

Category management and captainship in retail. Case: Baby food in Finland.

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Case: Baby food in Finland.

Purpose of the study

Purpose of this study is to observe supplier-retailer collaboration in fast moving consumer goods retail. Study focuses on efficient consumer response (ECR) framework and especially on its demand side practices. Study concentrates on the retailers store environment and the actions taken there through category management and category captainship practices. Aim of the study is especially to discover the actions and roles that suppliers can take as category captains and how these practices could be applied in retailers store environment.

Methodology

First, the study observes previous literature on ECR, category management and category captainship in retail. Aim of this is to discover the current best practices and key findings around the research subject. Based on these findings, an initial research framework is developed. Second, the study observes the characteristics of a research case which in this study is baby food category in Finnish retail. Based on its characteristics, the initial research framework is revised for conducting a research in the case environment. Empirical part of the study consists of interviews with six Finnish retailers operating in hypermarket size stores. Interviews are based on themes around category management in baby food as defined by the research frameworks. For the purposes of analysis, the findings from the interviews are further enhanced with questionnaire that all respondents fill out.

Findings

Key finding of the study is the need for objective, open and honest collaboration between retailers and suppliers in order to do successful category management. Most of the recommendations and observations made in previous literature are proofed to be true in the case in question. Some of the key actions in category management are found to be assortment, allocation of space and use of promotions. These are also the recommended measures for category captains to undertake. Challenges in category management, such as suppliers' biased approach in giving recommendations, are observed in the case. Empirical research reveals also case-specific findings such as the need for suppliers' involvement in the shelving of the products. Based on the observations from both the case and previous literature, the study summarizes its key findings into a revised research framework as well as theoretical and managerial implications that should apply both in the case in question as well as in other supplier-retailer work around category management.

Keywords

Efficient consumer response (ECR), category management, category captainship, retail

Tavararyhmähallinta ja johtajuus päivittäistavarakaupassa

Case: Lastenruoka Suomessa

Tutkimuksen tarkoitus

Tämä tutkimus tarkastelee kaupan ja teollisuuden välistä yhteistyötä päivittäistavarakaupassa, jossa se havainnoi erityisesti asiakaslähtöisen tarjontaketjun (ECR) kysyntäpuolen toimenpiteitä. Tutkimus keskittyy tarkastelemaan kaupan myymälätasoa ja siellä tapahtuvaa tavararyhmähallintaa ja tavararyhmäjohtajuutta. Tutkimuksen tarkoituksena on erityisesti havainnoida niitä toimia joita teollisuus voi tavararyhmäjohtajan roolissa ottaa ja kuinka nämä toimenpiteet voidaan kaupan myymäläympäristössä toteuttaa.

Tutkimuksen toteutus

Ensin tutkimus tarkastelee aiempaa kirjallisuutta liittyen kaupan asiakaslähtöiseen tarjontaketjuun, tavararyhmähallintaan ja -johtajuuteen. Tavoitteena on havainnoida yleisiä toimintamalleja ja löytöjä tutkimusaiheeseen liittyen. Näihin löytöihin pohjautuen kehitetään tutkimuksen alustava viitekehys. Seuraavaksi tutkimus havainnoi tutkimustapauksen, joka tässä tutkimuksessa on lastenruokakategoria suomalaisessa päivittäistavarakaupassa, erityispiirteitä. Näiden piirteiden pohjalta alustavaa viitekehystä muokataan paremmin tutkimuksen tapausympäristöön ja siinä tehtävään empiiriseen tutkimukseen soveltuvaksi. Empiirisen tutkimuksen kohteena on kuusi kaupan edustajaa hypermarket-kokoluokan kaupoista Suomessa. Heidän kanssaan toteutetaan yksilöhaastattelut, jotka käsittelevät avaintemoja lastenruoan tavararyhmähallinnan saralla. Haastateltavat vastaavat myös erilliseen kyselylomakkeeseen, joka osaltaan tukee tutkimuksen tulosten analysointia.

