



Suppliers' roles in category management: A study of supplier–retailer relationships in Finland and Sweden

Arto Lindblom^a, Rami Olkkonen^{b,*}, Petri Ollila^c, Saara Hyvönen^c

^a Helsinki School of Economics, Department of Marketing, Lapuankatu 6, FIN-00100 Helsinki, Finland

^b Turku School of Economics, Department of Marketing, Rehtorinpellonkatu 3, FIN-20500 Turku, Finland

^c University of Helsinki, Department of Economics and Management, FIN-00014 Helsinki, Finland

ARTICLE INFO

Article history:

Received 15 June 2006

Received in revised form 5 September 2007

Accepted 30 May 2008

Available online 15 August 2008

Keywords:

Retailing

Category management

Suppliers' roles

Collaboration

ABSTRACT

The purpose of this paper is to analyze suppliers' roles in category management (CM) in the context of Finnish and Swedish supplier–retailer relationships. Using data from a survey of a sample of Finnish and Swedish suppliers, the study shows that the concept of CM is well known among both Finnish and Swedish suppliers, and that most of them have experience of CM as a key operational business process. The study also shows that, in general, larger suppliers in both Finland and Sweden have a relatively strong role in CM collaboration, whereas smaller suppliers (especially in Finland) are more likely to have a lesser role in CM collaboration. Suppliers with a strong role in CM collaboration are generally more capable of influencing individual CM tactics than suppliers with an equal role to competitors or those with no role (both in Finland and in Sweden). The study also finds that the effects of CM are perceived more positively among suppliers who have influence in decision-making regarding CM collaboration than among those who have no role in such decision-making. However, the opinions of suppliers who have no role in CM collaboration are neutral, rather than being especially negative. Qualitative studies, including face-to-face discussions with managers representing manufacturers who are more or less excluded from CM collaboration, might provide a more thorough understanding of CM from their perspective.

© 2008 Elsevier Inc. All rights reserved.

1. Introduction

Efficient consumer response (ECR), which began in the early 1990s in the United States, is characterized by new principles of collaborative management in grocery supply chains. ECR programs have been established around the world, and many retailers and suppliers have invested heavily in ECR training, infrastructure, and processes.

The best-known business process of ECR is category management (CM) (Dewsnap & Hart, 2004; Gruen & Shah, 2000), according to which categories of goods are managed as strategic business units. In theory, CM enables a retailer and its suppliers to achieve important cost savings and focus on effective consumer-oriented marketing and merchandising practices (Dupre & Gruen, 2004; Kurnia & Johnston, 2003).

Although retailers can practice CM without input from suppliers, the results will be enhanced if there is collaborative pooling of complementary knowledge to meet the needs of consumers; for this reason, partnerships are said to be the basis of effective CM (Dewsnap & Hart, 2004; Kurnia & Johnston, 2001, 2003). However, it is difficult

for retailers to build collaborative partnerships with all suppliers. In reality, relationships between suppliers and retailers vary in strength and are situated along a 'relationship continuum' (Grönroos, 1994; Webster, 1992)—with purely transactional market relationships at one end of the spectrum and long-term cooperative partnerships at the other end. According to inter-organizational relationship theory, suppliers involved in CM collaborations that are positioned at the 'partnership end' of the continuum are more likely to be able to provide input than those whose CM collaborations are positioned at the opposite end (Campbell, 1985; Webster, 1992).

Although CM is supposed to enhance supplier–retailer interactions through ongoing collaboration (rather than competitive bidding) and knowledge sharing (rather than knowledge withholding), there is a risk that stronger suppliers might act in an opportunistic manner by promoting their own brands within a particular category at the expense of weaker suppliers, despite such practices not being in accordance with 'ideal' CM practice. It is known, for example, that CM collaboration can involve so-called 'category-captain' arrangements—whereby certain suppliers take a significant management role, which includes managing the brands of competing suppliers (Desrochers, Gundlach & Foer, 2003; Kurtulus & Toktay, 2004). According to Desrochers et al. (2003), a 'category captain' can abuse its role to exclude or hamper rivals, thus restricting competition, increasing prices, providing less variety, and reducing innovation (Desrochers et al., 2003).

* Corresponding author. Tel.: +358 2 4814 240.

E-mail addresses: arto.lindblom@hse.fi (A. Lindblom), rami.olkkonen@tse.fi (R. Olkkonen), petri.ollila@helsinki.fi (P. Ollila), saara.hyvonen@helsinki.fi (S. Hyvönen).

The purpose of this paper is to analyze suppliers' roles in CM in the context of Finnish and Swedish supplier–retailer relationships. The specific research questions of the study are as follows:

- From the perspective of suppliers, is CM institutionalized as a key operational business process in the grocery supply chains of Finland and Sweden, and are there any differences between these two countries in this respect?
- How do Finnish and Swedish suppliers perceive their role (in terms of the input they provide on tactics during CM collaboration) compared with their competitors, and are there any differences between Finland and Sweden in this respect?
- How do Finnish and Swedish suppliers perceive the effects of CM, and are there differences between Finland and Sweden in this respect?

The remainder of this paper is arranged as follows. Following this introduction, the paper presents the theoretical background and hypotheses of the study in terms of: (i) the institutionalization of CM; (ii) the supplier's role in CM collaboration; and (iii) the effects of CM. The paper then presents the methodology of the empirical study. This is followed by a presentation of the results. The conclusions and implications of the study are then discussed. Finally, the paper acknowledges the limitations of the study and the possibilities for future research in this important area.

