

## **Value Creation in Category Management Relationships: A Comparative Analysis**

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*British Academy of Management*

*2017 Annual Conference - Newcastle University*

*'Re-connecting management research with the disciplines: Shaping the research agenda for the social sciences'*

**Developmental Paper (Draft Submission)**

**Author: Michael C. Benson**

*Research Title*

Value Creation in Category Management Relationships: A Comparative Analysis

*Summary*

Category management is a collaborative approach between food manufacturers and retailers to manage product categories rather than individual brands. The purpose of the research is to explore value creation within category management and category partnership relationships through data resource sharing to meet changing consumer needs. Consumers are switching to unbranded label products in food retail categories for improved value. The research focuses on creating value in a collaborative relationship comparing branded and non-branded suppliers. It looks at the situation from both the manufacturer and retailer perspectives, and the pilot research findings have shown the role of the category captain is changing and becoming an integral part of the research. Category management is evolving to meet changing consumer and shopper needs. The shopper is the person who purchases the product on behalf of the final consumer. The role played by all the suppliers' is changing and the data findings are uncovering that a trusted relationship with the supplier is becoming more important than the traditional reliance on the category captain who was always seen as the most knowledgeable and trusted supplier. An understanding of retailer needs through a stronger collaborative relationship focused predominantly around the retailer strategies, along with the provision of more detailed and consumer focused insight are emerging as the secret to a long and collaborative category management relationship. Literature reviews had previously revealed the importance of data sharing from the growth in the use of technology by both the supplier and the retailer, however the interviews are starting to reveal that direct shopper feedback from face to face discussions is providing more valuable and meaningful insight to underpin the traditional quantitative data. The research methodology is taking a phenomenological stance using predominantly qualitative interviews. The pilot findings have indicated the need for deeper research using 'participant observation' by observing the supplier category manager and the retail buyer in their natural working environments, and tracing the relationship process from the activity at the supplier end through to the final meeting with the retail buyer. The author who is a newcomer to research is also completing an interview diary after each interview to assess his own performance and seek to make

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ongoing improvements to the interviews. There will be 20 interviews completed by Easter 2017, half with suppliers and the remainder with the full tier range of retailers. The analysis is currently in progress alongside further interviews and planned to be completed by September 2017. The final thesis write-up will be completed by December 2017, and the DBA viva planned for March 2018.

**Key words:** Category Management, Retailing, Purchasing, Sales, Category Partner, Category Captain, Collaboration, Trust, Value Creation, Loyalty, Satisfaction, Branded, Non-Branded, Own-label, Private label, category, SKU, Change, Insight.

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### 1.0 Introduction

The Institute of Grocery Distribution (IGD 2016) reports that the UK grocery retailing environment is currently experiencing challenges resulting from increased technology, growing complexities, resulting in unprecedented change in the marketplace. Gooner et al. (2011) argue that one of the key opportunities to meet the challenges is for food manufacturers (suppliers) to really get to know their customer (the retailer) and vice versa to collaboratively meet the challenges. Category management is a relatively new phenomenon introduced into the UK from the USA in the late 1990's to focus the food chain on consumer needs. This requires the supplier and retailer to collectively manage full product categories rather than as previously focusing only on individual brands (IGD, 2016; Gooner et al., 2011; Hubner, 2011; Nielsen, 2006). Category Management develops a strong supplier / retailer relationship, in effect a strong business relationship, where they work together share resources, blend data for powerful insight; merchandising savvy (Kurtulus et al. 2014). Often profit margins have also been shared to offer the most appropriate product range for the consumer (Gooner et al. 2011). Kurtulus et al. (2014) state that when category management is properly executed it gives the retailers' a competitive advantage over their competitors, and that it is showing expansion on a worldwide scale being a real breakthrough in trade practice. The research in this document is the author's Doctorate in Business Administration (DBA) which has now progressed to the field research stage with a planned completion date of March 2018. The research focuses on the co-creation of value in a category management relationship between the manufacturer (supplier) and the retailer (buyer). With a specific focus on the hot beverages category (tea and coffee) it is a comparative study of the different UK hot beverage suppliers and an assortment of UK retailers representing the different retail types (tiers). It is a qualitative study from a realist perspective, and uses participant interviews of senior managers in category management and buyer roles from tea and coffee manufacturers (suppliers) and the UK high street retailer's tea and coffee buyers. The research will therefore be a discourse analysis using the knowledge and experience of the participants who can speak with authority. There are 20 interviews planned in total, 10 from the supplier base and 10 from the different tiered levels of retailers. This will ensure a cross-section of branded and own-label tea and coffee manufacturers and discounter, mainstream and premium retailers.