Tutkimuksen tulokset

Tutkimuksen avainhavainto on tarve objektiiviselle, avoimelle ja rehdille yhteistyölle kaupan ja teollisuuden välillä onnistuneen tavararyhmähallinnan toteuttamiseksi. Suurin osa aiemmassa kirjallisuudessa tehdyistä havainnoista todetaan päteviksi myös tämän tutkimustapauksen yhteydessä. Muutamia tavararyhmähallinnan keskeisiä toimenpiteitä ovat muuan muassa valikoima, tilanhallinta sekä promootiot. Nämä ovat yleisesti myös suosituimmat toimenpiteet teollisuuden toteutettavaksi tavararyhmäjohtajan roolissa. Tutkimuksen tuloksissa havainnoidaan myös aihealueen haasteita, kuten teollisuuden puolueellista toimintatapaa suositusten antamisessa. Empiirinen tutkimus paljastaa myös hyvin tapausidonnaisia tuloksia, kuten kaupan tarpeen saada teollisuus osallistumaan tuotteiden hyllyttämiseen myymälässä. Pohjautuen havaintoihin sekä tutkimustapauksesta että aiemmasta kirjallisuudesta, tutkimus löydöt tiivistetään mukautettuun viitekehykseen, teoreettisiin päätelmiin ja käytännön yhteenvetoon tavararyhmähallinnasta ja -johtajuudesta teollisuuden ja kaupan myymälätason yhteistyössä.

Avainsanat

Asiakaslähtöinen tarjontaketju (ECR), tavararyhmähallinta, tavararyhmäjohtajuus, päivittäistavarakauppa

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List of abbreviations

For the purposes of clarity and readers convenience, the most used abbreviations are listed below. Their explanations are given also in the study when introduced for the first time.

CC	Category Captainship
CM	Category Management
CRP	Continuous Replenishment Program
CTM	Contribution-To-Margin
ECR	Efficient Consumer Response
FIFO	First-In, First-Out
FMCG	Fast Moving Consumer Goods
GMROI	Gross Margin Return On Investment
POS	Point Of Sales
SRC	Supplier Retailer Collaboration

1. Introduction

This Master thesis studies category captainship arrangements, category management practices, supplier-retailer relationships and efficient consumer response (ECR) framework in fast moving consumer goods retail. Purpose of this study is to discover the key activities that suppliers can take as category captains and understand how these could be applied in practice at the retailers' stores in order to do better category management.

ECR is a concept developed to enhance the relationship between suppliers and retailers as well as to give strategic advantage to traditional retailers against competition from other retail sectors. ECR includes various practices both in the supply and demand side of the retail value chain. Due to the vast size of ECR framework as a whole as well as due to the fact that ECR is not often applied in its full extent, the study concentrates only on a limited proportion of ECR: category management and category captainship practices.

Study's aim is not to discuss ECR, category management or captainship in terms of highline strategy but rather dig into the detailed perspective of things. Therefore the focus will not be on the general outline of supplier-retailer relationships but rather in stores which are the centre of the action for retail and consumers' purchase decisions. These decisions are highly important for both suppliers and retailers as the key source of revenue. By the end of the research, I hope to answer which are the key activities in category management that suppliers can take part in through category captainship arrangements and how these activities are and could be performed in retailers' stores.

1.1. Background

Roberto Saviano, an Italian writer currently under death threat by Camorra, Naples' mafia, writes in his book "Gomorra" about the very same instance that is now after his life. One of the themes in the book is global economy and the way Naples' mafia operates in it. Even though the author is coming completely from outside of the traditional business and economics literature he makes great notions of the complexity that is inheritable in all forms of business. He writes that it is fairly easy for one to imagine in one's mind a certain person, some gesture or even something that does not really exist. Even imagining one's own death is possible. However, trying to imagine economy and all of its subcomponents is hard. Economy does not have a visible physiognomy or clearly described form of

existence that one could understand. According to Saviano it is possible to well internalize the certain definitions and actions of economy, but imagining and understanding all that is part of it - money, transfers, percentages, negotiations, debts, investments, accounts, etc. - is almost impossible. When Saviano tries to imagine all the components of global business in his head, the outcome is no clear structure or organizational chart but rather a set of psychedelic pictures. This description depicts Saviano's thesis that the modern day economy is so complex an entity that even huge, notorious criminal organizations like Naples' mafia are able to hide their true nature behind the means, tools and processes of it (Saviano, 2008).