2. Theoretical background

2.1. Institutionalisation of CM

ECR, and its demand-side business process of CM, imply a new way of partnership thinking that replaces traditional brand-management practices (Araujo & Mouzas, 1998; Dewsnap & Hart, 2004; Gruen & Shah, 2000; Kurnia & Johnston, 2001). The effective implementation of CM requires collaborative partnerships between retailers and suppliers that are characterized by a cooperative spirit of mutual interest (Gruen & Shah, 2000; Varley, 2001).

For *suppliers*, CM encourages managers in marketing, marketing research, sales, and information systems to work together as a team (Nielsen, 1992). The aim is not only to obtain a more comprehensive understanding of consumer needs and appropriate promotional programs, but also to complement the retailer's strategies and franchise-building efforts. Suppliers' sales managers thus seek to identify mutually beneficial strategies and to negotiate promotional activity and pricing with retailers, whom they perceive as marketing partners. In doing so, suppliers' sales managers no longer concentrate only on their own brands; rather, they assess entire categories and determine their impact on other categories by analysing scanning, promotion, demographic, and other information (Araujo & Mouzas, 1995, 1998; Nielsen, 1992).

For *retailers*, CM requires changes in organizational structures. First, buying and merchandising functions (including assortment, pricing, promotion, space management, and inventory replenishment) must be integrated and managed by individual category managers. Secondly, these category managers must be given the authority to operate their categories like small businesses in developing strategic plans, overseeing their implementation, evaluating their progress, making appropriate adjustments, and being responsible for the results (Nielsen, 1992).

According to Araujo and Mouzas (1995, 1998), CM becomes institutionalized in the context of a supplier–retailer relationship in three stages (see Table 1).

In stage 1, the focal point is still the brand, around which all managerial roles and functions continue to be defined. In stage 2, CM emerges as a staff function in its own right and the organization begins to engage in trial projects. The role of category managers in this

Table 1

Institutionalization of CM in the context of supplier–retailer relationships (Araujo & Mouzas, 1995).

	STAGE 1	STAGE 2	STAGE 3
Process	CM as a new concept	First trial to establish CM	CM as an integrated organizational structure and management process
Implementation requirements	No CM procedures/actions	CM as a staff department	CM as a cooperative model between retailers and suppliers

process is to provide data and analysis to key accounts managers and sales managers, who interact with the headquarters of retailers. When these counterparts subsequently engage in trial projects, traditional hierarchies and practices are redefined to manage entire categories, not just individual brands. In stage 3, CM becomes the hub of the formal structure, and category managers now handle all interactions between supplier and retailer. In this stage CM becomes an operational practice that shapes the whole interaction between supplier and retailer (Araujo & Mouzas, 1995, 1998).

There are now national and international ECR programs around the world, and retailers and suppliers have invested heavily in ECR training, infrastructure, and processes (Dewsnap & Hart, 2004; Gruen & Shah, 2000; Kurnia & Johnston, 2001).

On the basis of the above discussion, the following hypothesis is proposed:

Hypothesis 1. CM is institutionalized as a key operational practice in contemporary distribution channels for fast-moving consumer goods.

2.2. Supplier's role in CM collaboration

According to Dewsnap and Hart (2004), CM is successful when suppliers and retailers genuinely collaborate in understanding consumers and fulfilling their needs via a joint process of category planning. However, because the number of categories (and the number of brands within each category) is usually high, retailers have difficulty in developing close collaborative partnerships with all of their suppliers. They therefore tend to build close relationships with only the more influential suppliers, while maintaining so-called 'transactional relationships' (Webster, 1992) with other suppliers.

The role of the supplier is pivotal in a network of this kind. In business-to-business relationships, the term 'role' refers to the relative importance of a firm in relation to other firms, as measured by size or other correlates of power and influence (Johanson & Mattsson, 1992; Easton, 1992). In the context of CM collaboration, the role of a given supplier can be categorized as follows:

- Role 1: the supplier's role in CM collaboration is greater than that of its competitors;
- Role 2: the supplier's role in CM collaboration is equal to that of its competitors; or
- Role 3: the supplier has no explicit role in CM collaboration.

These roles are, to some extent, reflected in so-called 'category-captain' arrangements, although they cannot be directly equated with them. According to Desrochers et al. (2003), under such 'category-captain' arrangements a chosen supplier (or suppliers) in a category become a favored resource that is relied upon by the retailer to provide decision-making input with regard to both marketplace decisions and category decisions. In some cases, the retailer entrusts all of its category decisions to the 'category captain', whereas, in other cases, the 'category captain' is merely an adviser to the retailer, who retains the right to make all final decisions (Kurtulus & Toktay, 2004, 2005).

Against this background, Desrochers et al. (2003) have argued that larger suppliers are more likely to take significant responsibility for CM decision-making whereas smaller suppliers are more likely to be

excluded from CM collaboration. Indeed, as CM becomes a key business process within a supply chain, smaller suppliers can find that their brands are effectively managed by a competitor (Varley, 2001).

These considerations lead to the following hypothesis being proposed:

Hypothesis 2. In CM collaboration, larger suppliers are more likely to take a significant role in CM decision-making, whereas smaller suppliers are more likely to have no explicit role in CM collaboration.

2.3. Effects of CM

Surveys have shown that the majority of practitioners who work with CM believe that it improves turnover, profitability, market share, inventory levels, trading relationships, and consumer understanding (Dewsnap & Hart, 2004). Academic empirical research has confirmed that implementing CM has positive effects for retailers (in terms of prices and profitability) and for suppliers (in terms of category performance) (Dewsnap & Hart, 2004). CM has also been shown to yield benefits for all partners within the supply chain, including enhanced value to consumers through improved category benefits and reduced marketing and distribution costs (Brockman & Morgan, 1999; Dupre & Gruen, 2004; Gruen & Shah, 2000; Svensson, 2002).

