and strategies to increase non-grocery product ranges, then the credit crunch could be the start of a slower period of development. However, by the same token, it can be seen as providing grocers with support for their longer term growth, forcing consumers to spend more through them and eroding the market shares of weak specialist chains.

In 2010, after a considerable -18% shrink of GDP in 2009, the Latvian economy showed the first signs of stabilisation. However, due to high unemployment, which was close to 20% at the beginning of 2010, purchasing power of consumers still remained low. As a result, the majority of consumers controlled their spending carefully and tried to avoid unnecessary spending and impulse purchases. As a result, sales of grocery retailers continued declining in 2010. Nevertheless, it performed much better in comparison to the - 17% decline in non-grocery retailing, due to selling mainly staples which are purchased on a regular basis even in times of crisis (Euromonitor International, 2011, January).

Characteristics of retail companies and shops

It is registered a little bit more than 13,5 thousand retail enterprises in Latvia in year 2009 according to data provided by Central Statistical Bureau of Latvia. However beside rather big number of companies in retail industry only 10% of them have more than 10 employees. More than 12 thousands of these registered companies in retail business have up to 9 employees. The detailed percentage is presented at Figure 2-12.

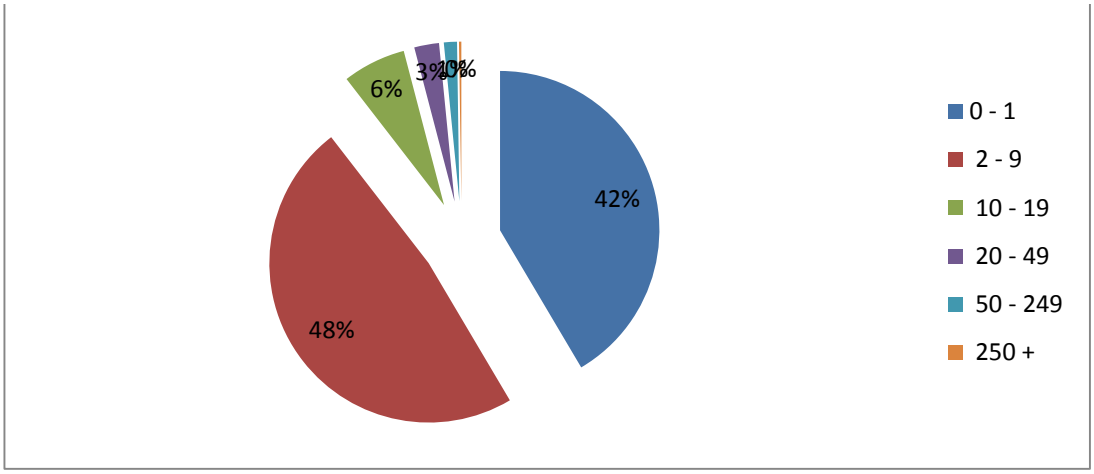


Figure 2-12: Number of companies according to number of employees

Source: The data summarized and calculated by author based on statistics gathered from GMID and CSB.

On the other hand analysing the distribution of turnover beside the retail companies according to number of employees it is obvious that more than 66% of turnover is generated by companies with more than 50 employees. 10% of companies with the number of worker more than 9 generate 84% of turnover. And 90% of companies with the number of workers up to 9 generate only 16% of total retail turnover. Details by each of groups are visible at Figure 2-13.

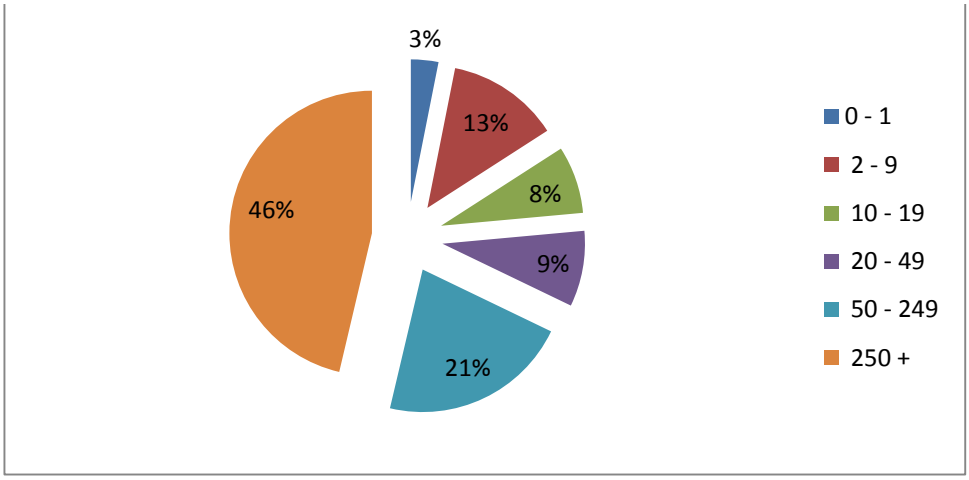


Figure 2-13: Retail turnover according to number of employees

Source: The data summarized and calculated by author based on statistics gathered from GMID and CSB.

Beside registered more than 13 thousand companies only 22% are operating in grocery retail in the year 2009 while other 78% of companies are working in non-grocery sector. At the same time these 22% of companies employ 42% of employees in retail industry and only 58% of employees are employed by 78% of companies.

Figure 2-14 shows the data about number of employees working in retail industry. In the year 2009 the number of employees working in grocery retail decreased by 13,5% in comparison to year 2005 and counted for 3.4% of registered economically active inhabitants of the state.

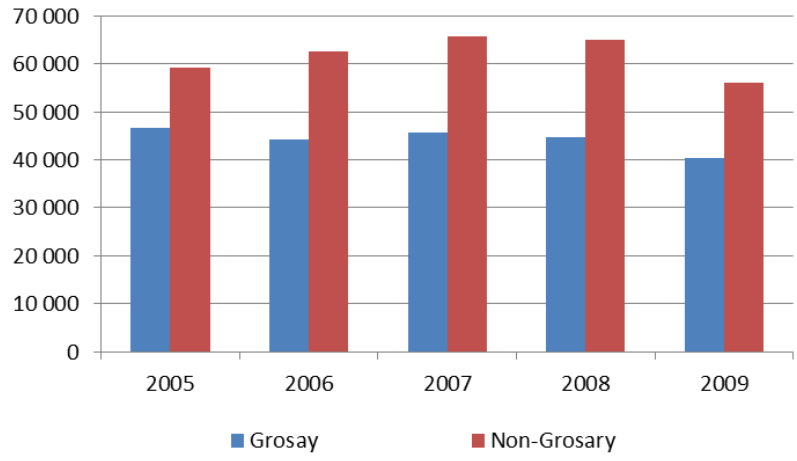


Figure 2-14: Dynamics of change of number of employees in industry, Latvia, 2005-2009

Source: The data summarized and calculated by author based on statistics gathered from GMID and CSB.

Share of employees working in grocery industry counted for 44% in year 2009 later dropped to 41% in increased slightly to 42% in year 2009. Employees working in non-grocery industry accordingly have a share of 58%.

The beginning of XXI century was the period while many trade enterprises faced a rapid growth. According to data of Central Statistical Bureau of Latvia the number of stores in Latvia in the year 2007 increased by 70% from the year 1997 and reached it's maximum of 17221 stores. However fallout influenced the operations of stores and in 2008 already was a decrease almost 7%. In addition there were operating in retail more than 4,5 thousands stand and kiosks in a year 2008.

Number of stores per 10 000 inhabitant almost doubled and was above the level of 100 stores per inhabitant in the beginning of XXI century.

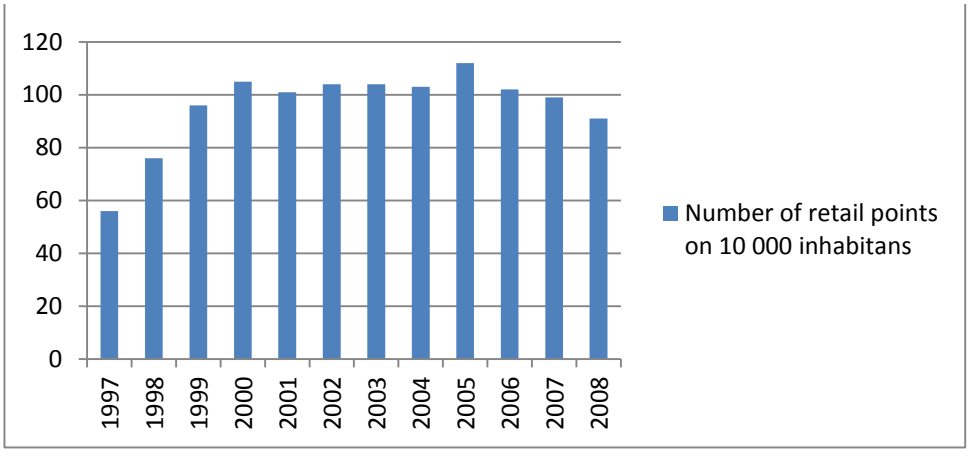


Figure 2-15: Number of retail points on 10 000 inhabitants, Latvia, 1997-2008

Source: The author prepared graph based on Central Statistical Bureau of Latvia data

However it is important to point out that the division between food and non-food stores has a rapid change within this period. While stands and kiosks varied from 22 to 38% from all retail points and its number did not exceed 27% after the year 2007, the distribution between food store and non-food stores changed dramatically.

Figure 2-16 shows the redistribution of % between food and non-food stores during 10 years till the year 2008 in percentage of stores.

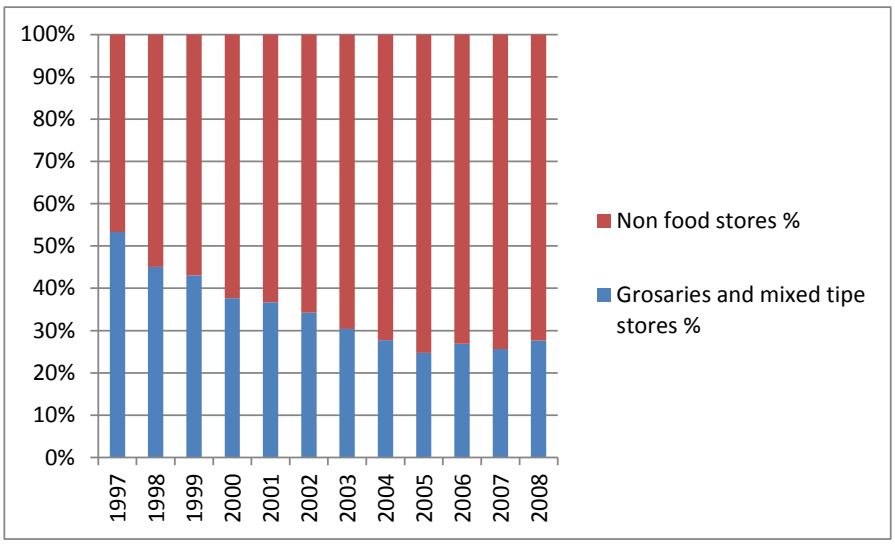


Figure 2-16: redistribution of % between food and non-food stores

Source: The data summarized and calculated by author based on statistics gathered from GMID and CSB.

Thus dramatic decrease from 53% in last century to 28% in the year 2008 could be explained by total globalization process in retail industry and the development of retail chains. This process changed also from average of 90-100 square meters of sales area to 177 in the year 2008.

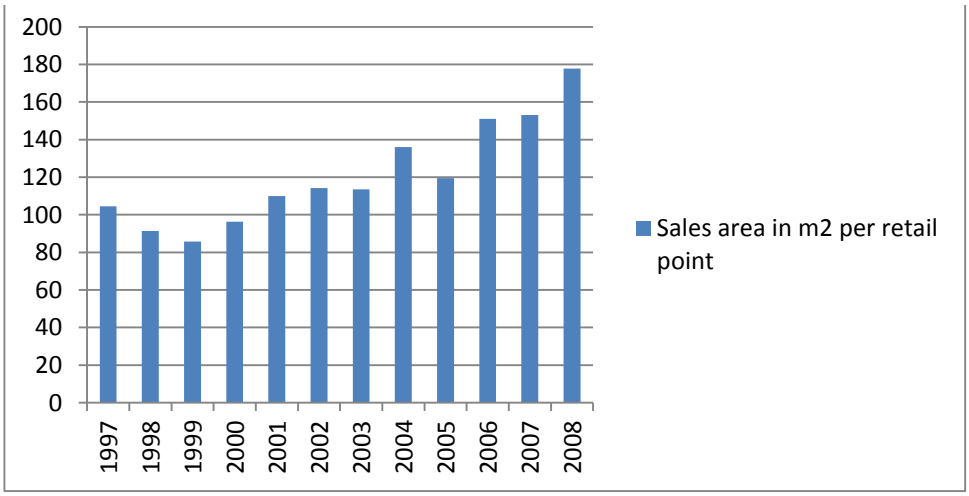


Figure 2-17: Sales area in m2 per retail point, Latvia, 1997-2008

Source: The data summarized and calculated by author based on statistics gathered from GMID and CSB.

The increase of number of stores between Non-food stores is typical for different sales areas. While increase in small shops with sales area less than 50 m2 was only about 6% and 66% for the non-food stores with area 50 - 400 m2 at the same time increase in number of shops with sales area of 400-999 m2 and more than 1000 m2 in accordingly enlarged by

267% and 371%. And reached almost 959 shops with area more than 400 m2 in comparison to only 238 in the year 1999. Figure 2-18 shows the number of shops according to size of sales area. The shops with sales area more than 400 m2 are presented for convenience using the secondary axes and designed with dashed line that helps show the visible trend of growth of big shops and decline beside the shops with small sales area.

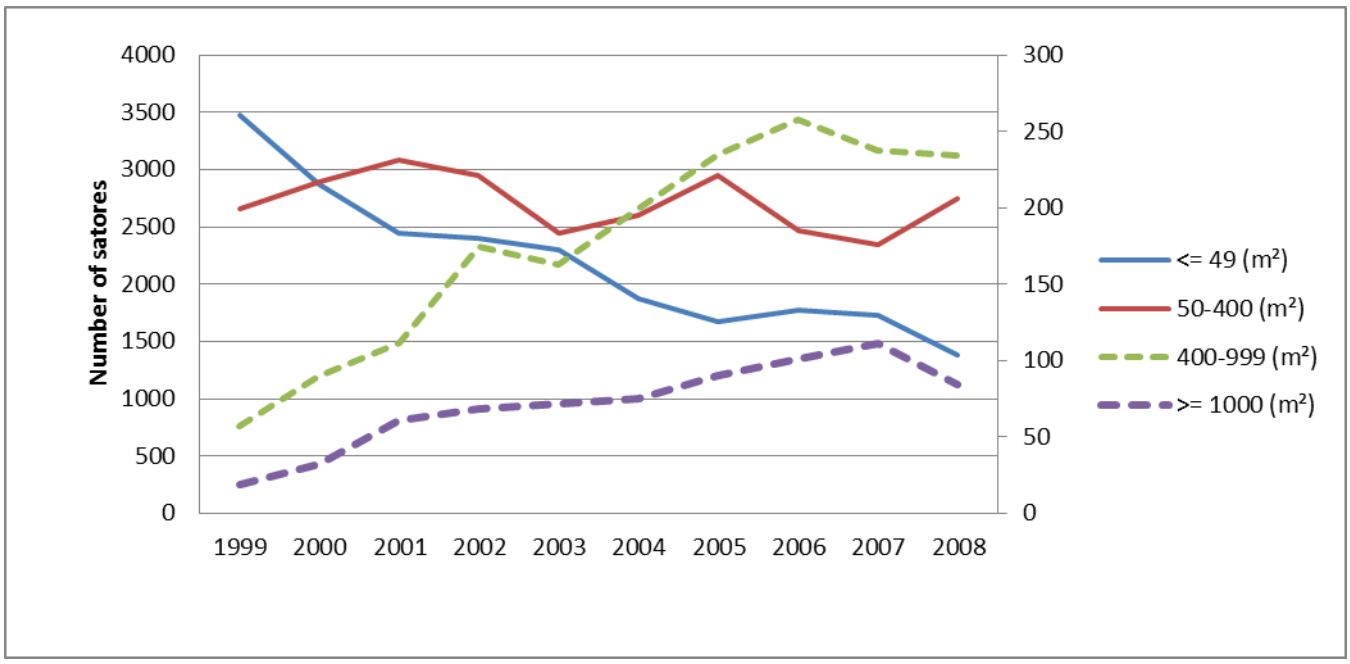


Figure 2-18: Number of grocery shops according to sales area, 1999-2008

Source: The data summarized and calculated by author based on statistics gathered from GMID and CSB.

Changes beside grocery shops and mixed shops were even more visible. While increase of shops with area more than 400 m2 and 1000 m2 counted more than 300%, there were no any visible change (growth of 3%) beside number of shops with sales area 50 - 400 m2 and a dramatic decrease of 60% was beside the shops with sales area up to 50 m2, from 3474 shops in the year 1999 to only 1383 in the year 2008. The change in number of shops according to area of sales premises for non-grocery shops is show at the Figure 2-19 similarly as at the previous figure; shops with sales area more than 400 m2 are presented on a secondary axis in dashed stile in order to highlight the visibility of trends.

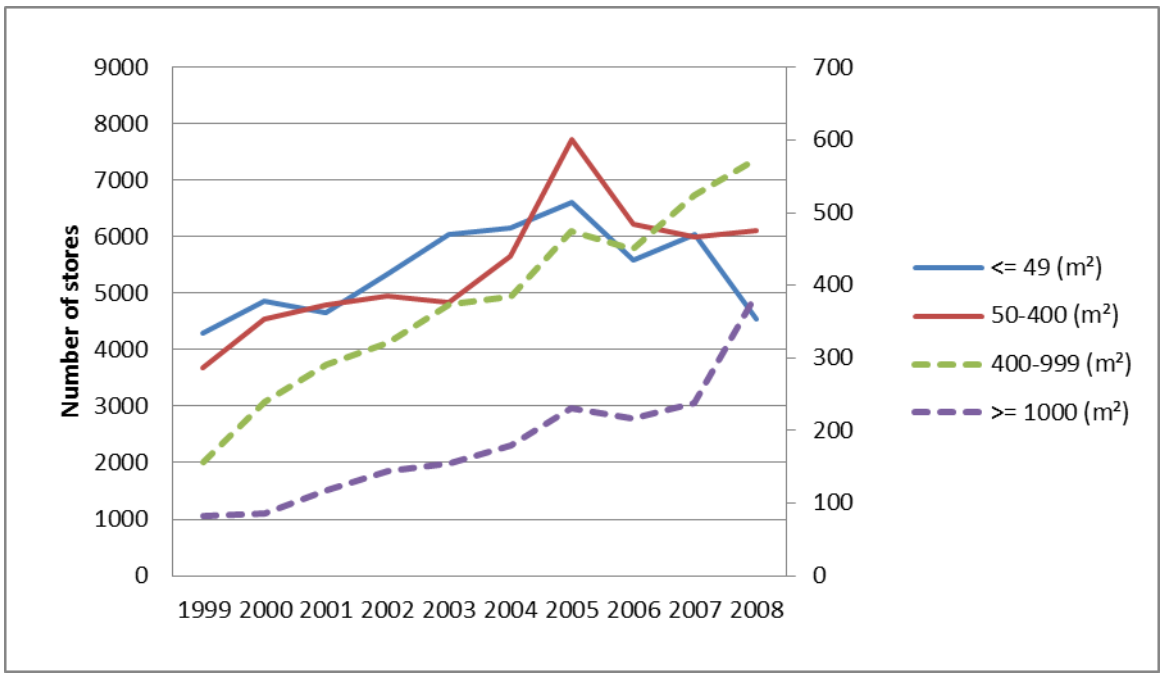


Figure 2-19: Number of non - grocery shops according to sales area, 1999-2008

Source: The data summarized and calculated by author based on statistics gathered from GMID and CSB.

In the year 2010 more than 80% of retail grocery turnover was generated by retail chains. The distribution of turnover between the major players on the market is shown at appendix 7. Almost 50% of turnover belongs to two companies. Maxima Latvija SIA runs several hypermarkets, supermarkets and numerous convenience stores and belongs to Lithuanian company UAB Maxima Groupe. Rimi Latvia SIA operates a network of hypermarkets, supermarkets and discounters and belongs to Netherlands concern Royal Ahold NV. Both companies led grocery retailing in 2010 with almost equal value shares of 24% each. Both companies have national outlet coverage and operate through several retail channels. Dominance and mutual rivalry between these two players has been a tradition since 2001, the remaining players have been left far behind, trying to protect their review period positions from the increasing influence of the grocery retailing leaders. Rimi and Maxima stores offer a very wide product range and run consumer loyalty programmes.

The other half of the market that counts for 51,8% of retail grocery market are distributed beside other 10 brands and independent shops. Independent shops took 40% of retail market in year 2005. This share reduced up to 17.7% according to statistics of 2010. Beside independent shops and two biggest retail chains 10 brands presented in divide the other part of retail market.

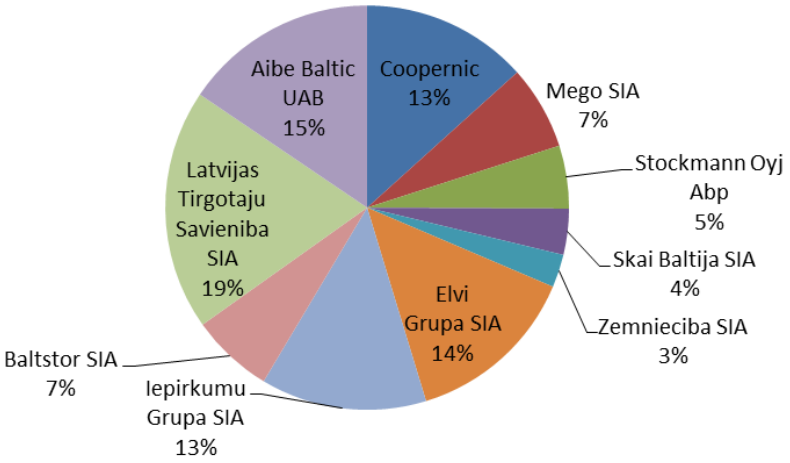


Figure 2-20: enterprise share on retail market of Latvia except two biggest players Rimi and Maxima

Source: The data summarized and calculated by author based on statistics gathered from GMID and CSB.

International retail chains like IKI supermarkets and Cento discount shops that came on the retail of Latvia as Lithuanian company in summer 2005, however later in the year 2008 were acquired by The European Alliance of Independent Retailers Coopernic. In 2009 this retail chain gained also local chain Nelda shops that generated 90 thousands EUR turnover in the previous year. Acquisition of Nelda shops helped to increase the retail chain share from 1% to 5%.

Finish concern Stockman group opened its department store in the canter capital of Latvia Riga in the year 2003 and takes almost 2% of the market. Sky Baltija supermarket chain that belongs to American company Orla Media LLC and British Wingate, operates with 4 shops and takes 1.3% . Together these international companies get almost 56% of Latvian market.

Share of domestic retailers is very insignificant as all core players in grocery retailing are local subsidiaries of international players. Among the largest local players are Baltstor SIA with its brands Mego and Vesko and Zemnieciba SIA with a network of Beta convenience stores. The companies accounted for 4,6 % and 1% respectively, of grocery retailing value in 2010. (Euromonitor International, 2011, January).

However while Beta shops are really Latvian origin shop chain with 41 small shops mostly located in Riga. From mentioned 4,6 % of market share of Balstor only supermarket

chain with brand Mego with 50 mln EUR yearly turnover and 2,3% market share should be taken into account. The shops operating with brand Vesko do not belong to company but entered in commercial cooperation union.

There is no purposeful government support to traditional grocery retailing, so players apply different strategies to attract consumers themselves. Modern grocery retailers are much more prevalent in Latvia. In 2010 traditional grocery retailers, which includes independent small grocers, food/drink/tobacco specialists and other grocery retailers, accounted for just 6% of total sales of grocery retailers. (Euromonitor International, 2011, January).

In order to resist increasing competition from hypermarkets, supermarkets and discounters, small grocery retailers unite in trade co-operations. Trade co-operations give the partners several advantages: united recognised branding, united logistic system, marketing and advertising activities, a website with all addresses listed and financial support in case of temporary pressure for money. Latvia is the country where in one time in parallel operates so big number of different co-operations. Mego in addition to its 57 own supermarkets organized cooperation and jointed more than 370 small shops under the brand Vesko. The co-operation of Latvian retailers AIBE jointed independent retailers in union starting from the year 1999. In year 2007 some of the shops divorced and organized independent co-operation under the brand Latts operated by Latvijas Tirgotaju Savieniba SIA.

Iepirkumu grupa SIA also organized co-operation beside 16 companies and joined 141 shops under brand TOP! with market share 4.5% in 2010. In 2010, Elvi Grupa SIA faced insolvency and, to run its network of Elvi supermarkets, another company was created - Partikas Tirdzniecibas Apvieniba SIA. This new company operates now on a franchise basis convenience stores under the Elvi brand name with 4,7 % market share.

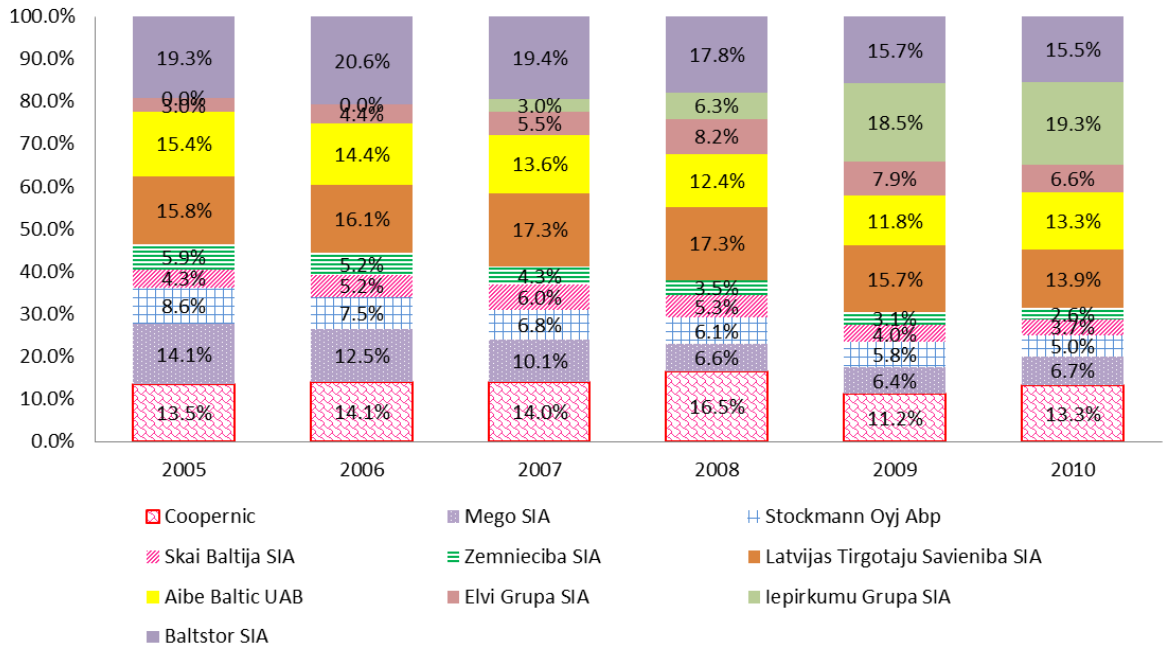


Figure 2-21: Grocery market division between market players (biside market leaders (Rimi and Maxima)

Source: The data summarized and calculated by author based on statistics gathered from GMID and CSB.

Totally there are 5 main groups that are combined on co-operation principle and unite small retailers. Together they divide 23,4 % of turnover between 500 different legal companies with almost 1500 shops. In comparison in the other Baltic country Lithuania there is only one co-operation of retailers AIBE that unites about 200 Legal persons and 500 shops. Such concentration helps the cooperation to achieve more effective results in procurement strategy. Due to the competition independent small grocers will continue shrinking over the years 2011-2013 according to Euromonitor forecast (Euromonitor International, 2011, January).

Wholesale companies operating in trade industry is the main supply chain of products for Grocery retail market. In an interview, a senior employee in a major retail chain estimated that more than 70% of the suppliers of major Latvian retail chains are categorized as Latvian SMEs generating less than 50% of the retailer's total turnover, and less than 10% are categorized as international and/or global brands that provide more than 50% of turnover (Fel, The impact of efficient consumer response (ECR) on suppliers to retail in Latvia, 2008). More

than 85%[7] of goods in grocery retail retailer bye from local suppliers producers of wholesalers of goods.

2.2 The analyses of trade enterprise performance operating in wholesale industry

Wholesale in world and in Baltics'

The author did not find any sufficient data to see the general structure of development of wholesale industry in total in a world. The data available about some of the countries were used for the analysis. On average about 4 to 10% generates GDP from wholesale trade from total GDP of the state. The detailed data can be found in Appendix 8. All three Baltic countries have on average the same percentage like other European countries. In 2005 Latvia has the highest percentage of 9% between Baltic countries while Estonia and Lithuania had only 7%. However later in year 2010 this figure decreased already to 6%. Japan has the highest wholesale share of 10% within the analysed countries. At the same time developed European countries like France and United Kingdom only 4% of GDP generated by wholesale trade.