According to Saviano, retail is one of the major businesses for Naples' mafia and they run it in many areas from manufacturing to retailing all around the globe. Obviously, Camorra benefits from the complexity of retail as it gives them an opportunity to launder money collected in criminal ways and hide the tracks of less legal operations of gun and drug trafficking (Saviano, 2008). At the same time an ordinary supplier, retailer or entrepreneur operating in retail probably does not gain any benefits from this complexity. If retail or economy in general is so complex that it is impossible for humans to imagine it or for authorities to keep track of criminal actions going on within it, it probably also is an entity hard to be managed well. At least if one is to do it by legal means.

It may well be said, with or without the extreme example of Saviano, that retailing is a complicated area of business at all levels of the industry. Retail could well be seen as a synonym for the current globalization as it is an everyday business activity that affects most of the people in the world both globally and locally. Just the humongous size of retail industry makes it complex. In absolute numbers, the size of global retail in 2008 was valued at 11 326.8 billion or 11.3 trillion US dollars (Datamonitor, 2009b). Out of this food retail, the basic need for all humans, accounted for 3 657.8 billion or 3.7 trillion US dollars (Datamonitor, 2009a), which is approximately 32% of total global retail. According to an article in Forbes, just trying to measure the size of food industry is quite impossible due to its complexity and the estimates of its size range from 1.6 trillion to 4.6 trillion US dollars. The latter number accounts for about 10% of total global economy, making it world's largest industry (Murray, 2007).

As it can well be expected from the absolute size of the industry there are great number of players involved, especially manufacturers and retailers. Transactions between these companies tend to be

complex as well: all involved parties are required to handle numerous shipments and keep great number of stock keeping units in order on a daily basis. In 2002, it was suggested that average supermarket can hold over 50,000 items and over 11,000 new items are introduced yearly (Nestle, 2002). Keeping track and account of such incredible amount of products just adds more complexity to the entity we know as retail.

Both leading retailers and suppliers in the world today are huge organizations. This means that the complexity of the industry is not limited only to the relationships and transactions between different parties but is also an internal feature of many companies in retail. According to Fortune 500 of year 2008, generally recognized as the most exhaustive list of large global corporations, Wal-Mart is the leading global retailer and America's largest company, for example outweighing energy giants Exxon and Shell. Some of Wal-Mart's key suppliers make the ranks as well, for example Nestlé, world's largest food product provider, is ranked 57, Coca-Cola, number one in beverages, is company number 275 and Procter & Gamble, giant in consumer products, takes place 79 in the top 500 of all global companies (Fortune, 2008). I have personally worked in couple of the world's largest supplier firms and also cooperated in my work with some of the retailers. In my work I have witnessed the complexity these companies withhold in their operations, both internally as well as with their partners. Given the size and complexity of both retail and its companies there are definitely many things to observe and study.

1.2. Research focus

Given the complexity of the industry, it naturally makes sense to narrow down the research area and discover smaller parts of retail in more detail. In the following the focus of this study is defined. Retail supply chain starts from manufacturing and goes often through warehousing and wholesale before reaching the retailer and ultimately the consumer, also known as the shopper. Before reaching the store, all products available there do pass through various steps. For effective and efficient retail, optimizing and developing the processes in every step is very important. By running effective supply chain one can do pretty good business but is still missing crucial link in retail. No matter how lean and well-run the supply chain operations are the success of both suppliers as well as retailers still comes down to a single issue: how well they serve the needs of their consumers in stores at the time of purchase. According to Dussart (1998) over 60 per cent of consumers' purchase decisions are made in stores. If the retailers and suppliers are not able to make an impact on the

shoppers in that space and time, all the money and resources poured into marketing, supply chain, business processes and other out of store and shelf actions do not count for much else than costs and wasted resources. Due to the importance that actions taken in stores do have on consumers' decision making and ultimately to retailers and suppliers success, this research focuses on this area.

However, instead of focusing directly on consumers' behaviour in stores the research aims to take an alternative approach. As presented before, the behaviour of consumers in stores affects the results of both retailers and suppliers. Still the stores where consumers shop are owned and operated solely by the retailers, leaving them the ultimate responsibility and role of pleasing and fulfilling consumers needs. This they do not need to do only with one product or category, but with every single item and category available in their store. As there are more than 50,000 products available, this is a huge operative burden, given that there are plenty of other activities that retailers also need to manage in order to run their stores well. Having numerous amount of moving parts to manage, it could be expected that retailers would be seeking for all available help and support from their external partners in order to manage their stores and categories in an efficient and effective manner.