The research compares branded and non-branded suppliers', and drills down into the reality of the category captain role within the category management relationship and does this create value in the relationship, and is it sustainable? The research targets value creation in the relationship, and which tools are currently used and those in the future. The theoretical literature **CITE** also shows that trust is a fundamental aspect in business relationships, and this view is supported in the category management literature, and the initial research findings reiterate this claim to the point this is the most fundamental aspect. **CITE**. On the basis of the literature reviews a conceptual framework has been developed, and this is the starting point to the research and forms the basis of the interview questioning. Category management literature per se is limited and this focuses mainly on the role of the category captain and the impact on other category suppliers **CITE**. The author's research pilot findings already show this role is changing in the future, and the way value is created with all category suppliers and so needs further exploration. The issue of consumers switching from branded products to own-label products is not covered in the literature, and is one of the underlying changes in the sector and thus again requires exploration. IGD (2017) argue that consumers are switching from branded to own-label products through increased spending with the Discounter's but also in the mainstream stores own-label quality has improved exponentially over the last 5

years. Consumers are finding there are significant savings to be made without a reduction in product quality.

The author is confident the research will make a strong contribution to the category management literature as this is currently under researched, and demonstrate the evolving changes within category management relationships and the role of the category captain within this. The importance of the growth of own-label will also be featured as this will be significant in the coming years as consumers continue to switch. The data is qualitative, and although there are some qualitative studies within category management, the majority is large quantitative studies. The qualitative study will provide new rich data based on what practitioner's actually think and feel about the co-creation of value in category management relationships and the role of the category captain for the future. This will facilitate further research studies for myself and also other researchers interested in this field. The contribution to practice will again be strong and suggest best practice in the sector of ways to add value in category management relationships. It will also show practitioners how the category captain role is evolving to meet market and consumer challenges through the inclusion of all suppliers including own-label suppliers. The research will also have outputs, and the researcher expects a minimum of two papers to be published in high level journals due to the nature and interest in the topic. The findings will also encourage similar researchers to develop the qualitative findings, and use the conceptual framework model in related and non-related future research.

### **2.0 Research Aim / Research Question**

#### ***2.1 Research Aim:***

To explore the changing role of the category captain within category management relationships with a shift to the unbranded category, and explore the concept of value in this new reality.

#### ***2.2 Research Question:***

How does the reason to have a category captain for both food manufacturers (suppliers) and retailers transform in a rapidly changing marketplace.

### **3.0 Literature Review**

The literature review was carried out throughout the first 3 years of the author's research DBA. This included two 7,000 word paper submissions where it evolved from a purely theoretical perspective. These findings were used to develop the conceptual framework model (see below) and this was then used to frame the interview questions. As these are semi-structured they form a base of questions to point the participant in the right direction, and thus allow them to discourse from their realist and applied perspective. This literature review section will explore the findings to date from a conceptual standpoint, but as the research interviews progress over the coming months new variables are expected to evolve. However, for this conference paper the main findings from the conceptual framework of value and trust will be discussed, and also as these are the main issues for the relationship coming out of the pilot interviews, the focus will be from the conceptual lens of category management, and the theoretical lens of value and trust.

### 3.1 Category management literature

Although fairly limited, category management research is mainly empirically based using combinations of quantitative and qualitative research methods. Most of the category management literature has taken a quantitative approach as historically category management, or indeed retailing generally sits within the positivist paradigm. This has limited the progression of knowledge, as existing research does not always seek to directly identify the actual problems experienced by practitioners on a daily basis. As the food retail marketplace is changing at a pace faster than ever before (IGD, 2017), the discourse of 'actors' has never been as important as now to try and assist problem identification and solution. Qualitative research seeks to understand issues through interpretative analysis, and this can be through a variety of methods including the chosen one for this research of participant interviews. Scholars' in the category management literature are now recommending qualitative research to support previous quantitative studies, as this gives a richness of data through understanding of participants lived experience (Chun & Cadeaux, 2010). The literature suggests that category management research needs to be empirical whether this is from a qualitative or quantitative perspective (Chun & Cadeaux, 2010; Lindblom and Olkkonen, 2008; Georges and Eggert, 2003). Nielsen (2006) says that the gathering of information from both the suppliers and retailers is critical to gaining a clearer understanding of the impact of category management as it reviews the process from both perspectives.