Despite these positive reports, some authors have argued that CM does not obviously lead to real benefits in the long run and that there are few cases in which CM has been proven to be the key to success (Gruen & Shah 2000; Varley 2001). In this regard, Mathews (1997) contended that CM has become the 'holy grail' of ECR—universally sought, constantly discussed, and a source of inspiration holding out the promise of salvation; but rarely, if ever, seen. Dussart (1998) pointed out that CM decisions are not necessarily good for consumers because they can limit their product choice to the most profitable items and inhibit their ability to compare prices. In a similar vein, Dupre and Gruen (2004) have contended that CM has yet to deliver on most of its promises—including predictions of: (i) increased margins; (ii) increased customer satisfaction; (iii) a shift to win-win partnering relationships; (iv) the sharing of detailed and timely information; and (v) effective performance and reward systems.

These disparate views on the efficacy of CM ultimately reflect doubts about whether the benefits of CM are distributed equally among all members of the supply chain. In this regard, suppliers often claim that retailers are the prime beneficiaries of CM (Corsten & Kumar, 2005; Kurnia & Johnston, 2003). However, as noted by Corsten and Kumar (2005), it is possible that suppliers are unjustifiably 'paranoid' in forming this perception. Whether justified or not, it is likely that suppliers' perceptions of the effects of CM are related to their perceptions of their CM role relative to their competitors. In other words, a given supplier's relative ability to provide input on CM tactics is likely to influence their perceptions of the effect of CM on: (i) business-related criteria (such as sales, market share, and product turnover times); (ii) consumer-related criteria (buying frequency and consumer loyalty to the supplier's brand); and (iii) product-related criteria (such as product visibility, product shelf space, product location, and product launch).

These considerations lead to the following hypothesis being proposed:

Hypothesis 3. The effects of CM are perceived more positively among suppliers who have influence in decision-making regarding CM collaboration than among those who have no explicit role in such decision-making.

3. Methodology

3.1. Research design and sample

The basic unit of analysis in the present study was the CM relationship between a supplier and a retailer. This was considered from the

supplier's perspective—that is, the *supplier's perception* of the CM relationship with the retailer was analyzed. However, because specific CM relationships can be delicate and confidential, informants were asked for general perceptions of their CM relationships, rather than being asked to specify particular issues in specific CM relationships.

The study was conducted in Finland and Sweden. Questionnaires were sent by post to all supplier members of 'ECR Finland' and 'ECR Sweden'. Because all major multinational, national, and regional manufacturers in each country are members of these organizations, it was felt that the utilization of their membership registers as a sample frame would produce an unbiased sample. The number of questionnaires sent to each firm was determined by the number of product categories that the firm represented. In any given firm, only one manager for each product category was asked to complete the questionnaire. The Finnish sample consisted of 470 managers in 90 manufacturing firms in the fast-moving consumer-goods industry. Of the 470 questionnaires sent out, 91 were returned; of these, 90 were satisfactorily completed for use in the analysis. The resulting response rate of 19% in the Finnish sample was considered satisfactory for the present analytical purposes. The Swedish sample consisted of 705 representatives of 141 manufacturing firms in the fast-moving consumer-goods industry. Of the 705 questionnaires sent out, 120 questionnaires were returned; of these, 118 were satisfactorily completed for use in the analysis. The resulting response rate of 14% in the Swedish sample was considered satisfactory for the present analytical purposes.

A four-page self-administered questionnaire was developed specifically for the present study and pre-tested among selected board members of ECR Finland. The questionnaire was designed to be completed by the person who was most familiar with CM and the supplier–retailer interface. Most respondents were therefore sales managers, key account managers, category and brand managers, and marketing managers of the supplier firms. There were no significant differences in this respect between the Finnish and the Swedish respondents.

The rationale for sending questionnaires to several managers from the same company was based on the nature of CM itself—that is, the management of product categories as distinct business units (Araujo & Mouzas, 1998; Dupre & Gruen, 2004; Nielsen, 1992). Consequently, it was conceivable that a large supplier (in terms of total turnover) could be the market leader (or second largest) in some categories while simultaneously being the third largest (or smaller) in some others. Conversely, a small supplier (in terms of total turnover) could be a market leader (or second largest) in a certain category. It was therefore appropriate to analyze the relationship between suppliers and retailers in terms of separate arrangements at the category level, rather than analyzing the overall relationship between a manufacturer and a retailers as a whole. For the purposes of this study, the term 'large supplier' thus refers to a company with the largest (or second-largest) market share in a focal category, whereas the term 'small supplier' refers to a company with the third-largest (or smaller) market share in that category. The rationale for this nomenclature was that, in most cases, the two best-selling suppliers dominate a category (Lindblom, 2003).

There were no statistically significant differences in the frequencies (chi-square test) or the means (*t*-test) between the early and late respondents (on assessing non-response bias, see Hudson et al., 2004). Smaller suppliers were apparently not as active in responding as larger suppliers. Nevertheless, the relatively small proportion of small companies in the present study constituted a reasonable proportion of the entire population of 'small' CM companies in Finland and in Sweden—because smaller companies are not as involved in CM activities as larger suppliers. Furthermore, as a result of mergers and acquisitions, the Finnish and Swedish fast-moving consumer-goods markets are highly concentrated in terms of both manufacturers and retailers (Planet Retail Databank, 2006; Lindblom, 2003). The relatively small proportion of small companies in the sample does not therefore invalidate the findings of the study, although it is acknowledged that it reduces the possibility of obtaining results of high statistical significance.

Table 2
Institutionalization of CM among the Finnish and Swedish suppliers.