Suppliers in their part should have all the interest to be involved in promoting and managing their products and product categories in the store environment. If their products do not reach customers shopping baskets in stores, not much income can be expected. As during the past decades the power in retail has shifted from suppliers to retailers, the need to collaborate has just become more obvious, especially for the suppliers. Corstjens & Corstjens (1995) describe in their book the current situation in retail as follows: "*... the giant retailers, now, stand as an obstacle between the manufacturers and the end consumers, about as welcome as a row of high-rise hotels between the manufacturer's villa and the beach*". So, in order to reach the beach of customers, suppliers are almost forced to collaborate with the retailers on various retail processes.

Question regarding supplier-retailer relationships is how the two parties could best collaborate and create value for both of them as well as the consumers. Retail industry, partly due to its own activity and partly due to the pressure from competition, has been considerably proactive in creating ways that could enhance the profits and operating conditions for all involved parties. During past decades the industry has been actively developing frameworks and practices that could improve retail operations. Since the early 90's much focus has been given to efficient consumer response (ECR).

ECR is a concept developed for enhancing the relationship of suppliers and retailers as well giving a strategic advantage for traditional retailers against their competitors. ECR is including various practices both for the supply and demand side of retail value chain, along them also category management and captainship.

1.2.1. Research problem

Often the research around ECR and supplier-retailer relationships has been concentrating on observing the total adoption of the ECR practice. However, this rarely is the reality as majority of ECR application focus solely on one or two key developments. Despite of all the good efforts level of trust, mutuality and coordination between retailers and suppliers as well as their internal processes still rarely are at such level that ECR framework could be implemented to its full extent.

Due to the significant size of ECR framework as a whole as well as the fact that ECR is rarely applied to its full extent, the study will concentrate only on a limited proportion of ECR. Focus will be around category captainship arrangements that are an integral part of category management practices, ECR framework and supplier-retailer relationships in fast moving consumer good (FMCG) retail, especially in grocery.

This study's aim is not to discuss ECR, category management or captainship just in terms of highline strategy or general best practices, but rather dig out from the key essence of these. Therefore the focus will not be on the general outline and discussion regarding supplier-retailer relationships, but rather in stores which are the centre of the action for consumers purchase decisions and therefore also the key source of revenue for both suppliers and retailers.

The purpose of the study is, based on the general recommendations and findings from previous research, to find out what are the key activities suppliers can undertake as category captains and how these practices could be applied in practice at the retailers store level.

1.2.2. Research questions

By the end of the research, I hope to be able understand which are the key activities in category management that suppliers can take part in through category captainship and how these activities

are and could be performed in the retailer's store.

The questions that this study poses as antecedents for the research are:

- What are the key practices in category management at store level?
- What should be included in suppliers' role as a category captain?
- How the supplier could best operate as a category captain in the retailer's store environment so that it benefits all involved parties (supplier, retailer, consumers)?

1.3. Definitions

ECR

ECR is a framework developed in the early 90's for the strategic and competitive needs of grocery retail. A good description of the concept is given by Dupre & Gruen (2004). According to them, ECR is a business process and strategy where relationship members (i.e. retailers and suppliers) create mutually beneficial relationships to bring better value to the end customer. Furthermore, both supply and demand side of value chain need to contribute to ECR in order to create sustainable competitive advantage for the relationship members. This value is gained by decreasing costs in the supply side and decreasing costs and increasing revenues in the demand side. (Dupre & Gruen, 2004)

Category management

Category management (CM), being the best known and most discussed of all ECR practices, does have numerous definitions. Some of these are discussed later on in the research, but the most fitting definitions have been given by Christian Dussart in number of his articles around category management. As the definition, can well be used a straight quote of himself (Dussart, 1998):

“CM is above all a marketing of the retailer, conceived within the framework of a partnership between manufacturer and a retailer. It is very often determined by the supplier, and applies to a product category, its internal dynamics and potential developments. The final objective is to generate additional sales and to reduce costs at the same time, especially, but not only, those of the customer, that is to say those of the retailer. (Dussart, 1996a)”

This definition well recognizes the fact that it takes two to do category management. The role and

approach that supplier take to the CM work should be such that it aligns with the strategies of the retailer and fulfils the needs and objectives of both sides when it comes to the category in question.