According to Lindblom and Olkkonen (2008) most definitions of category management in the literature involve explicit attention to the role and importance of supplier-retailer relationships, and their interactions within the category management process. Often retailers appoint a chosen supplier or 'category captain' (also known as the Category Partner) who is responsible for managing the entire category on behalf of the retailer and the other category suppliers' through making recommendations to product assortment, merchandising, product placement, promotional activity which is supported by market data and insight (Kurtulus et al., 2014). Category management literature is mainly focused around the role of the category captain, as this is often seen as an emotive and unfair appointment by other suppliers within the category. Kurtulus (2014) state the role of the category captain focus predominantly on the negative aspects of the role including the exclusion of other category suppliers. The literature is mixed on how the category captain role creates value for the retailer and other suppliers (Kurtulus and Toktay, 2011). As one of the basic principles of category management is to create value collaboratively between the supplier and the retailer (Niesen 2006), and little is currently written in the literature it seemed an appropriate point of where to focus the research. Kurtulus (2014) and Kurtulus and Toktay (2011) also suggest this is an area which requires further research. From these academic arguments the study introduces the importance of value creation and co-creation in category management relationships. Aastrup et al. (2007) argue that value creation is central to category management, and that the closer the supplier-retailer relationship the greater the potential for increased value creation. They state this is through sharing information and resources; improved co-ordinated tactical efforts and an alignment of category aims and objectives. They do however at this point make no observation of aligning the supplier's strategy to that of the retailer at a business level. According to Gronroos (2011), value creation results from the provision of improved service of one party to another. In category management this is often the provision of a better service from the supplier to the retailer in key areas such as the sharing of data and insight related to the category. Gronroos (2011) also state this will include the collective alignment of the supplier and retailer's competencies and capabilities, and within business relationships this is known as an open book policy or Joint Business Plan (JBP). Within category management this ensures the businesses understand each other, the strengths and weakness of each other, but

then how collectively they can work to deliver an improved consumer proposition. The supplier and retailer align their businesses and understand each other's competencies and capabilities through an 'open book policy' process. Gronroos (2011) argues that both businesses need to integrate reciprocal marketing activity, often defined as marketing data and insight for value to be created. It is the responsibility of the retailer to facilitate this unless the supplier is elected as category captain, where this supplier will initiate this as part of the JBP agreement and becomes a formal joint process.

Secondly, there is currently no literature connecting the role of the category captain to own-label suppliers and indeed if this is a possibility. Surely the own-label suppliers are capable of fulfilling the role the same as branded suppliers, and they too should be capable of adding value? IGD (2016); Kantar Worldpanel (2016) state that consumers are switching from well-established branded products to retailer own-label products (unbranded) as the quality and value for money has improved over recent years, and as such the own-label supplier is gaining more business and visibility. Thirdly, Aastrup et al. (2007) state that existing research is mainly retailer based, and future category management research should also be approached from the supplier perspective as they contribute most of the category sharing information and insight, often at a high cost. The research is therefore targeted at both the supplier and the retailer to understand the reality from both perspectives, and see how these are similar or different. Kurtulus and Toktay (2011) state that an own-label product supplier has little control over the category management relationship and is unlikely to be considered as category captain, so it is important to try and understand how this supplier can achieve the requirements of category captain, as they already hold relationships with the buyer.

### 3.2 Why is trust important?

Trust is an important moderator in business relationships (Morgan and Hunt, 1994), and is viewed as an essential element for a successful relationship within category management relationships between suppliers and retailers (Viitaharju and Lahdesmaki, 2011; Dwyer et al, 1987). Scholars have widely acknowledged that trust can lead to cooperative behaviour among individuals, groups, and organisations (Axelrod, 1984; Gambetta, 1988; Good, 1988, Mayer, Davis and Schoorman, 1995; McAllister, 1995). They also state that the influence of a trusting relationship in business performance will lead to the basis of a long-standing relationship or even partnership. This partnership within category management could lead to a supplier / retailer JBP, or ultimately the acquisition of a business that is connected within the supply chain. A JBP will strategically align both businesses through understanding each other capabilities to meet the increased challenges. The changing environment is forcing retailing and manufacturing organisations to seek more creative and flexible means to remain competitive (Doney and Cannon, 1997). They have responded to these challenges by building collaborative relationships (Dertouzos, Lester and Solow, 1989), which are defined by Dwyer, Schurr and Oh (1987) as "characterised by trust". An example of where two businesses merge, according to Morrison (2017), they state they have bought manufacturing companies such as Woodhead Brothers abattoir in Lancashire to add value to the supply chain, improve efficiencies and even assist the category management process.