By usage of data presented in Eurostat it is possible to analyse wholesale turnover of Baltic countries. The table 4-7 in appendix 9 presents the wholesale turnover in Baltic countries. Wholesales activities generate almost 70% of turnover of trade industry in total. This percentage differs in Baltic countries, while Estonia has the same share of 68% as on average in EU countries, Lithuania has the lowest 62%. This difference can be explained by very developed retail market of Lithuania that minimizes the share of wholesale in trade turnover. At the same time Estonia has the biggest difference of food and beverage wholesale turnover of 12% in comparison to 17% on average in all EU countries. More detailed data is presented in appendixes.

Traditionally wholesale market is divided into three main directions according to Figure 2-22.

[7] According to the interview with Maxima and Rimi employees about 75% is purchased from local suppliers. Some of other retailers have up to 5% of imported goods. According to authors calculations not less than 85% taking into account each retailer market share is purchased from local suppliers.

Figure 2-22: Wholesale market directions

Source: Author prepared figure based on information presented in Euromonitor report and analyses of Latvian market..

As it is obvious from Table 2-2, most of the turnover generates delivered wholesale. Other wholesale types like agents sales data is presented in Eurostat data and counts 4% from total wholesale in Estonia, only 2% in Latvia and 1% in Lithuania.

Table 2-2: Wholesale turnover by direction

Share of Cash&Carry and other non-delivered wholesale turnover in total wholesale turnover €mln.

	2008 Wholesale trade	2008 Wholesale on a fee or contract basis	2008 Cash and Carry
Estonia	11 443.0	436.3	0.07
Latvia	13 760.6	257.1	2.28
Lithuania	15 642.8	111.4	414.53

Source: GMYD, Eurostat, trade association.

Cash & Carry is relatively new concept in trade. The Cash and Carry format is believed to have been invented in the UK in 1958 by Lawrence Batley OBE. Batleys is still a leading UK Cash and Carry chain. Within a year, the Cash and Carry concept had extended to Germany, with the opening of the first SELGROS store in 1959, the first Metro outlet in 1964 and the first FEGRO Cash and Carry in 1966. Metro entered a partnership with Dutch commodities wholesaler Steenkolen Handels-Vereeniging (SHV) resulting in its first store abroad, opening under the name of Makro in The Netherlands in 1968. Since the partnership disbanded in 1998, SHV has operated the Makro brand in Latin America and Asia Pacific, while in Europe it is owned by Metro. Metro, Makro and FEGRO/SELGROS are the biggest international Cash and Carry chains to this day. The majority of other chains cover only a single national market. (Euromonitor International, 2010, December)

Nevertheless the Cash and Carry format is very popular kind of wholesale in Europe it is very slow development of Cash & Carry in Baltic States. The most developed Cash & Carry business is in Lithuania, where this direction counts already more than 400 mln € turnover and takes 2.65% of wholesale turnover. The cash and carry format in Lithuania was

established in 1997 by American-Lithuanian joint venture Sanitex. For the moment there are 15 cash and carry outlets in Lithuania. This format is most attractive to small, traditional retailers and foodservice providers. Cash and carry in Lithuania is positioned as wholesale channel offering a range of food and non-food products at very competitive prices, in convenient packages to large and small businesses, horeca players, organisations, institutions and enterprises. The regular consumers also have a possibility to make purchaises, no matter that it is a wholesaler. People usually like them, as they offer lower prices and the possibility to buy products in bulk. In the year 2010 there was 10 Cash& Carry outlets that belongs to 2 companies, 9 belongs to Sanitex UAB and 5 outlets of Maxima LT UAB, also the biggest retail operator in the country. The total turnover of these cash and carry outlets in the year 2010 was 366 mln €.

The first Cash & Carry outlets in Estonia were opened in 1990s. Cash and carry outlets tend to be part of larger chains, such as the well-known Supernetto chain, which is owned by Rimi Eesti Food AS. Furthermore, in Estonia, cash and carry is a popular channel for the retailing of alcoholic drinks, as evidenced by the local alcohol producer, Liviko AS, which sells a significant proportion of its output through a cash and carry warehouse. AS Kaupmees & Ko Cash & Carry, Viinarannasta OÜ's SuPerAlco Viinarannasta Cash & Carry, AS

Kanpol's Cash and Carry, and Supernetto are among the leading cash and carry outlets in Estonia. (Euromonitor International, 2011, January)

The cash-and-carry channel is not yet as developed in Latvia as it is in neighbouring Lithuania (Maxima Baze) or Estonia (Supernetto cash-and-carry). Rimi Latvia SIA leading retailer in Latvia opened the first and so far also the only Rimi Baze cash-and-carry in Riga, in the Azur shopping centre in Autumn 2009. The store provides an opportunity to purchase various goods in multipacks at cheap prices. Products sold by Rimi Baze are especially attractive to consumers who rarely shop and tend to buy in big quantities and store at home. Nevertheless the shop is only positioned as "cash-and-carry", and in actual fact does not support the cash-and-carry definition, as not only legal persons make purchases, but regular consumers, can shop there. Thus this outlet can-not be really counted as a wholesales format. The real Cash & Carry was opened in only Riga in spring, 2011 by Lithuanian wholesaler Sanitex who have chosen the strategy of aggressive expansion of company's Cash and Carry business to Latvia. According to the interview with the company representatives it is planned to open together 3 Cash & Carry till the end of 2011 and 3 more in the future period.

Due to insignificant share of agent's wholesale and Cash and Carry wholesale part and taking into account that more than 99% of the goods sold in retail business are delivered by

usage of delivered wholesale direction the author further concentrates exactly on delivered wholesale.

The structure of wholesale market in Latvia

There was continuous wholesale industry development in Latvia in the beginning of XXI century. The turnover of wholesale companies tripled in comparison to the year 2000 and reached its peak number in 2007.[8] However the dynamics of last years is already not as bright as the development of industry in the beginning of century.

Since the main suppliers for retail grocery industry are food and beverage product wholesalers most of the interest in the analysis oriented exactly on this field of wholesale. As it was already presented in part about retail industry dynamics almost 50% of the market is divided between two basic retail chains Maxima and Rimi. Major part of the shops they operate are with more than 400 m3 sales area and include in the standard assortment household goods. This fact prompted the author to include in analysed data also figures about wholesale of household goods.

It is registered a little bit more than 7,5 thousand wholesale enterprises in Latvia in year 2009 according to data provided by Central Statistical Bureau of Latvia. However beside rather big number of companies about 21% are dealing with wholesale of household goods and only 13% of companies are wholesalers of food, beverage and tobacco and are the main suppliers for the grocery retail industry. Figure 2-23 shows the share of food and household goods beside the total number of wholesale enterprises.

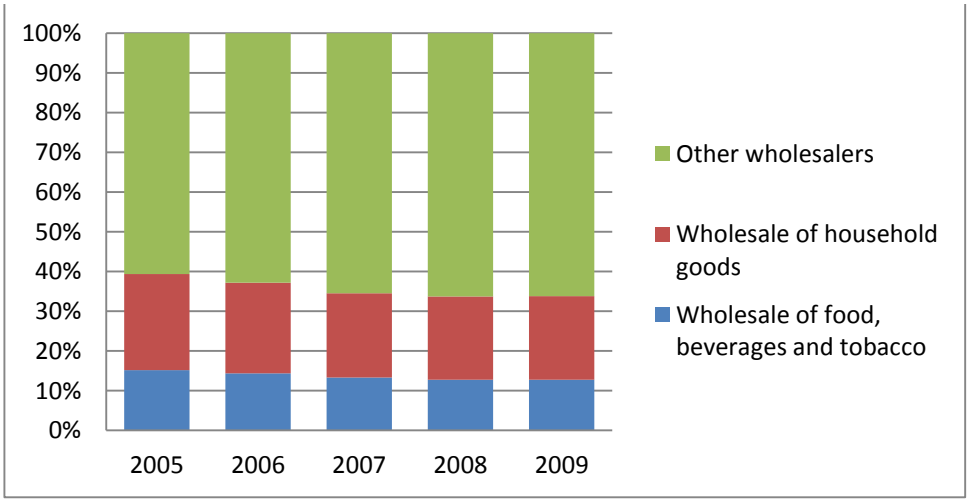


Figure 2-23: Number of wholesale companies

Source: Author analyses of data, presented by Central Statistical Bureau of Latvia

[8] According to the data of Central Statistical Bureau of Latvia wholesale turnover according to Nace 1.1 was 2,7 billion Lats and reached peak number of 9.3 billion in the year 2007.

79% of registered wholesalers of food, beverage and tobacco products have 9 or less employees. This present is even higher beside wholesalers of household goods and is equal to 84%. Within the total number of wholesale enterprises the number of companies with 9 and less employees counts for 87% of all the registered enterprises. So the share of enterprises with more than 9 employees is higher for the food, beverage and tobacco wholesalers in comparison to average in wholesale industry. The distribution of number of wholesales enterprises according to the number of employees is shown on Figure 2-24 and Figure 2-25.

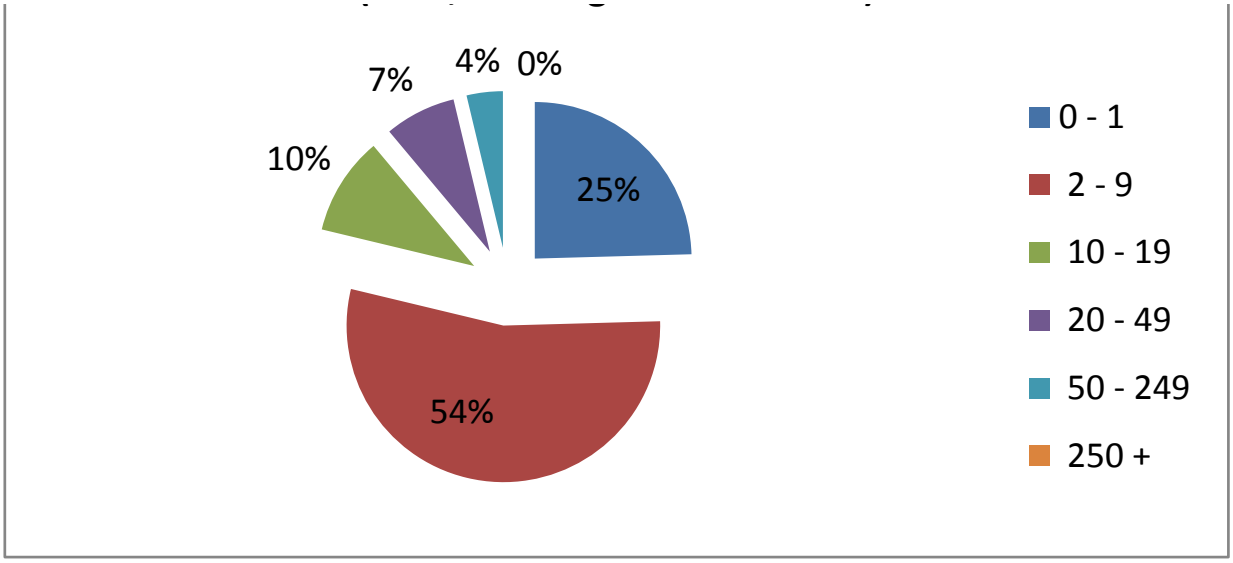


Figure 2-24: Number of wholesale companies, grocery°

Source: Author analyses of data, presented by Central Statistical Bureau of Latvia

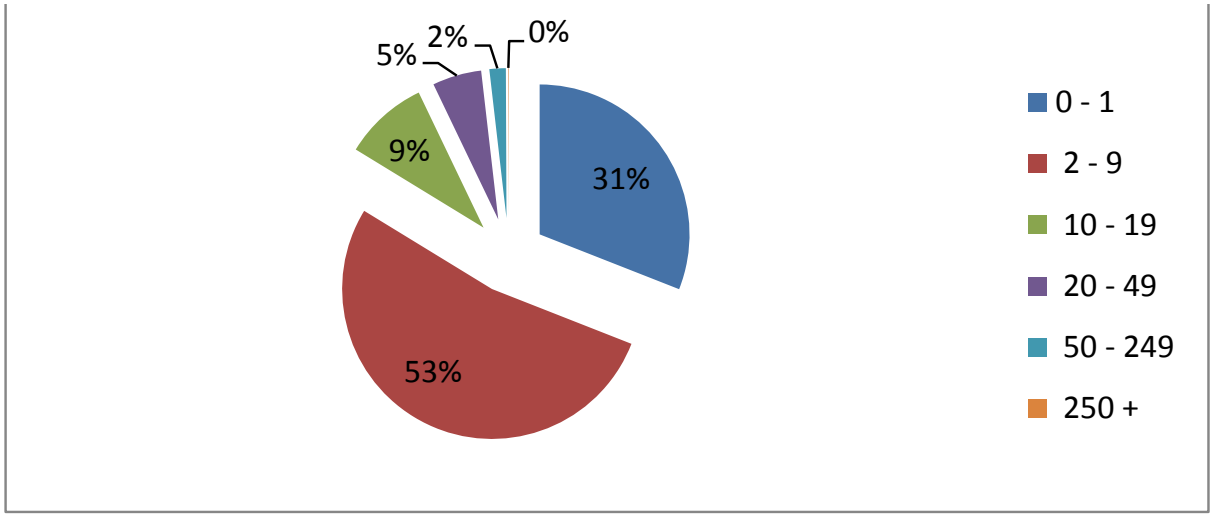


Figure 2-25: Number of wholesale companies, household goods

Source: Author analyses of data, presented by Central Statistical Bureau of Latvia

On the other hand analysing the distribution of turnover beside the wholesale companies according to number of employees it is obvious that 87% of companies with the number of workers 9 and less generate 31% of turnover, 24% of which are made by companies with 2 to

9 employees. There is no one company beside wholesalers of food and household goods with more than 250 number of employees.is generated by companies with more than 50 employees. In contrast to retail industry where major part of turnover is generated in companies with high number of employees this difference between groups is divided more evenly. The percentage of turnover share of 44% between companies with 50-249 employees is higher for wholesalers of household goods in comparison to 38% for the same group for food retailers. However both groups have higher share of turnover for this group neither average 29% for the same group for the whole wholesale industry. Figure 2-26 shows the differences for the distribution of turnover according to number of employees between wholesalers of food stuff and household goods.

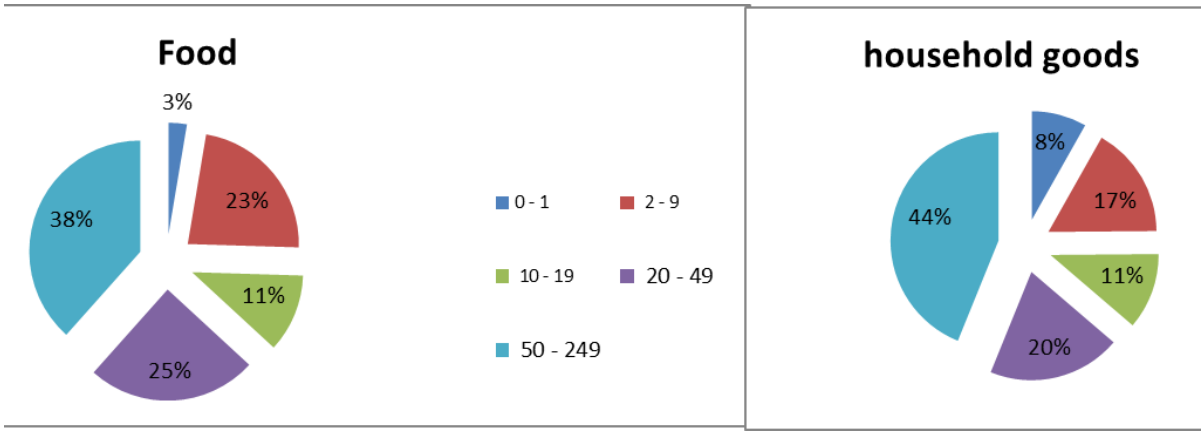


Figure 2-26: Turnover share by number of employees; Grocery, household goods

Source: Author analyses of data, presented by Central Statistical Bureau of Latvia

It is necessary to point out - while on average in wholesale industry companies with the number of workers 20 – 249 make only 49% percentage of total turnover. Within the food stuff wholesalers such companies have definitely higher share of 63% of turnover.

Beside the registered companies in wholesale business 21 % are wholesalers of household goods and only 13 % are operating in wholesale of food, beverages and tobacco. Figure 2-27 shows the distribution of registered companies in wholesale industry.

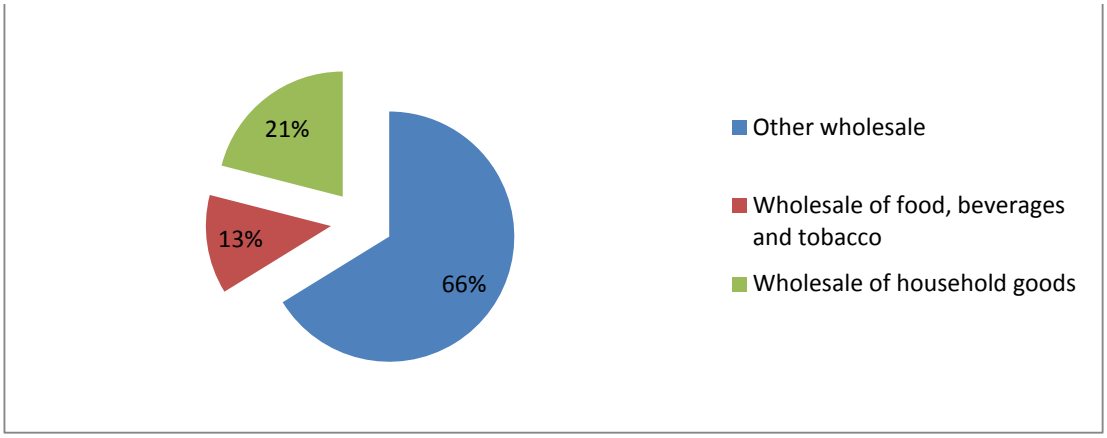


Figure 2-27: Number of companies registered in wholesale industry

Source: Author analyses of Year 2009 official data, presented by Central Statistical Bureau of Latvia

Figure 2-28 in a comparison shows the number of employees occupied in industry. While household industry occupies 20 % of workers in 21 % of companies.

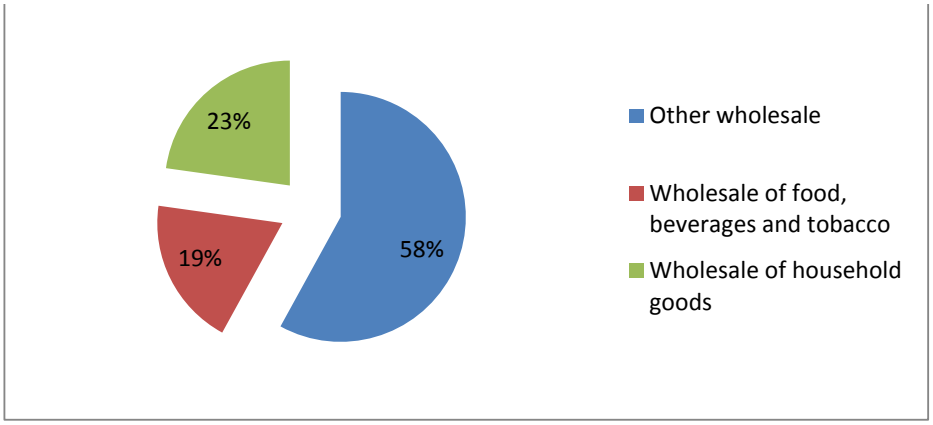


Figure 2-28: Number of employees in wholesale industry

Source: Author analyses of data, presented by Central Statistical Bureau of Latvia

There is shift in food wholesale where only 13 % of companies occupy 19 % of workers of wholesale industry. This is explained by analyses showed already previously, it is higher percentage of companies with big number of employees: 20-49 and 50-249 exactly in food products wholesale. However looking on turnover share, presented in a Figure 2-29 we can analyse the efficiency of one employee occupied in wholesale industry.

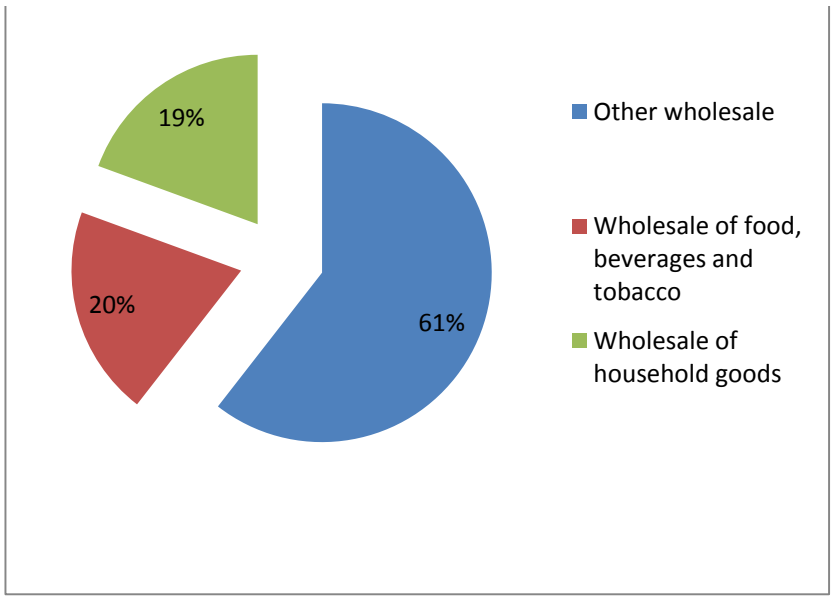


Figure 2-29: Turnover share in wholesale industry

Source: Author analyses of data, presented by Central Statistical Bureau of Latvia

The proportion of number of employee's occupied in industry almost fit with turnover generated by industry. 19% of employees and 20% of turnover for food, beverage and tobacco wholesale. And with a slight difference for household goods wholesalers 23% of employees make 19%. Thus the efficiency of one employee in food industry according to the turnover is higher in comparison to household wholesalers.

One employee working in household good wholesale company generates on average 166 thousands € of turnover, at the same time employee in food, beverage and tobacco 203 thousands €, that is also higher parameter than on average in all wholesale industry – 195 thousands € per year.[9] If to compare with the situation in other industries: the company with the biggest turnover in 2009 Latvenergo had 630 thousands € of turnover per one employee. In telecommunications industry: LMT – 403 and Tele 2 – 657 thousands € of turnover per employee. Beside the biggest retailers: Rimi – 114 and Maxima 85 thousands € of turnover.

However it is necessary to take into consideration that beside food, beverage and tobacco wholesales big share of turnover is generated by tobacco wholesalers that has very high turnover per one employee. This turnover includes also excise duty. For example Philip Moris Latvia SIA was the 32d company in TOP 500 companies in 2009 with total turnover of 100 ml € and turnover of 3.8 ml € per one employee.

Figure 2-30 presents the distribution of turnover of food, beverage and tobacco according to product group. Tobacco takes 14%. However the percentage of non-specified

[9] Based on the 2009 year turnover data presented in CSB database

products of 20% is rather high as well, this category may contain the products that contributes to each of category. Most of wholesale companies have in assortment different product groups. As an example some of the biggest suppliers to retail[10] like Voldemars SIA, Eugesta SIA, Sanitex Baltic Distribution and Logistics SIA – are specified under this group.

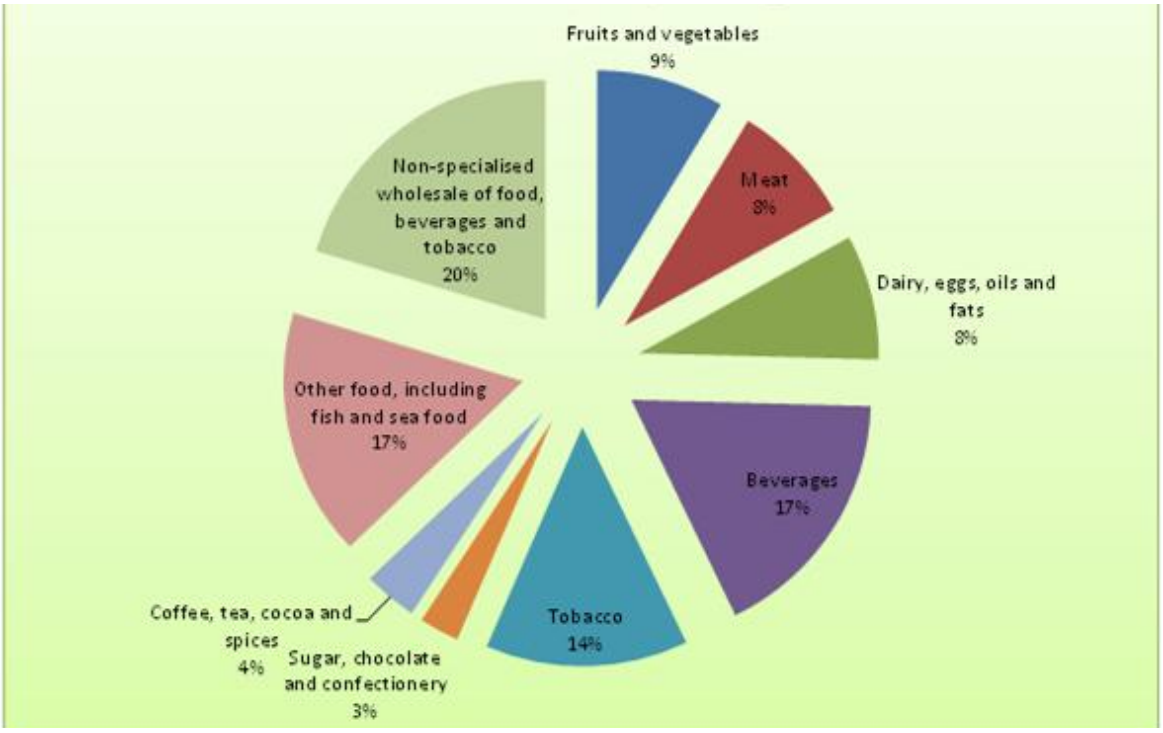


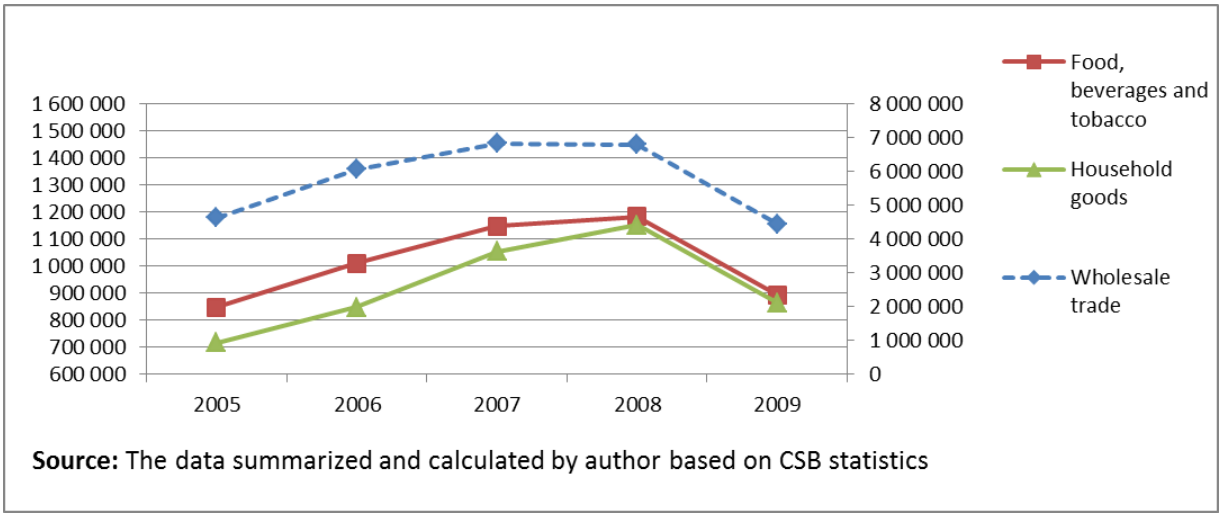
Figure 2-30: Food wholesale turnover 2009 by product group.

Source: The data summarized and calculated by author based on statistics from CSB.

The total economic situation in Latvia linked also on the situation in wholesale industry. The author already mentioned above that after the steady growth in the beginning of the century when turnover of wholesale companies tripled in comparison to the year 2000 and reached its peak number in 2007 the period of economy fall out influenced wholesale trade in all directions. The Figure 2-31 presents the changes in turnover volume starting from the year 2005. For the visibility the total wholesale turnover[11] is put by usage of secondary axis in a dashed style.

[10] The companies are mentioned as some of the biggest suppliers during the interview with „Maxima Latvia" sia, „Latvijas tirgotāju kooperācija AIBE" un „Pārtikas Tirdzniecības Apvienības SIA" representatives.

[11] Wholesale trade turnover except of motor vehicles and motorcycles, according to Nace_Rev.2 G46.



Source: The data summarized and calculated by author based on CSB statistics

Figure 2-31: wholesale turnover, thousands EUR , change dynamics by year, 2005-2009

Source: The data summarized and calculated by author based on CSB statistics.