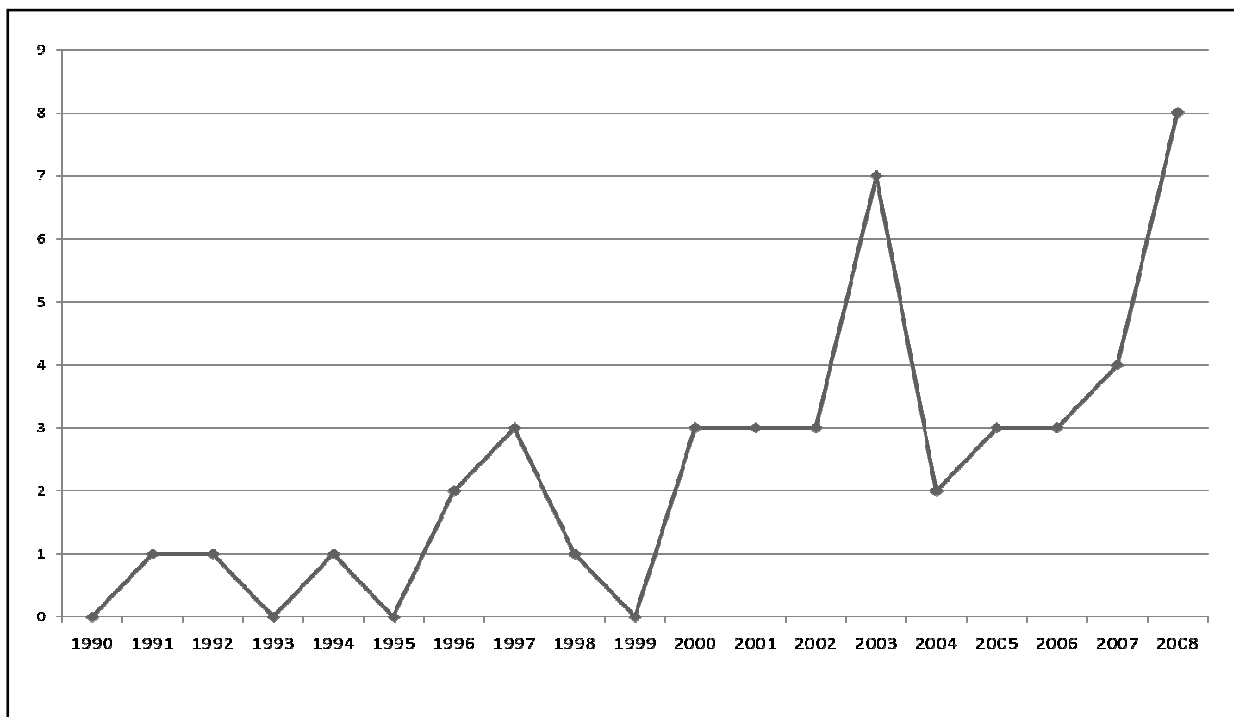
Category captainship

Category captainship (CC) is generally recognized to be part of category management practices and the descriptions of it vary from source to source. In their article on category captainship Kurtulus & Toktay (2005b) give a good description of category captainship that will be used in this study as well. The authors define category captainship to be an arrangement between retailers and suppliers where retailer shares key information on category (i.e. sales, pricing, turnover etc.) with the chosen key supplier. In his turn the supplier analyses the data and produces the retailer a report and recommendations on various management aspects of category. These suggested plans can include for example suggestions on the carried brand and product assortment, their facings, presence and location on the shelf, pricing of the products as well as any other key aspects related to the category. Retailer is free to use the recommendation as they wish and often the use of CC recommendations is depending on the relationship the supplier and retailer have (Kurtulus & Toktay, 2005b). As the definition illustrates category captainship can be considered to be the information, effort and input that supplier is able to provide to retailers on category management practices, especially at the store level.