Morgan et al, (2007) state trust is significant in buyer – seller relationships, and in category management relationships it is a major contributor to successful achievement of both parties objectives, and is fundamental to the buyer when appointing the category captain. Trust evolves in organisations and individuals over time through the interplay of people's values, attitudes, moods and emotions (Morgan et al, 2007). The relationship changes and fluctuates



over time, and can eventually lead to the relationship being dissolved. It is not in the interests of the supplier or retailer to get this situation. Initial pilot results have already identified that where there is a personality clash between the category manager and the buyer, the relationship will be dissolved. This does not mean that the business relationship or category captain status will change; just the category manager may be removed from that account and moved to another account. Alternatively buyers in retailers only work on one category for 18 months and may move to a different category. If problems persist between the parties then in time full supplier dissolution could result. The dissolution of a relationship does not always result in the category captain losing the right to supply the retailer, as often the brands supplied by the category captain are still be required in the product mix (Morgan et al, 2007); only the suppliers status may change.

In recent times organisations have been searching for new ways to enhance cooperation between people and groups in order to improve the value they create together. The interest in trust and especially how it is promoted and actualised has increased in the last 30 years (Kramer and Tyler, 1996). Trust has received a great deal of attention in social psychology, due to the nature of its importance in relationships (Deutsch 1960; Lewicki and Bunker, 1996; Lindsfold, 1978), sociology (Lewis and Weigert, 1985; Strub and Priest, 1976), and economics (Dasgupta, 1988; Williamson, 1991), as well as marketing and retailing (Anderson and Weitz, 1989; Dwyer, Schurr and Oh, 1987; Ganesan, 1994; Moorman, Deshpande and Zaltman, 1993; Moorman, Zaltman and Deshpande, 1992). They state that each organisational discipline offers a unique insight into the nature of trust, the definition and the process through which it develops. According to Ganesan (1994) and Kumar, Scheer and Steenkamp (1995) trust in management relationships is the perceived credibility and benevolence of the relationship. One of the earliest studies of trust in interpersonal relationships was by Mellinger (1956) where he defined trust as an individual's confidence in another person's intentions. This can be resonated within category management relationships, and is one of the key themes starting to emerge from the data. Trust is now an important aspect of business relationships as it reduces uncertainty (Kollock, 1994). Crosby et al, (1990) suggests that trust increases the opportunities for future sales in supplier-buyer relationships and Ganesan (1994) states trust is fundamental to resolving conflict and creating sustainable relationships. Resolving conflict and creating sustainable relationships according to the practitioners is the glue that holds the category management process and delivering shopper and consumer satisfaction, and in gives the retailer competitive advantage.

Secondly, trust in relationships is important in organisation theory as it describes and explains the activities of people working within organisations and predicts the future intentions and activities of the 'actors'. In the category management relationship the key actors affected are the supplier category manager and the retail buyer. To maximise their effectiveness they need to be able to trust each other, and even predict the activities of the other one in the future. The actions of each player will determine the success or failure of the relationship, and so influence both organisations and the end consumer. This observation is supported by Donney and Cannon (1997), as they state trust is used to predict the future actions of the managers acting on behalf of the supplier and retailer organisations. Doney and Cannon (1997) published an important paper on the nature of trust in buyer-seller relationships, where they identified five cognitive processes. The five cognitive processes are (1) *Calculative*, (2) *Prediction*, (3) *Capability*, (4) *Intentionality*, and (5) *Transference*, and thus these provided e Donney and Cannon (1997) a theoretical framework to identify antecedents in trust. These elements have been included in the research interviews and will form part of the participant data. Donney and Cannon (1997) state the five cognitive processes need to be developed before any trust in the relationship can hope to begin. The framework gives new insight into

how trust is generated and provides a theoretical foundation for understanding how trust develops over time. They also claim that trust for individual supplier organisations and an individual category manager are not guaranteed, and suppliers wanting to be considered for selection as category captain need to develop the trust the retailer buyer has in them. This may take time because trust evolves throughout the relationship, and other selection criteria may be considered. Their research however shows that trust is an important pre-requisite for future long-term relationships. Doyle and Roth (1992) indicate that suppliers must engage in ways of training their staff to engage in trust building activities with their buyer customers. This includes understanding category products, the marketplace in which they operate, and the competition. Category managers should maintain regular contact with the buyers, and often the availability of the retail buyer is a measure to the supplier how well the trust is developing, as the buyers are busy and only apportion time to trusted contacts. . Meanwhile, Doney and Cannon (1997) state that trust-building behaviour will develop as the category managers deliver on their promises. It is clear that the significance of collaboration between the buyer and seller are becoming increasingly important, and the results of Doney and Cannon(1997) research portray this claim. The five cognitive processes provide a theoretical foundation for research hypotheses, but it does not directly measure the process, or even consider any cultural differences.