The decrease in both wholesale of food stuff and household goods on average are similar to total diminishing trend of turnover in wholesales industry. Nevertheless in the year 2008 there was already a slight decrease in total wholesale turnover by 1%; both food, beverage and tobacco wholesale and household goods wholesale still continued to grow respectively by 3% and 9% in comparison to the year 2007.

The year 2009 brought the crucial decrease of turnover in industry. Food dropped by 24%, household goods by 25%. Other non-food wholesale activities were influenced more intensively leading to the total wholesale industry fall by 35% in comparison to the previous year turnover and the results of wholesale industry turnover 2009 dropped under the level of the year 2005.

Retail versus wholesale

The major part of wholesale companies that are operating on the Latvian market where developed during the intensive growth of industry in the beginning of the XXI century. The wholesale companies developed together with intensive development of retail growth by providing the retail industry with a broad assortment of goods and comfortable warehouse and logistics services. Some of wholesalers were doing profitable business in fast moving food industry by the way of operating with a limited goods assortment with the regular deliveries to one partner only – supermarket chain.

It was enough to establish stable import of 10 – 15 different goods with interesting price, to make an agreement with one of two biggest retail chains and get a stable turnover and income by constant supply of goods up to 100 retail shops.

However growth of retail, the enlargement of activities of retail companies within all the Baltic States together with increase of consumption and fast stock turnover allowed the retailers to develop direct purchases from producers and pushed retailers to develop own import activities. Together with such development the role of wholesale companies began to diminish. In additionally the fall out period pushed the industry down.

Figure 2-32 presents the trends between dynamics of change of turnover in retail grocery industry turnover as a result of economics fall out in comparison with change in wholesale of food, beverages and tobacco.

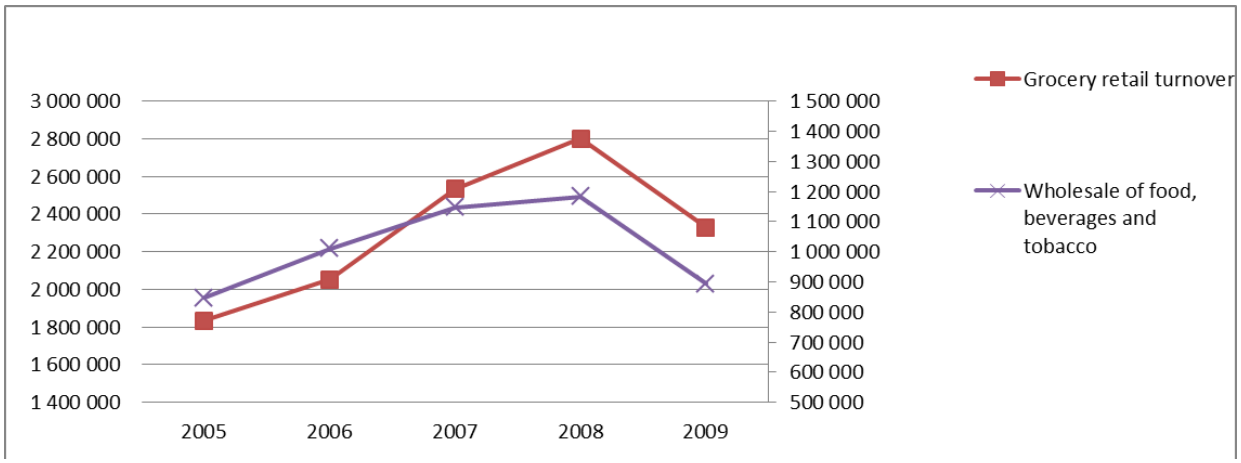


Figure 2-32: Dynamics of turnover change: retail versus wholesale, Latvia, EUR, 2005-2009

Source: The data summarized and calculated by author based on CSB statistics.

A little bit different structure of change in number of companies operating in industry is presented in Figure 2-33 below.

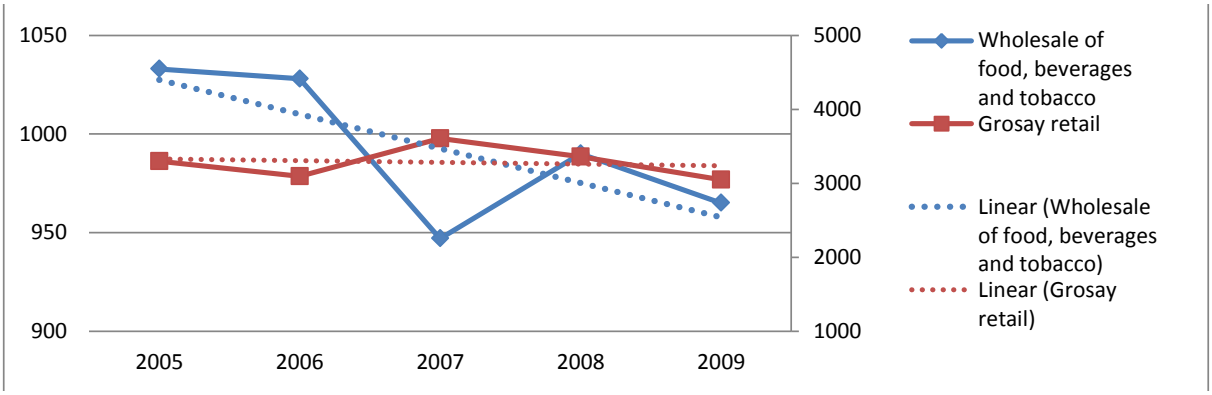


Figure 2-33: Change of Number of companies in Retail versus Wholesale. Latvia, 2005-2009

Source: The data summarized and calculated by author based on CSB statistics.

Both grocery retail and wholesale of food and beverages and tobacco had a decline of number of companies in industry by relatively 8% and 7% in the year 2009 in comparison to

2005. There is peculiar steep decline of number of wholesale companies in the year 2007. By analysing the historic reports for this period the author found that this peculiarity should be explained not only because of the real activity in industry but also by additional factors.

According to the information provided by Lursoft[12] it was resisted a record in year 2007 when it was eliminated 11,186 legal companies. Indeed, a high ratio is explained not by business failures, but the Commercial Law, which came into force on 1 January 2001 and which, required all limited liability companies and joint stock company re-registration. The company, which failed to timely re-registration, was suspended, with de-registration and liquidation. This was the reason for first wave of high liquidation of Latvian companies from 2002. In 2005 re-registration activities slowdown, at the same time finances has been allocated to eliminate the Non-registered companies with no debt, therefore, the 2005 was next sharp increase in elimination of legal companies. After numerous public comments, it was decided that the State Revenue Service may be exempted from the tax debts of those companies whose debt does not exceed five thousand. This decision led to the dismantling of the remaining non-registered companies as of 2007, compared with 2006, and liquidated legal subjects increased 3.4 times. (BNS, 2010)

However the liquidation of legal subjects because of bankruptcy still is very high also in the year 2010. The number of liquidated legal companies during first nine month of 2010 reached 5520 and was almost as high all the 2009 figures when were liquidated 5715 legal subject during whole year. In the September 2010 the first place beside the companies were declared insolvent took trade industry – 29% and the second placed got construction industry – 14.11%. (BNS, 2010)

The trend lines included in Figure 2-33 show also the tendency of change of number of companies both in Retail and Wholesale industry. This situation highlights that over time the number of companies operating in wholesale industry decline. At the same time the average turnover of one company is continuously increasing. As it is presented in Table 2-3, the average turnover per company increased by 13% from 2005 in food wholesale companies while the number of companies decreased by 7%.

[12] Lursoft is a Latvian information technology company that has been active in the IT field since 1992 and has proved in cooperation with the Commerce Register of the Republic of Latvia and other institutions offers a wide range of databases about all enterprises registered in Latvia, companies, business entities, nongovernmental organisations and other legal persons that are registered in Latvia.

Table 2-3 Average turnover per trade company

		2005	2006	2007	2008	2009	Change 2009 vs 2005
Grocery retail	*turnover*	1 833 513	2 053 325	2 532 861	2 800 495	2 327 973	27%
Wholesale of food, beverages and tobacco		847 160	1 010 325	1 146 604	1 182 608	892 901	5%
Grosay retail	*number of companies*	3 299	3 095	3 608	3 361	3 049	-8%
Wholesale of food, beverages and tobacco		1 033	1 028	947	990	965	-7%
Grosay retail	*average turnover of 1 company*	556	663	702	833	764	37%
Wholesale of food, beverages and tobacco		820	983	1 211	1 195	925	13%

Source: The data summarized and calculated by author based on CSB statistics.

At the same time it is obvious that while retail grocery turnover per company increased by 37% but wholesale companies only 13% and taking into account also previously presented analyses the author summarized that there is a dynamic redistribution of turnover from small retailers to bigger retailers. At the same time wholesale company's role is diminishing due to the development of import activities of the biggest retailers.

2.3 Category management approach implementation in the process of interaction of trade enterprises

Analysing the historic data also necessary to point out that during this period of fall out not only some small wholesalers disappear. Several big and recently stable wholesalers have bankrupted that influenced also the wholesale market changes. For example SIA Unifex was one of the leading wholesale companies during the beginning of XXI century. The company got the 5th place in industry in 2007 and 4th in 2008 beside the biggest wholesalers. However it is not already possible to find the company name beside TOP 500 companies of the year 2009. The company had more than about 35 ml € turnover and more than 150 employees. The company was an official distributor of such popular grocery brand like Mars, Wrigley, Tchibo and also Johnson & Johnson goods. Now all these brands already are distributed by other wholesalers.

Wholesaler and distributer of such brands like Merrild and Nesquick in 2007 was the 3rd wholesaler with turnover 40 ml €. In 2008 turnover dropped almost to 30 ml and to 27 in 2009. In august 2009, the co-owner and chairman of the board of the company informed about difficulties during the economic crises and decline of turnover (Dienas Bizness, lpp. 25.08.2009).

At the same time also one of the biggest wholesalers - distributer of world known brand Procter& Gamble – Karsten Latvian, belongs to SIA B&S Baltics, has more than 85 ml €

turnover (Dienas Bizness, 2009, lpp. 40) in both 2007 and 2008 year. In the beginning of 2009 SIA B&S Baltics merges with Lithuanian wholesaler SIA Sanitex distribution & Logistics with the allowance of Competition Council. (Dienas Bizness, lpp. 20.03.2009). In May 2009 this merged company inform about acquisition of recently mentioned by author SIA Avers Centrs with 30 ml turnover. (Dienas Bizness, lpp. 20.05.2010) This way realizing the mentioned in interview idea about concentration on the market. The operation is allowed by Competition Council of Latvia and Lithuania as well.

Experts in wholesale already start to speak about birth of wholesale giant. (Dienas Bizness, lpp. 15.02.2010). Turnover 2009 still is not so high and is about 80 ml € with 8% decrease in comparison to the previous year. (Dienas Bizness, 2011, lpp. 34) . In 2010 Sanitex group organizes the company SIA Baltic Trade Network that started business as tobacco distributor but further developed business bordering assortment with grocery goods, mostly products previously distributed by Avers Centrs SIA. In the middle 2011 still continues the process of products settlement between two wholesale companies of the group. The author already written upper that in May 2011 the subsidiary of Sanitex group - Promo Cash& Carry opened first Cash & Carry in Latvia.

Due to market concentration while biggest retailers start to buy more and more directly from producers or import themselves from biggest world wholesalers, for most of the wholesale companies in the Baltic Countries the question of improvement of interaction processes is more essential than several years ago. It is necessary to create or increase competitive advantage of the company. The concentration on the wholesale market allowed to the biggest wholesalers to provide for small retailers rather wide assortment of goods.

By usage of data presented in Table 2-3 the author prepared Figure 2-34 that reflects further trends in trade industry. While turnover of retail stores and total grocery industry turnover will continue to grow, the number of wholesale companies will continue diminishing, thus concentration on the wholesale market will increase. At the same time almost 60% of the retail turnover the wholesalers are able to supply goods are controlled by tuff procurement strategy of the leading retail chains. There are also still rivals of potential entrants from side of the leading world retailers as well. One of the leading Europe retailers Lidl already tried to enter the Latvian market in 2003 but in 2006 rejected the idea. In 2011 the company again published plans to conquer the Baltic market. (Dienas Bizness, lpp. 22.02.2011). Also the retailer from Lithuania Norfa and Estonian based retailer Selver also declared their wishes to expand to the neighbour retail market.

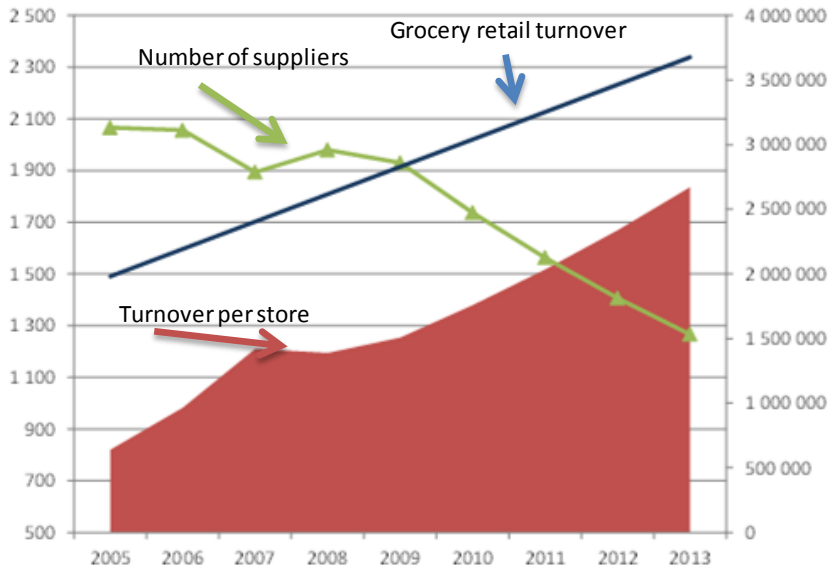


Figure 2-34: Further trends in wholesale and retail trade

Source: Author prepared summary of previously presented analysis

Such rivalry requires from both local smaller retailers who would like to survive on the market and wholesales who would like to keep business activities well structures strategic decisions and effective collaboration in order to help to stay in business.

In order to keep and develop the position on the consumer market today it is very important for the wholesaler to develop the company's competitiveness to make the enterprise able to compete successfully with its commercial rivals. To compete on the market the wholesales ought to find the ways to stay in business and still to compete in today's changed conditions. By mean of competitive strategy (strategy that strongly positions a company against competitors and gives that company the strongest possible strategic advantage (Law, 2006) and increase of the company's controllability the wholesaler has a possibility still to keep and enlarger the current market share.

Strategic management, knowledge of internal environment and efficient usage of internal resources can ensure ability to control business processes in organisation. Today the wholesale company is implementing its management strategy based on the classic methods of management and marketing theory. Marketing basics is focused on buyer's satisfaction and creation of customer, meaning buyer's value (Kotler, 1994). Strategic planning requires assessing buyer's needs and preferences. While strategy is a plan of action designed to achieve a long-term or overall aim. Competitive strategy is a strategy that strongly positions

a company against competitors and gives that company the strongest possible strategic advantage.

The theoretical background of different management instruments discussed by author in the first theoretical part of doctoral thesis should became for the management of wholesale company aiming to create and develop a competitive advantage - the basic instruments for day to day coordination of business activities.

According to Fel the Effective Consumer Response (ECR) is a comprehensive management concept for retailing and manufacturing based on a value-adding partnership between the participants. Until now, there was no openness between manufacturers (suppliers) and trade – no relevant consumer data were exchanged. There was no shared marketing understanding. In the past decades push and pull activities of manufacturer and trade were scarcely synchronized, which resulted in inefficient realization of market opportunities. This lead to unnecessary stock-keeping-costs, logistics problems, delayed product launches etc. In the world of increasing competitive challenges, declining margins and saturated markets a completely new approach had to be developed – ECR was an answer. (Fel, 2004)

Since Category Management is a retailer/supplier process of managing categories as strategic business units, producing enhanced business results by focusing on delivering consumer value it is necessary to analyse available internal and external resources for both wholesaler and retailer that are used during harmonization of interests of involved parties and find the possibilities of assessing common needs and preferences.

When retailer evaluates the situation usually all the mentioned parameters are analysed. The income that is supposed like to be a profit usually is calculated from different parameters. Beside the profit, wholesaler usually provides also additional percentage from sales as an income according to reached results.

Most of the retailers have a contract with the biggest consumer research companies AC Nielsen. This company is operating in more than 100 countries. At the same time cooperation with all the biggest FMCG retailers and wholesalers in Latvia is the basic business of this analytical company. The most crucial contribution of such company is a unique possibility to get for the retailer most recent information about consumer buying habits almost free of charge. At the same time each wholesaler or manufacture, real ether potential, ought to pay for the information.

The data accumulated exactly by the mentioned company and provided for both retailer and wholesales is exactly the interest of the wholesaler – need to increase the market share of product. For example the good “X” provided for sale by the buyer has 50% market share and

the good "Y" of its competitor also 50% of the market. The data about the market share size is measured and provided by analytical company and usually following the category management approach principles should be shared between the sides. In order to satisfy wholesaler need the each of wholesaler X and Y wish to obtain the shelf place at least equal market share. However in order to satisfy need to increase market share wish to take the shelf space and by this share of turnover of definite retailer try to take more than the current market share. The model of such rivalry between brands and the wholesalers of these brands is displayed at Figure 2-35.

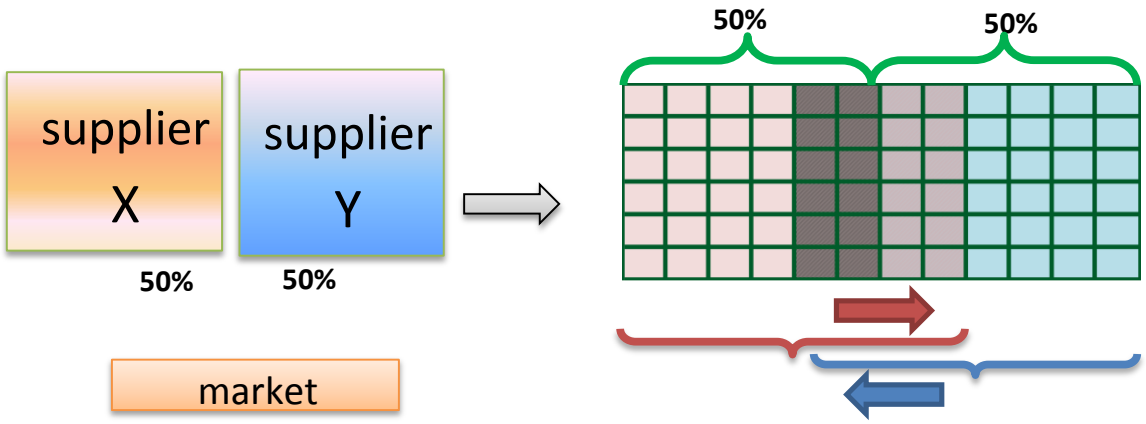


Figure 2-35: Example of goods placement at sales point following the turnover market share.

Source: Author prepared figure.

In modelled situation the decision how much goods should be placed on the shelves is made by retailer. In order to understand what could influence the retailer decision it is important for the wholesaler once again to remember about the retailer needs and preferences. The answer already was displayed in Figure 1-14 on page 56 - willingness of retailer to increase income. In real trade conditions the income of retailer could be accumulated by several parts like real mark-up of the good plus different additional turnover discounts that are sometimes paid out according to the bill after the end of the agreed period. All such kind of income usually is booked like profit and is called by the author further as *"profit"*. The "profit" usually differs thus influencing the decision of the buyer and as a result able to influence the change of product total turnover share on the market shifting the market share of one of the products similarly it is presented at Figure 2-36. Nevertheless the market share of both suppliers is 50%, however the retailer made a decision to favour supplier Y and gave

60% of sales space while only 40% for the supplier X set of goods. As a result of such situation supplier Y reached the higher turnover share in retailer's turnover, assuming 55% versus 50% of market share, while supplier X got the results worse the total situation on the market generating only 45% of turnover of category versus 50% on a whole market.

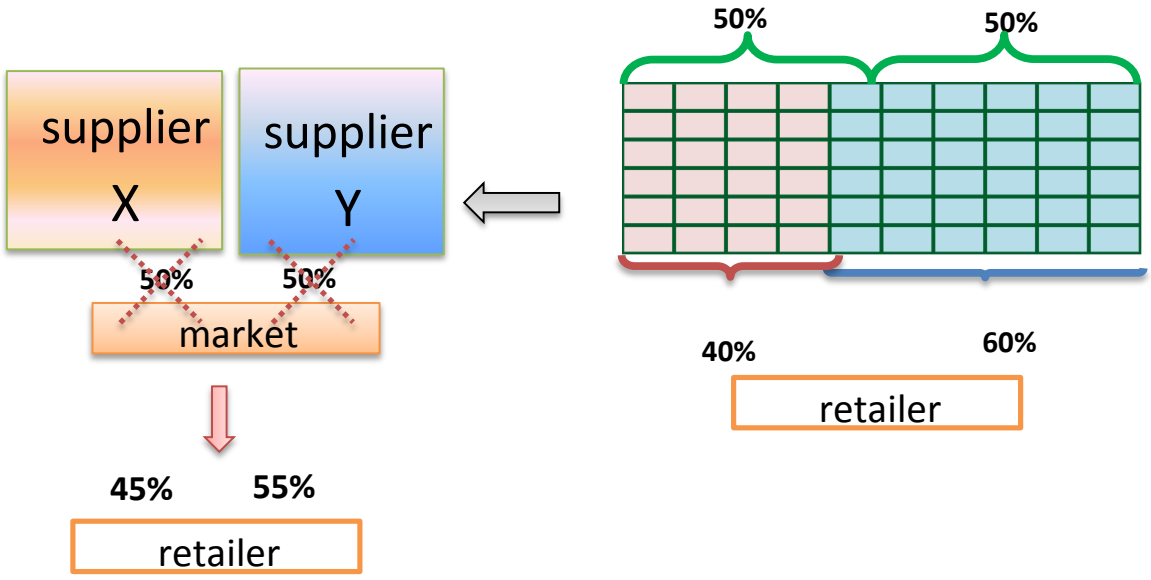
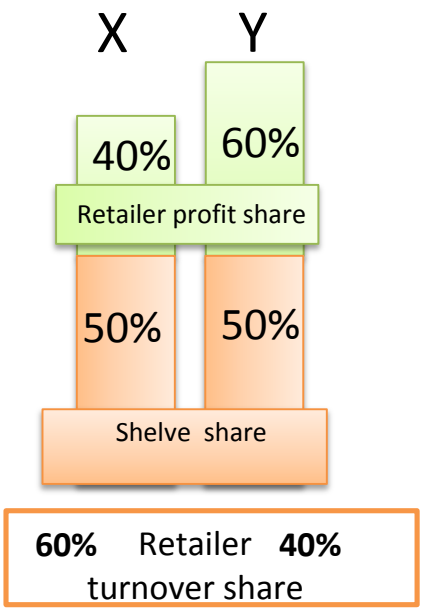


Figure 2-36: The influence of retailer's activities on the product market share

Source: Author prepared figure.

As the author already mentioned the decision of the buyer is based on the income the buyer is planning to receive as a result of the decision. However the dilemma the retailer should solve in such situation also is the easiest one. The decision of retailer should be based on analytical data and take into consideration numerous variables. The Figure 2-37 demonstrates the simplified example of retailer's dilemma by usage of simple example, when the decision should be made analysing the data within the category presented with two goods only. The Good X has 50% of market share, however takes 60% turnover share at retailers sales point and brings 40% of profit. On the other hand there is also good Y that get 50% market share as well, however takes only 40% of retailer's turnover and at the same time generates 60% of retailer's profit. On the right side of the figure the possible decisions the retailer could make are proposed.



Possible retailer decisions:

- ← Reject good X purchases and sell at the sales point only more profitable good Y?
- ← Reject good Y purchases and further sell at sales point only good Y because retailer has higher turnover of Y share in this category?
- ← Provide more shelve share for good X?
- ← Provide more shelve share for good Y?
- ← Increase the turnover of X as a result a turnover share?
- ← Decrease the turnover of Y as a result turnover share?
- ← Try to enlarge the assortment by inclusion into assortment new goods?

Figure 2-37: Retailer's dilemma

Source: Author prepared figure.

The reader could propose also other options of activities for such model as well. By usage of thorough market research and with usage of the questionnaire of the market players the goal of the author is to present the model of retailer decision making process, that helps after the implementation of category management approach, finalize with the author proposed model for wholesaler management behaviour that will lead to mutual success and satisfaction of need and preferences of both buyer and supplier and a mutual buyer-supplier collaboration process will ensure the wholesaler a competitive advantage on the market.

In order to solve the upper presented dilemma it is not enough information for the moment for analysed thinking about possible retailer's decision. Several additional variables should be involved in order to get the thorough analyses. As it was already highlighted at Figure 1-14 upper the need of retailer is willingness to attract and retain customer. Customer in its turn comes to the sales point in case it is possible to find in the shop the preferred assortment – variability of goods in sale, as well as of quality of goods, quality of service.

The additional variables could be found easily; in addition some simple mathematic calculations should be made. The result is combined in the model and calculations of parameters for the solution are presented at Figure 2-38.

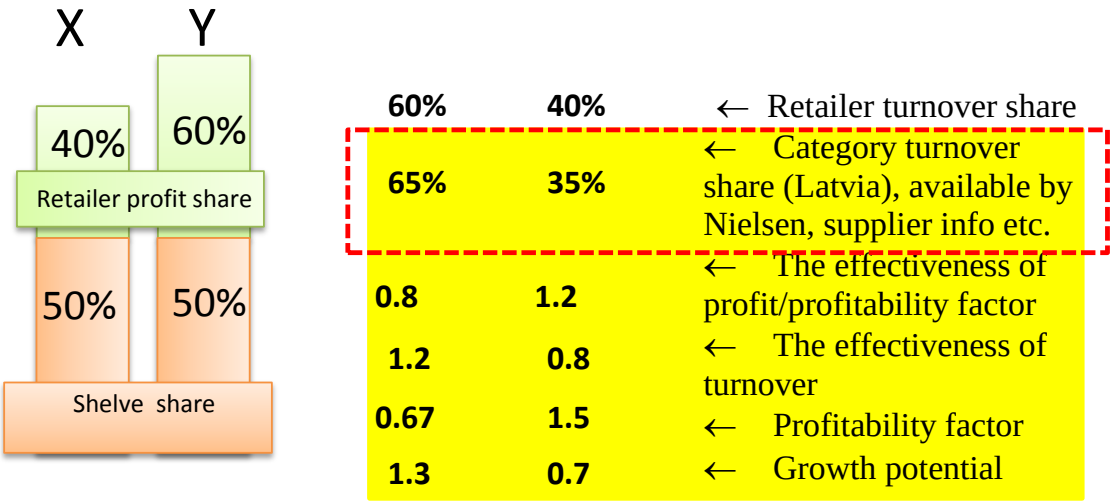


Figure 2-38: Retailer's dilemma solution

Source: Author prepared figure.

While the retailer analyses the figures available in the sales point, like share of turnover of wholesaler's product in a group and share of profit of the same product in a group. These figures possible to compare to the share of product it takes on the shelves and to evaluate the ratio. The parameters of the product market share possible to get ether analysing the public information and data provided by the wholesalers or to receive from the market research company for example comprehensive analysis about brand and fast moving consumer products market share within the group in Latvia provide AC Nielsen company that is cooperating with Latvian retailers, wholesalers and producers already more than 10 years.

The ratio between the product turnover in retail store and percentage the goods takes on the shelve results in the "effectiveness of turnover" that in a presented example counts for 1.2 for X good and 0.8 for Y good. The effectiveness of profit in its turn counts for 0.8 for X and 1.2 for Y. The ratio between profit effectiveness and turnover effectiveness helps to choose the good that is able to bring more profit by increase of shelve space and thus the turnover. However parameter of product market share within the whole market also should be taken into consideration and influences the parameter called by author growth potential that in observed example counts for 1.9 for good "X" and only 0.1 for good "Y".

By usage of presented model the retailer make a decision of actions with wholesaler product. Since the aim of wholesaler is to reach as higher as possible the product market share and in the long turn to increase the current market of product the wholesaler should implement the category management principles. Aiming to increase market share wholesaler should take into consideration the retailers dilemma and provide the best solution, that

influence retailer with aim to increase profit to enlarge the product shelve share in a chosen sales point, thus multiplying such shelve point to reach the stable increase on all the market.

Chapter summary

The second chapter of the doctoral thesis presents the modern trends in the process of interaction between trade enterprises, focusing a special attention on analyses of the external environment. The chapter presents the thorough trade industry analysis. The overview of retail market presents the processes of globalization in retail industry and peculiarities of grocery retail in Grocery retail of Eastern Europe and current situation in Baltic Grocery retail industry.

The analyses of retail industry highlight the peculiarities of Latvian Retail grocery industry were almost half of the market share takes only to biggest retail companies. Additionally highlights the tendency of constant growth of retail turnover and take a specific attention that there is a high tendency of growth of turnover per one retail store. At the same time also sales area in square meters per one shop also is constantly increasing.

The industry analyses are continued with world and Baltics' wholesale industry overview. After the indication of wholesale industry in Latvia the chapter presents the official statistical data about structure of wholesale industry in Latvia and wholesale turnover dynamics. After the comparison of the official statistical data changes over the years in the retail and wholesale industries in Latvia the author makes a conclusion that in a parallel with total increase of retail turnover and increase of turnover per retail shop on a Latvian market it is obvious the tendency of concentration of wholesale suppliers that is faced by significant decrease of number of wholesale companies.

