

Category Matrix Development SOP

Overview

The directions for creating the category matrix will be broken down into 5 tasks, or drafts. Each draft constitutes a necessary complete matrix level and should be saved, as a complete category matrix consists of 5 essential drafts, each serving its own purpose.

By starting on this page, it is assumed you are already familiar with the elements of the category matrix chart and are using this for reference. If you are not familiar with the elements of the matrix, **proceed to the Appendix** at the end of this document to learn about the elements of the matrix categories.

Task Summary

Task 1	Draft 1	Basic Information Plot all basic product specifications
Task 2	Draft 2	Target Information Add target FOB cost, target margin, and additional product construction materials
Task 3	Draft 3	Recommendations Adjust chart for color-coding recommendations, and create the “price in market” chart
Task 4	Draft 4	Regional Information Use draft 2 to create draft 4 and add regional cost, regional margin, and regional pricing
Task 5	Draft 5	Retailer’s Information Use draft 1 to create draft 5 and modify for retailer viewing

Task 1 Creating draft 1 of the Matrix

Step 1—Finding Ace and Ace House Brand Details

Find the specific details associated with the products that you intend to plot. For Ace products, this information is found on Ace Online in the **RDC Catalog**.

At this point, you will be able to browse and locate the tool categories required in order to find specific product information with which to complete the detailed specifications sections within the matrix. The product image can be saved and pasted into the matrix from the catalogue. See image 1A.

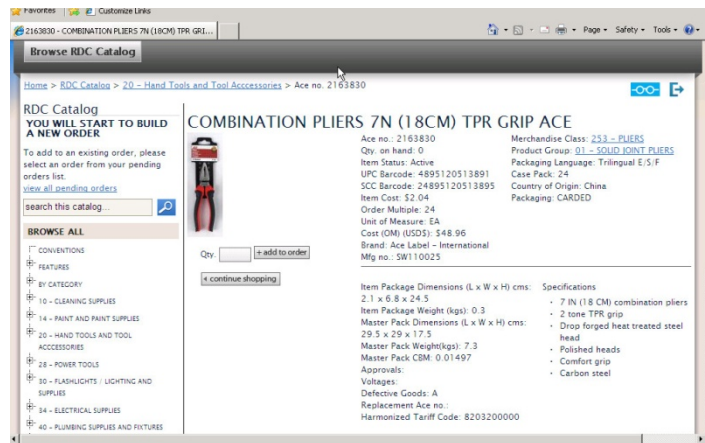


Image 1A

Step 2—Finding Competitor Product Details

While Ace has a database for Ace branded products, there is no such database for competitors' products. Research into competitor products must be completed by obtaining competitor's product catalogs, visiting their online stores, and making store visits in-person.

Step 3—Inputting Product Details

Once you've identified the specific product details, you need to input that data into the **Detailed Specifications** section for that particular item. For instance, if you are creating a matrix for combination pliers, the specific product details and image would need to be inputted for 4", 6", 8", and any other plier sizes that you are plotting. Below each row that plots Ace or other house brands, a new row should be created to accommodate competitor products specifications. If a tool category has several class categories for both Ace and a competitor, such as a higher-end line of pliers in the "better" category as well as a lower-end line of pliers in a second-tier "better" category, rows to accommodate the lower-tier products should be created. See image 1B.

		Item#			Item#			Item#				
		Brand	Specs	Picture	Brand	Specs	Picture	Brand	Specs	Picture		
		Units			Units		Units					
		Ret/Key R	Margin%	FOB cost	Ret/Key R	Margin%	FOB cost	Ret/Key R	Margin%	FOB cost		
		Comments			Comments			Comments				
		4"			6"			8"				
Best	Key Attr.2											
Better	Key Attr.2	2310712	TPR handle; 50 CRV steel, 101.6MM		\$ 1.24							
		ACE				2310696	Combinati on TPR Handle		\$ 2.09			
		432772	101.6MM		\$ 0.93	720772	152.4mm					
		371	25%		371	29.19%		\$ 1.48	872	27.59%	\$ 1.89	
Truper	Key Attr.2					17329	Combinati on TPR Handle		\$ 2.14	17330	Combinati on TPR Handle	\$ 2.42
						Truper				Truper		
Better	Key Attr.2					2163855	Combination, Vinyl, 2-tone dipped handle;		\$ 2.11	2163871	Combination, Vinyl, 2-tone dipped handle;	\$ 2.39
						ACE	177.8MM			ACE	203.2MM	
						1080448	177.8MM		\$ 1.60	960480	203.2MM	\$ 1.90
						671	24.17%		771	20.50%		
Truper	Key Attr.2					17307	CR-V dipped handle		\$ 1.92	17308	CR-V Vinyl dipped handle	\$ 2.15
						Truper				Truper		

Image 1B

Task 2 Creating Draft 2 of the Matrix

Step 1—Adding More Product Detail

After the initial product detail is added to the matrix, some products may require additional information to reflect the various product options offered within a category. E.g., combination pliers are offered with multiple handle options and FOB price points, all of which should be added to this draft. See image 2B.