	Finnish suppliers (n = 90)	Swedish suppliers (n = 118)	Total (n = 208)
CM as concept is familiar to our company and we have extensive experience from it as a key operational business process	90.0%	78.0%	83.2%
CM as concept is familiar to our company but we do not have extensive experience from it as a key operational business process	8.9%	19.5%	14.9%
CM as concept is not familiar to our company and we do not have any experience from it as it as a key operational business process'	1.1%	2.5%	1.9%
Pearson's chi-square .07			

3.2. Scales and analyses

3.2.1. Institutionalization of CM

The respondents' opinions regarding the *institutionalization of CM* in the supply chain were measured by asking respondents to choose the best option to describe their knowledge and experience regarding CM from the following three options:

- (1) The concept of CM is familiar to our company and we have extensive experience of it as a key operational business process;
- (2) The concept of CM is familiar to our company but we do not have extensive experience of it as a key operational business process; or
- (3) The concept of CM is not familiar to our company and we do not have any experience of it as it as a key operational business process.

3.2.2. Supplier's role in CM collaboration

The respondents' opinions regarding their company's *role in CM collaboration* were measured by asking them to choose the best of the following three options to describe their particular company:

- (1) Our company's role in CM decision-making is greater than that of our competitors in the category I represent;
- (2) Our company and our competitor(s) have equal roles in CM decision-making in the category I represent; or
- (3) Our company has no explicit role in CM decision-making in the category I represent.

To determine whether the respondents had accurately assessed their company's role in CM decision-making, further analyses were conducted to test suppliers' input on various CM tactics. Responsibility for decisions was measured using a 5-point Likert-type scale (1 = 'extremely weak' to 5 = 'extremely strong') for four CM tactics: (i) assortment planning; (ii) pricing; (iii) promotional activity; and (iv) space allocation (Dupre & Gruen, 2004; Dussart, 1998; Gruen & Shah, 2000; Kurnia & Johnston, 2003; Nielsen, 1992). Retailers are usually assumed to be in charge of these four areas of CM decision-making, but CM tactics are crucial for suppliers because the success of their brands depends on in-store availability. Suppliers therefore seek to influence these tactics.

Table 3
Respondents' perceptions of companies' roles in the Finnish and Swedish CM collaboration.

	Finnish suppliers (Pearson's chi-square .000)			Swedish suppliers (Pearson's chi-square .000)		
	Large suppliers (n = 66)	Small suppliers (n = 21)	Total (n = 87)	Large suppliers (n = 82)	Small suppliers (n = 22)	Total (n = 104)
Suppliers with stronger role in CM collaboration (Role 1)	45.5%	4.8%	35.6%	47.6%	4.5%	38.5%
Suppliers with equal role in CM collaboration (Role 2)	36.4%	23.8%	33.3%	41.5%	50.0%	43.3%
No explicit role in CM collaboration (Role 3)	18.2%	71.4%	31.1%	11.0%	45.5%	18.3%

Pearson's chi-square between Finnish and Swedish suppliers .000.

An independent samples *t*-test compared the mean score (for each variable) of the Finnish suppliers with those for the Swedish suppliers. ANOVA was used to ascertain any differences among the various role categories. Post hoc comparisons using the Scheffé paired-comparison method were also conducted to test for differences among supplier roles.

3.2.3. Effects of CM

The *effects of CM* were measured against nine variables (the supplier's product sales, the product's market share, the product's turnover time, consumer traffic, consumer loyalty, product visibility, product shelf space, product location and product launch in a focal category) on a five-point scale (1 = 'extremely negative' to 5 = 'extremely positive'). Respondents were asked to assess these effects from the viewpoint of the category they represented. An independent samples *t*-test was again conducted to compare the mean score (for each variable) of the Finnish suppliers with that of the Swedish suppliers. Differences between the various role categories in CM collaboration were analyzed by means of ANOVA, and the Scheffé method was utilized to test for differences among supplier roles.

4. Results

4.1. Institutionalization of CM

As can be seen in Table 2, the concept of CM was well known among both Finnish and Swedish suppliers, and the majority of suppliers in both countries had experience of CM as a key operational business process. This result confirms the first hypothesis (that CM is institutionalized as a key operational practice in contemporary distribution channels for fast-moving consumer goods). However, it should be noted that the proportion of Finnish suppliers that had extensive experience of CM as a key operational business process (90%) was somewhat larger than the proportion of Swedish suppliers (78.0%).

4.2. Supplier's role in CM collaboration

As shown in Table 3, all three roles ('stronger role than competitors'; 'equal role with competitors'; and 'no explicit role in CM collaboration') were present in both the Finnish and Swedish samples. According to chi-square tests, the differences both within and between countries were statistically significant. In Finland, the smaller suppliers apparently had a somewhat weaker role in CM collaboration than did smaller suppliers in Sweden. However, larger companies in both countries apparently took a stronger role in CM decision-making. This finding confirms the second hypothesis of the study, which proposed that larger suppliers are more likely to take a significant role in CM decision-making, whereas smaller suppliers are more likely to have no explicit role in CM collaboration.

The results of the independent samples *t*-test on specific CM tactics indicated that there were no statistically significant differences between the mean scores for Finnish and Swedish suppliers with respect to their input on CM tactics. However, there were statistically significant differences *within* both the Finnish and Swedish suppliers. As shown in Table 4, the ANOVA results indicated that there were statistically significant differences with regard to decision-making in: (i) 'assortment planning' (Finnish suppliers, $F = 21.93$, $p = 0.00$;

Table 4
Respondents' perceptions of companies' decision-making responsibilities (ANOVA).

