Interaction Approach To Category Management - Towards Collaborative Manufacturer-Retailer Relationships

Arto Lindblom*, Turku School of Economics & Business Administration, Turku

Abstract:

In recent marketing literature, some novel managerial approaches have emerged, which derive their origins from the advances of new information technology. One of these approaches has recently received considerable attention in managerial practice. This is category management (CM), which aim at managing product categories as business units and customizing them on a store-by-store basis to satisfy customer needs. In this study, an interaction approach is introduced to illustrate how category management can be linked to the development of long-term manufacturer-retailer relationships.

Background and Purpose of This Paper

"Instead of narrow brand or product management, counterparts are now focusing on the management of groups of complementary products or categories, with marketing policies and programs designed to add value to the total category output". (Araujo and Mouzas 1998, 212) Conventional product management is derived from the manufacturers' tight arm's length, which allowed them to control all the activities throughout the whole marketing channel. Manufacturers developed brands and ran advertising and marketing programs through mass media in order to maximize their own return from brand and advertising investments (Araujo and Mouzas 1998, 212; Ford et al. 1998, 209). As manufacturers were the source of almost all product innovations and mass marketing activities, retailers were regarded as an unproblematic pipeline which linked the manufacturers and end users together (Araujo and Mouzas 1998, 214; Obgonna – Wilkinson 1998, 80). Even though retailers were sometimes developing their own brands and performing promotion activities, manufacturers ultimately had considerable power over them. Manufacturers were able to control retail sales prices and physical distribution and could powerfully influence retailers’ inventories and displays. (Obgonna and Wilkinson 1998, 80) Retailers were highly dependent on manufacturers and allowed them to give significant advice on the optimal management of shelf-space in retail locations (Corstjens and Corstjens 1995).

However, during the last decade, international sourcing together with the formation of multinational retail buying groups has become common in a large number of product areas. Furthermore, retailers’ own increased market research and their “closeness” to consumers have provided retail organizations with considerable market information

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1 Address for all correspondence: Arto Lindblom, Department of Marketing, Turku School of Economics and Business Administration, Rehtorinpellonkatu 3, 20500 Turku, FINLAND. Phone: +358 2 3383 303, Fax:+358 2 3383 280, Email: arto.lindblom@tukkk.fi

in McLoughlin, Damien. and C. Horan (eds.), Proceedings of The 15th Annual IMP Conference, University College, Dublin 1999
on the basis of which to control non-product-related variables in the marketing-mix, including in-store merchandising and shelf-space management (Howe 1998, 214). The increasing power of retailers has led to a situation in which they often require manufacturers to pay “slotting allowances” just to get new products on to store shelves (Nielsen 1992; Duke 1998, 94-95). Furthermore, the more retailers become interested in running their own brands in a direct competition with manufacturer brands, the more they control the shelf-space in favour of their own brands (Corstjens and Corstjens 1995). As Obgonna and Wilkinson (1998, 81) argued, the emergence of retailers’ own label goods can be seen as direct threat to established manufacturers. By combining increased buying power, good store location, scale, and accurate reflection of changing consumer needs, retailers have now clearly worked themselves into a position of dominance in the supply chain (Duke 1998; Grant 1992; Paché 1998).

Given these trends, manufacturers have had to reappraise their marketing activities throughout the whole marketing channel. According to Jorgensen (1995), a manufacturer can increase the switching costs of its counterparts by establishing closer relationships with retailers, and thus preventing new manufacturers from penetrating the market. Therefore, the vital question for manufacturers will be how to enhance their key distribution relationships in the future. It has been argued that there will be an increasing need to create new retailing strategies characterized by greater flexibility, and openness to a “partnership orientation” and a commitment to new innovations. Also retailers have showed their willingness to develop more collaborative interaction strategies. Despite the fact that retailers have become “trading powerhouses”, they have at the same time often lost touch with their key suppliers (What is going... 1998, 4). In addition, it has been argued that the market for foodstuffs is mature, and the potential for volume or market growth is small and diminishing, which easily leads to a situation where competition among retailers is getting ever fiercer.