Step 2—Adding (and Determining) the Target FOB Cost and Target Margin

The RMM's (**CHECK FACTS HERE!**) will collaborate and determine the target FOB cost based on the current price of the competing product and the existing FOB cost and margins to Ace. Once the target FOB cost is determined, determine the target margin (FOB cost minus sell price divided by sell price), input them in the designated field, and color code these fields in yellow. See image 2A.

2310696	Combinati on TPR Handle		\$ 2.09
ACE			
720772	152.4mm		
371	29.19%		\$ 1.48
CR-V	16.30%		\$ 1.75
CR-MO	14.80%		\$ 1.78
CR-NI	14.80%		\$ 1.78
Target	22.60%		\$ 1.54

Image 2A

NOTE: If it is required for determining the price for the key retailer "Pretul" or other similar key retailers, insert a new row above the target row to reflect the cost determined for him.

Task 3 Creating Draft 3 of the Matrix

Step 1—Creating a Competitor’s Chart (Talk to Alonzo regarding how to do this to complete this step more fully)

Create a competitor price table above the category matrix that illustrates the high, low, and average costs of related competitor products. This chart is not restricted to the target competitor brand.

Step 2—Color-Coding

After data is collected which indicates what recommendations to make to the product assortment, use the color-coding key as a guide to color-code the plotted assortment. Only Ace or house brand products should be color-coded.

Step 3—Deleting Unnecessary Data

As much of the data represented up to draft 3 is included specifically to create assortment recommendations, several categories of data can be removed once the assortment recommendations are determined and represented through color-coding. Therefore, once recommendations are made and color-coded, those categories can be deleted. Those categories to be deleted include: all FOB costs, margins, and any additional product details that were added during Step 1 of Task 2.

Task 4 Creating Draft 4 of the Matrix

Step 1—Using Draft 2 as the Template for Draft 4

Draft 4 is identical to draft two, with two important additions. Therefore, to make draft 4, make a copy of draft 2 and rename it to draft 4.

Step 2—Including Regional Cost/Margin Row

For each Ace or Ace house brand item plotted, create a new row under the “target” FOB cost and margin cells and color it red. Then, title it in the left column “Regional Cost/Margin.” Acquire the FOB cost and margin for the region and plot that data into the designated cells. See image 3A.

Step 3—Include Competitor’s Regional Pricing

For each competitor’s item that is plotted, name the existing bottom row “Regional Pricing” and color it red. Then, acquire the regional pricing of the item and plot that data into the designated cell. See image 3A.


2310696	Combinati		\$ 2.09
ACE	on TPR Handle		
720472	152.4mm		
3M	29.19%		\$ 1.48
CR-V	16.30%		\$ 1.75
CR-MD	14.80%		\$ 1.78
CR-NI	14.80%		\$ 1.78
Target	22.60%		\$ 1.54
Regional Cost/Margin			
17329	Combinati		\$ 2.14
Truper	on TPR Handle		
Regional Pricing			\$ 2.64

Image 3A

Task 5 Creating Draft 5 of the Matrix

Step 1—Using Draft 1 as the Template for Draft 5

Using draft 1, create a copy and rename it “draft 5.” This final, “retailer friendly” version of the category matrix chart most closely resembles the first draft, so the first draft is used as a template for time-efficient alterations. On this final draft, any remaining information that does not concern the retailer is omitted, while additional information that concerns the sale to the retailer is added.

Step 2—Deleting Non-Retailer Friendly Content

Delete all evidence of the following categories, including information located in the “key” at the top of each column:

Items to delete:

- YTD Units/LY Units
- Ret/Key R
- FOB Cost
- Margin
- Competitor’s complete product information, including rows

Once all evidence of the previous categories is removed, there will be only a few categories left. Some of those categories should be enhanced for retailer viewing.

Items to Retain and/or Enhance:

- Item#
- Brand
- Description – Provide a complete, bulleted description of item’s selling points and specifications
- Retailer Cost
- Image—Enlarge the image and provide additional images if space and needs permit

Appendix

If you are unfamiliar with the category matrix, begin here. This section explains the various parts and roles of the categories contained within the matrix template.

When to Begin? (GET MORE DETAIL)

Category matrix charts are created on an ongoing basis. A new category matrix should be started whenever complete information is received by the key retailers. From the date of receiving this information, the RMM's are allotted 4 weeks to create the category matrix and analyze and present their recommended assortment to the retailers.

Where to Begin?

The first step to creating a category matrix chart is to locate, identify, and understand the category matrix template. There will eventually be 5 levels of completion, or drafts, of the category matrix chart. The category matrix template is found on Ace International's LAN (local area network) in the RDC catalog. Type the following path into the address bar to **access the category matrix template**:

<J:\merchandising\forms\RDC\matrix template.xlsx>

Learning the Parts of the Category Matrix Template

There are several classifications within the category matrix template. This section will describe the location and role of each classification.