In the conditions of presented market situation it is obvious that wholesale companies should find the appropriate management tools in order to keep the market position, to develop competitiveness and enhance the performance of enterprise. The author discusses the possibility of usage of TQM as a basic philosophy for choice of management tools for trade enterprise in the mentioned market conditions. And propose the usage of Category management tool as a basic management tool for the performance enhancement of the enterprise. In order to perform the successful interaction processes the author proposes the model of usage of Category management that together with effective coordination of interaction processes within the retailer and wholesaler enterprises is based on logical objective to maximize the profit within the category of products and possibility for wholesale to increase the market share.

3 Assessment of category management in Latvian retail and wholesale trade enterprises

3.1 Research methodology on assessment of category management implementation, and classification of research results

Research methodology

In order to investigate more precisely the real attitude of management and the readiness to implement in day to day business relations basic concepts of category management approach and the principles of TQM approach the author organized a survey for the purpose to study the readiness of trade companies to implement the author proposal in order to use the proposed methodology as a basic tool to increase the competitiveness of an enterprise.

The survey intends to explore, identify, and analyse the organisational management of Latvian trade companies – retailers and wholesaler, to clarify the differences between them and to test the validity of hypotheses H1- H6 – in short: "trade companies, exactly wholesale companies are able to favour from coordination of trade enterprise interaction process by implementing TQM principles, following category management approach and by retailer's basic needs and preferences satisfaction (customer oriented approach)."

During the research period the basic TQM principles as well as category management approach is occasionally executed already in North America and Western European by performance in such big companies as Wal-Mart and the suppliers and producers of mentioned retail chain. At the same time the principles only recently started its lunching in Baltic States. Very delicate development of TQM principles in Baltics enterprises were paused in year 2007 because of economic fallout. The Category management approach was brought to Baltics with efforts of market analytical company AC Nielsen and by distributers of worldwide known brands like Procter & Gamble who already experienced successful implementation of this technique in other countries.

At the same time the knowledge about the methods beside smaller companies was very insignificant. These circumstances influenced the research method chosen for Latvian trade companies of Latvia. The research based on secondary literature only was practically impossible. Testing the author proposed model and discussed concepts by questioning a representative amount of enterprises with the help of a questionnaire appeared to be the most appropriate method. Another frequently applied method – expert interviews, was used in order to test the results received within the analysis of data summarised and analysed by usage of questioning. For expert interview were chosen the managers of the biggest trade

enterprises: General Manager of retail chain Maxima Latvia, General manager of retail cooperation AIBE, head of trade department Maxima Latvia, head of trade department of wholesale enterprise Sanitex Group, president of Latvian Trade Association.

Definition of constructs

It was choice of the author to follow the five steps recommended by Nunally and Bernstein (Nunnally & Bernstein, 1984) to develop multi-item scales for each construct:

1) Construct definitions and measures available in the literature on TQM and other management tools were used to improve content validity. In cases in which definitions were not known in Latvia, they were explained or described with simple, more descriptive terms.

2) The complete questionnaire was presented to the head of Latvian Chamber of Traders as well as representatives of biggest trade enterprises. Problematic items were either modified or deleted.

3) The wording was kept close to business language in order to ensure due understanding of the questionnaire items. The questionnaire was prepared in Latvian language and translated into Russian language in order to give a possibility to answer to non-native speaker respondents[13]. The questionnaire was reviewed and discussed in face-to face and telephone meetings with several of the biggest suppliers in Latvia, the author assessed whether the supplier would interpret the items as originally meant and intended. Questions were modified if a proper understanding was lacking.

4) In September, 2010 a pre-test with 15 randomly selected respondents was conducted – 5 of which by telephone interview and 10 by e-mail inquiry. Based on the responses the questions were further refined.

5) An exploratory factor analysis was conducted to purify the scale. Some items were deleted because of the possibility of multiple interpretations. Based on this measure development procedure, the author made a conclusion that validity for the measures in the questionnaire was established.

The survey includes two basic groups of questions:

1) Regarding the supplier's organisational structure, including information about performance, target markets and customers that help as supplementary factors for classification of results according to specified parameters.

[13] According to Central Statistical Bureau of Latvia in the beginning of year 2011 there were 27,4% Russians and totally 40,5% non-Latvians in the state.

1) The second group forms the questions that define directly the research objectives - TQM principles and Category management principles.

The basic principles of quality management approach were used in order to formulate the questions of research questionnaire in order to evaluate the respondents' management development level. In order to evaluate the level if enterprise management development according to quality management principles it is necessary to evaluate the management processes in the company. The questions of research are based on the classification of management process according to quality management approach. The basic principles of organization's development presented in work of Kruglov& Shishkov presented in Figure 3-1 were used for the classification of questions according to quality management principles.

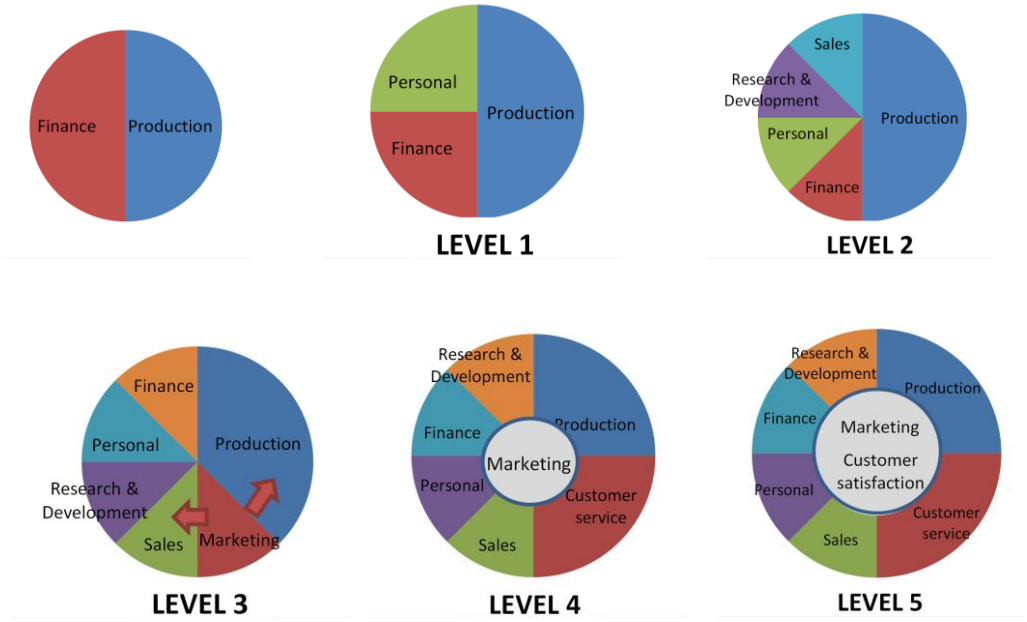


Figure 3-1: Enterprise development level according to quality management approach

Source: Kruglov & Shishkov, 2006, pp. 152-154

The highest 5th level of development of organization includes all the management processes developed according to TQM principles when all the basic principles are developed no less than for the 4th level but central processes presented in figure called under level 5 supposed to be developed on the highest 5th level. In order to design the survey questionnaire as compact as possible following the presented techniques the author has chosen only some of most important processes most relevant to the research object.

Basic processes for evaluation:

1) Marketing
2) Logistics
3) Finance
4) Quality
5) Personnel

The processes: Research and Development and Production processes were excluded as irrelevant for the research object. *Supporting and Administrative management processes* were excluded as insignificant for the research purposes and with aim to minimize the number of questions in the survey.

Thus the structure of questionnaire was sculptured according to basic management processes in trade organizations. Division of survey structure – questions' suitability to basic management processes is presented in Figure 3-2:

Management Process	Nr of question
General questions providing the information about organizations performance and competitiveness level indicators	*1, 2, 3, 4, 5, 6, 7, 8*
Marketing	*9, 12, 13*
Logistics	*14, 15, 16, 22*
Finance	*18, 27*
Quality	*10, 11, 17, 19, 20, 21, 28*
Personnel	*23, 24, 25, 26, 27*
Analysis of management tools awareness	*29*
Other complementary data	*31, 31, 32, 33, 34*

Figure 3-2: Survey questions' division according to management processes of enterprise. The division proposed by author.

Source: Author prepared figure.

In order to measure and compare the results of the survey, the author has put forward the following hypothesis:

H1 — The number of wholesale companies decreases, at the same time the turnover increases. According to the trend, in the nearest future only several strongest and biggest wholesalers will survive, they will control the market, thus dictating the rules for the smallest retailers, which may lead to the destruction of small retail business.

H2 — Wholesalers are more ready to work with retailers with higher market share and do not wish to make investments in cooperation with small retailers.

H3 — Contemporary executives lack knowledge about the available management tools.

H4 — Category management is an important management tool in the performance of trade enterprise.

H5 — The success of the implementation of the category management principles depends on the compliance of the quality management principles.

H6 — The opportunity of trade enterprise to strengthen and develop the desired position on the market and enhance the performance of the enterprise in addition to the use of category management depends on the level of development of the quality management in the enterprise.

Design of quantitative research

The distribution of questions for respondents according to the management processes resulted in the following form:

The preliminary block ("0" level block) of general questions providing the information about enterprises performance and competitiveness level indicators contained 8 basic questions:

1) Kind of operations (retail, wholesale, manufacturing, other)
2) Size of enterprise according to number of employees
3) Change trends in number of personnel
4) Turnover
5) Local turnover share
6) Sales industry
7) Classification of clients
8) Importance of major clients

In order to perform diversified analysis the author classified the survey questions of the basic blocks of research not only according to the process accessory but also by question classification by TQM approach and at the same time according to Category Management approach.

The detailed classification of questions according to TQM principles and CM principles is presented in Appendix 10. In order to measure performance, the author have chosen the items on growth rate, turnover and productivity and compared the results between different types of trade companies grouping them according to the concepts of TQM principles and CM principles as presented in Appendix 10. The full questionnaire is attached in Appendix 11.

Sampling population

The sample is defined as Latvian trade enterprises both wholesale and retail who are operating on Latvian market. Observing the situation on the market during the research it is

necessary to highlight that economic position of Latvia as a relatively young member of the EU is evident with respect to the challenges of international competition. Secondly, the importance of the supplier-retailer relation is interesting because in advanced markets a dominance of retailers over suppliers mirrors the effects of today's business practises with enhanced concentration on the retail side. Most of the trade enterprises registered in Latvia are considered as SMEs and are a meaningful object of research, as they make up the vast majority of enterprises in Latvia (as elsewhere), with paramount importance for employment. Finally the researched population comprises finished consumer goods enterprises in Latvia.

In October 2010 the Lursoft database was used in order to hold the quantitative research. The number of retail companies 3081 were found by analyses of data collected from Lursoft database. 2822 of them had registered company e-mail. The questionnaires were prepared in Word form and send via e-mail with inquiry to return the fulfilled answer. 457 e-mails were returned as "Mail delivery failure" because of incorrect address ether the address does no longer exist. Only 14 fulfilled questionaries' returned to the author.

Such inactive responses were analysed by the author and brought some conclusions and ideas for improvement:

- Not all the addresses provided to official sources exists in reality
- Due to time changes and change of the responsible persons some of the addresses became not valid
- By usage of Lursoft data base the addresses provided in the data base belongs frequently to the enterprise's bookkeeper, who is responsible for data and reports submitted to the State Revenue Service. In most of cases these persons do not follow up an inquiry with questionnaire to the management of the company.
- The necessity to fill in the form, save the file and send back is rather difficult process that takes additional time and not convenient for the respondents.

As a result the author made some additional improvements in research methodology:

- The address' data base was revised by usage of internet and in some cases telephone calls. Some e-mail addresses were corrected according to received and updated information.
- The questionnaire was prepared with usage of internet in order to provide easy process of questionaries' fulfilment and further data processing.
- In order to get more valid responses the author applied to the Latvian Chamber of trade. After the discussion with the president of the chamber about potential

to increase the number of valid responses the inquiry to participate in research was sent to the members of Chamber that are 52 biggest wholesalers and 117 retailers.

Using already updated database of retailers the author excluded from the data base retailers with the turnover less than 100 000 LVL per year and without any official data about the turnover as insignificant. As a result 1303 retail companies left as target audience in a mailing list.

Additionally to already prepared mail list the data of wholesale companies was analysed. Beside the list of wholesale companies with turnover less than 5 mln LVL per year companies with turnover less than 500 000 yearly turnover and without official data about the turnover were excluded as insignificant. As a result 774 wholesale companies with yearly turnover less than 5 mln LVL with a valid e-mail address left in a mailing list. Additionally 232 more wholesale companies with turnover more than 5 mln LVL were included in the mailing list. It was supposed in addition to the mail inquiry to participate in the research to organize additional phone call to the management of the companies from this last list of biggest wholesalers.

As a result of described activities the survey questions were placed in the internet by usage of free online survey tool http://www.kwiksurveys.com. 2309 invitations to take a part in the research were sent. In addition 157 telephone calls to the companies from the list of biggest wholesalers were made. The final questionaries' replies were exported from the survey tool and were ready for analysis. In total 179 responses were combined, translated from Latvian and Russian language into English and were ready for further analysis.

Indication of respondents

Beside 179 interviewed companies answered that they are operating in manufacturing industry. As it is presented in Figure 3-3 - 20% respondents have chosen the wholesale industry and 40% are operating in retail trade.

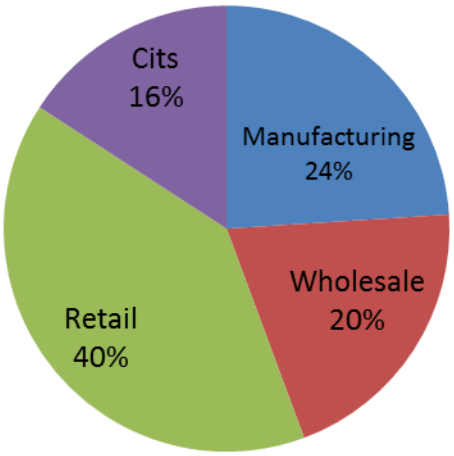


Figure 3-3: Distribution of respondents according to business field

Source: author prepared figure based on research data analyses

The sample was built choosing and inviting to participate in the research the managers of trade companies. The results surprised showing relatively big number of manufacturing companies' representatives beside the respondents. Later, analysing the results it became clear that some of the respondents' classified manufacturing filed of occupation as additional to wholesale and/or retail – 19%. More over most of the respondents who classified business activities as manufacturing have chosen also business operation in construction industry - 42%. And 71% of those who have chosen construction industry also marked manufacturing as field of business. These figures also explain so big percentage of those who marked manufacturing, because those respondents who are working in construction classify their business field as manufacturing.

Beside all the registered enterprises in trade industry 64% are operating in retail industry. According to the analysed respondents' answers the share of companies operating in retail industry counts for 66% and completely fits the figures according to official statistics of share in industry as it is presented in Figure 3-4 below.

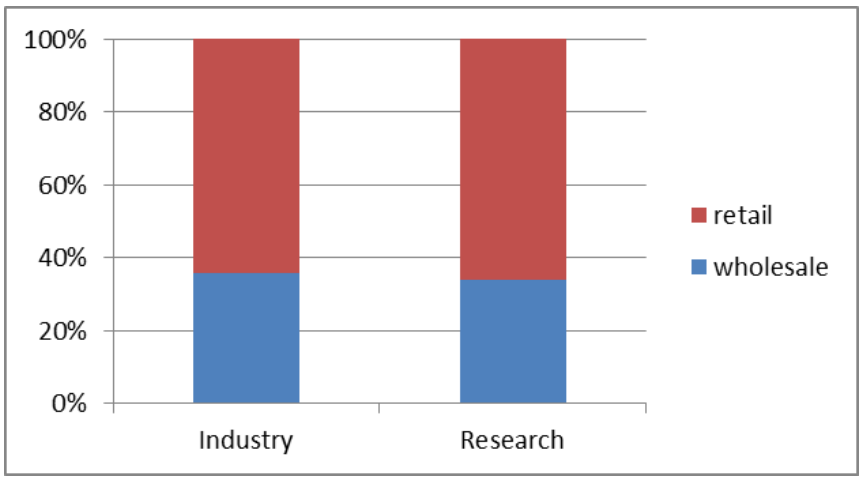


Figure 3-4: Share of retail vs wholesale enterprises

Source: author prepared figure based on research data analyses

The distribution of respondents according to numbers of employees in the company is presented in Figure 3-5.

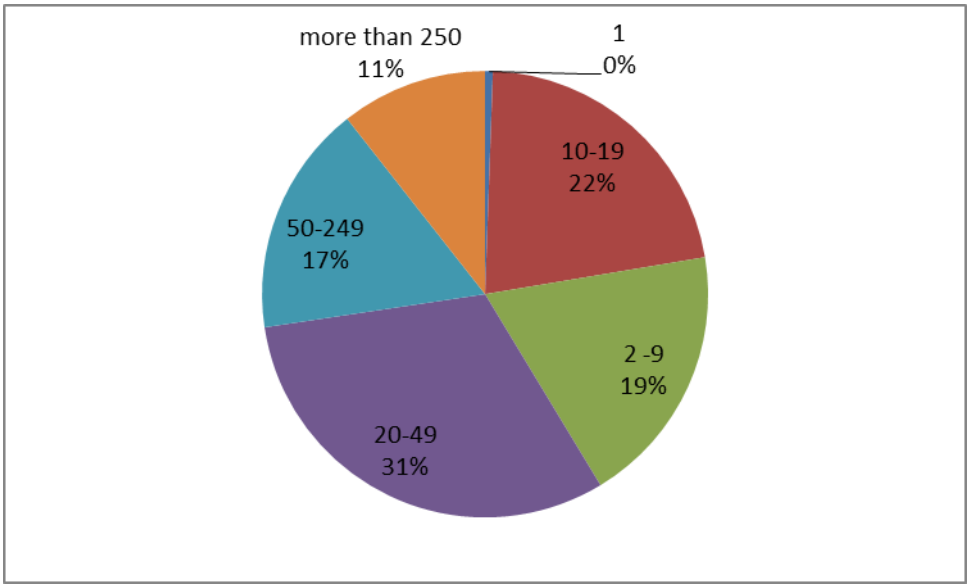


Figure 3-5: number of employees

Source: author prepared figure based on research data analyses

If we compare the number of employees beside the wholesale and retail enterprise between the enterprises of respondents we can conclude that wholesale companies has higher shares of companies both with 20-50 employees and more than 50 employees. At the same time retail companies mostly are characterised with small number of employees working in the company as it is presented at Figure 3-6.

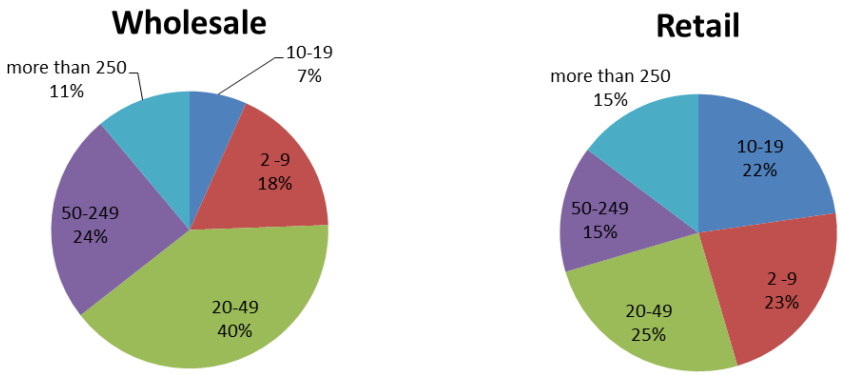


Figure 3-6: comparison of retail and wholesale respondents according to number of employees in the enterprise

Source: author prepared figure based on research data analyses

Some influence on such results may have also the assumption within the respondents that differs to the statistics analysed by industry. The statistical data analysed by industry suppose that in all the comparisons one company could be calculated in results only once. The structure of questionaries' supposed that using the defined sample only one invitation could be sent to one company. At the same time the questions were prepared for the managers of different level and did not forbidden to fill the survey for several employees of the company. Thus it is possible the situation, that managers of the company with higher number of employees filed the data several times about the same company. The author made a decision that it is necessary to take into consideration that such assumption may partly influence the validity of results.

Change in number of wholesale companies

The results presented in Figure 3-7 highlights the author assumption about too big number of "unreal enterprises" beside registered enterprises in official sources. As it was already presented in chapter 0 more than 40% of registered retail companies have only 1 employee and there are no such companies beside the respondents. Because in reality that kind of companies are not real and do not perform any real business activities.

The Figure 3-7 presents the change of number of employees beside the respondents. Half of the enterprises informed that the number of employees didn't change in a current year in comparison to the previous year. At the same time it is rather surprising in the period of fall out that only 18% of companies declared that the number of employees decreased, but 32% told that the number of employees increased that point to the growth possibilities in these enterprises.

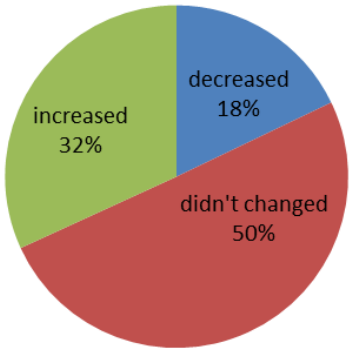


Figure 3-7: Change in number of employees

Source: author prepared figure based on research data analyses

While analysing the change in number of employees between the industries of operation of analysed enterprises it seems rather strange at first glance the obvious difference of increase of employees in wholesale enterprises more than in other industries like it is showed in Figure 3-8.

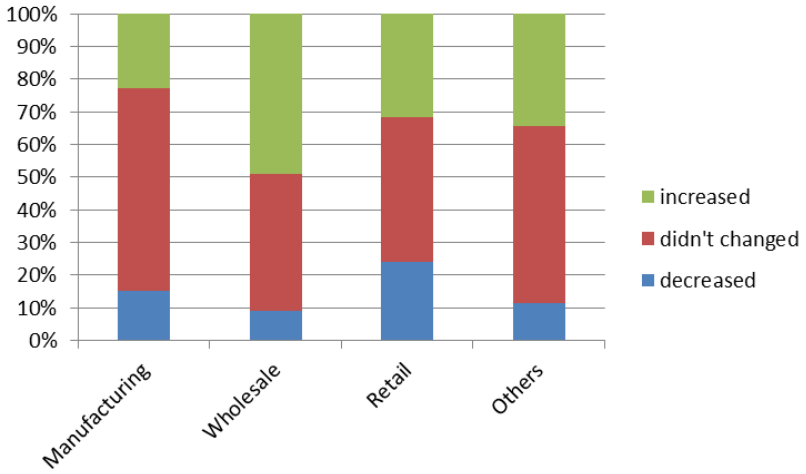


Figure 3-8: comparison of growth trends beside the industries

Source: author prepared figure based on research data analyses

However in this case in reality the results are not surprising but exactly approve the analyses of statistics data presented in chapter 0 and highlighted in Figure 2-34. While the number of wholesale companies decrease over the time the turnover and number of employees on average of one wholesaler increases. The biggest wholesalers mostly with international capital have higher possibilities of development and acquire more and smaller wholesale companies. One of such wholesalers – Sanitex Baltic Distribution SIA got a

curious diploma from its client, with nomination "Shark 2010" during the common New Year party[14]. Still the curiosity of situation imitates the real proceedings on the wholesale market.

The hypotheses 1 settled by the author supposes that the number of wholesale companies decrease, at the same time the turnover increase. The analysis of statistics data presented in second part of the doctoral thesis and highlighted at Figure 2-34 already proved the settled by author hypotheses one. In addition the data gathered during the survey additionally support the market tendency of continuous development of bigger wholesalers in parallel with decrease of number of companies.

The analyses of turnover of respondents are presented in Figure 3-9 below. Nevertheless the author tried to minimize and exclude the companies with turnover less than 100 000 per year still the number of companies with turnover less than 100 000 is relatively high and counts for 20%.

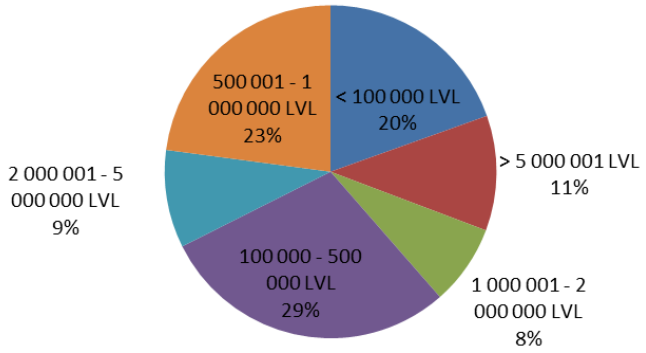


Figure 3-9: Turnover of respondents

Source: author prepared figure based on research data analyses

The Figure 3-10 below shows the difference in turnover beside the industries. The share of wholesalers with turnover more than 5 mln LVL per year is higher beside the wholesalers and counts for 22% from all the respondents operating in wholesale industry. This fact again highlights the situation about the trends on the wholesale market where as author already presented the point of view that increases the concentration of bigger wholesalers.

[14] Information received from the interview with the general manager of one of the retail chains.

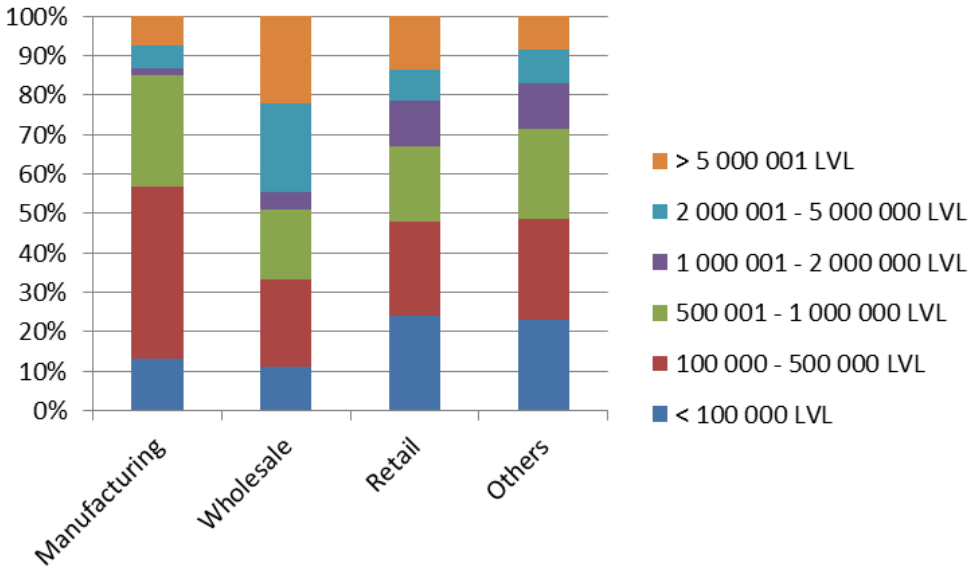


Figure 3-10: The difference in turnover beside the industries

Source: author prepared figure based on research data analyses

The fact that 48% of retail companies have a yearly turnover less than a half million LVL actually reflects the statistics about situation in retail industry discussed previously. According to European Union definition the organization with turnover less than 2 mln EUR is classified as micro enterprise, thus according to this definition we can conclude that beside the respondents 78% of respondents working in retail are from micro enterprise and 56% of respondents who work in wholesale are from micro enterprise.

Figure 3-11 presents the distribution of respondents working in wholesale, retail and manufacturing field according to industry. The fact that already was discussed previously about the high number of respondents who answered that operating in manufacturing is highlighted at this figure. Major part of those who chose the manufacturing as a field of business operations consider it because is operating also in construction industry.

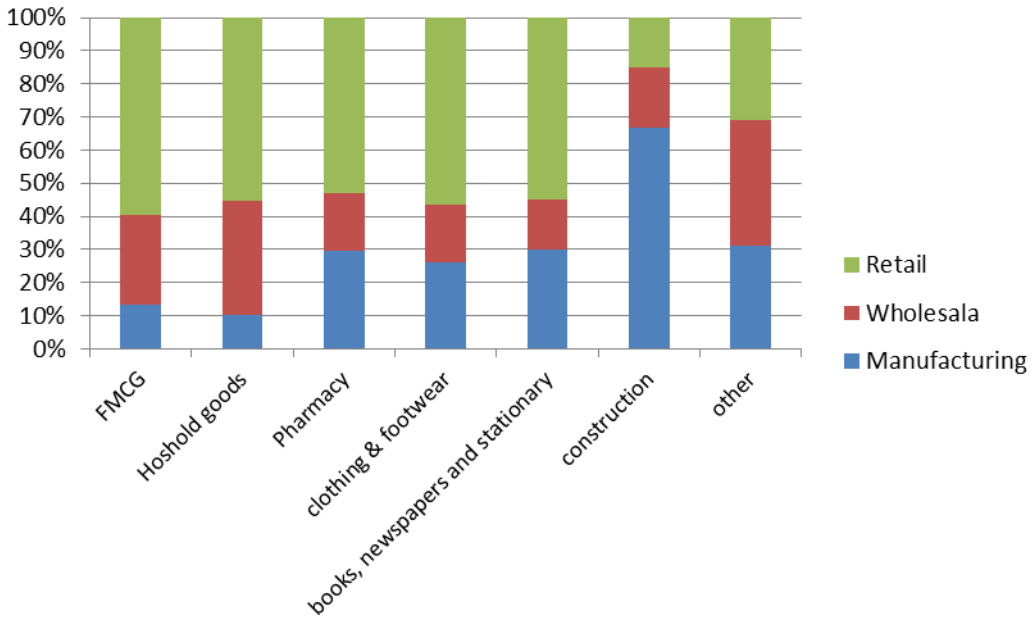


Figure 3-11: Distribution of respondents according to industry

Source: author prepared figure based on research data analyses

At the same time beside 68 respondents who have chosen FMCG industry 16% marked that they are occupied in manufacturing only, ether in addition to retail or wholesale. While only 7% of employees working with household good market belongings to manufacturing. Equally more than 50% in retail and 30% marked as manufacturing beside the respondents who work with each of categories - pharmacy goods, clothing and books, newspapers and stationary.