In recent marketing literature and particularly in managerial practice, some novel approaches have recently received considerable attention. These approaches originate from the advances of new information technology such as electronic data interchange (EDI). (see e.g. Johnston 1998; Palmer 1998) Furthermore, these approaches aim at improving information exchange between counterparts, enabling better co-operation between independent supply chain actors. Above all, one of these approaches has made a great breakthrough in the fast-moving consumer goods business. This is category management (CM). Category management describes the process through which manufacturers and retailers come together and interact to create and manage strategies and operations on specific product categories (Araujo and Mouzas 1998).

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2 A category is an assortment of items that the customer sees as reasonable substitutes for each other (Levy and Weitz 1998, 340)

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Other approaches, which have received also considerable attention in managerial practice, are quick response (QR) and efficient consumer response (ECR). (see e.g. Araujo and Mouzas 1998; Fernie 1994; Quick response... 1991)

Perhaps Nielsen (1992) writes the most well-known definition of category management. Nielsen has defined CM as follows “Category management is a process that involves managing product categories as business units and customizing them on a store-by-store basis to satisfy customer needs”. The main objective of category management is then to achieve better consumer knowledge in order to identify brand loyal consumers and high volume shoppers. Consumer knowledge acts as a basis for more specific marketing programs for individual categories, with an ultimate aim at maximizing in-store profitability. The category management process is based on retailers’ sales data and specific consumer research. The data collection is mainly handled by electronic scanning systems, which aims at giving more specific information about consumers’ buying behavior. For more comprehensive information on a practical implementation of category management see e.g. Nielsen (1992), Dussart (1998) and Joseph (1996).

Even though category management definitely is a new way of bringing significant consumer values and ways to increase in-store profitability, some serious pitfalls can be discerned in the discussion related to concept. The prevailing literature seems to leave manufacturer-retailer relationships in the category management context a very minor share of attention. Relationships are taken for granted and as far as the author of this paper knows, there has been no attempt to conduct research aiming at understanding how category management affects and is affected by the nature of the manufacturer-retailer relationship. I strongly argue that, if manufacturer-retailer relationships are disregarded, as they seem to be at the moment, some serious problems arise in creating both consumer value and achieving economic profitability.

Consequently, the purpose of this paper is to study category management from the perspective of the formation and development of manufacturer-retailer relationships. Instead of providing any normative managerial directions, the main aim is to help researchers and practitioners to make sense of what is actually happening within the manufacturer-retailer relationship after counterparts have engaged in a category management process. In this study, a dyadic manufacturer-retailer relationship in the category management context is analyzed on the basis of four basic broad elements. These are 1) the interacting parties, 2) the interaction within category management...
process, 3) the nature of the relationship and 4) the relationship atmosphere. On the basis of these elements, is formed a conceptual framework which act as a base for the further empirical studies.

Why it is important to understand category management from the interactive point of view?

The reason why it is important to understand category management from the interactive point of view is that the ability to create consumer value by category management is highly based on the interaction (e.g. information exchange) between a manufacturer and a retailer. Moreover this counterparts’ ability to interact between each other within the category management process is dependent on the nature of the relationship (e.g. level of trust). Thus, when counterparts are engaging in category management, they have to be aware of how strong their nature of a manufacturer-retailer relationship is. The nature of the relationship describes how parties are related to each other and how strong this relation is (cf. Ford 1997, 41).

The nature of the manufacturer-retailer relationship does not only affect interaction within category management, but interaction within category management also affects the nature of the relationship. In other words, the more that counterparts are interacting within a category management process, the more it is likely that they also enhance their relationship. Furthermore, the more a manufacturer-retailer relationship is enhanced, the more the counterparts’ ability to interact increases. Thus, there is two-directional dependency between interaction within the category management process and the nature of the relationship. Ultimately economic profitability is highly dependent on how well consumer value is created. Figure 1 illustrates this “triangular” dependency (cf. Wilson and Jantrania 1997, 294-300).