1. Header

In the upper left hand corner, there is a 3X3 grid box that identified the particular matrix being worked on. It should contain the region, tool category, and date of draft.

See image 4A.

	A	B	C	D	E	F
1	RDC		Panama			
2	Category		Combination Pliers			
3	Date		03/27/2013			

Image 4A

2. Key

At the top/center of the template, there is a color-coded key. By color-coding the rows and columns, edits can be suggested and signified by color code. See image 4B.

	Yellow = Delete or remove	
	Orange = change in specs	
	Red = right specs, but price needs adjustment	
	Blue = No change required	
	Green = New SKU recommendation	

Image 4B

3. “Class” Categories

At the far left of the template, you will see the categories (from bottom) OPP, Good, Better, Better, Best. Listed below is an explanation of each category:

- **OPP**—This acronym stands for “opening price point.” It reflects the most inexpensive product of any brand in the tool category. Ace label is never listed in this category.
- **Good** – This category will always carry an Ace house brand product, if one is offered in the particular tool category being plotted on the matrix.
- **Better**—This category will always carry an Ace label product.
- **Better**—This category will always carry an Ace label product. This particular “better” category reflects Ace products that are higher quality or superior to the previous “better” category. This is because Ace products are never branded as “good” or “best.” However, there are many categories that have two quality and price points within the Ace label, where one is better and more expensive than the other.
- **Best**—This category reflects the very best tool brands in a particular tool department. Ace does not strive to compete with these brands. Ace label competes with brands within the same class, i.e. quality, affordable tools, but not the “best of the best.”

4. Key Attributes

In the top portion of the matrix, you will see five section headings entitled “Key Attribute 1.” These sections reflect various choices within an assortment. The heading “Key Attribute 1” should be replaced with the size of the tool followed by the name of the tool. The heading to the far left should reflect the smallest or most inexpensive product in the assortment. As more products are plotted, they are listed as small/cheap (left) to large/expensive (right). The secondary “Key Attr. 2” column is only included if product assortments are categorized by more than one key attribute.

5. Detailed Specifications

Immediately above each Key Attribute 1 heading there is a grouping of product details which repeats itself. Each grouping is associated with the product that is to be listed below it. By inserting the designated data into the excel boxes below it, you are able to plot individual product

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information into the matrix. Once product info is plotted, you will be able to identify products within the product assortment by size, type, price, retailer cost, items sold, etc. See images 4C and 4D.

Detailed Specifications Image

Item#	Specs	Picture	Retailer Cost
Brand			
Units			
Ret/Key R	Margin%		FOB cost
Comments			

Image 4C

Detailed Specifications Table

Item #	The item number associated with the item.
Brand	The name of the brand of the item.
(YTD Units /LY Units)	The number of units sold over a rolling 12 month period. (what is LY?)
Ret/Key R	Number of retailers in a region that carry the item followed by the number of “key” retailers in a region that stock the item. These figures are reflected as a fraction, e.g. 6/4, 3/1.
Specs	This heading is refers to the specifications, or description, of specific material identifiers of the product, e.g. pliers: “combination plier, TPR handle, 177.8MM.”
Picture	This is where you insert a small picture of the item.
Retailer Cost	The cost of each unit to the retailer.
FOB cost	The “free on board” cost to Ace, i.e. the total cost expenditure to Ace to have the product manufactured and shipped to Ace’s distribution centers.
Margin %	The difference between “FOB cost” price and “sell” price divided by the sell price. A larger margin equates to a higher profit margin.
Comments	Any extra comments.

Image 4D

Sign-Offs

Document:

I agree that this document accurately reflects the procedures necessary to fulfill the process specified above and consider this document complete.

1. Printed Name: Robert Zhuang

Title: Sourcing Manager

Signature: _____

Date: _____

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- | | |
|-----------------------------------|--|
| 2. Printed Name: Wei Hu | Title: General Manager, Global Merchandising |
| Signature: _____ | Date: _____ |
| 3. Printed Name: Angel Garcia | Title: VP Intl Merchandising |
| Signature: _____ | Date: _____ |
| 4. Printed Name: Jacob Reyes | Title: Retail Analytics Manager |
| Signature: _____ | Date: _____ |
| 3. Printed Name: Steve Skells | Title: Buyer |
| Signature: _____ | Date: _____ |
| 3. Printed Name: Alan McConnell | Title: Buyer |
| Signature: _____ | Date: _____ |
| 4. Printed Name: Mike Lewis | Title: Buyer |
| Signature: _____ | Date: _____ |
| 3. Printed Name: Brian Cronenwett | Title: VP Intl Supply Chain |
| Signature: _____ | Date: _____ |