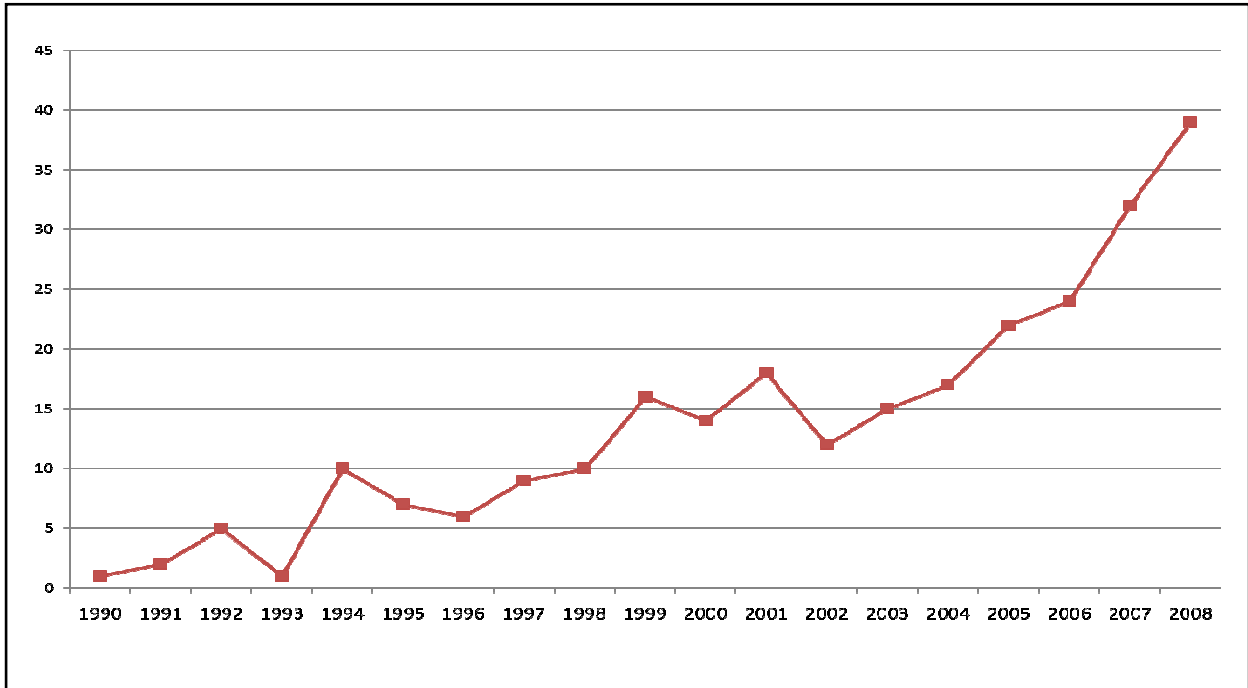
2. Efficient consumer response (ECR)

This chapter will discuss the efficient consumer response framework as presented in the previous literature. Efficient consumer response (ECR) in itself is a major framework with various aspects, but the discussion in this chapter will be limited on issues related to this thesis' focus area. Major topics covered are the ECR framework in general, its demand side practice in the form of category management as well as suppliers' collaboration through category captainship.

Both ECR and its subcomponent category management have existed in the industry and research roughly for 20 years. Ever since their inauguration, both subjects have been under considerable discussion and scrutiny both from professional as well as from academic perspective. Even though having been in the spotlight for some time, neither one of the subjects seems to be a passing fad. As the graphs 1 and 2 show, articles and research on both subjects are being published in increasing amounts and both study subjects have gained more interest from research perspective in the previous year than ever before.



Graph 1: ECR publications 1990-2008 (ISI Web of Knowledge, 2009).



Graph 2: Category management publication 1990-2008 (ISI Web of Knowledge, 2009).

Although the search data applied from ISI Web of Knowledge to these graphs certainly does not tell the whole truth or exact number of all publications in professional and academic press, charts upward direction still gives some ensuring background evidence for this research. It is noticeable that the number of category management related research is significantly higher than ECR-related. This is probably due to two reasons: 1) Research often concentrates on a limited area, for example category management as a sub-component of ECR and 2) ECR is a term used in other fields of research, so the search terms and limitations were much tighter for it.