The Figure 3-12 presents the other perspective of respondents' distribution according to industry. It is showed how big share of respondents from manufacturing, wholesale or retail deal in with household goods, fast moving consumer goods etc. Surely it is not a surprise that major part of respondents in retail are dealing with fast moving consumer goods these data also fits if we would compare the figures with the statistical data analyses presented in chapter 2.1.

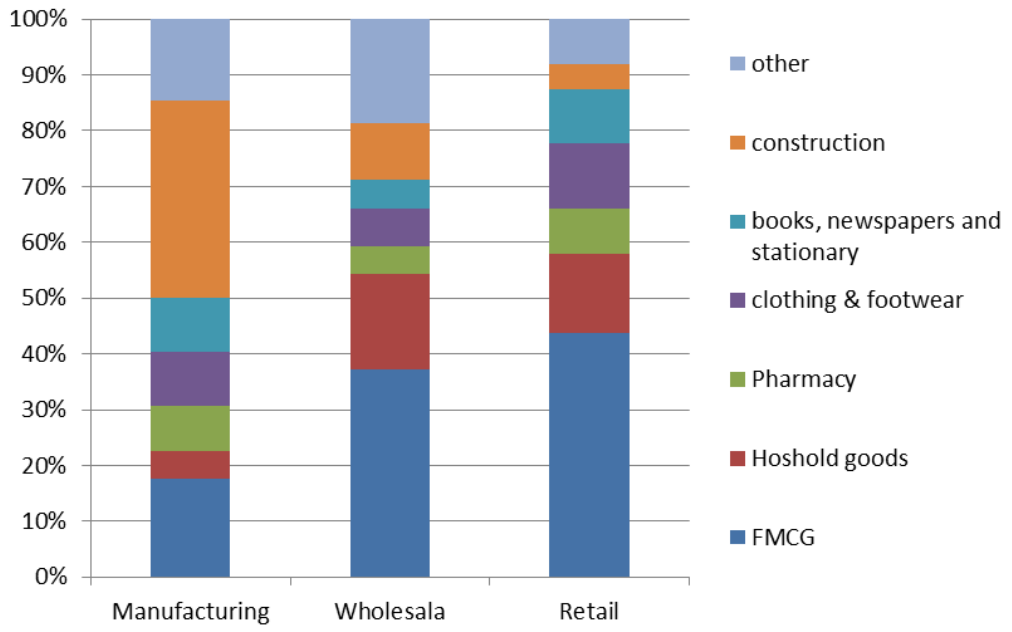


Figure 3-12: Industry within the field

3.2 Readiness for cooperation of wholesale and retail trade enterprises

The next step the author analysed the procedure of interaction process of trade enterprises. During the expert interviews experts operating in retail industry informed that they realise that wholesalers often do not want to create supply contracts with small retailers. The experts operating in wholesale industry approved that they really choose to work firstly with biggest retail chains. Small retailers usually presented by shops with small turnover that usually make rather small order. The cost of delivery of small order to the shop is almost the same as the delivery cost to big super and hyper markets. In addition biggest grocery shops are concentrated in big towns that are located on the main roads of the country, while small shops usually are situated in small suburbs far from main road and requires for deliveries much more kilometres routs neither for deliveries to the biggest shops.

Additionally, in the process of negotiations it is enough for wholesaler to make two basic contracts with the biggest retail chains and ensure the constant deliveries of goods to the retail points that counts almost half of the market. The efficiency of cooperation with small retailers is insignificant, since in order to get the turnover from smaller retailers it is necessary to make more than 10 different negotiations and contracts plus in most of cases the additional contract about products deliveries should be formalized almost with each shop separately. For example the wholesaler who would like to cooperate with cooperation of independent sellers, should sign the delivery contract with the commercial department of cooperation and additionally prepare and sign the contract about product deliveries with 200 legal persons –

retailers, included in cooperation. Further each shop (more than 400 shops that belongs to cooperation) should be visited by wholesaler representative and the order for products should be received and fulfilled. Due to such interaction process it is possible to get up to 10% of market share.

In comparison for the reason of negotiation with biggest retail chain it is enough to have 1 contract, agreement about standardized deliveries. The wholesaler receives only one order for all the shops which is necessary to accomplish and often there is only one delivery to distribution centre. As a result the efficiency from one contract and accomplishing of one order it is possible to get up to more than 20% of the market share that is surely more efficiently for the wholesaler and cheaper neither the cooperation with small retailers.

Additionally the analyses of survey results about interaction process between enterprises highlight some similar conclusions. Since the coordination process exactly between wholesalers and retailers working with fast moving consumer goods lies in the main interest of the research held, exactly these answers were analysed. Generally 45 respondents – 25% of all the respondents marked that they are working in wholesale. Actually almost half of them or 22 respondents are occupied with wholesale of fast moving consumer goods. Further the clients of these respondents were analysed.

Table 3-1 below presents the results of wholesalers' answers about cooperation with retailers and compare the data with the retailer's market share in 2010.

Table 3-1: Interaction of FMCH wholesalers and retailers

Brand	Company name (GBO)	% of wholesalers'	Market share 2010
Maxima	UAB Maxima Groupe	45%	24.3%
Rimi, Supernetto	Royal Ahold NV	55%	23.9%
IKI, Cento	Coopernic	27%	4.5%
Mego	Mego SIA	32%	2.3%
Stockmann	Stockmann Oyj Abp	18%	1.7%
Sky	Skai Baltija SIA	18%	1.3%
Beta	Zemnieciba SIA	N/A	0.9%
LaTS	*Latvijas Tirgotaju Savieniba SIA*	*0%*	*6.6%*
Aibe	*Aibe Baltic UAB*	*0%*	*5.3%*
Elvi	*Elvi Grupa SIA*	*27%*	*4.7%*
Tops!	*Iepirkumu Grupa SIA*	*0%*	*4.5%*
Balstor	*Baltstor SIA*	*0%*	*2.3%*

Source: author prepared figure based on research data analyses

Rather high percentage – 32% of those who work with Mego actually should be compared to market share cumulative of Mego + Baltstore that counts for 4.6% of the market share, because Mego and Balstor have common purchasing policy and make decisions about cooperation for both Mego and Baltstore chains simultaneously. So we see that Maxima and Rimi with the similar market share has relatively similar % of cooperation, however the 55% of those who work with Maxima is still higher than 45% who work with Rimi.

From one side we see that cooperation like Lats and AIBE are not mentioned at all beside the respondents. It is necessary to take into consideration that usually the sales department and exactly persons who negotiate the products acceptance into the assortment of retailer knows the clients better than any other employee of the company. When we discuss the cases of AIBE and Lats it is necessary to take into consideration that these companies sometimes do not have direct contracts between cooperation and supplier. Usually the cooperation negotiates the common terms of products deliveries and the supplier makes a separate delivery contract with each of cooperation member. In such situation the direct client of the wholesales would be not company AIBE or Lats but exactly SIA "X" that is considered as a member of cooperation.

On the other hand Table 3-1 perfectly highlights the readiness of suppliers to work with retailers. It is obvious that the higher the market share of the retailer the bigger is the percentage of wholesalers working with the retail chain. This fact copy also the wholesaler's attitude to cooperation with retailer readiness to cooperation. It's obvious that it is easier and more efficient to make a contract with retailer who has higher market share and receive by one contract the market share for the product. By conclusion of contract with Maxima as an example the wholesaler may suppose that by one this contract the product of wholesaler will have guaranteed 24,3% of market share for the product. For some of wholesalers it seems enough guaranteed turnover and they are not even wish to go to the retailers with smaller market share since it already requires more expenses that will bring relatively less income as a result.

So as a result we see that while almost half of the wholesalers approved that the work with Rimi and Maxima – retail chains that together generate almost half of retail turnover. Less than one fifth of wholesalers have cooperation with Stockman and Sky. This fact reflects the wholesalers' attitude and readiness to work with smaller retail chains. Finally while IKI, Elvi, AIBE and Lats has almost similar market shares, we see that wholesalers are more ready to work with IKI and Elvi who have centralized order system and product assortment agreed

for all shops in the contract and do not take into considerations small shops like AIBE and Lats.

Summarizing the expert opinion both from wholesaler and retailer representatives and combining with the survey results the author concludes that hypothesis 2 is approved. The higher the market share of retailer the more the wholesaler is ready to work with this retailer. The work with small retailers is not interesting for the wholesalers and brings more expenses nether profit. In this situation wholesalers propose better purchasing conditions for the biggest retail chains and worse for small and single retailers. As a result small retailers receive the products with higher prices and are not able to propose good prices for consumers and loose the competitiveness.

Awareness and usage of management tools

In order to analyse the awareness and usage of different management tools beside the representatives of trade companies the author prepared a graph that presents this data. Figure 3-13 presents the awareness and usage of proposed for evaluation management tools beside the wholesales companies.

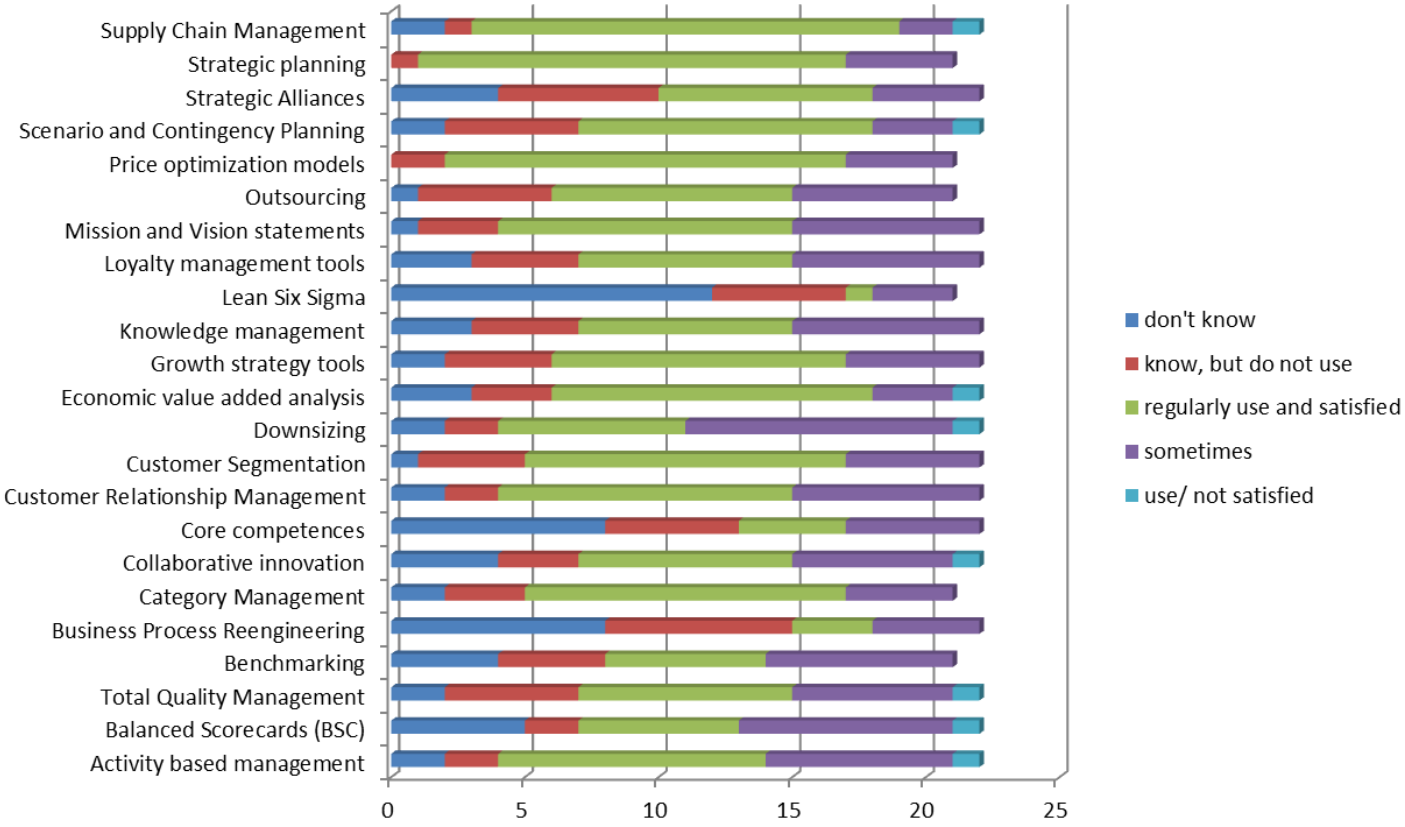


Figure 3-13: Awareness and usage of management tools beside wholesale companies

Source: author prepared figure based on research data analyses

There was defined two equally most popular tools that are regularly used by wholesalers. 73% of wholesalers who work with fast moving consumer goods marked that they regularly use supply chain management and strategy planning. 55% of wholesalers do not know Lean Six Sigma tool. On average 14% of retailers answered that do not know management tool.

The next presents the usage and awareness of management tools beside the retail enterprises. In generally exactly the answers don't much more often present in retailers' answers that are much less educated in these questions. Beside the respondents there were 49 retailers operating with fast moving consumer goods. Also supply chain management is the most popular and regularly used beside retailers however it is used only by 49% of retailers. More than a half – 53% do not know Lean Six Sigma. On average 23% on average do not know the tool beside the retailers that is by 64% higher that the results beside wholesalers. It is also interesting to compare the results with answers "Know but do not use". Business process reengineering has got the highest rate of 32% beside the wholesalers and only 27 beside retailers. At the same time Total Quality Management appeared to be with the highest 29% within this category of answers beside retailers.

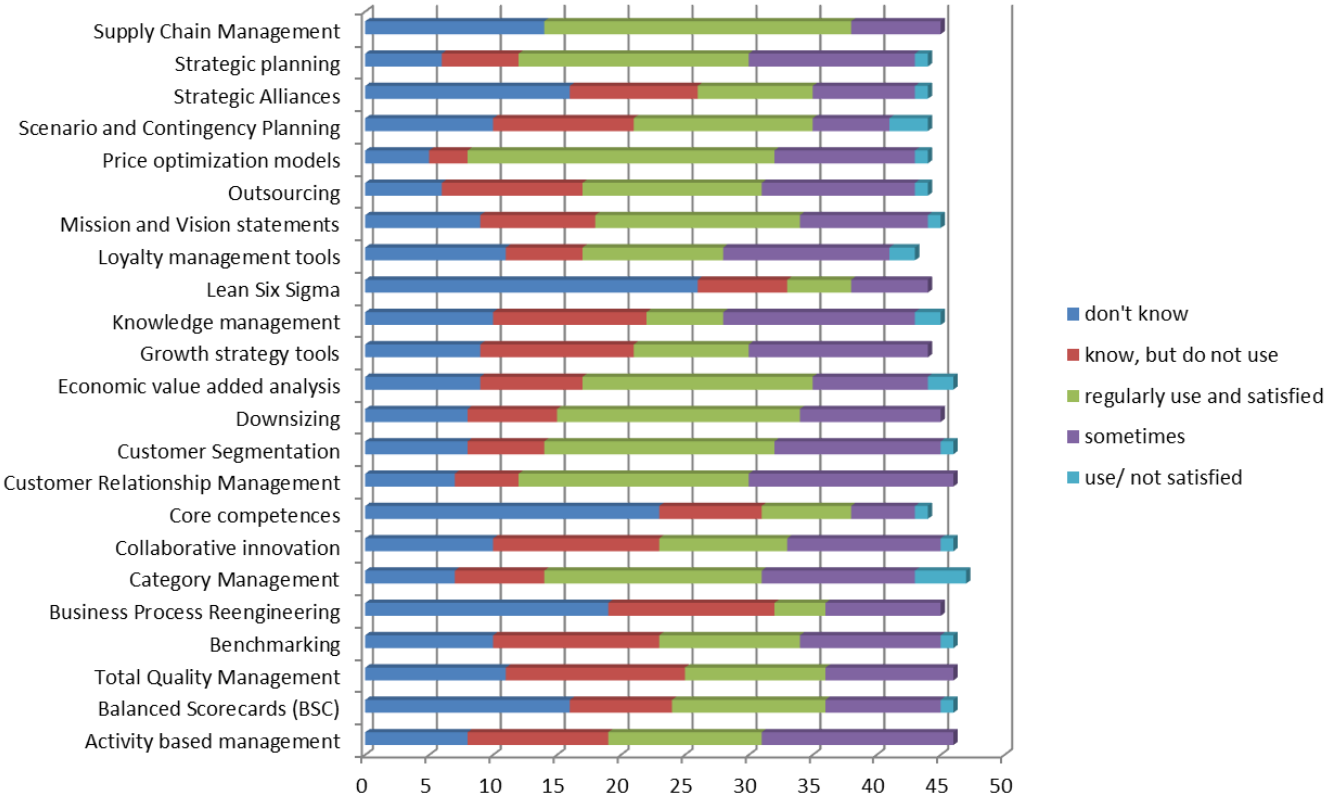


Figure 3-14: Awareness and usage of management tools beside retail companies

Source: author prepared figure based on research data analyses

Analysing separately Total Quality Management we see that the difference between usage beside retailers and wholesalers is significant.

Figure 3-15: Implementation of TQM

Source: author prepared figure based on research data analyses

Also the number of tools used by the company is interesting to analyse. Similar research is held every year by American consulting company. Presents the results hold by the consulting company till the year 2008.

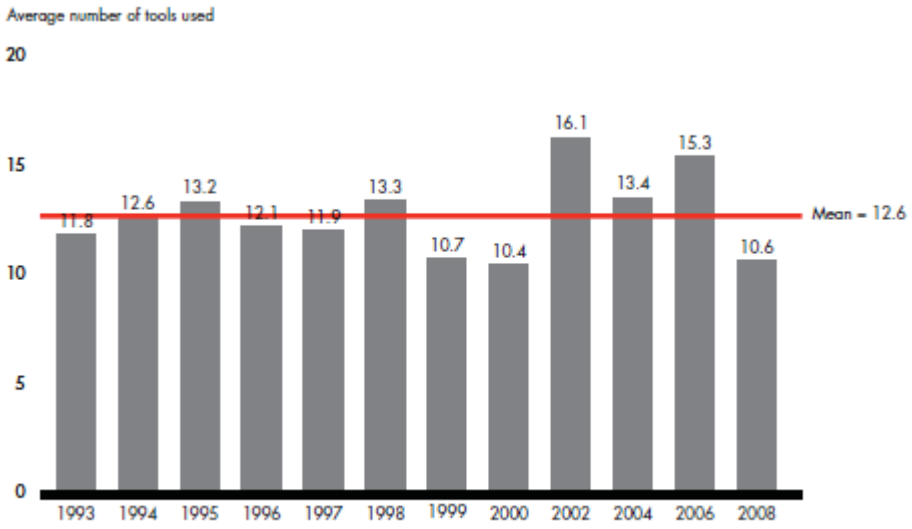


Figure 3-16: Number of management tools used

Source: Rigby & Darell, 2009

Similar research was hold in Latvia in year 2007-2008 by consulting company "Biznesa Konsultantu Gruppa" who tried to compare the results between Latvia and world data. The results presented by Latvian company are presented in Figure 3-17.

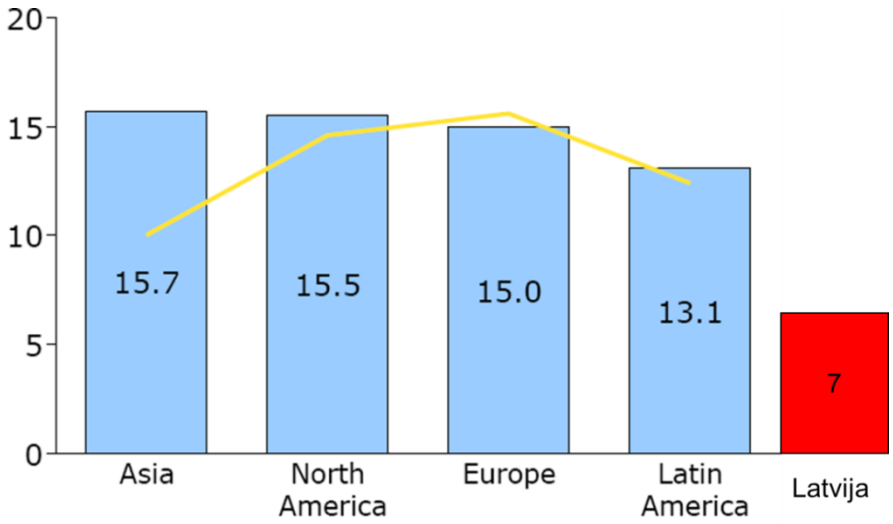


Figure 3-17: number of management tools used in Latvia[15]

Source: author prepared figure based on research data analyses

In the author research the average number of instruments used in year 2011 is already 13 that shows the positive increase in comparison to the research hold by Latvian consulting company 3 years ago, and almost reach the level of Europe that time.

Table 3-2 presents the number of management tools used beside the authors research and differences between wholesalers and retailers.

Table 3-2: Number of tools used by trade enterprises' management

Retail	12	wholesale	16
2 -9	8	2 -9	6
10-19	14	10-19	18
20-49	7	20-49	14
50-249	16	50-249	19
more than	14	more than	18

Source: author prepared figure based on research data analyses

Nevertheless the number of tools used increased from the period of 2008 according to the data analysed within the research held by the author, still the knowledge and usage of management tools in Latvian companies is not so developed as in European countries and other developed countries of the world. So we can conclude that hypothesis 3 is approved and contemporary executives are lack of knowledge about the management tools they use.

Usage of category management beside trade enterprises is presented in Figure 3-18.

[15] The data provided by consulting company Biznesa Konsultantu Grupa according to their research in year 2008.

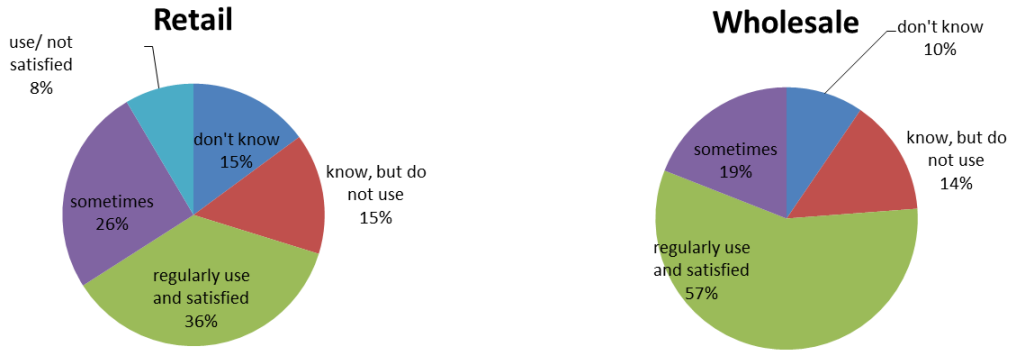


Figure 3-18: Usage of category management tool

Source: author prepared figure based on research data analyses

The two management tools Category Management and Total Quality management lies in a specific attention of the author in this research and will be observed in detail further. In order to test (1) weather beside 23 most popular management tools it is observed any mutual grouping indication that can point on these tools interaction with enterprise performance, (2) or is there any grouping indication according to number of employees or range of turnover the factor analysis were performed. The appendixes 12 and 13 present the results of factor analyses and show rather tendency to arrange groups of tools according frequency of usage, that express simply the popularity within the executives.

According to the survey results 36% of retailers and 57% of wholesalers are satisfied with the usage of category management. We can compare also the growth of employees beside those who ought to use category management principles and those who do not use the tool. Figure 3-19 presents the comparison. It is higher the percentage of those who regularly or sometimes use the category management principles beside companies were number of employees increased.

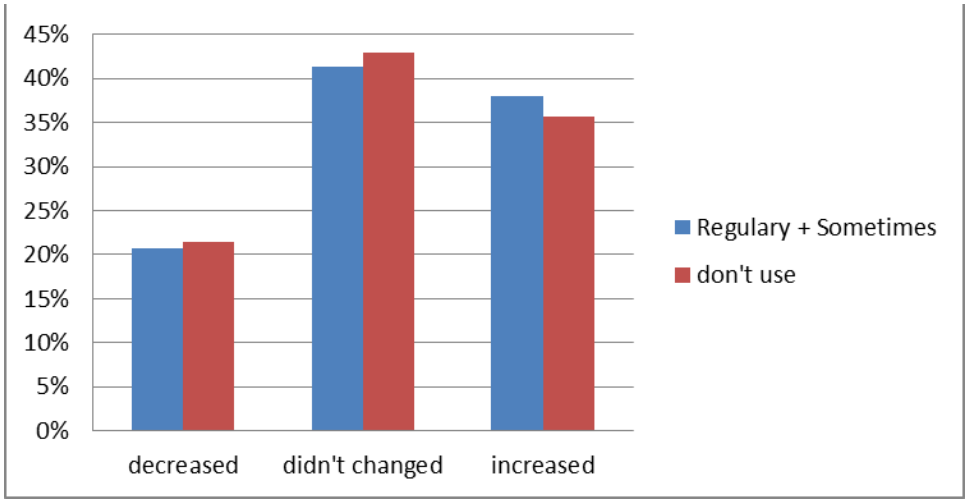


Figure 3-19: Growth of number of employees' vs usage of Category Management tool

Source: author prepared figure based on research data analyses

The high percentage of usage of Category Management tool beside trade companies in combination with satisfaction about usage of this tool, as well as the higher number of companies with increase of number of employees beside those who regularly implement category management technique allows to approve the hypothesis 4 that Category Management tool is an important tool form trade organisations performance.

While we look further on the results and make similar analysis for organisations that use or not TQM, Figure 3-20 highlights the results if we look at result of usage of Total Quality Management. We observe a very big difference of increase of number of employees beside those who regularly use Total Quality Management tool.

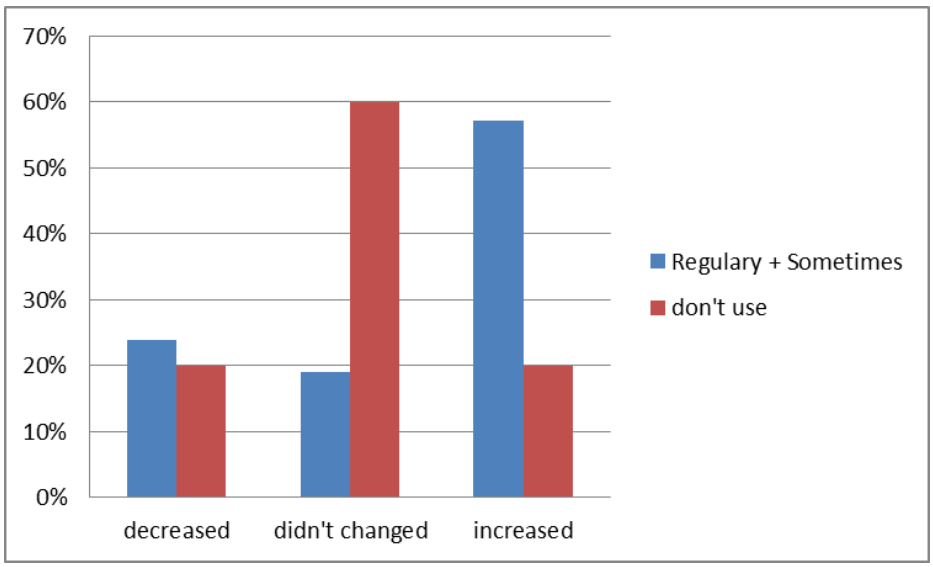


Figure 3-20: Growth of number of employees' versus usage of TQM

Source: author prepared figure based on research data analyses

If we compare the results beside those who simultaneously use both Total Quality Management and Category management principles we see the convincing superiority of increase of employees beside this group of companies, as it is presented Figure 3-21.

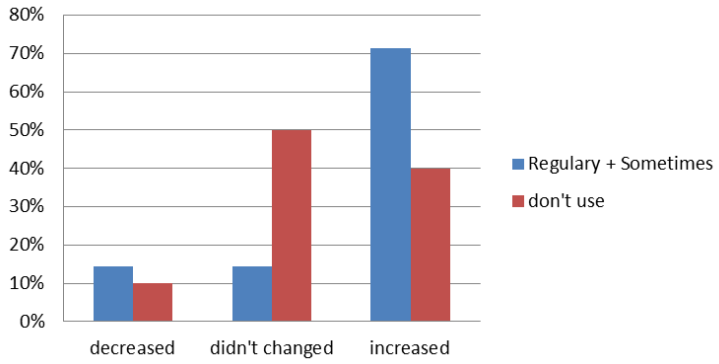


Figure 3-21: Growth of number of employees beside the companies implementing TQM and Category Management simultaneously

Source: author prepared figure based on research data analyses

Similar conclusions as it is highlighted by quantitative analyses were received also during the interviews with general management of the enterprises who has the major market share. All of the retailers who are mentioned as market players in chapter 2 approved during the interview that they are implementing Category management principles and Total Quality management principles in their enterprise management processes. Thus we can conclude that combination of TQM with Category Management approach as formulated in next hypotheses has more positive effect on enterprise performance neither Category management separately, thus approving the hypothesis 5.