Dependent variables: Finnish suppliers' decision responsibility over CM tactics... ^a	Group means ^b				F	p-value
	All suppliers (n = 87)	Suppliers with stronger role in CM collaboration (Role 1) (n = 31)	Suppliers with equal role in CM collaboration (Role 2) (n = 29)	No explicit role in CM collaboration (Role 3) (n = 27)		
Assortment planning	3.16 (.94)	3.74 (.58)	3.24 (.79)	2.41 (.89)	21.93	.000
Pricing	2.64 (1.09)	2.94 (1.26)	2.41 (.95)	2.56 (.97)	1.89	.158
Promotional activity	3.06 (1.02)	3.52 (.89)	3.03 (.98)	2.56 (.97)	7.43	.001
Space allocation	2.94 (1.14)	3.55 (.81)	3.24 (.91)	1.93 (.86)	25.56	.000
Dependent variables: Swedish suppliers' decision responsibility over CM tactics... ^a	Group means ^b				F	p-value
	All suppliers (n = 102)	Suppliers with stronger role in CM collaboration (Role 1) (n = 39)	Suppliers with equal role in CM collaboration (Role 2) (n = 45)	No explicit role in CM collaboration (Role 3) (n = 18)		
Assortment planning	3.08 (1.05)	3.44 (1.00)	3.09 (.95)	2.28 (1.02)	8.63	.000
Pricing	2.37 (1.04)	2.62 (.96)	2.31 (1.10)	2.00 (.94)	2.43	.093
Promotional activity	3.24 (.88)	3.67 (.66)	3.16 (.82)	2.58 (.96)	12.34	.000
Space allocation	3.14 (1.00)	3.46 (.76)	3.23 (.99)	2.26 (.99)	11.58	.000

^a Managers' perceptions were measured on the following scale: 1 = extremely weak, 2 = weak, 3 = moderate, 4 = strong, 5 = extremely strong.

^b Figures in parentheses are standard deviations.

Swedish suppliers, $F=8.63$, $p=0.00$); (ii) 'promotional activity' (Finnish suppliers, $F=7.43$, $p=0.00$; Swedish suppliers, $F=12.34$, $p=0.00$); and (iii) 'space allocation' (Finnish suppliers, $F=25.55$, $p=0.00$; Swedish suppliers, $F=11.58$, $p=0.00$).

Differences in the input on each CM tactic among the three role categories were tested for significance using the Scheffé method. Within the sample of Finnish suppliers, decision-making responsibilities can be summarized as follows.

- With respect to 'assortment planning', Finnish respondents who perceived their company's role in CM collaboration as stronger than that of their competitors (role 1) had greater decision-making responsibility (mean score 3.74) than respondents who perceived their company's role as equal to that of their competing suppliers (role 2, mean score 3.24) and respondents who perceived their company as having no role in CM collaboration (role 3, mean score 2.41). The differences were significant at the 0.05 level.
- With respect to 'promotional activity' and 'space allocation', Finnish respondents who perceived their company's role in CM collaboration as greater than that of their competitors (role 1) had greater decision-making responsibility (mean scores 3.52 and 3.55) than respondents who perceived their company as having no role in CM collaboration (role 3, mean scores 2.56 and 1.93), with the difference being significant at the 0.05 level. Respondents who perceived their company's role as equal to that of competing suppliers (role 2, mean scores 3.03 and 3.24) had greater decision-making responsibility than respondents who perceived their company as having no role in CM collaboration (role 3), with the difference being significant at the 0.05 level. However, the Scheffé method revealed no statistically significant differences between suppliers representing role 1 and role 2 with respect to 'promotional activity' and 'space allocation'.
- With respect to 'pricing', there were no statistically significant differences in decision-making responsibilities among Finnish respondents with different perceptions of their company's role in CM collaboration.
- Within the sample of Swedish suppliers, decision-making responsibilities can be summarized as follows (see Table 4):
- With respect to 'assortment planning', Swedish respondents who perceived their company's role in CM collaboration as stronger than that of their competitors (role 1) had greater decision-making responsibility (mean score 3.44) than respondents who perceived their company as having no role in CM collaboration (role 3, mean score

2.28), with the difference being significant at the 0.05 level. Respondents who perceived their company's role as equal to that of their competitors (role 2, mean score 3.09) had greater decision-making responsibility than respondents who perceived their company as having no role in CM collaboration (role 3), with the difference being significant at the 0.05 level. The Scheffé method revealed no statistically significant difference between respondents who felt that their company represented role 1 and those who felt that their company represented role 2.

- With respect to 'promotional activity', Swedish respondents who perceived their company's role in CM collaboration as stronger than that of their competitors (role 1) had greater decision-making responsibility (mean score 3.67) than respondents who perceived their company's role as equal to that of their competing suppliers (role 2, mean score 3.16) and respondents who perceived that their company had no role in CM collaboration (role 3, mean score 2.58), with the difference being significant at the 0.05 level.
- With respect to 'space allocation', Swedish respondents who perceived their company's role in CM collaboration as stronger than that of their competitors (role 1) had greater decision-making responsibility (mean score 3.46) than respondents who perceived that their company had no role in CM collaboration (role 3, mean score 2.26), with the difference being significant at the 0.05 level. Respondents who perceived their company's role as equal to that of their competitors (role 2, mean score 3.23) had greater decision-making responsibility than respondents who perceived their company as having no role in CM collaboration (role 3), with the difference being significant at the 0.05 level. The Scheffé method revealed no statistically significant difference between respondents who felt that their company represented role 1 and those who felt that their company represented role 2.
- With respect to 'pricing', there were no statistically significant differences in decision-making responsibilities among Swedish respondents with different perceptions of their company's role in CM collaboration.

4.3. Effects of CM

An independent samples *t*-test indicated that there were no statistically significant differences between the mean scores of Finnish and Swedish respondents with respect to the perceived effects of CM (as assessed in terms of the nine variables shown in Table 5); however, there were statistically significant differences within both the Finnish group and the Swedish group.

Table 5

Perceived effects of CM according to respondents' roles in CM collaboration (ANOVA).