Initial observations from the pilot research show that, if a retail buyer does not trust the supplier category manager the supplier organisation will quickly remove the manager from working on the account or even force employment termination. The level of business generated for supplier organisations by retail organisations is sufficient to justify the decision and demonstrates the severity of trust within a category management relationship. The motives and interpersonal skills of the category management teams and the social characteristics of the retailer (Ebrahim, Hopp and Iravani, 2013) will influence the extent to which the category manager is able to gain the trust of the retailer. This will occur particularly in the early stages of the relationship. Over time this barrier will tend to reduce as the relationship matures, provided there is no exploitation from either company. The retailer's degree of trust or even scepticism of the category manager influence their decision to accept the recommendations made by the category manager (Ebrahim, Hopp and Iravani, 2013). If the category manager can demonstrate success and the retailer can see a positive performance for their organisation the trust of the retailer will develop. The relationship will see a migration of increased responsibility towards the supplier, and ultimately towards a fully integrated business partnership. Where performance results are negative, the responsibility of the supplier will reduce and the responsibility may return back to the buyer. This may even be assigned to another supplier in an attempt to start their trust building with the buyer. It is important the supplier is honest in the early stages of the relationship by holding frank discussions on their business practice and organisational values (Viitaharju and Lahdesmaki, 2012). This will ensure the retailer understands the supplier's goodwill and benevolence (Doney and Cannon, 1997; Mayer et al, 1995) from the outset. The retailer can then make an informed decision whether or not they wish to work with the supplier and allow the relationship to develop over time, and trust build in the relationship (Viitaharju and Lahdesmaki, 2012). According to (Doney and Cannon, 1997) trust grows when two parties share a variety of experiences and thereby improving each side's ability to predict the other's behaviour. Trust is often described as 'sitting' within the positivist philosophical view, and of being rational, scientific with empirically observable facts. (Doney and Cannon, 1997).

We have discussed mainly the trust of the buyer towards the supplier category manager being pivotal to the relationship. We highlighted earlier that trust is a two-way phenomenon, and supplier category managers need to trust that the buyers are honest and say if they are or are

not satisfied with their recommendations. This is because they need to fully support the implementation plan, as they may need to invest heavily in their business, and the plan delivered is the one the buyer will follow through with. Each supplier-retailer relationship should be considered as unique and the successful mechanics are dependent on the context of the relationship (Shah, 1997).

Relationships within category management rely heavily on trust where the buyer and suppliers work together operating as a single team. This reduces management tiers and flattens operational structures (Jones and George, 1998) to create a more effective management position for both parties. The relationship relies on benevolence, which means one partner is genuinely interested in the other partner's welfare and motivated to seek joint gain. A retailer facing some degree of risk in a purchasing situation turns to a trusted supplier who has the retailer's best interests as a priority. Chen (2003) argues that collaborative forecasting tends to be superior to local forecasting. By working together both sides can support the other with resource and information. Often suppliers will be truthful in terms of declaring the actual cost to manufacture a product and ensure its not loss making. Strategically both parties may agree loss-making in the short-term if a future longer term will eventually benefit the supplier. Even though certain periods of the year loss-making will occur, the deficit will be recovered over other time. This situation gives rise to exploitation in the category management relationship. Kumar (1996) found that taking advantage of a relationship built on trust may be beneficial in the short term, but in the long run such exploitation may come back to haunt the company. The author's personal experience resonates with this argument that category management relationships are beneficial to both parties. By sharing information and working towards a Joint Business Plan, for instance, companies almost operate as one for mutual reward.

### 3.3. What is Value?

Value is defined as xxxx, and the term co-creation of value is defined as xxxx.

Webster (1994) supports the view that value is created through customers using resources provided by the manufacturer. This is relevant to category management as the supplier provides resources ranging from manufacturing, administrative, logistical, financial, and indeed any resources to provide an improved service. The role of category captain is linked to value creation in this way as in category management will provide all the resources necessary to develop the category with the retailer. Gummesson (1995) agrees with Gronroos (2011) and states it is not only service resources that are provided, but includes products and distribution mechanisms. It was from this theory that Vargo and Lush (2004; 2008) introduced the concept of service dominant logic into marketing. Gronroos (2006); Normann (2001) state service logic has implications of how customer value is created and determines the roles of the supplier and customer in value creation. It also considers the connection between value creation and marketing, purchasing and the usage; and how these are all intertwined. Gronroos (2006); Normann (2001) also state that supplier - customer interaction takes on a focal point in marketing, and service logic is a way of creating relationship-based customer engagement out of a transaction-based business.

The purpose of the study is to analyse value creation within category management to address gaps in the academic literature and identify through category management relationships how value is added from a service perspective by improving service through using and sharing resources to mutual benefit. Service-dominant logic literature supports the need for 'real-

world' empirical studies to provide normative insights. For this reason it supports the use of qualitative studies and gaining a deeper insight from the practitioners. The value literature resonates with the Service-dominant literature, where value is co-created, and argues that customers and other partners' need to collaborate and share collective resources. Vargo and Lusch, 2011:p186; 2008:p258; 2008a; 2004a; 2004b; Venkatesh et al.2006; Sheth and Parvatiyar, 1995a). Resource integration and application are the basis of service provision.