Figure 1. Triangular Dependency of “Economic Profitability”, “Ability to Create Consumer Value” and “Nature of Manufacturer-retailer Relationship”

in McLoughlin, Damien. and C. Horan (eds.), Proceedings of The 15th Annual IMP Conference, University College, Dublin 1999
As can be seen from Figure 1, if a relationship is weak (e.g. parties do not trust each other) it is most likely that the interacting parties fail to create higher consumer value due to the parties’ inability to interact with each other. Thus, economic profitability will also stay low. On the other hand there might be cases in which counterparts are able to achieve “quick-wins” (e.g. within one campaign), despite the fact the manufacturer-retailer relationship would involve a relatively high degree of inertia, but in the long run the three dimensions increase or decrease hand in hand (cf. Wilson and Jantrania 1997, 294-300). Even though Figure 1 might be very logical and simplistic, it still seems to be very hard among practitioners to understand this kind of triangular dependency.

At the moment particularly retailers seem to focus only on maximizing economic profitability and they are placing enormous pressure on manufacturers to fulfil their financial objectives (Dussart 1998, 54). It has been argued that this overt pressuring derives from the limitation of self-space in stores, which has increased competitive pressures, thus putting a premium on the revenue and profitability of stores for every square meter of available shelf-space. As Vollmann and Cordon (1998, 686) argued “...retailers evaluate the performance of category management in the terms of contribution per cubic meter of floor or focusing on return on investment...”. Lewis elaborate this viewpoint (Floating the Boat 1998, 5), “if the shopper doesn’t see some result at the store, then all the category management programs aren’t worth the disks on which they’re written”. Most often economic profitability is measured quantitatively (e.g. activity based costing (ABC), balanced scorecards and unit load efficiency matrix) based on in-store sales data such as sales volume and price sensitivity (see e.g. Nielsen 1992, 96; Dussart 1998, 56).

In my opinion this kind of "profitability focused" situation reflects the retailer’s opportunistic behavior and very short-term view in a channel context. Currently, retailers seem to largely disregard their key manufacturers. This was clearly pointed out by Dussart (1998), who argued that if the manufacturer who engages in category management process does not fulfil the financial objectives (e.g. increased sales) of the retailer, there is a great danger the manufacturer will be replaced quickly. Retailer’s pressuring easily leads to a situation in which the nature of the manufacturer-retailer relationship is very weak. Thus, I strongly argue that retailers should see that this kind of selfish behavior in the long run leads to a very unprofitable position also on their side. Thus retailers will be able to increase neither economic profitability nor consumer value, unless they are able to create and maintain the relationship with manufacturers (cf. Storbacka 1998, 124). Concurrently, manufacturers have to see this same situation from their position. As stated by Rom Tomlinson in 1998, “Having the best vision in the world and even a terrific understanding of category management doesn’t mean much unless we can learn to work together” (Working together 1998, 5).

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5 This kind of view gets support from criticism which has arisen recently of category management. It has been argued that CM does not obviously lead to real benefits in the long run and there is actually a lack of proven cases where CM has been the key to success (see e.g. What is going... 1996, 5; Floating the boat 1998, 5; Dussart 1998, 50-51). Also in the studies of Andersen Consulting it was found that category management has relatively slow take-up due to counterparts’ low level of trust, the complexities of implementations and organizational structures.

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Understanding that the success or failure of category management is ultimately dependent on the nature of the manufacturer-retailer relationship forces counterparts to commit to the development of their relationship in the long run. Moreover it must be noted that through active interaction within the category management process counterparts are able to enhance their relationship and thus they can create real consumer value and economic profitability.

Why is Category Management often “misunderstood”?