Dependent variables: Finnish suppliers' perception of effects of CM on... ^a	Group means ^b			F	p-value
	Suppliers with stronger role in CM collaboration (Role 1) (n = 31)	Suppliers with equal role in CM collaboration (Role 2) (n = 29)	No explicit role in CM collaboration (Role 3) (n = 28)		
Product sales	4.29 (.53)	4.17 (.60)	3.39 (.89)	13.47	.000
Product's market share	4.13 (.67)	3.97 (.78)	3.32 (1.06)	7.39	.001
Product's turnover time	4.16 (.74)	4.31 (.76)	3.61 (.86)	6.26	.003
Consumer traffic	4.03 (.66)	3.86 (.69)	3.18 (.86)	10.77	.000
Consumer loyalty	3.77 (.85)	3.72 (.84)	3.29 (1.01)	2.56	.083
Product visibility	4.16 (.64)	4.10 (.77)	3.39 (1.23)	6.43	.003
Product shelf space	4.03 (.80)	3.93 (.99)	3.18 (1.16)	6.41	.003
Product location	4.06 (.73)	3.86 (.79)	3.25 (1.04)	7.08	.001
Product launch	3.77 (.81)	3.86 (.95)	2.93 (1.05)	8.63	.000
Dependent variables: Swedish suppliers' perception of effects of CM on... ^a	Group means ^b			F	p-value
	Suppliers with stronger role in CM collaboration (Role 1) (n = 38)	Suppliers with equal role in CM collaboration (Role 2) (n = 43)	No explicit role in CM collaboration (Role 3) (n = 17)		
Product sales	4.27 (.55)	4.09 (.74)	3.56 (1.04)	5.92	.004
Product's market share	4.05 (.75)	4.16 (.72)	3.50 (1.04)	4.52	.013
Product's turnover time	4.00 (.74)	3.91 (.90)	3.22 (1.00)	5.42	.006
Consumer traffic	3.97 (.73)	3.84 (.75)	3.24 (.83)	5.88	.004
Consumer loyalty	3.74 (.79)	3.52 (.85)	3.35 (.61)	1.66	.195
Product visibility	4.27 (.60)	4.11 (.75)	3.28 (.90)	12.38	.000
Product shelf space	4.15 (.74)	3.93 (.89)	3.28 (.96)	6.66	.002
Product location	4.05 (.69)	3.89 (.91)	3.33 (.91)	4.67	.011
Product launch	3.77 (.74)	3.53 (.97)	3.00 (.91)	4.74	.011

^a Managers' perceptions were measured on the following scale: 1 = extremely negative, 2 = negative, 3 = neutral, 4 = positive, 5 = extremely positive.^b Figures in parentheses are standard deviations.

The ANOVA results presented in Table 5 confirmed the third hypothesis, which proposed that the effects of CM are perceived more positively among suppliers who have influence in decision-making regarding CM collaboration than among those who have no explicit role in such decision-making. In both the Finnish and Swedish samples, the differences among the three groups (that is, roles 1–3) were statistically significant at the 0.05 level on eight of the nine variables that were studied, with the exception being 'consumer loyalty'. Scheffé's paired comparison indicated that the mean scores of the other eight variables (statistically significant at the 0.05 level) were higher among the respondents who perceived their company's role in CM collaboration as more significant than that of their competitors (role 1) than they were among those who perceived their company as having no role (role 3). The mean scores were also significantly higher among respondents who perceived their company's role as equal to that of their competitors (role 2) than among those who considered that their company has no role (role 3), with the difference being significant at the 0.05 level. However, *post hoc* comparisons showed no statistical significance between roles 1 and 2.

In general, the opinions of the respondents who perceived their company as having no role in CM collaboration were not especially negative; rather, they tended to be 'neutral'. This might indicate that small suppliers who have no role in CM retain some belief in the CM 'ideal' and the fairness of suppliers with stronger roles.

5. Discussion, conclusions, and future research

In recent years, the concept of category management (CM) has received considerable attention as a new cooperative managerial practice between suppliers and retailers (Dewsnap & Hart, 2004). As a process that involves managing product categories as business units and customizing them on a store-by-store basis to satisfy customer needs (Nielsen, 1992), CM is assumed to lead to improved sales and profits, more efficient

promotions, more efficient use of space, and demographically targeted promotions (Kurnia & Johnston, 2003). However, it has been argued that CM has yet to deliver on many of its presumed benefits, including increased margins and improved customer satisfaction (Dupre and Gruen, 2004; Gruen & Shah, 2000).

This study has found that the concept of CM is well known among both Finnish and Swedish suppliers, most of whom have experience of CM as a key operational business process. The study also found that large Finnish and Swedish suppliers (in terms of market share in a category) appear to have significant control over the management of particular categories of goods whereas smaller suppliers have little or no role in CM decision-making. These results are in accordance with the findings of Desrochers et al. (2003), who found that large suppliers are likely to take significant responsibility for decision-making in CM collaboration, whereas smaller suppliers are likely to be largely excluded.