Aiming to test if usage of TQM and Category management tools in enterprises is dependent on number of employees and turnover of enterprise the statistical method T-test for independent samples was used. The t-test is the most commonly used method to evaluate the differences in means between two groups. The groups can be independent or dependent. Theoretically, the t-test can be used even if the sample sizes are very small (e.g., as small as 10), as long as the variables are approximately normally distributed and the variation of scores in the two groups is not reliably different. The equality of variances assumption can be verified with the F test.

The p-level reported with a t-test represents the probability of error involved in accepting research hypothesis about the existence of a difference. Technically speaking, this is the probability of error associated with rejecting the hypothesis of no difference between the two categories of observations (corresponding to the groups) in the population when, in fact, the hypothesis is true. (Wooldridge, 2003)

In the research sample 179 respondents are divided into two parts: the enterprises where the number of employees/ or turnover is less than margin value *k* and those where they are over the margin value *k*. It is settled the hypothesis that the relative frequency of TQM or Category management usage in enterprises under margin value *k* and over *k* statistically similar, that is equal. In case it is not possible to reject the settled hypothesis, then we are not able to assure that the relative frequency of TQM or Category management usage differs in enterprises if we would choose as a break point number of employees/level of turnover *k*.

Accordingly an additional research question should be set: in case the relative frequency usage still differs in enterprises with different number of employees or level of turnover, what is the number of employees or level of turnover when this difference is statistically significant.

Looking at TQM and Category management usage group statistics depending on number of employees and turnover it is visible that difference between management tools relative frequency usage changes if change the distribution of organisations.

As it is presented in Appendix 13 if we choose the breakpoint of distribution of enterprises as number of employees equal to 10 we see that on average TQM use 35% (Mean=0.35) of enterprises with number of employees more then 10, whereas in enterprises with number of employees less than 10 TQM use only 3% (Mean=0.03). Increasing the break point for the distribution up to 20 employees we observe that TQM relative frequency of usage increase slightly to 37% while in enterprises with number of employees' less than 20 TQM usage frequency increased significantly to 16%.

As a result by increasing the breakpoint of distribution from 10 to 20, TQM relative frequency of usage between the groups decreases from 32 (+0.35-0.03) to 21 (=0.37-0.16), that show decrease of influence of number of employees in enterprise on usage of TQM. By continuing increase the breakpoint of distribution to 100 employees and 250 employees the relative frequency of usage of TQM in a group continue to grow, however the difference between the relative frequency remains on a level of 20 points. As a result primary data analysis indicates that we can argue about difference in TQM frequency of usage in enterprises with number of employees over and below 10.

In order to prove this t-test is used for all 4 distribution groups: organisations with number of employees over/below 10, 20, 100 and 250. For each or distributions null hypothesis is tested – whether relative frequency of usage of TQM do not differ between the enterprises with number of employees over/below 10, 20, 100 and 250. The obtained results are combined in Appendix 13.

As it is indicated in case we choose the breakpoint for distribution organisations with 10 employees, than first of all because F-statistics is high 201.661, we ought to reject the null hypothesis of equation of group dispersion, secondly accordingly to corresponding t-statistics 6.503 we can conclude that also the null hypothesis about equation of mean should be rejected with the generally acceptable significance level of: 1%, 5% and 10%. As a result the analysis approve that the relative frequency of usage of TQM if we would divide the enterprises according to criteria over or below 10 employees. Analogical conclusions received increasing the break point to 20 and 100. In case we choose the break point of distribution of enterprises 250 number of employees, than because of F-statistics equal to 5.330 null hypothesis about the equation of group dispersion could be rejected with the generally acceptable significance level of 1%, 5% and 10% and correspondently t-statistics 1.720 we can conclude the null hypothesis about the equation of mean could not be rejected nether with 5% nor 10% significance level. Concluding break point of distribution 250 employees statistically is not different for relative frequency usage of TQM.

This conclusion allows us to assume that the highest break point for the existence of difference of relative frequency of usage of TQM in enterprises (enterprises with higher number of employees use the tool relatively more frequently) is 100 employees.

Similarly the usage of Category management in enterprises according to number of employees is analysed. As it is presented in Category management tool usage does not changes as significantly as in case with TQM. Also relative frequency of Category management usage of Category management in enterprises with over/below 10, 20, 100 and 250 employees is not as high as in case of TQM analysis.

Testing the distribution of enterprises according to number of employees by usage of t-test we should conclude that also relative frequency of Category management tool usage is influenced by number of employees in enterprise as it is presented in Appendix 13.

In case the enterprises are grouped according to number of employees 10 or 20 than the hypothesis about equation of dispersion of groups should be rejected (F-statistics consequentially is 57.5 and 21.8), that according to corresponding t-values we can conclude that both with 5% and 10% significance level the null hypothesis about the equality of relative frequency in groups should be rejected. Furthermore when the enterprises are grouped according to number of employees over 100 or 250 than the hypothesis about the equality of group dispersion could be rejected only with 10% significance level (F-statistics consequentially 3.5 and.3.3) so because of corresponding t-values we can conclude that null

hypothesis about the equality of relative frequency of usage in groups could not be rejected within no one of significance levels of 1%, 5% or 10%.

As a result we can conclude that the highest break point where the difference of relative frequency of Category management tool usage in enterprises (enterprises with the higher number of employees use the tool more frequently) is 20 employees.

Similarly are analysed TQM and Category management relative frequency of usage depending on the level of turnover of enterprise.

By summarising the statistics about the groups, depending on TQM relative frequency of usage in enterprises with level of turnover over/below 100 000, 500 000, 1 000 000, 1 000 000 and 5 000 000 LVL, it is visible that the difference of frequency of usage of tool is the highest in case the enterprises are grouped according to turnover over the level of more than 1 000 000 LVL.

By usage of t-test the primary data analysis observations are confirmed, TQM usage significantly differ in enterprises when the level of turnover is over or below 1 000 000 LVL.In case the enterprises are grouped as the level of turnover is over 100 000, 500 000 or 1 000 000, than the hypothesis about the equality of dispersions of groups can be rejected (F-statistics consequentially 75.8, 45.3 and 18.2), then according to corresponding t-values we conclude that we can reject the hypothesis of equation of relative frequency of usage in groups both with the level of significance 5% and 10%. Furthermore when the enterprises are grouped according to level of turnover 2 000 000 LVL or 5 000 000 LVL, than the hypothesis about the equation of relative frequency of usage in groups could not be rejected (F-statistics correspondingly 3.1 and 1.4), so according to corresponding t-values we conclude that null hypotheses about the equation of relative frequency of usage in groups could not be rejected nor with one generally accepted significance level of 1%, 5% and 10%.

So we can conclude that the highest break point while the difference of relative frequency of TQM usage exists (the enterprises with higher turnover use TQM relative more frequently) is 1 000 000 LVL.

Similarly Category management relative frequency of usage in enterprises according to level of turnover is analysed. Primary group analyses presents as it is visible at Table that with increase of break point of level of turnover the difference of Category management relative frequency of usage is diminishing depending whether the level of turnover is over or below the break point. The highest difference is visible when the organisations are grouped with the break point over 100 000 LVL turnover.

The accomplished t-tests approve previously observed: Category management usage significantly is different whether the level of turnover of enterprise is over or below 100 000 LVL as it is presented Appendix 13.

Null hypothesis about equation of group dispersion we can reject only when the enterprises are grouped when the level of turnover is over 100 000 LVL (F-statistics 57.5) and according to corresponding t-value we conclude with the level of significance of 1%, 5% and also 10% the null hypothesis about the relative frequency of usage in groups can be rejected. Furthermore when the enterprises are grouped according to the turnover over 500 000, 1 000 000, 2 000 000 or 5 000 00, than the hypothesis about the equation of dispersion of groups could not be rejected (F-statistics do not overcome 3.222) and according to corresponding t-values we conclude that null hypothesis about the equation of relative frequency in groups could not be rejected nor with any generally accepted significance level as 1%, 5% or 10%.

As a result we can conclude that the highest break point till which exists the difference of relative frequency of usage of Category management tool in enterprises (the enterprises with the higher turnover use Category management tool relatively more often) is 100 000 LVL.

By summary of results obtained with performance of t-tests we can conclude that the usage of category management tool is typical for the enterprises with the break point of number of employees equal to 20 and turnover over 100 000 LVL. At the same time the analysis about the usage of TQM presents the break point of relative frequency of usage of tool over 100 employees and turnover over 1 000 000 LVL.

The explanation of such results lies in the essence of TQM by its nature. Category management tool is rather effective tool for performance enhancement of trade enterprises. And it has effective results for the enterprise with 20 and more employees and turnover over 100 000 LVL that is rather insignificant figure for trade enterprise however at the same time very representative for the Latvian market. It is obvious that coordination of processes in enterprise increasing the number of employees and turnover requires more difficult procedures. The most important peculiarity of TQM as it was already mentioned - is continuous improvement as a result of focus on quality. While Category Management is an effective management tool it is not enough to implement only Category Management in big enterprises. The complex approach that is usage of TQM as a basic philosophy in combination with Category management is the effective techniques for the performance enhancement of trade enterprise. Thus we can conclude that the hypothesis six is approved.

Practices of Category Management usage

During the casual buyer – supplier cooperation process the wholesaler's agent, thanks to a good vendor selling skills, manages to bring goods into the retailer's assortment, the wholesaler is satisfied with the results obtained and holds the position of observation, anticipation, when the retailer ordered goods will be deployed shelves and sold.

Of course, the retailer will provide ordering and placement of shelves, but the result of concern about a specific product in a particular group of goods and ends when the item is included in the mix. Next, its fate will depend on whether the item in the store is able to find sales and pay store staff's attention to be on shelves in time and ordered in time. However, in practice it can be seen that significantly better results can be obtained only if the wholesaler after the closing of the transaction continues to take care of your product. One of the key solutions in this situation is to deal with trade groups or categories of goods as the strategic business units.

The usage of TQM principles and Category management is a proven technique to enhance the competitiveness of trade enterprise. In order to receive the successful results it is necessary the clear interpretation of usage of the methods applicable exactly in trade enterprises and adapted for the needs of wholesaler who serves as a seller or retailer who serves as a buyer in buyer – supplier cooperation process. The author propos to use the methodology of combination of management principles in a way as it is explained further.

Category management principles in the company's marketing strategy allows the wholesaler to systematize the sales process and the impact of their production for sale to the buyer - the retailer - thus ensuring the company's successful achievement of the objective - profit and turnover increases.

Category management is the assortment management process in which each category of goods is examined as an independent business unit. In the process of "category" is referred to clearly identifiable and manageable group, which can identify and manage. This group of products the consumer is perceived as related and / or a set of interchangeable products that meet their needs. (ECR Baltic, 2008)

AC Nielsen - one of the world's best-known consulting companies dealing with the maintenance of market data and analysis - experts offer the following definition of category management - category management is the process of managing product categories as business units and coordinate with the objective - to meet customer needs. (ACNielsen, 1992)

Category management objectives are to maximize customer satisfaction and create vendor and supplier co-operation more effective. One of the strategic steps in theory-building

process directly into the view from the marketing of products centred on the theory more customer-centric theory.

Based on the above definition and understanding of the process, can be used to supplement the following definition: category management is a formalized process under which cooperate together manufacturers and retailers to manage business categories as strategic business units to improve business results by focusing on understanding consumer needs and satisfaction. (ECR Baltic, 2005, p. 2)

Category management is built on the foundations of marketing, to help retailers and manufacturers to better reach consumers. It is a process that explores everything you want to buy it. Process the result - satisfied customer who remains loyal to the shop.

Originally the process of 8-step process of Category management techniques was created. But over time the process is modified according to each specific retail business needs and competence. Some companies began to apply the theory to their needs, as well as drawing on its experience. Consequently, today, some use the traditional 8-step model, but some of it into a 6 or even 4-step model. In practice, companies usually set up to use the classic process, but later modified it to suit your needs - except for activities which are not exactly up to date for each time and change the order according to the company adopted the principles, strategies and culture.

Already in the marketing strategy was based on a question of consumer need satisfaction, but had to take time for companies to recognize the key role in the consumer marketing strategy planning. Despite the fact that the corporation "General Electric" (USA) has been called the first company that articulated in its marketing concept, GE's critics called this company for business' who turned his face to the President and with his back to the consumer. (O'Shonessi, 2002, стр. 22)

Consequently, global marketing theory development more and more attention is paid to consumer behaviour. Formed by the science of hermeneutics, and ethology, the study of consumer behaviour became as a necessity for trade enterprises. However, consumers are still being considered as one of the factors which must be taken into account when planning a marketing strategy rather than as a key element.

Twentieth century, at the end of the category management began to be widely used in the food retail business. Initially, the category management process began in the U.S. retail food exceptions, but pretty soon spread to other retail sectors, such as books, household electronics and much more. Using category management and strategic approach to assortment

management principles, based on effective customer returns, wholesale companies have the opportunity to strengthen our position and to prove their dominance to the retailer.

Category management process began with a strategy for the management. (Karolefski & Heller, Concumer Centric Category Management, 2006, стр. 33)

Wholesaler is important:

- √ to define its strategy
- √ to meet with his direct client - co-producer - retailer's strategy.

Management strategies will allow the retailer to offer exactly the requested product and protect against irregular practices which may affect the future co-operation. For example, the wholesaler's product ranges are a variety of teas. Tea products are regarded as one of the wholesaler's product categories. Wholesaler's category assortment consists of fast moving packets of tea - black and fruit teas. Products available also include bulk tea. Loose teas, in turn, is both fast moving variety, and exclusive loose tea varieties with different flavours. It would be incorrect to offer strategic flavoured loose almost a retailer, such as Supernetto. Supernetto is a discount store, whose strategy is to offer customers the cheapest goods, which is achieved by operating with a narrow range of goods and low margins. Such chains plan to achieve the desired profit results due to high turnover and rapid movement of goods. Flawed strategic decision - to offer a product that does not comply with retailer strategies, resulting in sinking to the wholesaler.

On the other hand, it is also necessary to inform retailers about their strategy. The more information the retailer will know in most ways that informed retail agent will put your products wholesaler categories of development plans. It is important to know the manufacturer's strategy and communicate it at every stage, both the retailer and consumer.

This approach that can ensure the provision of interaction processes between trade enterprises that lead to both a wholesaler and retailer thinking at one time of one particular goal, which would satisfy the expectations of consumers, which ultimately contributes to both turnover and profit growth, thanks to higher sales volumes. Category management process helps create a competitive advantage, if proposes the proper planning of production, procurement and sales and marketing processes.

While the U.S. states and several European countries in the category management process was initiated by retailers, the first of which was a Wal Mart, the world's largest retail network of Latvian retailers were not so active. Only twenty-first century category management principles rather actively began to promote the direct manufacturers, especially

tries to import category management with Procter & Gamble Company, which by that time already tried all the advantages of other countries. (Walton, 2003)

Based on the fact that this process is the collaborative process, usually the retailer chooses the most one key partners who trust the retailer. This partner is a company which after the retailer's beliefs are properly resourced, as well as the knowledge and skills to stimulate and achieve growth category. This company is called a "category captain". (Karolefski & Heller, Concumer Centric Category Management, 2006, p. 26)

Still in real wholesale company the events goes exactly the same way. By usage of BSC management tool the management of the company formulates the goals for sales department. The sales department is aiming to fulfil sales plans. The salary of sales agents are dependent on sold volume. As a result the main wish of sales agent is to put as much goods on the shelves of retailer as possible.

3.3 Rational implementation of the model, investigation and example of usage and further development directions

Beside the tactical usage of category management principles in management processes of enterprise the special attention should be put on measurement of the results reached by the implementation of techniques. The author calls this part of a process – rational implementation. The retailer’s dilemma presented briefly in chapter 2and Figure 2-37 serves as a basic instrument that influences the retailer’s decision about purchase of goods and strategic decisions within category, following the category management principles.

Theoretical model presented in mentioned chapter was tested in real trade company and the results were analysed. As it was already presented previously the goal of the retailer is to maximize the potential profit. As it is presented in Figure 3-22:

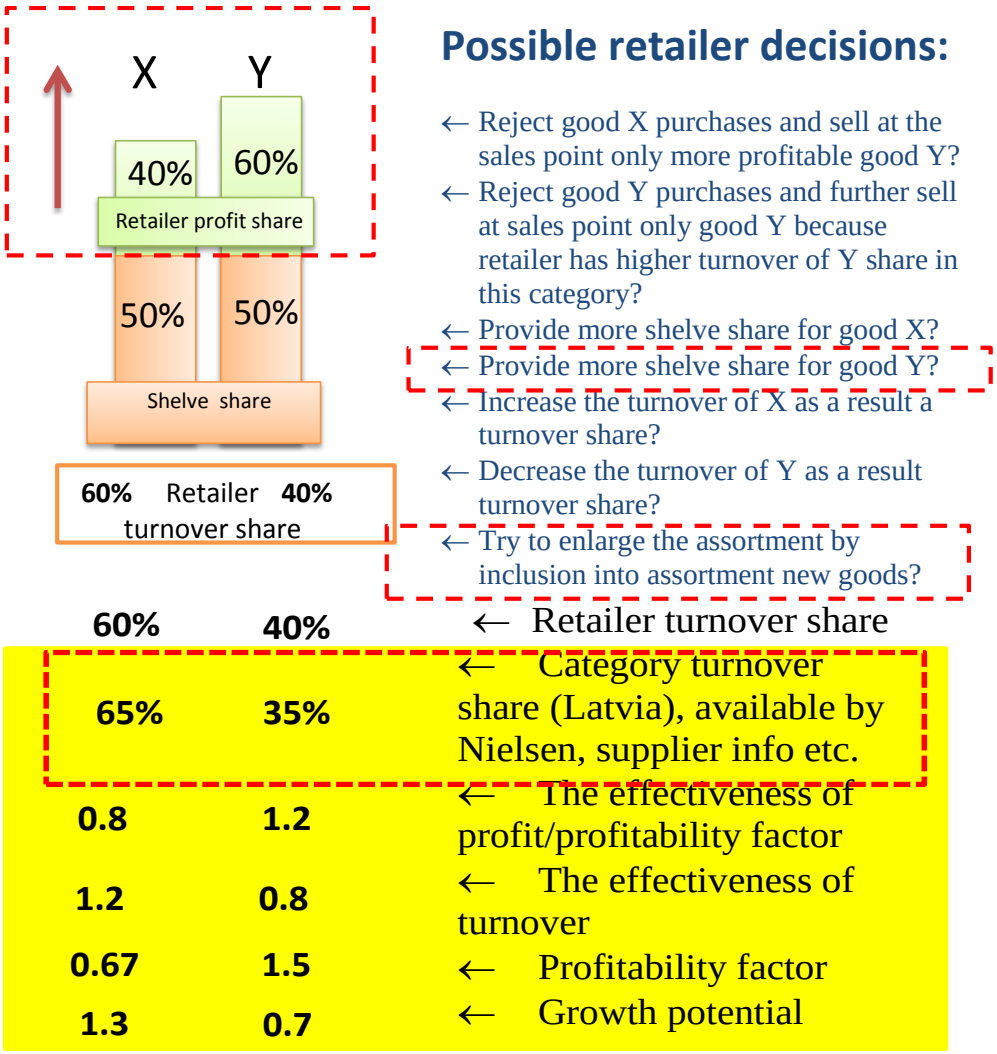


Figure 3-22: Solution for the Retailer's dilemma

Source: author prepared figure

In order to simplify the understanding of the implementation of this approach the example with only two goods was chosen.

Good Y has higher profitability factor. We can calculate the profitability factor in case we know all the necessary variables. The knowledge of variables usually is available in companies were the category management principles following 8 step model (or modified) are used. In a compliance with category management basic principles we should start with category definition. When we speak about goods X and good Y placement on the shelve we assume that the goods should belong to one category. Let us assume that this category could be ground coffee.

So by increasing the shelve space for good Y it is more likely to increase the total profit within the category. At the same time by increase of the shelve space as a resource of the product it is possible to increase the share of turnover of the product in a category in retailers

show and at the same time according to the share of the retailer on the market influence the wholesalers product turnover share on whole market.

Figure 3-23 presents the example of the retailer's solution with usage of real market data and retailers turnover and profit comparison.

			Brend A	Brand B	Brand C	*Brend D*	*Others*
Fact 2010	*Total group LV*	*Total chain data*	*A*	*B*	*C*	*D*	*others*
Nielsen share, %		100.0%	40.7%	31.8%	10.6%	5.0%	11.9%
Turnover NIELSEN without VAT, LVL	10 722 314	536 116	218 199	170 485	56 828	26 806	70 097
Turnover without VAT, LVL (real)		591 876	274 996	164 687	28 746	50 523	72 924
Shelf share, %		100.0%	50.0%	45.0%	1.0%	3.0%	1.0%
Total benefit, %		11.7%	13.00%	14.00%	0.00%	14.00%	5.00%
Total benefit, LVL		69 525	35 749	23 056	-	7 073	3 646
Share in turnover, %			46%	28%	5%	9%	12%
Share in benefit,%			51%	33%	0%	10%	5%
PROFITABILITY FACTOR			111%	119%	0%	119%	43%
PROGNOZE 2011_VAR.1							
Estimation 2011	*Total group LV*	*Total chain data*	*A*	*C*	*D*	*others*	
Turnover without VAT, LVL (real)	10 722 314	591 876	275 938	102 157	69 188	144 594	
Shelf share, %		100.0%	50.0%	35.0%	10.0%	5.0%	
Total benefit, %		12.7%	13.00%	16.00%	20.00%	6.50%	
Total benefit, LVL		75 453	35 872	16 345	13 838	9 399	
mārketings				3%			
Share in turnover, %			47%	17%	12%	24%	
Share in benefit,%			48%	22%	18%	12%	
PROFITABILITY FACTOR			102%	126%	157%	51%	
Changes in turnover, LVL		1.00	1.00	3.55	1.37	0.61	
Changes in total benefit, LVL		1.09	1.00		1.96	0.35	
		5 928					
PROGNOZE 2011_VAR.2 with C							
Estimation 2011	*Total group LV*	*Total chain data*	*A*	*B*	*C*	*D*	*others*
Turnover without VAT, LVL (real)	10 722 314	591 876	275 344	130 375	95 375	62 188	28 594
Shelf share, %		100.0%	45.0%	20.0%	20.0%	10.0%	5.0%
Total benefit, %		14.4%	13.00%	14.00%	16.00%	24.00%	4.00%
Total benefit, LVL		85 376	35 795	18 253	15 260	14 925	1 144
mārketings					3%		
Share in turnover, %			47%	22%	16%	11%	5%
Share in benefit,%			42%	21%	18%	17%	1%
PROFITABILITY FACTOR			90%	97%	111%	166%	28%
Changes in turnover, LVL		1.00	1.00	0.79	3.32	1.23	0.39
Changes in total benefit, LVL		1.23	1.00	0.79		2.11	0.31
		15 851					

Figure 3-23: Example of the Retailer's dilemma solution

Source: author prepared figure

Version 1 and version 2 presents different possibilities of shelve share of product in retailer's sales point. Depending on data of turnover and profit in addition with the market data about each of the products the retailer modulates the scenario of profit and makes a

decision. Version 2 brings triple more profit then version 1, thus the retailer will choose this version.

This decision making profit is very important exactly for the wholesaler, because the wholesaler in such a case should propose for the retailer the most competitive profit, that would press the retailer to enlarge the shelve space of the product.

As a result of such an activity this action will increase the product turnover share within the chain. Furthermore the changes in turnover chain will influence the total product turnover share in category on a market. As a result the increase in turnover in a market will press the other chains to increase the shelve space of the product as well.

Usage of TQM approach as a necessary complimentary philosophy designing a competitive strategy of trade enterprise

Unfortunately while most of the producers are planning or got the quality certification most of the retailers and wholesalers ether do not think that the quality processes control is necessary for the business development or is not primary at the current moment. During the research held by the author in the year 2010-2011 the 60% of respondents consider that during the purchasing process they are interested to get quality products proved by certificate, while the other 30% prefer to have the lowest price and do not care about the quality. At the same time the readiness to provide the buyer with information about the quality is less significant and differs among wholesalers and retailers.

The different standards of quality management have already a proven history beside companies. ISO 9000 is used as a meta-standard in Quality already in more than 160 countries. However in the beginning of XXI century only several trade enterprises in Latvia have got ISO certification. Lack of interest for quality management principles is especially particular for retail enterprises. According to the research hold by the author about 75% of retail enterprises do not regularly share any information about quality processes and statistical data with their clients.

The popularity of Quality Management approach and implementation of ISO 9000 standards had a rapid growth of interest within the middle of the first decade of XXI century also in Baltic States. According to data of Latvian association for quality the number of companies certified till the year 2010 reached 768. More detailed figures are highlighted in Figure 3-24.

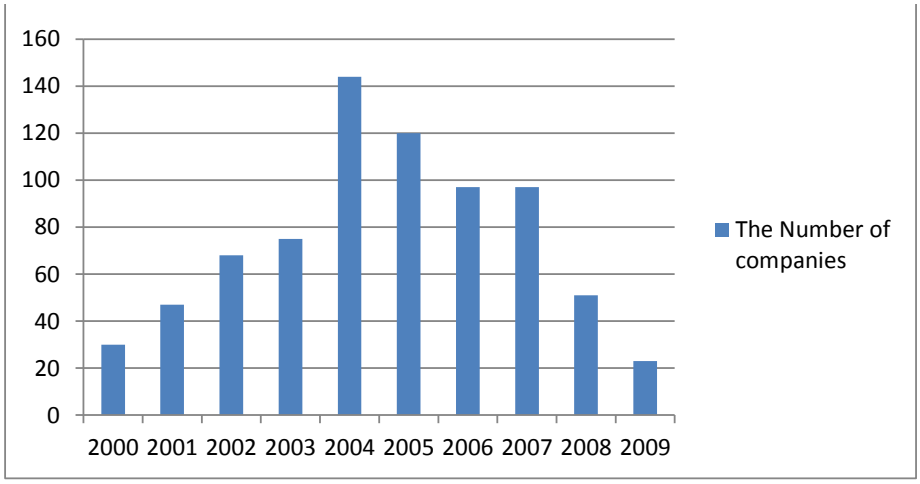


Figure 3-24: Number of companies certified according to QM principles.

Source: Latvian association of quality

The peak of the interest to get the ISO certification was obvious in the year 2004 when almost 150 new companies get the certification. The loss of interest after the year 2007 can be explained by the economic crises when most of the companies aiming to cut the costs made a decision not to continue a certification. Only 65 companies or 8.5% of the certified companies are occupied in trade industry. Only four of them are dealing with FMCG retail. According to the Latvian association for quality data as well as to the data given by the representatives of the company Maxima Latvia is the only retail chain not only in Latvia but in whole Baltic Countries that were certified according to ISO 9 000 quality standard. It is obvious that 65 certified companies between about 20 000 companies that are operating in Latvian trade industry counts for less than a half percent and are dramatically insignificant.

Unfortunately while most of the producers are planning or got the quality certification most of the retailers and wholesalers ether do not think that the quality processes control is necessary for the business development or is not primary at the current moment. During the research held by the author in the year 2010-2011 60% of respondents consider that during the purchasing process they are interested to get quality products proved by certificate, while the other 40% prefer to have the lowest price and do not care about the quality. At the same time the readiness to provide the buyer with information about the quality is less significant and differs among wholesalers and retailers.

Figure 3-25 shows the significant difference among the readiness of wholesalers and retailers to share the information about the quality with the buyers. While 44% of wholesale companies regularly share the information, only 25% of retail companies do this and 30% or respondents from retail companies never share the information about quality processes and statistics data with the buyer.

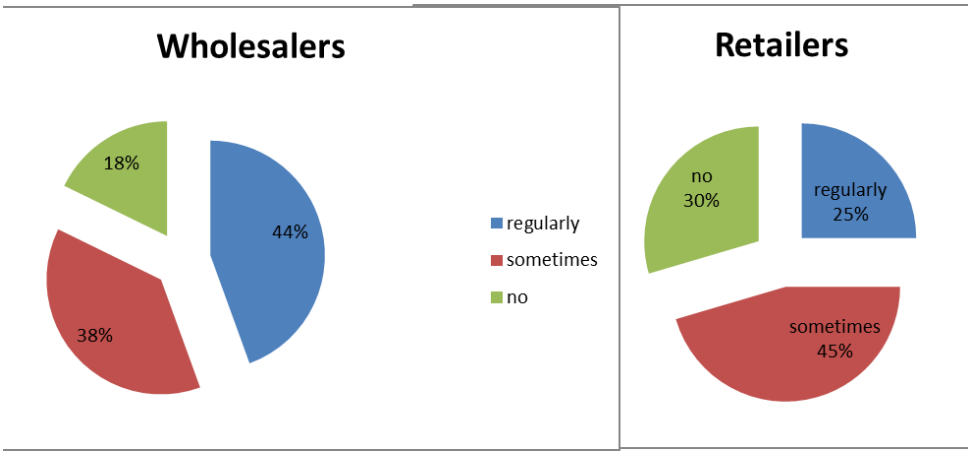


Figure 3-25: Information by the respondents in author made research on question "Do you share the information about you quality control processes and statistical data, regularly, with you customers."