One reason why retailers and manufacturers are basically focusing only on economic profitability and consumer value might be found from the prevailing literature. According to current literature, category management is basically seen as a normative oriented managerial method or as a managerial function, whose main task is to improve the financial profitability of the channel members (cf. Nielsen 1992, Joseph 1996). Asking from the managers, category management is easily defined as “having the right product in the right place at the right time...” (Schouten 1997; Mathews 1997, 4). It is easy to connect the prevailing literature on CM to the so-called managerial school of marketing6 (i.e. marketing management tradition). An enormous amount of normative literature exists about mechanistic task-lists - see e.g. the eight steps of category management business process (Category management... 1997, 4) – even “bunches of short-term magic tricks” through which category management implementations are created or helped (cf. Olkkonen 1998, 55). In other words, the current literature has a very strong economic and normative background.

In sum, the current discussion on category management can easily be related to traditional supply chain management involving planning, implementing and controlling the physical flows of material and final goods from the point of origin to points of use to meet consumer requirements at a profit (cf. Kotler 1997, 591). Supply chain management as marketing management at a general level has not traditionally been very interested in the dynamics of retailing-related relationships or inter-organizational exchange in a channel context and focus has been limited to the coordination of physical distribution (i.e. product flow). As Spekman et al (1998, 631) have argued “...the traditional view of supply chain management is to leverage the supply chain to achieve the lowest initial purchases prices while assuring supply.” (see also Sabath 1998, 698; Beamon and Ware 1998, 706)

An interaction approach to the Category Management process

As stated earlier, there has been no attempt to conduct research aiming at understanding the process of the development of relationships in a category

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6 It has been largely argued that the managerial school of marketing has long been dominant in the field of marketing research (Grönroos 1992 and 1994; Möller 1992b, 200-201). The focus on the managerial school of marketing is to develop an optimal marketing mix in order to create an efficient stimulus-response in a chosen target segment of consumers, households or organizational buyers (Möller 1992a, 2; Möller and Wilson 1995, 3). The marketing mix is seen to form from four key concepts, product, price, place and promotion. The marketing management tradition basically involves normative goals, which are related to deriving optimal solutions for the marketing mix, segmentation and positioning problems (Möller 1992b, 201). More comprehensively on the history of marketing “mix” management approach e.g. Grönroos (1994) and Gummesson (1994) (See also e.g. Kotler 1972; Kotler and Levy 1969)
management context. In order to understand how the interaction within category management affects and is affected by the nature of a relationship, there is a need to answer the question "what happens within the manufacturer-retailer relationship after parties have been engaged in a category management process". In order to examine the evolution of CM within relationships, there is a need to focus on abstract concepts such as experience and uncertainty (see IMP Group 1997, 8; Ford et al. 1998). In other words, there is a need to go beyond the managerial conceptualization of category management. Instead of focusing only on practical level questions, counterparts have to understand how they are related to each other and particularly how category management affects this relationship. In this study the interaction approach is applied to understand how CM is linked to the development of long-term manufacturer-retailer relationships.

In this study, a dyadic manufacturer-retailer relationship in the category management context is analyzed on the basis of four basic broad elements. These are 1) the interacting parties, 2) the interaction within category management process, 3) the nature of the relationship and 4) the relationship atmosphere (cf. IMP Group 1997, 8). To be more specific, the Figure 2 (i.e. conceptual framework) illustrates these elements within the dyadic manufacturer-retailer relationship.

The interacting parties

First of all, the relationship as whole between the counterparts is dependent on the characteristics of the parties involved. Company level characteristics such as size, structure and familiarity give them a basic position to interact (IMP Group 1997, 11). The resources (e.g. consumer knowledge, technology availability and CM knowledge) possessed by a manufacturer and a retailer act as bases for the interdependence of companies in the category management context (cf. Turnbull et al. 1996). Actually, this resource interdependence itself can be seen as a starting point to the whole category management process. As Turnbull et al. (1996, 47) stated, "... a company may need to acquire some of the knowledge of the other companies for itself, or with to develop its own knowledge through interaction with the other company." In other words, a manufacturer and a retailer interact with each other and develop their relationship in order to exploit and develop their resources. (Turnbull et al. 1996)

The term position in category means the manufacturer's brand(s) equity and brand(s) market share in a category. Brand equity and market share in a category can heavily influence a manufacturer's possibility to dominate the category management process. If a manufacturer is regarded as a "category captain" (e.g. Coca-Cola, Kellogg or Heinz), having the highest brand equity and market share in a category, it can heavily influence the retailer's shelf-space and thus dominate the whole category management (Corstjens and Corstjens 1995, 291). This might easily lead to a situation in which smaller manufacturers' brands are managed by the category captain (Dussart 1998).