The pilot data is already showing themes of co-creation of value by sharing consumer data and insight. The participant's claim that the traditional quantitative analysis can be carried out by any of the suppliers within the category, but those suppliers who become the most trusted are those who get the deeper insight from speaking directly to shoppers. The opportunity for food manufacturers to engage themselves in retailers' value creation will allow them to extend their product ranges and potential selection as category captain. This will be due to a firmer relationship, and provide what Gronroos (2011:p245) calls "interactive marketing opportunities" which traditional non-category management (transactional) suppliers do not have. Interactive marketing was a term introduced into the activity of service marketing to describe the role of employees in simultaneous activities (Gronroos, 1982).

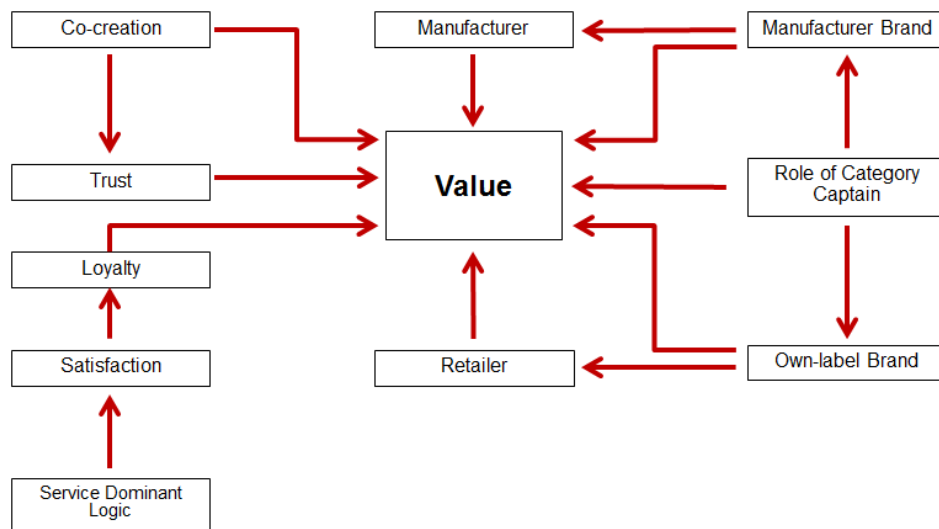
Ravald and Gronroos (1996); Holbrook (1994) state value has always been a fundamental part of marketing activity, and it is an important source of competitive advantage. The interaction between the supplier and retailer collectively create value which leads to competitive advantage through sharing knowledge and resources, rather than previous repeated competitive biddings and knowledge withholding (Lindblom and Olkkonen, 2008). The literature shows the category captain creates value within the relationship where there is product differentiation (Kurtulus and Toktay, 2011). This is relevant to branded products which are not directly substitutable, but what about own-label products? This sub question has already been raised within the section on trust and shows the theme running between the two phenomena, and as previously stated was the driver in the research to look at comparisons between branded and own-label products.

According to the own-label participants in the pilot research, they feel that it is not possible for them to become the category captain as the majority of the hot beverage business is carried out by the larger branded suppliers. Although the market share of the category is growing much faster than branded products, and consumers are switching to cheaper own-label products (Kantar 2017), the participants argue that they have little control over the category management relationship and unlikely to be ever considered as category captain. It will be interesting to learn the retailer participant's view of this in the future. Aastrup et al. (2007) argue value creation is central to category management, and that the closer the supplier-retailer interactions through the category management process the greater potential for increased value creation. Gronroos (2011) states that service as a phenomenon means support by one party of the processes of another by aligning supplier and customer processes and competencies. In category management this entails the alignment of the supplier and retailer through working with an 'open book policy' and fully understanding how each business operates. Gronroos (2011) continues to argue that both businesses need to interact and integrate marketing with value creation, which needs to be reciprocal. Finally, Gronroos says that the suppliers cannot create value as they are merely the facilitator in the process for the retailer, but where they are selected as a category captain will get involved in joint value creation. Aastrup et al. (2007) state that little research has been carried out relating to addressing the collaborative phenomenon and value creation, again this was a pointer to support the nature of the research.

#### 4.0 Conceptual Framework

The conceptual framework in Fig.1 shows the linkages between the perceived variables of the research. These will form the basis of the initial semi-structured interviews research questioning, and the responses of the practitioners' participants' from semi-structured interviews with practitioners. The responses will validate the accuracy of the variables.