In conclusion, it seems that the issues of ECR and category management are still relevant, up to date and meaningful both from academic and professional perspective. In the following chapters, the most important aspects of ECR in the previous literature will be discussed.

2.1. ECR

2.1.1. Background

ECR is a supply chain management strategy initiative developed especially for the needs of fast moving consumer goods (FMCG) retail. It was introduced originally in the United States in the

early 1990's by large grocery retailers and branded manufacturers (Corsten & Kumar, 2005). ECR was brought out as a response and counterforce for the intensifying competition that traditional retail faced from alternative retail stores and formats such as discount and convenience stores as well as highly specialized "category killers" such as pet and sports stores (Kurnia et al., 1998). Since its inauguration, ECR has expanded and is now used around the globe as one of the key frameworks for managing various issues related to retail supply chain. Globally, there is a network of ECR associations that promote and develop the use and adoption of ECR practices.

Besides providing a strategic approach for traditional retail to face the new competition, ECR initiative also focuses on the development of supplier-retailer relationships for creating competitive edge. The aim is to have a win-win, or with the consumer included win-win-win, situation for all involved parties. By sharing knowledge and information from different sources and using it in the right way all parties can well benefit. For example, Gadde & Snehota (2000) suggest that competitive advantage resides no longer only within company's inner capabilities, but rather in the relationships and links that the company can create and sustain with external organizations. They suggest this to be especially because large and powerful buying companies tend to outsource non-core activities, establish partnership-like relationships with suppliers and streamline their supplier base. This is especially true in the focus area of this research, category management and captainship in FMCG retail where large retailers have significant power over their suppliers (Corsten & Kumar, 2003). Combining both aspects, Lindblom & Olkkonen (2008) note that ECR is generally recognized as *"one of the best strategic and collaborative initiatives within the grocery industry"*.

In the following, an overview of the ECR framework and discussion in the academic literature about ECR is observed. Even though the focus of the study is limited on a detailed part of ECR around category management and especially category captainship, are the following chapters on ECR included in the work to give background and higher level framework for the research.

2.1.2. ECR frameworks

In short, ECR is designed to increase the competitiveness of traditional retail industry, especially against category-killers and low-cost retailers. Basically, ECR aims to cut out inefficiencies and improve performance throughout the retail supply chain.

Today there are two major perspectives on ECR. Still in use is the original framework introduced in

early 90's in US and an adoption of it, made known by the ECR Europe association (Kotzab, 1999). In his comparison of different ECR frameworks, Kotzab introduces also a third ECR framework, supplier-retailer collaboration (SRC) developed by Coca-Cola Research Company. However, his conclusion is that SRC has only minor differences to original ECR, which is also better structured. For this reason, the following observation concentrates on the original ECR framework and the European ECR initiative. As the European model is based on the original model, first is introduced the general ECR framework and then the additions and differences in the European model.

Original ECR framework

Ever since introduced by Kurt Salmon Associates in the United States around 1993, original ECR framework as been divided into four strategic development areas, as below (Kurnia et al., 1998):

1. **Efficient Store Assortment.** Goal is to optimize inventory productivity and manage shelves effectively at the store level. In their study, Lohtia et al. (2004), suggest that efficient store assortments ensure that the range of products offered to consumer satisfies their needs as well as efficiently utilizes the available space.
2. **Efficient Product Introduction.** Aims to maximize the efforts at the development and introduction of new products, such as reducing costs and introduction failure rate.
3. **Efficient Promotion.** Aimed for optimizing the efficiency of different sales promotions, such as *every day low price*.
4. **Efficient Product Replenishment.** Streamline the replenishment system so that products, their amount, location and delivery would be as right and efficient as possible.

Besides 4 strategic focus areas, ECR framework includes 2 key processes: Category Management (CM) and Continuous Replenishment Program (CRP) and 5 enabling technologies:

1. **Barcodes & scanners.** Use of these technologies is essential for any ECR initiative as they enable the fast collection and use of product data.
2. **Electronic Data Interchange (EDI).** This refers to technology enabling the interchange of different business documents from purchase orders to invoices.
3. **Computer-Aided Ordering (CAO).** An automatic system that observes inventory levels and makes necessary adjustments when required.
4. **Cross-Docking/Direct Store Delivery.** Direct delivery from supplier factory/warehouse to retailer premises that minimizes the need for wholesale and warehousing.
5. **Activity-Based Costing.** A costing tool used to better understand the different costs and profits

involved in ECR practices.