7 By interaction approach is meant studies which focus on the exchange processes and relationship formation between organizations (Olkkonen 1999, 71). The interaction approach aims to better understand interaction and to explain its forms and development processes. Particular, questions such as how organizations interact and develop relationships and what factors influence successful or unsuccessful relationships are examined more closely in the interaction approach. For more comprehensive writing on the interaction approach see e.g. Turnbull et al. 1996 and IMP Group 1997.

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As Vollman and Cordon (1998, 686) stated “...category captain is able to manage his products and those of his competitors acting on behalf of the retailer.” This kind of situation forces smaller manufacturers to take a different tack in the category management context. As Corstjens and Corstjens (1995) argued, “...another approach
might be called "category lieutenant", where a smaller manufacturer looks to complement the category captain by providing niche brands in areas where the captain is weak, and perhaps offering me-too's to the retailer who wishes to reduce the dominance of category captain.” Smaller manufacturers might also try to penetrate a category with highly reduced prices and, thus, could put great pressure on the category captain (Dussart 1998, 54). It is obvious that the position in a category gives a manufacturer either an “advantaged” or a “disadvantaged” position to interact with the retailer.

Retailers study the importance of category basically through economic questions such as the category’s sales per cubic meter, turn-around times, consumers’ buying frequency, etc. They may also study the category’s role i.e. is it a traffic builder or is it possible to differentiate by category from the competitors, or is the category only a shelf filler. If the category is highly important to a retailer (e.g. it has high in-store profitability), there is a tendency towards retailers engaging in category management with a manufacturer who has enough resources and knowledge to fulfil the expectations of the retailer. However, if a category is less important, the retailer might be interested in engaging in a category management process with smaller manufacturers with less resources.

The interaction within Category Management process

The episodes refer to daily interaction (e.g. negotiations, social contacts) between a manufacturer and a retailer during the category management process. The elements exchanged during the category management process can be divided into product exchange, information exchange, financial exchange and social exchange (cf. Ford 1997, 41; IMP Group 1997, 9-10). Particularly, information exchange (e.g. the sharing of consumer-related data) is expected to increase during the process due to the category management being based on the sharing of data between a manufacturer and a retailer. In other words, counterparts are sharing their “know-how” resources during the category management process. As Dussart (1998, 52) stated, "The task of managing categories implies a full stream of data; points of sale, demographics, psychographics and myriad other types of data. CM is fundamentally a data-driven process”. These four exchange episodes act as a basis for long-term relationships and they might, in the long run, even be institutionalized in the manufacturer-retailer relationship.

In this study, the term adaptation refers to counterparts’ willingness to form or redefine interorganizational structures and functions in the category management context. As Araujo and Mouzas (1998, 226) stated, “traditional organizational structures are defined by segmented units, each of which has specific tasks, functions and responsibilities.” In traditional organizational structures, purchasing and sales managers focus strictly on single brands, while the total profitability of an entire category is easily disregarded. The responsibilities related to category management process might then be very unclear. However, counterparts’ intensive adaptation in a category management context can create for both a manufacturer and a retailer an organizational unit that assumes volume and profit responsibility for a whole category (Araujo and Mouzas 1998, 226). Within this “new” organizational unit, responsibilities are divided more clearly (e.g. naming individuals in charge) and all
actors e.g. brand managers, key accountants and sales managers are working more actively together in order to maximize the output of an entire category.