The present study has also revealed that, in general, suppliers with no explicit role in CM collaboration have less decision-making responsibility (than suppliers with stronger or equal roles to their competitors) with respect to the three key variables of CM—assortment planning, promotional activity, and space allocation. These results confirm one of the major presumed drawbacks of CM—that CM activity might pose a threat to smaller suppliers. As CM becomes an institutionalized business process within supply chains, smaller suppliers have little choice but to accept that their brands will be managed by their competitors. As Varley (2001) has observed, forcing smaller suppliers out of a given category under CM arrangements enhances the feudal nature of retailing—in that major retailers and suppliers manage a category for their own purposes. According to other critics, if retailers confine their CM collaboration to a few stronger suppliers, this can lead to a lack of objectivity and overall dilution of quality in the CM process (Dewsnap & Hart, 2004; Gruen & Shah, 2000). As Desrochers et al. (2003) have observed, a major

concern regarding such arrangements is that strong suppliers (so-called 'category captains') can control outcomes in the category, receive preferential treatment, and exclude competitors from having input. According to these authors, suppliers with dominant roles in CM collaboration can work to gain an advantage for their own products (and disadvantage competitors) through advance knowledge of the pricing, merchandising, and promotional strategies of competitors. This kind of activity is far from the ideal 'win-win-win' collaboration that is envisaged in CM, whereby all parties—retailers, manufacturers, and consumers—are supposed to benefit from CM arrangements (Desrochers et al., 2003; Gruen & Shah, 2000; Kurtulus & Toktay, 2004).

However, it should be noted that exclusion from CM collaboration is not necessarily a problem. The key question for these suppliers is whether they can trust those with significant roles to act in a fair and objective manner—that is, by making decisions on the basis of consumer needs rather than on the basis of their own self-interests. If suppliers with stronger roles in CM cooperation are able to improve the performance of an entire category, their roles are justified. Retailers and smaller suppliers thus require some assurance that those with influence will forego self-interest and provide a category plan that has, as its primary objective, growth in sales and profits in the whole category. Without such an assurance, CM is unlikely to succeed (Gruen & Shah, 2000). Moreover, it is important for smaller suppliers not to remain passive when it comes to relationship management with retailers; for example, they could utilize their entrepreneurial skills to develop innovative brand strategies and thus enhance their relationships with retailers (Lindblom & Olkkonen, 2006).

The present study has also demonstrated that perceptions of the effects of CM differ, depending on the role that a given supplier has in CM collaboration. Among those with a more significant role than that of their competitors, CM is clearly perceived to have a positive effect on: (i) business-related criteria (sales, market share, and product turnover times); (ii) consumer-related criteria (buying frequency, consumer loyalty to the supplier's brand); and (iii) product-related criteria (product visibility, product shelf space, product location, product launch). In contrast, those (mostly smaller) suppliers who have no role in CM collaboration take a more neutral view of these effects. However, it should be noted that the opinions regarding the effects of CM among suppliers who have no role in collaboration are not especially negative. This could indicate that such suppliers have at least some belief in the 'ideal' of CM and in the fairness of stronger suppliers. It is also possible that suppliers with no role in collaboration were too optimistic in their responses. Qualitative studies, including face-to-face discussions with managers representing manufacturers who have no role in CM collaboration, might provide a more thorough understanding of their perceptions of CM.

The findings of this study have several implications for managers regarding CM collaboration between suppliers and retailers. There is a need to develop guidelines to prevent strong suppliers from acting in an opportunistic manner that reduces competition and limits variety of choice for consumers. To avoid these potential problems, it is important that retailers filter the recommendations of strong suppliers ('category captains') before implementing them (Kurtulus and Toktay, 2004). However, it is acknowledged that this is difficult because competitive 'exclusion' can take various subtle forms. Retailers should also note that it is risky to be dependent on only a few large suppliers. As Dupre and Gruen (2004) have argued, an exclusive CM relationship with one large supplier can weaken relationships with other suppliers. This can decrease a retailer's capacity to combine the expertise of several suppliers in producing value for consumers.

This study has approached CM from the perspective of suppliers. The phenomenon could also be studied from the retailers' perspective, or from a dyadic perspective (incorporating the views of both suppliers and retailers). Moreover, the present study analyzed the respondents' general perceptions; it would be interesting to study particular

arrangements with certain retailers (such as specific 'category captain' arrangements). It would also be interesting to compare the effects of 'category-captain' and 'non-category-captain' arrangements. This could provide assistance to retailers in assessing the feasibility and risks of being dependent on only a few large suppliers.

Attention could also be focused on measurement scales. For example, the creation and utilization of scales for measuring CM (rather than using individual items/variables) could enhance the consistency of studies of CM. Moreover, as well as interpreting attitudinal data and managers' subjective perceptions, researchers could also gather and interpret objective hard data (from retailers' databases) on the sales, prices, costs, and profits that result from CM.

More theoretical/conceptual studies are also needed to create more appropriate frameworks to investigate the rationale for (and effects of) 'category-captain' arrangements. In particular, there is a need to create a comprehensive framework that takes into account contextual factors and the structural characteristics of manufacturer–retailer relationships and CM collaboration.

Finally, as noted above, qualitative studies on CM would shed more light on the (often ambiguous) perceptions of both retailers and suppliers regarding the importance of various roles in CM collaboration and the relevance of CM activity in general. In-depth qualitative research would also be useful for developing hypotheses and multi-item scales for use in subsequent deductive research.