Fig. 1 Conceptual Framework - Value Creation in Category Management Relationships: A Comparative Analysis



The research looks at the role of the category captain in both branded and non-branded products and how these create value in the category management relationship. Value co-creation in the relationship leads to a longer and trusting relationship, and the model again shows how trust can improve value in the relationship. Value can also be added through the use of service-dominant logic this leads to customer satisfaction and in turn builds loyalty in the relationship.

#### 5.0 Research Methodology

The research is inspired by value theory, and sits within the approaches of neo-empiricism and realist perspectives. Qualitative research is important for the research due to its exploratory nature of gaining a better understanding of the issues, and this will be through 20 semi-structured interviews (See Figs 2 & 3), and these are targeted at category captains, non-captains, branded and own-label manufacturers in the hot beverages (tea and coffee categories), resulting in a full cross-section of UK manufacturers and all the retail tiers. This ensures the discounters (value), mainstream (the big four) and premium retailers (Waitrose and Booths) are included. The interview questions are split into two distinct research areas using the questions below. These are the current and future trends in a challenging marketplace, followed by the role of the category captain again currently and in the new reality.

Fig. 2 Proposed Tea Manufacturer Interviews

	High Volume	Medium Volume	Low Volume
Branded <b>CC</b>	☒	☒	☒
Unbranded <b>CC</b>	☒	☒	☒
Branded <b>Non-CC</b>	☒	☒	☒
Unbranded <b>Non-CC</b>	☒	☒	☒

Total: 9 interviews

Abbreviation:  
CC - Category Captain

Fig. 3 Proposed Tea Retailer Interviews

	Mainstream 1	Mainstream 2	Mainstream 3	Mainstream 4	Premium	Discounter
Senior Category Manager	☒	☒	☒	☒	☒	☒
Category Buyer	☒	☒	☒	☒	☒	☒

Total: 12 interviews

The research will be a discourse analysis. Cassell and Symon (2004) state that discourse analysis is concerned with how individuals use language in specific social contexts, and although there are many types of discourse analysis this research will use more analytic techniques focused on the understanding of language and the participant's experiences. The research is concerned with critical discourse analysis where the participants are able to produce an explanation of themselves, their relationships and their professional world in general. It is critical in the sense that it is not reflective but allows the participants to construct their own realities. Cassell and Symon (2004) state, that critical discourse analysis

is underpinned with a social constructionist epistemology, and it's how individuals use language to construct themselves and their world; and why they construct themselves and the world in particular ways. Critical discourse analysis assumes that the constructions people make operate to 'make sense', but also to challenge ideological systems that exist within their world. As, only a small sample size of 20 are being interviewed, the focus of the interviews will be to deeply analyse and understand the text. These will be through face-to-face interviews using open-ended semi-structured questions, as defined by Saldanha and O'Brien (2013). The exploratory research will be inductive and allow the real world of the practitioners, who in this study are senior managers to emerge. It is difficult at this stage to deductively test hypotheses as there is no existing literature relating to the study. The interviews will be on an individual basis and take place in the participants' work-place. The participants will be encouraged to give honest answers as the findings will be treated confidentially and made anonymous. As a former practitioner in category management I have contacts and privileged access to senior managers in both manufacturing and retailing. Following my attendance at the IGD Conference (IGD, 2016) the support of the retail practitioners is positive and they are keen to get involved in the research. Asda Stores are particularly keen to become involved and they are pioneers of category Management through Wal-Mart, and see my research as important for future category management evolution. The individuals in these organisations are the decision-makers and as professionals will provide accurate statements of their experiences. The qualitative research is planned to be completed by May 2017, and the analysis by September 2017. The thesis write-up thesis and submission will be completed by February 2018.

### **6.0 Pilot Findings**

Although the findings are still in the early stages and full analysis still required, the data is showing the category captain role is changing in its traditional format. The category captain provided the recommendations to the buyer on behalf of all suppliers, suggested strategic and tactical activities due to the provision of significant marketing contributions. This included the provision of resources, employees based in the retailer's offices (known as implants) and all the supporting data for the category. The pilot findings show that all suppliers are now being given a voice with the buyer where the supplier category manager has developed a strong and trusting relationship with the buyer. Traditional market data findings are no longer enough to satisfy the needs of the category, as the participant's advice any supplier can provide this information. Deeper insight and knowledge of the sector and the shopper are now required to satisfy the buyer. This involves the supplier's interviewing and speaking to shopper's in stores to fully understand their needs. The requirements of young shoppers are essential for future planning and strategy. The sector has changed from tea drinking to a coffee culture, and so suppliers are expected to make sense of this and provide new ideas and solutions. Some of the larger suppliers who supply different categories, for example hot beverages, washing powder, toiletries etc. adopt a more generic approach to category management and relationships across all of their categories. The smaller suppliers who specialise in hot beverages only have a much more flexible approach and have a deeper knowledge and understanding of their sector. This helps to provide more specific recommendations needed for hot beverages, and so provide the buyer with differentiated insight and new and creative ideas. The suppliers who provide the 'why' it is done rather than just providing the data, as this helps the buyer to achieve their objectives. The marketing contributions offered by the larger organisations, and the adoption of the JBP will continue, but this no longer guarantees the most 'airtime' with the buyer. If they cannot produce new ideas and indeed if trust towards the category manager is low then the buyer will turn to other suppliers.