The term resource investment refers to how much the counterparts are willing to support a category management process with necessary technological investments. As Turnbull et al. (1996, 49) stated, “In order to that supplier-customer relationships develop over time, it is necessary for both suppliers and customers to make some degree of investments in relationships.” In this study, the building of EDI linkages and the sharing of technology (both hardware and software) are seen as major investments in the category management context. For example, by the electronic point of sale (EpoS) scanning systems, counterparts are able to record data on each item sold at the point of sale and thus it is possible to achieve reduction in stock-levels and to obtain data on what is sold and to whom it is sold.

The nature of manufacturer-retailer relationship

Each exchange episode and related adaptations and investments during interaction affects the nature of the relationship (Ford 1997, 41). In this study the nature of a relationship is studied through the following variables: experience, uncertainty, social distance, trust and commitment (Ford 1997, 42; Ford et al. 1998). These variables reflect the fundamental and long-lasting basis of a manufacturer-retailer relationship. The more efficient interaction (e.g. in terms of data exchange, investments on EDI linkages) is, the more the nature of the relationship tends to enhance. On the other hand, if the parties fail to interact efficiently with each other, the nature of the relationship remains rather weak. Furthermore, the nature of the relationship also affects the interaction, i.e. the more the counterparts trust each other, the more they are willing to exchange information, the more they are willing to support category management with necessary investments, etc. Thus, it can be argued that interaction within category management affects and is affected by the nature of relationship.

There are, of course, many other variables, that can influence a manufacturer-retailer relationship as a whole, such as the interaction environment (i.e. the market structure and the social system). In this study, however these variables are given less attention in order to give a more comprehensive picture of how a manufacturer-retailer relationship develops after counterparts have engaged in a category management process.

The Relationship Atmospheres

In order to illustrate how manufacturer-retailer relationships are prone to evolve over time in the category management context, the term relationship atmospheres is used. In this study relationship atmosphere is divided into four general phases, “open-market negotiation”, “co-operation”, “co-ordination” and “collaboration” (cf. Spekman et al. 1998). For a more comprehensive on the development of industrial relationships see a discussion e.g. Ford et al 1998, Dwyer et al. 1987, Halinen 1996 and Ford 1997. As Ford (1997) argued, “the development of supplier-customer relationships can be seen as an evolutionary process in terms of the increasing experience of both partners, the reduction in their uncertainty and all kinds of distance in the relationship, the growth of both actual and perceived commitment, and
finally formal and informal adaptations, and investments and savings involved in both sides' organization".

The situation “open-market negotiations” refers to a situation in which interaction within the category management process is occasional (e.g. negotiations of a pilot category management project), and counterparts have not yet invested in technology (e.g. EDI linkages). Price-based discussion and adversarial relationships characterize the relationship (cf. Spekman et al. 1998). Due to the fact that interaction is occasional and parties do not have any experience of category management, there is relatively high uncertainty and social distance between counterparts (Ford 1997, 42-43). The relationship atmosphere “co-operation” refers to a situation in which both a retailer and a manufacturer have decided to engage in the category management process. After engaging in category management, counterparts tend to interact more regularly (e.g. regular joint meetings) which reduces social distance and builds trust between counterparts. The atmosphere “co-ordination” is marked by increasing experience between companies. Also, uncertainty tends to decrease when parties have acquired some knowledge of each other’s norms and values (Ford 1997, 45). Furthermore, increased experience and trust forms grounds for more efficient information exchange and more complete category management implementations. The “collaboration” situation occurs when companies are highly aware of each other’s objectives and values and are committed to the relationship. In this situation interaction within category management may lead to the establishment of a standard operating objective and norms of conduct not only in activities related to category management, but also in all other activities related to whole relationship.