Source: author prepared figure

The small number of retail companies also can be explained by number of problems the management of retail company should solve to reach the desired result. The major part of personnel of retail company is sales force. Most of people have not higher than average education. While the first rule of TQM, strong management commitment is common for every organization's management and similar in enterprises operating in different industries, the second rule of continual improvement as a result of focus on quality is much more difficult to implement in retail enterprise. From one hand the retail company is the most important in chain of delivery the final quality to the customer. On the other hand the delivery of quality in most of the cases ensure not qualified personnel. Learning, training and education of personnel can help in this process. However to success it is essential to follow with excellent accuracy the other TQM principal – focus on process and making process work better. Exactly in cases when final quality is delivered by not well qualified sales force it is crucial to have the processes perfectly defined to give the sales force precise instruction of action. So the implementation of TQM principals is especially important within retail companies.

TQM is not a separate management tool it is a general management philosophy. Total Quality Management concepts formulate trade enterprise management policy, choose the appropriate management tools which in combination with Total Quality Management principles help executive to create and follow enterprise general tactics, perform growth and enhance performance due to process optimization, cost minimization and achieving customer satisfaction.

At the same time in order to follow the concept of total retail experience presented by author due to peculiarities of retail industry it is not enough to implement TQM principles but

it is necessary to align TQM principles with Total Retail Experience Controllable elements – service and product quality, assortment of goods, internal store environment and store policies. All the mentioned controllable elements at the same time are the key aspects of the third category of TQM elements called by author "Focus on customer and enhancement of customer satisfaction". Category management is a management tool that helps trade companies to reach customer satisfaction and ensures the performance enhancement of the company.

Constrains, Implications, threats and further research possibilities

Strategic category management still do not guarantee the desired result. The importance of the second group of management tools combined in a category of cost minimization tools lead the author to look for additional techniques. The strategic category management approach implemented by management of trade company following the principles of TQM management can ensure successful buyer – supplier cooperation and help to satisfy wholesaler and retailer needs by increase of turnover share of wholesaler products and increase of profits for its partner – retailer. As a result such management technique helps to enhance the competitive advantage of wholesale enterprise. At the same time the author is worrying that in a long term still it does not guarantee a successful result. Some inquorate decisions about enlargement of product on the shelves based only on profitability analyses may lead to unreasonable increase of stock of goods. The cash resources of the retailer are dependent on the frequency of purchases of goods from the wholesalers as it is highlighted at Figure 3-26.

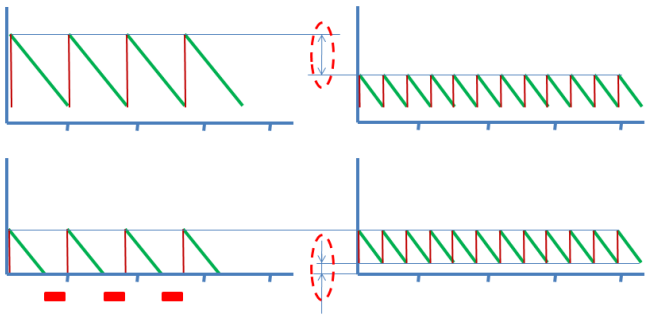


Figure 3-26: Ordering process of retailer

Source: author prepared figure

Unreasonable increase of stock of goods may lead to decrease of cash resources thus lead the retailer to bankruptcy. Still following the situation described with usage of Figure 1-14 and highlighted in chapter one it is necessary to remember about limitation of cash resources available for the retailer. Wholesaler's willingness is to increase market share is

limited by shelve size. Retailer willingness to buy more goods is limited by cash resources available at the period of time. This thoughts led the author to E. Goldratt works about theory of constrains.

Eliyahu Godratt is a business management guru and his theory of constraints (TOC) has changed the way we looked at problems and improvements. In his book, the authors Lepore and Cohen have tried to integrate the contributions of these two great men. The System of Profound Knowledge by Deming and TOC by Goldratt has been assimilated and the product is a comprehensive system and a conceptual framework. (Lepore & Cohen, 1999)

Recently developed theory of constraints by E. Goldratt highlights the necessity to pay attention not only on turnover and profit but also on a cash flow. The idea of the Lepore pushed to look on the implementation of TOC principles within buyer supplier cooperation during category management approach implementation in wholesale company. However this limitation is not taken into consideration by author in this work and stay a possibility for further research to hold in the nearest future.

Chapter summary

Chapter three starts with the overview of research methodology presenting the basic methods used: like interviews with experts and quantitative research hold by the author starting from the year 2010. After the constructs were defined, in order to measure and compare the results of the survey the author have settled six hypotheses that were approved as a result of the research.

The research questionnaire is presented and explained and the sampling population is indicated. Further the third chapter presents the thorough classification of results of research and demonstration of statistical approvals of hypotheses. After the hypotheses were approved the author presents personal solutions and recommendations for usage of Category Management tool in the process of interaction of trade enterprises that can help the wholesale enterprise ensure the performance enhancement as a result of increase of market share of the enterprise. The chapter reflects also the thoughts of author about the necessary implementation of TQM approach as a necessary complimentary philosophy designing a competitive strategy of trade enterprise.

Conclusions

The goal of the Doctoral Thesis is to develop a practical, easy-to-use, and clear methodology that helps business executives to build and develop a competitive business. By bringing together the approved quality management theory principles with innovative techniques of customer relationship management and partnership principles of business units, the study provides an innovative, theoretical model, which gives the executives valuable methodology in arranging and developing the management of enterprise under the proposed scheme and enhancing the performance of trade enterprise.

The aim of first chapter is to reflect on the theoretical perspectives that present the information about the classic management tools available for the managers, the tools that lead to the improvement of interaction processes of trade enterprises. The improvement of the coordination within the interaction process in its turn helps the enterprise to enhance the performance. The management tools applicable in trade enterprises like wholesale and retail trade companies are of the most interest within the conducted research. The role of wholesale companies within the Baltic States appeared to be already not so important as a couple of years ago. In order to keep and develop the position on the consumer market today, it is very important for trade enterprise to develop the competitiveness of company.

In the first chapter, different classic management tools as Fayol's approach, SWOT analyses, Porter's theory, and McKinsey's seven S model are observed. The discussion continues with the description of recent trends in management sciences and principles of modern management tools used by executives of enterprises in order to enhance the performance of enterprise. In the discussion the author glances at the essence of such management tools as Balanced Score Card, knowledge management, growth strategic approach, activity-based management, downsizing, outsourcing, customer relationship management, and category management approach.

The special attention of author is taken by the Total Quality Management. While some of the researchers recognise the TQM as one of management tools, the author considers that TQM should be perceived as more than simply a management tool. TQM approach combines most of the characters present in the majority of popular management tools and contains also some additional features. The most important peculiarity of TQM is the continuous improvement as a result of focus on the quality. The author sees three basic directions of TQM features: strategy generation, continuous improvement and performance measurement via cost minimisation and process optimisation, and finally focus on customer and

performance enhancement via customer satisfaction. The author concludes that the use of TQM concept should be used as a primary philosophy for the creation of management policy of the enterprise. The manager should choose the most successful combination of management tools following the TQM concepts.

The theoretical part is concluded with more detailed overview of category management tool that ought to be one of the most popular tools among the executives of trade enterprises, and different perceptions of this tool by researchers.

The second chapter of the Doctoral Thesis presents a thorough analysis of the trade industry. The overview of global retail market presents the processes of globalisation in retail industry and peculiarities of retail grocery, and further narrows the analyses to retail grocery in the Eastern Europe and current situation in the Baltic retail grocery industry.

The analyses of retail industry were finalised by peculiarities of the Latvian retail grocery industry where almost half of the market share is taken only by the biggest retail companies. Additionally, the author highlights the tendency of constant growth of retail turnover and takes a specific attention to the fact that there is a high tendency of growth of turnover per one retail store. At the same time, also sales area in square meters per one shop is constantly increasing.

The industry analyses are continued with overview of global and Baltics' wholesale industry. After the description of wholesale industry in Latvia, the chapter presents the official statistical data about structure of wholesale industry in Latvia and wholesale turnover dynamics. After the comparison of the official statistical data with changes over the years in the retail and wholesale industries in Latvia, the author makes a conclusion that in parallel with total increase of retail turnover and increase of turnover per retail shop on the Latvian market, there is an obvious tendency of concentration of wholesale suppliers which is characterised by significant decrease of number of wholesale companies.

In the conditions of presented market situation, it is obvious that wholesale companies should find the appropriate management tools, develop competitiveness, and enhance the performance of enterprise in order to keep the market position. The author discusses the possibility of using TQM as a basic philosophy for choice of management tools for trade enterprise in the mentioned market conditions, and proposes the use of category management tool as a basic management tool for the performance enhancement of the enterprise. In order to perform the successful interaction processes, the author proposes the model of using category management that together with effective coordination of interaction processes among the retailer and wholesaler enterprises is based on logical objective to maximise the

profit within the category of products and possibility for wholesale to increase the market share.

Chapter three starts with the overview of research methodology presenting the basic methods used: interviews with experts and quantitative research conducted by the author starting from the year 2010. After the constructs were defined, in order to measure and compare the results of the survey, the author has put forward six hypotheses that were approved in the result of the research.

The research questionnaire is presented and explained and the sampling population is indicated. Further, the third chapter presents the thorough classification of results of research and demonstration of statistical approvals of hypotheses. After the hypotheses are approved, the author presents personal solutions and recommendations for use of category management tool in the process of interaction of trade enterprises that can help the wholesale enterprise ensure the performance enhancement as a result of increase of market share of the enterprise.

As a result the following conclusions were made by the author:

1. The basic condition that requires enhancing the competitiveness of enterprise was defined. The market situation brings to the continuous decrease of the number of wholesale companies and tough concentration on a wholesale market.
2. Concentration on the trade market of strong retail chains and biggest wholesalers leads to losing the competitiveness of smallest wholesalers and retailers.
3. Contemporary executives of trade enterprises suffer because of lack of knowledge about available management tools for the competitiveness enhancement.
4. Wholesalers are more ready to work with retailers with higher market share and do not wish to make investments in cooperation with small retailers.
5. Category management is an important management tool that enhances the competitiveness of enterprise.
6. The success of implementing category management principles depends on the compliance of quality management principles.
7. The opportunity of enterprise to strengthen and develop the desired position on the market and enhance the competitiveness depends on the level of development of quality management in the enterprise.
8. By use of the model developed by the author, rational use of TQM and category management approach principles and the possibility to reach competitiveness enhancement is guaranteed.

9. The proposed model serves as a practical enterprise management technique that assists in the creation of competitive enterprise.

Once again the author would like to point out that the use of popular marketing basics is a must in trade process. However, it is not enough — strategy that is based on continuous implementation of Total Quality Management principles in management processes with combination of category management approach leads to enhancement of competitive advantage of enterprise. In the current market situation, especially management of wholesales enterprises need to increase the competitiveness. The model proposed by the author of combining the Total Quality Management techniques and category management principles will help the management of wholesale enterprises to enhance the competitive advantage.

Recommendations

Recommendations for trade enterprises

Aiming to enhance the performance of trade companies, both wholesale companies and retail trade companies should seek for the improvement of interaction process among the enterprises. The theoretical model developed by the author provides the executives with methodology that regulates the coordination process between management of wholesaler sales department and retailer purchasing department.

The executives of trade enterprises should constantly develop the knowledge of employees about possible management tools they can use in fulfilling the responsibilities.

It is recommended to define the set of management tools necessary to implement in enterprise, to use a wide range of management tools, and to narrow the number of used management tools up to optimal level taking into account that successful management practices use 15 tools on average.

To the management of wholesale enterprises

It is recommended to executives of wholesale enterprises to implement the category management in regular process of interaction with the management of retail enterprises. Implementation of the category management technique requires following and participating in all the steps — define the category and category role; regularly perceive the category assessment and scorecard. By using the data shared by retailer, the management of wholesale enterprise should propose and agree with the retailer on the category strategy, tactics, and implementation plan.

By implementing the category management techniques, the wholesaler should remember that managing categories as strategic business units should be regarded as one of the goals to maximise profit within the category. It is essential for the wholesaler when planning the category sales strategies in the process of interaction with the retailer to propose strategy that helps the retailer to maximise the profit.

It should be remembered to take the role of management captain in order to get the control on the category development.

It is also important to implement both the category management technique as a basic tool that may increase the market share of the enterprise first within the market of retailer, and influence by the mean of increasing market share on the whole market.

For the enterprises with more than 100 employees or turnover of more than LVL 1 000 000 per year, usage of category management should definitely be complemented with implementation of Total Quality Management principles.

To the management of retail enterprises

It is recommended for retail enterprises to make the use of category management principles as a basic principle of procurement strategy.

In order to get the best results from the implementation of category management, it is necessary to share the sales data and other analyses on category with wholesaler and actively participate in the development of category strategy and tactics and implementation of category plan.

During the process of category assessment the management of retail enterprise should explain the wholesaler the possibility of increasing the market share and possible scenarios. It is essential to clarify the importance of increase of profit for the retailer and the power of retailer to change the wholesaler market share.

When taking the decision about transaction on the market share for retailer, it is necessary to remember not only about the possible profit increase but also about the rational planning of cash flow.

Proposals for further studies

The author is convinced that this study is only a beginning for the development of research on successful category management implementation. The important complimentary research could be made on the influence of cash resources on the possibility to increase the market share of wholesaler.

Additionally, it would be valuable to test if the use of methodology in the process of interaction between other types of enterprises, for example operating in construction industry, pharmacy or even public education sector, is applicable.

It would be valuable by such additional research to broader the scope of application of the methodology by applying it not only to specific trade enterprises, but also to any business and government, as well as non-profit enterprises.

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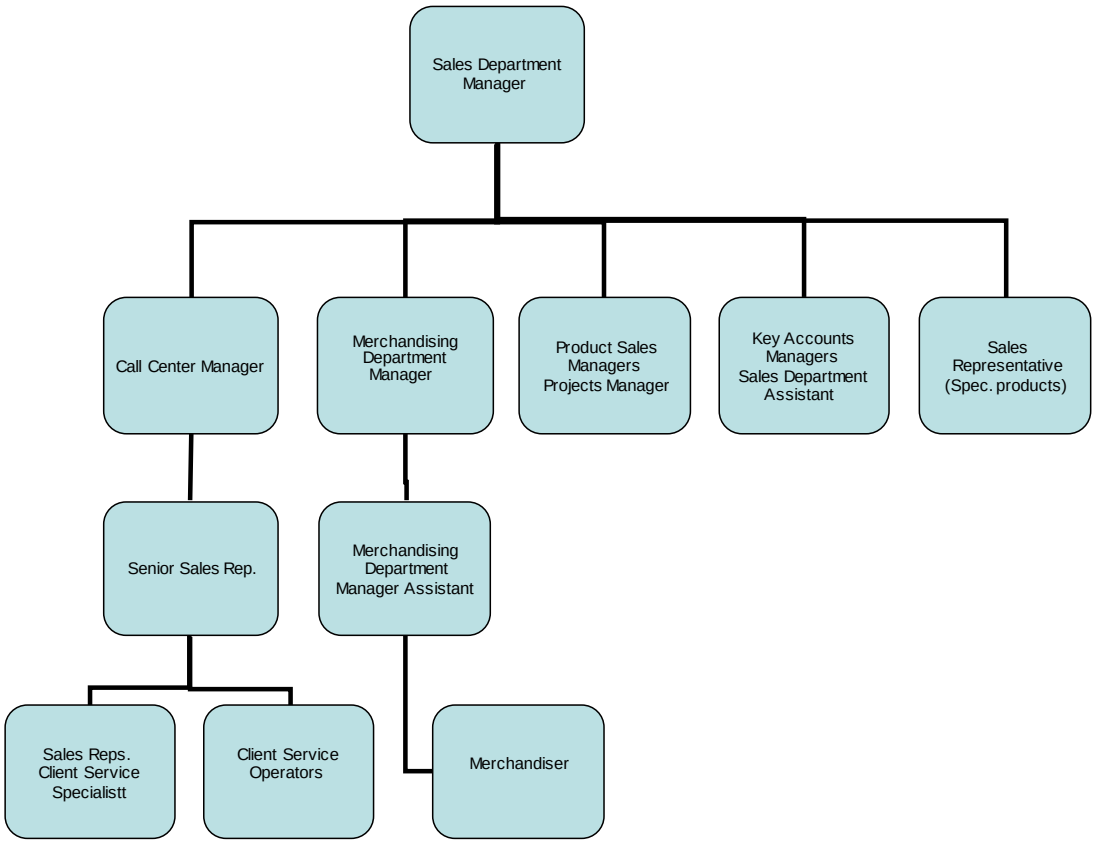
Appendixes

Appendix A1

Examples of organizational structures of trade organizations



Appendix A2

“„Maxima Latvija” ir profesionāli organizēts uzņēmums, kura darbība ir pilnībā pārskatāma – no veikalu būvniecības un preču iepirkšanas līdz pat pircēja grozam un kases lentei. Turklāt kompānija pastāvīgi domā, kā šos procesus vēl vairāk efektivizēt un padarīt pircējiem un darbiniekiem ērtākus. To apliecina prestižais ISO sertifikāts, kas novembrī pēc ilgstoša sagatavošanās darba tika piešķirts „Maxima Latvija”.

Sertifikāts apliecina, ka „Maxima Latvija” atbilst augstajam ISO 9001:2000 standartam, proti, mēs varam lepoties, ka katrs darbinieks atsevišķi un viss uzņēmums kopā strādā kā precīzi noregulēts pulkstenis.

Turklāt jāatzīmē vēl kāds svarīgs fakts – „Maxima Latvija” ir pirmais mazumtirdzniecības veikalu tīkls Latvijā, kas ir organizējis savu darbību atbilstoši starptautiskajam standartam un tādējādi saņēmis sertifikātu.”

Appendix A3

Table A3-1: % share of GDP from trade from Total GDP

Historic | € mn | Current Prices | Fixed 2010 Exchange Rates

Categories	Geographies	2005	2006	2007	2008	2009	2010	2011
Total GDP	World	34 587 327.9	38 733 778.4	41 722 442.1	44 249 419.2	43 755 037.2	46 963 988.4	50 232 489.8
Total GDP	Eastern Europe	1 367 476.7	1 538 602.7	1 813 301.7	2 126 998.3	2 048 349.3	2 256 371.2	2 560 011.8
Total GDP	Estonia	11 181.8	13 390.7	16 069.4	16 304.2	13 839.6	14 305.3	15 738.7
Total GDP	Latvia	12 891.4	15 833.1	20 947.5	22 888.5	18 599.2	18 127.2	19 399.7
Total GDP	Lithuania	20 877.1	24 104.2	28 738.8	32 461.7	26 620.1	27 535.4	30 694.5
Total GDP	Western Europe	10 674 463.3	11 569 687.8	12 215 366.7	12 564 811.8	12 154 221.2	12 589 430.6	13 043 152.2
GDP from Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	Eastern Europe	195 585.2	226 979.1	266 870.6	316 403.2	287 991.7	317 587.2	349 202.8
GDP from Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	Estonia	1 433.8	1 708.3	1 999.5	1 909.4	1 539.7	1 590.0	1 659.2
GDP from Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	Latvia	2 270.3	2 905.5	3 653.5	3 516.3	2 552.7	2 718.3	3 002.0
GDP from Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	Lithuania	3 272.0	3 640.7	4 289.3	4 974.2	4 048.3	4 212.5	4 547.6
GDP from Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	Western Europe	1 078 867.3	1 151 546.3	1 206 850.1	1 254 283.0	1 191 147.8	1 241 591.8	1 288 842.0

	2005	2006	2007	2008	2009	2010	2011
Eastern Europe	14%	15%	15%	15%	14%	14%	14%
Estonia	13%	13%	12%	12%	11%	11%	11%
Latvia	18%	18%	17%	15%	14%	15%	15%
Lithuania	16%	15%	15%	15%	15%	15%	15%
Western Europe	10%	10%	10%	10%	10%	10%	10%

Source: *The data summarized and calculated by author based on statistics gathered from GMYD Database, Euromonitor International from national statistics*

Research Sources:

GDP from Retail Trade, Except of Motor Vehicles and Motorcycles; Repair of Personal and Household Goods: Euromonitor International from national statistics

GDP from Sale, Maintenance and Repair of Motor Vehicles and Motorcycles; Retail Sale of Automotive Fuel: Euromonitor International from national statistics

GDP from Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods: Euromonitor International from national statistics

GDP from Wholesale Trade and Commission Trade, Except of Motor Vehicles and Motorcycles: Euromonitor International from national statistics

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Appendix 4

Table A4-1: Retail turnover Baltic States

		2005	2006	2007	2008	2009	2010	2011
Retail turnover in MLN EUR	Estonia	2 794	3 282	3 924	3 972	3 388	3 564	3 816
Retail turnover in MLN EUR	Latvia	3 473	4 338	5 277	5 524	4 265	3 990	4 151
Retail turnover in MLN EUR	Lithuania	4 569	5 080	5 976	6 416	5 149	5 003	5 280
% of change to previouse year	Estonia		17%	20%	1%	-15%	5%	7%
% of change to previouse year	Latvia		25%	22%	5%	-23%	-6%	4%
% of change to previouse year	Lithuania		11%	18%	7%	-20%	-3%	6%
Research Sources:								
Retailing: Euromonitor from trade sources/national statistics								
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Appendix A5

Table A5-1: Distribution of store and non-store retailing

Market Sizes | Historic | Retail Value RSP excl Sales Tax | € mn | Current Prices | Fixed 2011 Exchange Rates								
Geographies	Categories	2005	2006	2007	2008	2009	2010	2011
Estonia	Retailing	2 794.1	3 282.3	3 923.5	3 972.1	3 388.3	3 563.5	3 816.3
Estonia	Store-based Retailing	2 743.0	3 222.5	3 855.6	3 897.2	3 331.6	3 504.2	3 749.2
Estonia	Grocery Retailers	1 413.4	1 495.5	1 834.2	1 937.1	1 715.1	1 812.7	1 885.1
Estonia	Non-Grocery Retailers	1 329.6	1 727.0	2 021.5	1 960.1	1 616.4	1 691.5	1 864.1
Estonia	Non-Store Retailing	51.1	59.8	67.9	74.9	56.7	59.4	67.1
Latvia	Retailing	3 472.8	4 338.1	5 277.0	5 524.0	4 264.8	3 990.4	4 151.4
Latvia	Store-based Retailing	3 415.1	4 249.7	5 170.8	5 415.2	4 189.3	3 914.3	4 065.4
Latvia	Grocery Retailers	1 858.8	2 171.4	2 592.5	2 968.7	2 471.8	2 332.5	2 415.1
Latvia	Non-Grocery Retailers	1 556.3	2 078.4	2 578.3	2 446.4	1 717.5	1 581.8	1 650.4
Latvia	Non-Store Retailing	57.6	88.4	106.2	108.9	75.5	76.2	85.9
Lithuania	Retailing	4 569.3	5 080.1	5 976.3	6 415.6	5 148.7	5 003.4	5 280.0
Lithuania	Store-based Retailing	4 513.2	5 003.3	5 879.1	6 304.6	5 028.4	4 860.6	5 102.1
Lithuania	Grocery Retailers	2 659.0	2 996.6	3 542.7	3 782.2	3 199.7	3 157.9	3 335.2
Lithuania	Non-Grocery Retailers	1 854.3	2 006.7	2 336.4	2 522.4	1 828.7	1 702.6	1 766.9
Lithuania	Non-Store Retailing	56.0	76.9	97.2	111.0	120.3	142.8	177.9

Table A5-2: The structure of Retail Turnover

	2005	2006	2007	2008	2009	2010
Retail turnover	3 253 438	4 090 927	5 167 091	5 327 796	4 086 993	3 525 386
Non- grocery turnover	1 419 925	2 037 602	2 634 229	2 527 301	1 759 020	1 334 654
Grocery turnover	1 833 513	2 053 325	2 532 861	2 800 495	2 327 973	2 190 732
Non-store turnover	63 392	95 248	142 101	158 625	159 488	150243
% of non-store turnover	1.90%	2.30%	2.80%	3.00%	3.90%	4.30%
% Grocery turnover	56%	50%	49%	53%	57%	62%
% Non- grocery turnover	44%	50%	51%	47%	43%	38%

Source: *The data summarized and calculated by author based on statistics gathered from GMID and Central Statistical Bureau of Latvia provided data*

Appendix A6

Table A6-1: Dynamics of change of number of employees in industry

	2005	2006	2007	2008	2009
Grosay	46 626	44 255	45 790	44 726	40 302
Non-Grosary	59 189	62 572	65 711	64 933	55 988
Grosay %	44%	41%	41%	41%	42%
Non-Grosary %	56%	59%	59%	59%	58%

Appendix A7

Table A7-1: Turnover share, Grocery retail by brand

Brand	Company name (GBO)	2005	2006	2007	2008	2009	2010	Cum share 2010
Maxima	UAB Maxima Groupe	17.9%	20.1%	19.8%	21.6%	23.6%	24.3%	24%
Rimi, Supernetto	Royal Ahold NV	19.0%	21.4%	22.3%	23.6%	23.8%	23.9%	48%
IKI, Cento	Coopernic	3.1%	3.7%	4.0%	5.3%	3.7%	4.5%	53%
Mego	Mego SIA	3.2%	3.3%	2.9%	2.1%	2.1%	2.3%	55%
Stockmann	Stockmann Oyj Abp	2.0%	2.0%	1.9%	2.0%	1.9%	1.7%	57%
Sky	Skai Baltija SIA	1.0%	1.4%	1.7%	1.7%	1.3%	1.3%	58%
Beta	Zemnieciba SIA	1.4%	1.4%	1.2%	1.1%	1.0%	0.9%	59%
LaTS	*Latvijas Tirgotaju Savieniba SIA*	*0.0%*	*0.0%*	*0.9%*	*2.0%*	*6.1%*	*6.6%*	*65%*
Aibe	*Aibe Baltic UAB*	*4.4%*	*5.5%*	*5.6%*	*5.8%*	*5.2%*	*5.3%*	*71%*
Elvi	*Elvi Grupa SIA*	*3.6%*	*4.3%*	*4.9%*	*5.6%*	*5.2%*	*4.7%*	*76%*
Tops!	*Iepirkumu Grupa SIA*	*3.5%*	*3.8%*	*3.9%*	*4.0%*	*3.9%*	*4.5%*	*80%*
Balstor	*Baltstor SIA*	*0.7%*	*1.2%*	*1.6%*	*2.7%*	*2.6%*	*2.3%*	*82%*
	Bigest retail chains	47%	53%	54%	57%	57%	59%	
	Joint Cooperations	12%	15%	17%	20%	23%	23%	
	Main retail chains and retailers cooperations together	60%	68%	71%	78%	80%	82%	

Source: *The data summarized and calculated by author based on CSB statistics, GMID database, Lursoft.*

Appendix A8

Table A8-1: Share of GDP from Wholesale Trade and Commission Trade from total GDP

% of GDP from Wholesale Trade and Commission Trade, Except of Motor Vehicles and Motorcycles from total GDP						
Historic | € mn | Current Prices | Fixed 2010 Exchange Rates						
Japan	9%	9%	9%	10%	10%	10%
Australia	6%	5%	5%	5%	5%	6%
Bulgaria	4%	4%	4%	4%	5%	5%
Czech Republic	6%	6%	6%	6%	5%	5%
Estonia	**7%**	**6%**	**6%**	**6%**	**6%**	**5%**
Latvia	**9%**	**9%**	**8%**	**7%**	**7%**	**6%**
Lithuania	**7%**	**7%**	**7%**	**7%**	**7%**	**6%**
USA	5%	5%	5%	5%	5%	5%
Austria	6%	6%	6%	6%	6%	6%
Belgium	6%	6%	6%	6%	6%	6%
Finland	4%	4%	4%	4%	4%	4%
France	4%	4%	4%	4%	4%	4%
Germany	4%	4%	4%	4%	4%	5%
Sweden	5%	5%	5%	5%	5%	5%
United Kingdom	4%	4%	4%	4%	4%	4%

Appendix A9

Table A9 -1: Wholesale turnover data, Baltic States.