References

- Araujo, L., & Mouzas, S. (1995). Category management in marketing and purchasing: formal structure as representation and adaptation. In Peter Turnbull, David Yorke, & Peter Naude (Eds.), *IMP 11th International Conference Proceedings/Competitive papers*, Vol. 1. (pp. 30–66) : Manchester.
- Araujo, L., & Mouzas, S. (1998). Manufacturer-retailer relationships in Germany: The institutionalization of category management. In Peter Naudé, & Peter Turnbull (Eds.), *Network Dynamics in International Marketing* (pp. 211–232). Amsterdam: Elsevier Science Ltd.
- Brockman, B. K., & Morgan, R. M. (1999). The evolution of managerial innovations in distribution: what prospects for ECR? *International Journal of Retail & Distribution Management*, 27(10), 397–408.
- Campbell, N. C. G. (1985). An interaction approach to organizational buying behavior. *Journal of Business Research*, 13(1), 35–48.
- Corsten, D., & Kumar, N. (2005). Do suppliers benefit from collaborative relationships with large retailers? An empirical investigation of efficient consumer response adoption. *Journal of Marketing*, 69(3), 80–94.
- Desrochers, D. M., Gundlach, G. T., & Foer, A. A. (2003). Analysis of antitrust challenges to category captain arrangements. *Journal of Public Policy & Marketing*, 22(2), 201–215.
- Dewsnap, B., & Hart, C. (2004). Category management: a new approach for fashion marketing? *European Journal of Marketing*, 38(7), 809–834.
- Dupre, K., & Gruen, T. W. (2004). The use of category management practices to obtain a sustainable competitive advantage in the fast-moving-consumer-goods industry. *Journal of Business and Industrial Marketing*, 19(7), 444–459.
- Dussart, C. (1998). Category management: strengths, limits and developments. *European Journal of Marketing*, 16(1), 50–62.
- Easton, G. (1992). Industrial networks: A review. In B. Axelsson, & G. Easton (Eds.), *Industrial Networks: A New View of Reality*, 1992. (pp. 1–27) London: Routledge.
- Gruen, T. W., & Shah, R. H. (2000). Determinants and outcomes of plan objectivity and implementations in category management relationships. *Journal of Retailing*, 76(4), 483–510.
- Grönroos, C. (1994). From marketing mix to relationship marketing. Towards a paradigm shift in marketing. *Management Decision*, 32(2), 4–20.
- Hudson, D., Seah, L.-H., Hite, D., & Haab, T. (2004). Telephone presurveys, self-selection, and non-response bias to mail and Internet surveys in economic research. *Applied Economics Letters*, 11(4), 237–240.
- Johanson, J., & Mattsson, L.-G. (1992). Network positions and strategic action — An analytical framework. In B. Axelsson, & G. Easton (Eds.), *Industrial Networks: A New View of Reality* (pp. 205–217). London: Routledge.
- Kurnia, S., & Johnston, R. B. (2001). Adoption of efficient consumer response: the issue of mutuality. Supply chain management. *An International Journal*, 6(5), 230–241.
- Kurnia, S., & Johnston, R. B. (2003). Adoption of efficient consumer response: key issues and challenges in Australia. Supply chain management. *An International Journal*, 8(3), 251–262.
- Kurtulus, M., & Toktay, B. L. (2004). Category captainship: Who wins, who loses? *ECR Journal: International Commerce Review*, 4(2), 27–33.
- Kurtulus, M., & Toktay, B. L. (2005). Category Captainship: Outsourcing retail category management. *INSEAD working paper series 2005/23*, 2005.
- Lindblom, A. (2003). Vaihdamuutosten muutosvoimat. Tapaustudkimus vaihdantasuhteen muutoksesta ja muutoksen taustalla vaikuttaneista toimintaympäristön tapahtumista. [The Change Forces of Exchange Relationships between Retailers

- and Manufacturers]. A Doctoral Dissertation. Publications of the Turku School of Economics and Business Administration, Series A-6:2003. Turku, 2003.
- Lindblom, A., & Olkkonen, R. (2006). Category management tactics: An analysis of manufacturers' control. *International Journal of Retail & Distribution Management*, 34(6), 482–496.
- Mathews (1997). Finding the holy grail. *Progressive Grocer*, 76(8), 2.
- Nielsen (1992). *Category Management. Positioning Your Organisation to Win*. Chicago: NTC Business Book.
- Planet Retail Databank (2006). Internet address, <http://www.planetretil.net/> (22.12.2006).
- Svensson, G. (2002). Efficient consumer response — Its origin and evolution in the history of marketing. *Management Decision*, 40(5), 508–519.
- Varley, R. (2001). *Retail product management*. Buying and Merchandising London: Routledge.
- Webster, F. E. (1992). The changing role of marketing in the corporation. *Journal of Marketing*, 56(4), 1–17.

Arto Lindblom is acting as Professor of Retailing at the Helsinki School of Economics (HSE), Finland. He has published in supply chain management, distribution, and retailing journals including e.g., *International Journal of Retail & Distribution Management*, *Journal of Retailing and Consumer Services*, and *International Journal of Integrated Supply Management*. His current research interests include entrepreneurship, category management, supply chain management, and retailing in general.

Rami Olkkonen is Professor of Marketing at the Turku School of Economics, Finland. He has published in marketing, supply chain management, retailing and management journals including e.g., *Corporate Communications: An International Journal*, *Management Decision*, *Journal of Business and Industrial Marketing*, *International Journal of Retail & Distribution Management*, *Journal of Retailing and Consumer Services*, *Journal of Product and Brand Management*, *Journal of Euromarketing*, *Academy of Marketing Science Review* and *International Journal of Integrated Supply Management*. His current research interests include inter-organizational exchange relationships and networks, retailing and supply chain management and marketing science in general.

Petri Ollila is Associate Professor in Agricultural and Food Marketing at the University of Helsinki, Finland. His publications include articles in *Journal of International Food & Agribusiness Marketing* (market entry of food processing firms), *International Journal of Cooperative Management* (food safety o pork) and *Annals of Public and Cooperative Economics* (cooperatives as market coordination institutions). In addition to ECR his current research interests include the institutional design of the food marketing system and the role of producer cooperatives in that context.

Saara Hyvönen is Professor of Marketing at the University of Helsinki, Finland. Her research interests center around marketing channel management, business strategy and competitive positioning, and the strategic orientation of firms in international markets. She has published articles in journals such as *Journal of Retailing*, *International Journal of Management and Decision Making*, *International Review of Retail, Distribution and Consumer Research*, *The International Journal of Entrepreneurship and Innovation*, *Agribusiness: The Economic Journal*, and *European Review of Agricultural Economics*.