It is very interesting to note that Araujo and Mouzas (1998, 221-222) have empirically found the same kind of “phases” in category management process than as it was just presented. They identified three different development stages within the category management process. They stated that these stages could be identified in relation to the knowledge of the category management concept, the existence of category management projects, the insertion of the function in the existing formal structures and its impacts upon marketing and purchasing management. As they argued, “In stage 1, there is knowledge but no existing projects to introduce category management systems”. This stage is very similar to the situation “open-market negotiation”. Araujo and Mouzas continued, “In stage 2, category management emerges within the existing formal structures as a staff function and the organization is keen to engage in trial projects... The role of category managers here is to provide data and analysis to key accounts and sales managers who interact with the headquarters of retailers.” This stage has common characteristics with the phases “co-operation” and “co-ordination”. The last stage was described as follows, “In stage 3, category management becomes the hub of the formal structure... all
interactions between manufacturer and retailer is handled by category managers”. This stage is similar to “collaboration”, there is continual interaction between manufacturer and retailer and counterparts try to intensively standardize interfaces and harmonize all activities related to category management.

Figure 3 very briefly illustrates the extent of economic profitability, consumer value and the nature of the relationship in each relationship atmosphere. In the situation “open-market negotiation”, when the nature of the relationship as whole involves a lack of confidence and uncertainty, there is a tendency for parties to be unable to interact between each other and thus economic profitability is relatively low. This “open-market negotiation” situation is derived from factors such as parties’ unwillingness to share information or there might be ill-defined responsibilities related to category management. Usually “open-market negotiation” can be seen as an early stage of the category management process.

![Figure 3. Relation between Triangular Dependency and Relationship Atmospheres](image)

Concurrently, in the situation “collaboration”, when counterparts have achieved high experience of each other (due to e.g. continues interaction, clearly defined responsibilities and necessary investments), the ability to create consumer value is good (e.g. counterparts can easily agree on how space management should be taken care of). As counterparts are able to create consumer value with care, economic profitability can run high. Even though Figure 3 is highly simplified and this kind of linear dependency may not always to be so likely, it points out that counterparts have to create and maintain strong relationships, if they want to achieve both higher consumer value and economic profitability.

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*in* McLoughlin, Damien. and C. Horan (eds.), *Proceedings of The 15th Annual IMP Conference*, University College, Dublin 1999
Conclusions and implications for future research

During the 1990s traditional manufacturer-retailer relationships have fundamentally changed. Instead of intensive arm wrestling, manufacturers and retailers are nowadays seeking more collaborative relationships. Some managerial approaches have risen, which are a start-shot to plan supply chain activities jointly and thus stabilize the relationship between manufacturer and retailer. In particular, the concept category management has received considerable attention among practitioners. In the prevailing literature category management is defined relatively narrowly; it is seen as merely "managerial tool", which tries to maximize economic profitability by creating higher consumer value. In this study it has been strongly argued that instead of focusing only on e.g. assortment planning and in-store sales, counterparts should understand how category management affects and is affected by the nature of the manufacturer-retailer relationship. The nature of this relationship has received only a very minor share of attention in prevailing literature.

In sum, Figure 4 briefly illustrates two different approaches to category management: 1) the marketing management tradition and 2) the interaction approach. As was earlier argued, the marketing management tradition has a very strong economic and normative background. Marketing management tradition has two basic normative oriented questions to answer "How to create and deliver consumer value by CM" and "How to evaluate the economic profitability". There is already an enormous amount of different kinds of guidelines on how to create higher consumer value by category management, perhaps the most famous is Nielsen’s (1992) "five stages of category management process". There is also a lot of ways to account for economic profitability, such as ABC counting and scorecards.

The interaction approach aims to understand how the interaction within a category management process affects and is affected by the nature of the relationship. It was earlier clearly pointed out that only the strong nature of relationship could lead the higher consumer value and economic profitability. The interaction approach is fundamentally very descriptive and it focuses on very abstract concepts such as experience and uncertainty. With the help of the interaction approach it is possible to capture the relationship between manufacturer and retailer in the category management context.

This study is only a starting point of which to study category management more fruitfully in the future and it aims to give new conceptual implications for further studies. There is still a lot of conceptual and especially empirical study to do in order to more completely understand category management within manufacturer-retailer relationships. There is especially a great need to create a framework, which would take the contextual factors (i.e. environment), processual characteristics and structural characteristics of the manufacturer-retailer relationships more comprehensively into account.

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Figure 4. Research Approaches to Category Management

References


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