	Country	Wholesale and retail trade exept of motor vehicles and motorcycles	Wholesale trade, except of motor vehicles and motorcycles	Wholesale of food, beverages and tobacco	Share of wholesale trade	Share of of food, beverages and tobacco	Change 2009/2008
2008	European Union (27 countries)	8 013 812.49	5 416 762.32	911 722.97	68%	17%	
	Estonia	16 739.50	11 443.0	1 411.3	68%	12%	
	Latvia	20 918.10	13 760.6	2 394.6	66%	17%	
	Lithuania	25 205.20	15 642.8	2 947.0	62%	19%	
2009 (Preliminary results)	Estonia	12 368.00	8 017.4	1 173.9			-17%
	Latvia	14 062.80	8 793.8	1 781.0			-26%
	Lithuania	18 664.10	11 027.2	2 431.4			-17%

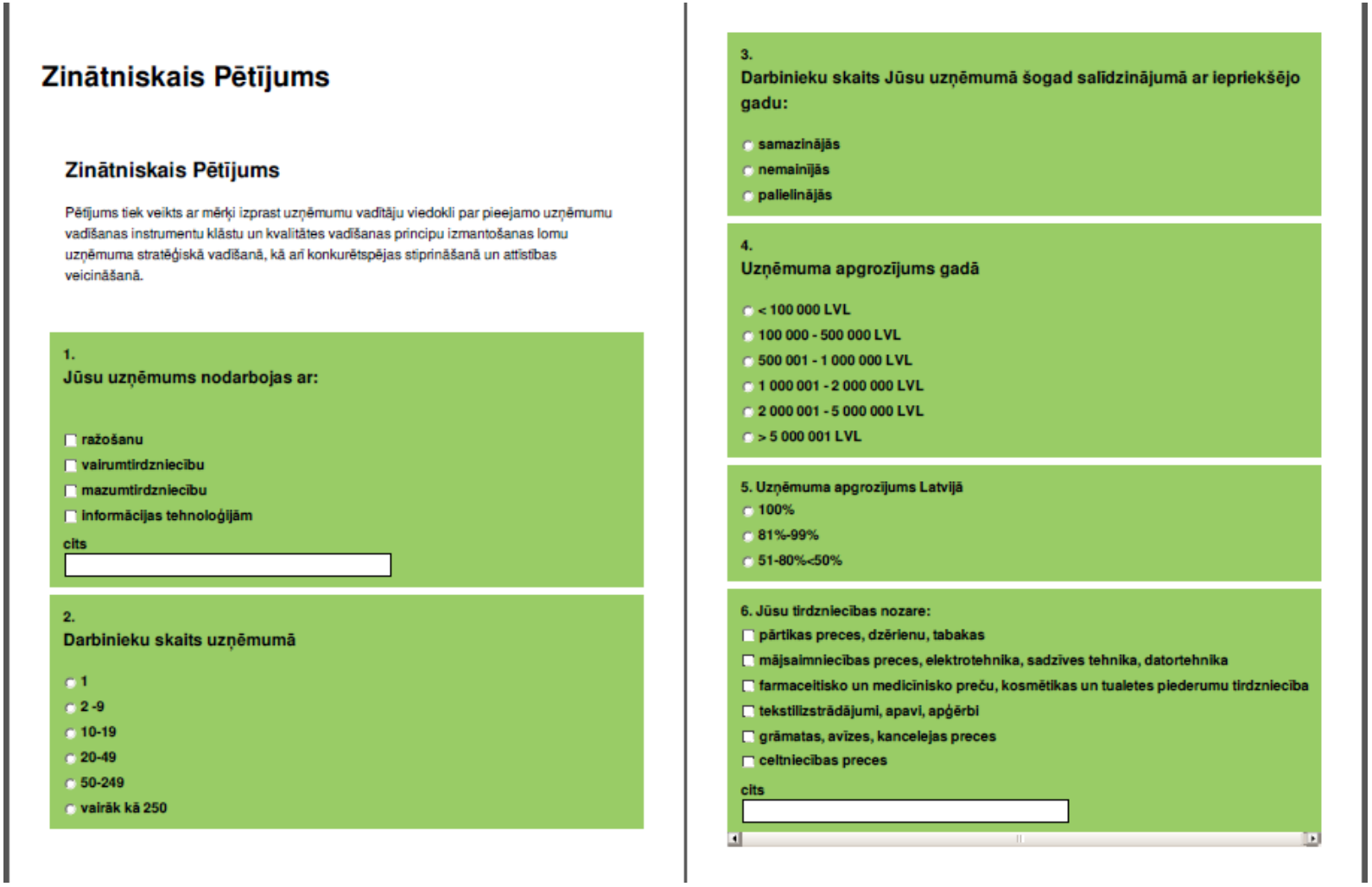
Eurostat statistics, Preliminary results on trade, main indicators (NACE Rev.2)

Appendix A10

Process category	Process according to Category Management Approach	Process according to TQM Approach	Question Nr	Name oforganization's process	Question
Marketing	Category Role	Market orientation/marketing focus	9	Choice of organizational focus on turnover, profit, quality or customer	*Please define the level of importance for each mentioned parameters - turnover, profit, quality and customer. Please distribute the figures in order to get 10 as a sum.*
Marketing	Category Assessment	Market intelligence	12	Market intelligence, regular market researches	*Do you organize market researches*
Marketing	Category Role	Marketing strategy	13	The level of marketing strategy development	*Please describe your marketing strategy, choose only one of the answers that fit most of all with your strategy*
Logistics	Category Assessment	Partnership with suppliers	16	Suppliers readiness to share the information	*Do your suppliers provide you with information about those quality control processes and share statistics data*
Logistics	Category Assessment	Actions based facts, total involvement	22	Level of IT solutions development	*Do you have common information system in your enterprise that provide all the necessary information for each employee that is required for the fulfilment of main responsibilities?*
Logistics	Category Definition	Supplier evaluation	15	Level of supplier evaluation procedures development	*Do you practise supplier evaluation?*
Logistics	Category Role	Procurement strategy	14	Level of procurement procedures development	*Please define what is the most important in your purchasing procedure*
Finance	Category Scorecard	Performance measurement	18	Finance planning procedures	*Please define yore finance planning process*
Finance*	Category Tactics	Focus on employees , teamwork	27	Teamwork, motivation and empowerment	*Do you have any effective motivation system that stimulates your employees propose innovative suggestions?*

Process category	Process according to Category Management Approach	Process according to TQM Approach	Question Nr	Name oforganization's process	Question
Quality	Category Assessment	Innovations, continuous improvement	11	Innovations in IT	*Do you introduce the newest IT technologies in your enterprise?*
Quality	Category Assessment	Focus on customers	17	Quality driven procedures with focus on customer	*Do you provide the information to your clients about your quality control processes and share your statistics data?*
Quality	Category Implementation	Focus on process	20	Process definition and registration	*Do you have defined quality standards that are registered and clarified in official documents?*
Quality	Category Implementation	Focus on process	21	Meta standard certification	*Are yore company certified according to ISO 9001-2000 standards?*
Quality	Category Review	Continuous improvement by focus on quality	19	Quality controlling	*Do yore experience quality controlling procedures*
Quality	Category Strategy	Formalised strategic procedures	10	Process definition and registration, documentation according to quality standards	*Do you have documentary formed strategy as a business plan for example*
Quality	Category Strategy	Focus, performance enhancement	28	Understanding and awareness of quality management principles	*factors putting as a first in a line the most important and 4 the least important. Performance effectiveness, innovations, customer satisfaction,*
Personnel	Category Review	Focus on employees , teamwork	24	Employees readiness for changes	*Do yore enterprise' employees support changes?*
Personnel	Category Strategy	Focus on process	25	Level of corporate culture development	*Are yore company corporate culture principles formalised in an official document?*
Personnel	Category Tactics	Focus on employees , teamwork	23	Employees involvement in profit generation	*Is your employee income dependent on company profit?*
Personnel	Category Tactics	Focus on employees , teamwork	26	Level of learning, training and education	*Do you practice your employee trainings?*
Personnel	Category Tactics	Focus on employees , teamwork	27	Teamwork, motivation and empowerment	*Do you have any effective motivation system that stimulates your employees propose innovative suggestions?*

Appendix A11



Zinātniskais Pētījums

Zinātniskais Pētījums

Pētījums tiek veikts ar mērķi izprast uzņēmumu vadītāju viedokli par pieejamo uzņēmumu vadīšanas instrumentu klāstu un kvalitātes vadīšanas principu izmantošanas lomu uzņēmuma stratēģiskā vadīšanā, kā arī konkurētspējas stiprināšanā un attīstības veicināšanā.

1.
Jūsu uzņēmums nodarbojas ar:

- ☐ ražošanu
- ☐ vairumtirdzniecību
- ☐ mazumtirdzniecību
- ☐ informācijas tehnoloģijām

cits

2.
Darbinieku skaits uzņēmumā

- ○ 1
- ○ 2 -9
- ○ 10-19
- ○ 20-49
- ○ 50-249
- ○ vairāk kā 250

3.
Darbinieku skaits Jūsu uzņēmumā šogad salīdzinājumā ar iepriekšējo gadu:

- ○ samazinājās
- ○ nemainījās
- ○ palielinājās

4.
Uzņēmuma apgrozījums gadā

- ○ < 100 000 LVL
- ○ 100 000 - 500 000 LVL
- ○ 500 001 - 1 000 000 LVL
- ○ 1 000 001 - 2 000 000 LVL
- ○ 2 000 001 - 5 000 000 LVL
- ○ > 5 000 001 LVL

5. Uzņēmuma apgrozījums Latvijā

- ○ 100%
- ○ 81%-99%
- ○ 51-80%<50%

6. Jūsu tirdzniecības nozare:

- ☐ pārtikas preces, dzērienu, tabakas
- ☐ mājsaimniecības preces, elektrotehnika, sadzīves tehnika, datortehnika
- ☐ farmaceitisko un medicīnisko preču, kosmētikas un tualetes piederumu tirdzniecība
- ☐ tekstilizstrādājumi, apavi, apģērbi
- ☐ grāmatas, avīzes, kancelejas preces
- ☐ celtniecības preces

cits

7. Jūsu galvenie pircēji (lūdzu atzīmējiet visus Jūsu lielākos pircējus)

- [ ] gala patērētājs
- [ ] mazumtirgotājs (lūdzu atzīmējiet visus Jūsu lielākus pircējus)
- [ ] RIMI, SUPERNETTO
- [ ] MAXIMA
- [ ] ELVI
- [ ] MEGO
- [ ] IKI, CENTO
- [ ] AIBE
- [ ] LaTS
- [ ] top!
- [ ] TOP
- [ ] PRISMA
- [ ] VESKO
- [ ] SKAI BALTIJA
- [ ] STOCKMANN
- [ ] ELKOR
- [ ] RD ELEKTRONIKS
- [ ] DROGAS
- [ ] JYSK
- [ ] KURŠI
- [ ] REATON
- [ ] K-RAUTA
- [ ] DEPO
- [ ] cenuklubs.lv

citi

8.

Kādu % no apgrozījuma sastāda augstāk minētie klienti?

- ○ < 10%
- ○ 10-30%
- ○ 30-50%
- ○ >50%

9.

Lūdzu, piešķiriet svarīguma līmeni katram zemāk minētam radītājam tā lai SUMMA būtu 10?

	0	1	2	3	4	5	6	7	8	9
apgrozījums	○	○	○	○	○	○	○	○	○	○
peļņa	○	○	○	○	○	○	○	○	○	○
kvalitāte	○	○	○	○	○	○	○	○	○	○
klients	○	○	○	○	○	○	○	○	○	○

10.

Vai Jūsu uzņēmumā ir dokumentāli noformēta attīstības stratēģija, piemēram, biznesa plāns?

- ○ ir
- ○ nav

11.

Vai Jūsu uzņēmums ievieš jaunākas informācijas tehnoloģijas?

- ○ nē
- ○ mēs plānojam ievest jaunākās IT
- ○ ir ievestas

12.
Vai Jūs veicāt tirgus izpētes pētījumus?

- Tirgus pētījumi netiek veikti
- Dažreiz
- Regulāri

13. Raksturojiet, lūdzu, Jūsu mārketinga stratēģiju: (Lūdzu izvēlieties variantu, kurs vistuvāk atbilst Jūsu stratēģijai)

- Mums nav konkrētas stratēģijas, mēs pārdodam visiem kas vēlas iegādāties mūsu pro
- Stratēģija ir orientēta uz produktu. Mēs nepārtraukti meklējam jaunus produktus un sc
- Stratēģija ir orientēta uz pārdošanas procesu. Mēs veidojam pārdošanas stratēģiju un
- Katram no mūsu produktiem ir izstrādāta sava pārdošanas un tirdzniecības veicināša
- Mūsu stratēģija ir būt labākiem par mūsu konkurentiem
- Mūsu stratēģija ir piedāvāt mūsu klientam vislabāko produktu un servisu. Mēs veicam

14. Norādiet kas ir svarīgāk Jūsu iepirkumu procesā

- viszemākās cenas
- sertificēta un kvalitatīva produkcija

15. Vai Jūs veicat piegādātāju novērtēšanu

- nē
- dažreiz
- tikai tad kad pieņemam lēmumu par jaunu produktu iekļaušanu sortimentā
- regulāri

16. Vai Jūsu piegādātāji sniedz Jums informāciju par viņu kvalitātes kontroles procesiem un statistikas datus

- nē
- dažreiz
- jā, regulāri

17. Vai Jūs regulāri sniedziet informāciju Jūsu pircējiem par Jūsu kvalitātes kontroles procesiem un statistikas datiem

- nē
- dažreiz
- jā, regulāri

18. Raksturojiet Jūsu Finanšu plānošanu

- nav biznesa plāna
- ir sastādīts uzņēmuma biznesa plāns (uz kvartālu/uz gadu).
- biznesa plāns ir izstrādāts katram produktam vai produktu grupai atsevišķi kur plānoj

19. Vai Jūsu uzņēmumā veic kvalitātes kontroli?

- nē
- dažreiz
- bieži
- regulāri

20. Vai Jums ir izstrādāti kvalitātes standarti, kas ir aprakstīti un formalizēti dokumentos?

- nē
- mēs plānojam tādus izstrādāt
- jā ir

21. Vai Jūsu uzņēmums ir sertificēts atbilstoši ISO 9001-2000?

- jā
- nē

22. Vai Jūsu uzņēmumā ir vienota informācijas sistēma, kas nodrošina katram darbiniekam visu nepieciešamo informācijas pieejamību, lai realizētu darba uzdevumus?

- Nē, tas nav nepieciešams
- Nē, tādas vienotas informācijas sistēmas nav, bet mēs plānojam tuvākajā laikā tādu iz
- Jā, tāda sistēma ir, bet tai nav efektīvas ietekmes darba uzdevumu izpildē.
- Jā, tāda sistēma ir, un palīdz mums pildīt plānotus uzdevumus un saskaņot mērķus

23. Vai Jūsu uzņēmuma darbinieku ienākumi ir atkarīgi no uzņēmuma peļņas?

- Nē, darbinieku ienākums nav atkarīgs no uzņēmuma peļņas.
- Daļai no darbiniekiem ienākumi ir atkarīgi no uzņēmuma peļņas.
- Jā, katra mūsu darbinieka ienākumi ir atkarīgi no uzņēmuma peļņas kopumā

24. Vai Jūsu uzņēmuma darbinieki atbalsta izmaiņas?

- darbiniekiem ļoti nepatīk pārmaiņas un pretojas to ievešanai
- darbinieki saprot, ka dažreiz izmaiņas ir nepieciešamas un pieņem to ar sapratni
- darbinieki vienmēr priecīgi izmaiņām

25. Vai Jūsu uzņēmumā ir dokumentāli noformēti korporatīvas kultūras principi

- jā
- nē

26. Vai Jūsu uzņēmumā ir darbinieku apmācība?

- nē
- dažreiz mūsu uzņēmumā veic darbinieku apmācības
- mūsu uzņēmuma ir izstrādāts plāns pēc kura regulāri un plānoti notiek darbinieku apr

27. Vai Jūsu uzņēmumā darbojas efektīva motivācijas sistēma kas stimulē darbiniekus sniegt inovatīvus piedāvājumus?

- motivācijas sistēmas nav
- motivācijas sistēmas ir bet tā nav efektīva
- mums ir efektīva motivācijas sistēma, pateicoties tai mēs jau ievēsām vairākus optimiz

28. Kādā secībā minētie faktori tiek vērtēti Jūsu uzņēmumā? Lūdzu, sarindojiet secība pēc svarīgumā, sākot ar 1 līdz 4 (1. vietā atzīmējiet vissvarīgāko).

	1	2	3	4
Darbības efektivitāte	○	○	○	○
Jaunievedumi	○	○	○	○
Kvalitāte	○	○	○	○
Saikne ar klientiem	○	○	○	○

29. Lūdzu atzīmējiet cik cieši Jūs esiet pazīstami ar zemāk minētiem vadības instrumentiem?
Lūdzu izvēlēties visus atbilstošus variantus.

	nezinu tādu	zinu, bet nelietoju	dažreiz lietoju	regulāri lietoju un esmu apmierināts	lietoju, be neesmu apmierinā
Uz aktivitātēm balstīta vadība (Activity based management)	○	○	○	○	○
Sabalansēti darbības vērtēšanas radītāji (Balanced Scorecars (BSC))	○	○	○	○	○
Visaptverošа kvalitātes vadīšana (Total Quality Management)	○	○	○	○	○
Vadība, kas pamatota ar salīdzinošo vērtējumu (Benchmarking)	○	○	○	○	○
Biznesa procesu reinženiering (Business Process Reengineering)	○	○	○	○	○
Preču kategoriju vadība (Category Management)	○	○	○	○	○
Sadarbības					

inovācijas (Collaborative innovation)					
Kodola kompetences (Core competences)					
Klientu attiecību vadība (Customer Relationship Management)					
Klientu segmentācija (Customer Segmentation)					
Zemāk padoto struktūru izdevumu samazināšana (Downsizing)					
Ekonomiskā pievienotas vērtības analīze (Economic value added analisys)					
Augšanas stratēģijas (Growth strategy tools)					
Zināšanu vadība (Knowledge management)					
Līna sešas sigmas instruments (Lean Six Sigma)					
Lojalitātes vadība (Loyalty management tools)					
Misijas un vīzijas jēdzieni (Mission and Vision statements)					
Pakalpojumi pirkšana no ārienes (Outsourcing)					
Cenu optimizācijas modeļi (Price optimization models)					
Scenāriju modelēšana un neparedzēto gadījumu plānošana (Scenario and Contingency Planning)					
Stratēģiskas alianses (Strategic Alliances)					
Stratēģiska plānošana (Strategic planning)					
Piegāžu Ķēdes vadība (Supply Chain Management)					

30. Jūsu vecums

31. Jūsu dzimums
- sieviete
- vīrietis

32. Izglītība
- Pamatizglītība
- vidēja izglītība
- vidēja speciala, profesionālā
- bakalaura grāds
- maģistra grāds
- doktora grāds

33. Vai Jūsu izglītība ir saistīta ar ekonomiku vai biznesa administrāciju?
- jā
- nē

34. Jūsu statuss uzņēmumā:
- Īpašnieks kurs nestrādā uzņēmumā
- īpašnieks un vadītājs/vadītāja vietnieks
- uzņēmuma vadītājs/vadītāja vietnieks
- nodaļās vadītājs/vadītāja vietnieks
- cits

Paldies par Jūsu atbildēm!

Appendix A12

Correlation of tools with number of employees

VARIABLES:

ABM BSC TQM BNCHM BPR CM CI CC CRM CS DWNS EVAA GST KM LSS LMT MVS OUTS POM SCP SA SP SCM EMPL

ROTATION: VARIMAX

METHOD: CORRELATION

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,890
Bartlett's Test of Sphericity	Approx. Chi-Square	1647,154
	df	276
	Sig.	,000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
	8,022	33,424	33,424	8,022	33,424	33,424	3,444	14,349	14,349
	1,676	6,982	40,407	1,676	6,982	40,407	3,156	13,151	27,500
	1,389	5,787	46,194	1,389	5,787	46,194	2,883	12,013	39,513
	1,285	5,354	51,548	1,285	5,354	51,548	1,974	8,224	47,737
	1,190	4,959	56,507	1,190	4,959	56,507	1,613	6,722	54,459
	1,001	4,173	60,680	1,001	4,173	60,680	1,493	6,221	60,680
	,872	3,633	64,313						
	,858	3,576	67,889						
	,813	3,389	71,277						
	,751	3,127	74,405						
0									
	,724	3,015	77,419						
1									
	,638	2,658	80,077						
2									
	,590	2,459	82,536						
3									

4	,581	2,420	84,955						
5	,503	2,096	87,051						
6	,459	1,914	88,965						
7	,438	1,823	90,789						
8	,393	1,637	92,426						
9	,364	1,516	93,942						
0	,345	1,437	95,378						
1	,330	1,373	96,751						
2	,281	1,170	97,922						
3	,264	1,100	99,022						
4	,235	,978	100,000						

Extraction Method: Principal Component Analysis.

Rotated Component Matrix[a]

	Component					
		2	3	4	5	6
ABM			,797			
BSC			,772			
TQM			,576			
	438					
BNCHM				,473		
BPR				,606		
CM		,6	,481			
		29				
CI			,531			
CC		,464				
CRM						
	696					
CS						
	580					
DWNS						,799
EVAA						,477
	447					
GST						
	692					
KM						
	621					
LSS				,806		
LMT					,531	
MVS					,489	
	495					
OUTS		,542				
POM		,487				
	503					
SCP		,4				
	434	35				
SA		,516		,421		
SP		,624				
SCM		,663				
EMPL					,810	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 29 iterations.

Appendix A13 Correlation of tools with range of turnover

Table A13-1: Group statistics of usage of TQM by level of employment

	EMPL	N	Mean	Std. Deviation	Std.Error Mean
TQM	>= 10	144	.35	.478	.040
	< 10	35	.03	.169	.029
	>= 20	105	.37	.486	.047
	< 20	74	.16	.371	.043
	>= 100	49	.45	.503	.072
	< 100	130	.22	.418	.037
	>= 250	19	.47	.513	.118
	< 250	160	.26	.441	.035

Source: author prepared table

Table A13-2: Independent Samples test for TQM usage by level of employment

Selection Variable		Levene's Test for Equality of Variances		t-test for Equality of Means			
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
10	Equal variances assumed	201.661	.000	3.880	177	.000	.319
	Equal variances not assumed			6.503	155	.000	.319
20	Equal variances assumed	47.138	.000	3.120	177	.002	.209
	Equal variances not assumed			3.266	176	.001	.209
100	Equal variances assumed	19.649	.000	3.046	177	.003	.226
	Equal variances not assumed			2.802	74	.006	.226
250	Equal variances assumed	5.330	.022	1.938	177	.054[a]	.211
	Equal variances not assumed			1.720	21	.100[b]	.211

Source: author prepared figure based on research data analyses

a. the null hypothesis about the equation of means could not be rejected with 1% or 5% significance level
b. the null hypothesis about the equation of means could not be rejected nether with 1%, 5% nor 10% significance level

Table A13-3: Group statistics of Category management usage by level of employment

	EMPL	N	Mean	Std. Deviation	Std.Error Mean
CM	>= 10	144	.44	.498	.041
	< 10	35	.20	.406	.069
	>= 20	105	.47	.501	.049
	< 20	74	.28	.454	.053
	>= 100	49	.47	.504	.072
	< 100	130	.36	.482	.042
	>= 250	19	.32	.478	.110
	< 250	160	.40	.491	.039

Source: author prepared figure based on research data analyses

Table A13-4: Independent samples test of Category management usage by level of employment

Selection Variable		Levene's Test for Equality of Variances		t-test for Equality of Means			
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
10	Equal variances assumed	57.500	.000	2.617	177	.010	.238
	Equal variances not assumed			2.963	61	.004	.238
20	Equal variances assumed	21.857	.000	2.498	177	.013[a]	.183
	Equal variances not assumed			2.542	166	.012[a]	.183
100	Equal variances assumed	3.569	.060	1.317	177	.189[b]	.108
	Equal variances not assumed			1.291	83	.200[b]	.108
250	Equal variances assumed	3.290	.071	-.708	177	.480[b]	-.084
	Equal variances not assumed			-.724	23	.476[b]	-.084

Source: author prepared figure based on research data analyses

a. the null hypothesis about the equation of means could not be rejected with 1% significance level
b. the null hypothesis about the equation of means could not be rejected nether with 1%, 5% nor 10% significance level

Table A13-5: Group statistics of TQM usage by level of turnover

	TRNO	N	Mean	Std. Deviation	Std. Error Mean
TQM	>= 100 000	144	.33	.473	.039
	< 100 000	35	.09	.284	.048
	>= 500 000	92	.39	.491	.051
	< 500 000	87	.17	.380	.041
	>= 1 000 000	51	.43	.500	.070
	< 1 000 000	128	.23	.420	.037
	>= 2 000 000	37	.35	.484	.080
	< 2 000 000	142	.27	.444	.037
	>= 5 000 000	20	.35	.489	.109
	< 5 000 000	159	.28	.449	.036

Source: author prepared figure based on research data analyses

Table A13-6: Independent samples test of TQM usage by level of turnover

		Levene's Test for Equality of Variances		t-test for Equality of Means			
Selection Variable		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
100 000	Equal variances assumed	75.853	.000	2.966	177	.003	.248
	Equal variances not assumed			3.986	86	.000	.248
500 000	Equal variances assumed	45.366	.000	3.324	177	.001	.219
	Equal variances not assumed			3.347	170	.001	.219
1 000 000	Equal variances assumed	18.251	.000	2.784	177	.006	.205
	Equal variances not assumed			2.583	80	.012[a]	.205
2 000 000	Equal variances assumed	3.131	.079	1.002	177	.318[b]	.084
	Equal variances not assumed			.953	53	.345[b]	.084
5 000 000	Equal variances assumed	1.393	.240	.681	177	.497[b]	.073
	Equal variances not assumed			.637	23	.531[b]	.073

Source: author prepared figure based on research data analyses

a. the null hypothesis about the equation of means could not be rejected with 1% significance level
b. the null hypothesis about the equation of means could not be rejected nether with 1%, 5% nor 10% significance level

Table 13-7: Group statistics of Category management usage by level of turnover

	TRNO	N	Mean	Std. Deviation	Std. Error Mean
CM	>= 100 000	144	.44	.498	.041
	< 100 000	35	.20	.406	.069
	>= 500 000	92	.42	.497	.052
	< 500 000	87	.36	.482	.052
	>= 1 000 000	51	.37	.488	.068
	< 1 000 000	128	.40	.492	.043
	>= 2 000 000	37	.35	.484	.080
	< 2 000 000	142	.40	.492	.041
	>= 5 000 000	20	.35	.489	.109
	< 5 000 000	159	.40	.491	.039

Source: author prepared figure based on research data analyses

Table A13-8: Independent samples test of Category management usage by level of turnover

		Levene's Test for Equality of Variances		t-test for Equality of Means			
Selection Variable		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
100 000	Equal variances assumed	57.500	.000	2.617	177	.010[a]	.238
	Equal variances not assumed			2.963	61	.004	.238
500 000	Equal variances assumed	3.222	.074	.923	177	.357[b]	.068
	Equal variances not assumed			.924	177	.357[b]	.068
1 000 000	Equal variances assumed	.445	.506	-.319	177	.750[b]	-.026
	Equal variances not assumed			-.320	93	.750[b]	-.026
2 000 000	Equal variances assumed	1.536	.217	-.553	177	.581[b]	-.050
	Equal variances not assumed			-.558	57	.579[b]	-.050
5 000 000	Equal variances assumed	.845	.359	-.397	177	.692[b]	-.046
	Equal variances not assumed			-.398	24	.694[b]	-.046

Source: author prepared figure based on research data analyses

a. the null hypothesis about the equation of means could not be rejected with 1% significance level
b. the null hypothesis about the equation of means could not be rejected nether with 1%, 5% nor 10% significance level

Appendix 14 Correlation of tools with range of turnover

VARIABLES:

ABM BSC TQM BNCHM BPR CM CI CC CRM CS DWNS EVAA GST KM LSS LMT MVS OUTS POM SCP SA SP SCM TRNO

ROTATION: VARIMAX

METHOD: CORRELATION

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,889
Bartlett's Test of Sphericity	Approx. Chi-Square	1630,496
	df	276
	Sig.	,000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	,001	33,336	33,336	8,001	33,336	33,336	4,086	17,026	17,026
2	,694	7,057	40,393	1,694	7,057	40,393	2,998	12,493	29,519
3	,379	5,744	46,138	1,379	5,744	46,138	2,995	12,478	41,997
4	,191	4,964	51,102	1,191	4,964	51,102	1,996	8,317	50,313
5	,179	4,911	56,013	1,179	4,911	56,013	1,368	5,699	56,013
6	997	4,156	60,169						
7	889	3,703	63,872						
8	838	3,493	67,365						
9	812	3,384	70,749						
10	763	3,181	73,930						
11	733	3,053	76,983						

12		2,961	79,944						
	711								
13		2,537	82,481						
	609								
14		2,447	84,928						
	587								
15		2,101	87,029						
	504								
16		1,904	88,932						
	457								
17		1,866	90,798						
	448								
18		1,637	92,436						
	393								
19		1,482	93,918						
	356								
20		1,458	95,375						
	350								
21		1,387	96,762						
	333								
22		1,158	97,920						
	278								
23		1,102	99,023						
	265								
24		,977	100,000						
	235								

Extraction Method: Principal Component Analysis.

Rotated Component Matrix[a]

	Component				
	1	2	3	4	5
ABM			,789		
BSC			,743		
TQM	,411		,627		
BNCHM			,425	,425	
BPR				,574	
CM		,590			
CI			,547		
CC		,577			
CRM	,726				
CS	,630				
DWNS					-,437
EVAA	,494				
GST	,657				
KM	,620				
LSS				,801	
LMT	,408				,476
MVS	,624				
OUTS		,580			
POM	,576	,412			
SCP	,463				
SA		,402		,516	
SP	,442	,614			
SCM	,442	,600			
TRNO					,725

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 12 iterations.