The participants also state that where there is trust in a relationship that does not always lead to loyalty. In certain situations the supplier's claim that the buyer will take the insight from all the suppliers and then choose the one they feel is the most appropriate. On occasions they say that category captains may not be trusted, but the buyers are still often loyal to the marketing contributions provided. This is the opposite view of the previous paragraph and is one area in the future interviews where I will try and explore further.

The co-creation of value is seen as important by all the pilot participants. Category managers provide the buyer with the 'bigger' category vision, as opposed to the commercial perspective covered by the supplier account managers. The category manager relationships are different than those of the account managers as they provide a wider perspective on the category market place rather than focusing on the profit and loss implications of the products. Although both managers work for the supplier, in certain situations the two departments are not allowed to share information. The category managers will look at why customers consume certain products, and often are more supportive of competitor's brands rather than their own if they see this is to advantage the overall category. Clearly account managers only want to sell their own products.

The final key finding from the pilot interviews is there is a switch from branded to own-label products. This claim is reflected in the market data, but also noticeably by own-label suppliers. The quality of the products has improved in recent years, and it is through own-label that Aldi have managed to grow market share. The margins with own-label are much smaller and this makes the opportunities to be category captain still a big challenge for the own-label supplier. They are however reporting they are being given more 'airtime' than ten years ago. Often own-label suppliers are being asked to create products to mirror brands, this is what consumers want and margins are improved throughout the supply chain.

### **7.0 Proposed Contribution**

The quality and relevance of the data established from the researcher through gaining unique and privileged access to senior category management practitioners will have a significant contribution to the literature. The qualitative data is based on the views of decision makers, and as a large sample are being interviewed (21 in total) there is good cross-section of the tea and coffee sector, and where necessary follow-up interviews are being carried out to investigate themes further. The use of senior practitioners improves the quality of the findings, as these are from participants who manage the sector at a high level. The author believes that the data will provide the everyday 'real' issues faced by the participants at both sides of the relationship. The research seeks to explore the co-creation of value in the category management, and how the changing role of the category captain will impact on this. **Although the findings are still in the early stages, and full analysis still required, the data is showing the category captain role is ceasing to exist in its traditional format. All the suppliers are being given a voice with the buyer where the buyer has learned to trust the supplier. Traditional quantitative data finding are no longer enough to satisfy the needs of the category. Innovative and new ideas are required from the supply base from speaking directly to the shoppers. Some of the larger suppliers who supply different categories adopt a more generic approach to category management and relationships. This is no longer sufficient to provide the buyer with differentiated insight and new and creative ideas. The marketing contributions will still be provided by the category captain who in effect gives them more 'airtime' with the buyer only. If they cannot produce new ideas and indeed if trust in the category manager is low then**



the buyer will turn to other suppliers. The consumer switching to unbranded products has facilitated the focus on the differences between branded and non-branded suppliers, and the use of sharing resources including data for improved consumer insight. This will include reviewing how companies progress to being selected as the category partner, and understand why certain products are selected over others (Kurtulus et al., 2014). This looks at retailer strategies of selecting attractive branded products rather than less attractive non-branded products through a category partner.

The existing literature is limited addressing problems from a supplier perspective, so the research will include both the supplier and retailer perspectives. The significance of the supplier remains important as they often commit most of the resources within the sharing process of the category management relationship (Gooner et al., 2011). There will be a contribution to value creation theory, service dominant theory by understanding the importance of value sharing using service logic in a collaborative business relationship. The research will also help practitioners to see the importance of value creation in category management relationships, and how sharing of resources and data adds value to the relationship for competitive advantage. In turn, category partners' will benefit from the research as it will show their impact and the value they create, and the future of the collaboration in the new reality.

The researcher believes the research will lead to multiple journal publications from supplier and retailer viewpoints. It will have two distinct publishing outputs and be relevant for both manufacturers and retailers. The output will be targeted at 3\* and 4\* journals as the researcher feels the use of senior managers in the study will improve the quality of the output and make it attractive to high level publications. The research will be published in collaboration with existing scholars' in the area of category management.

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