In Figure 1 is introduced and visualized ECR framework, its different parts and their relationships.

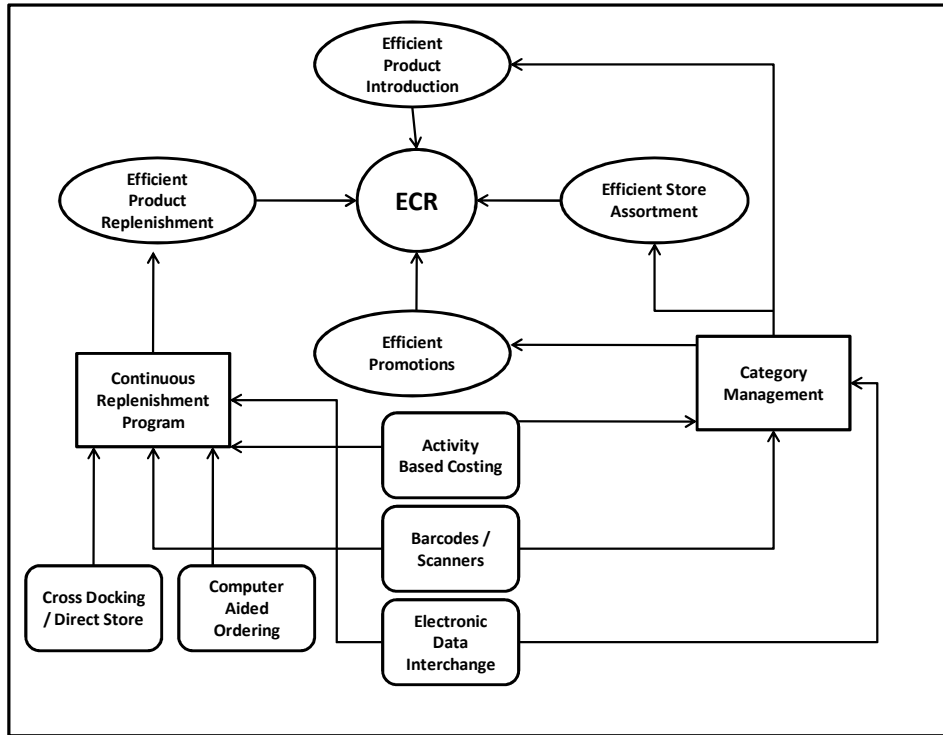


Figure 1: ECR factors and relationship (Kurnia et al., 1998).

The role of the key processes, CRP and CM, is to support ECR's key strategic areas (Kurnia & Johnston, 2001) and both of them take benefit of the technologies involved in ECR framework. CRP processes concentrate on initiatives which have focus on retail logistics and supply chain between the retailer and supplier. Kurnia et al. (1998) suggest that CRP is transferring the responsibility over inventory replenishment from retailer to supplier and could therefore generally be considered as the "Vendor-Managed Inventory". CM is the approach to influence the consumer demand in defined categories at the retailer. It is concentrating on the management and optimization of specific categories (Kurnia et al., 1998). In various sources, category management is claimed to be the best known ECR practice and antecedent for successful ECR (Lindblom & Olkkonen, 2008; Dussart, 1998). As category management is in the key focus area of this study, its nature and application will be discussed in more detail in a later section, "Category Management".

European adoption of ECR

European adoption of ECR framework was established only a few years after the original, around the year 1995 (Kotzab, 1999). The purpose of this model was to adopt the US orientated original ECR model to fit the needs and practices of European retail environment. The model is very similar to the US version but makes distinctions in a few important aspects. Although the basic elements and focus areas are the same as with the original ECR model, there is a clearer distinction between demand and supply side initiatives. In his comparison of different ECR models Kotzab (1999) notes that the explicit division to demand and supply sides is the major difference between the two frameworks. Figure 2, as introduced by ECR Austria and used by Aastrup et al. (2008), depicts well this different approach European ECR model takes to the ECR processes.

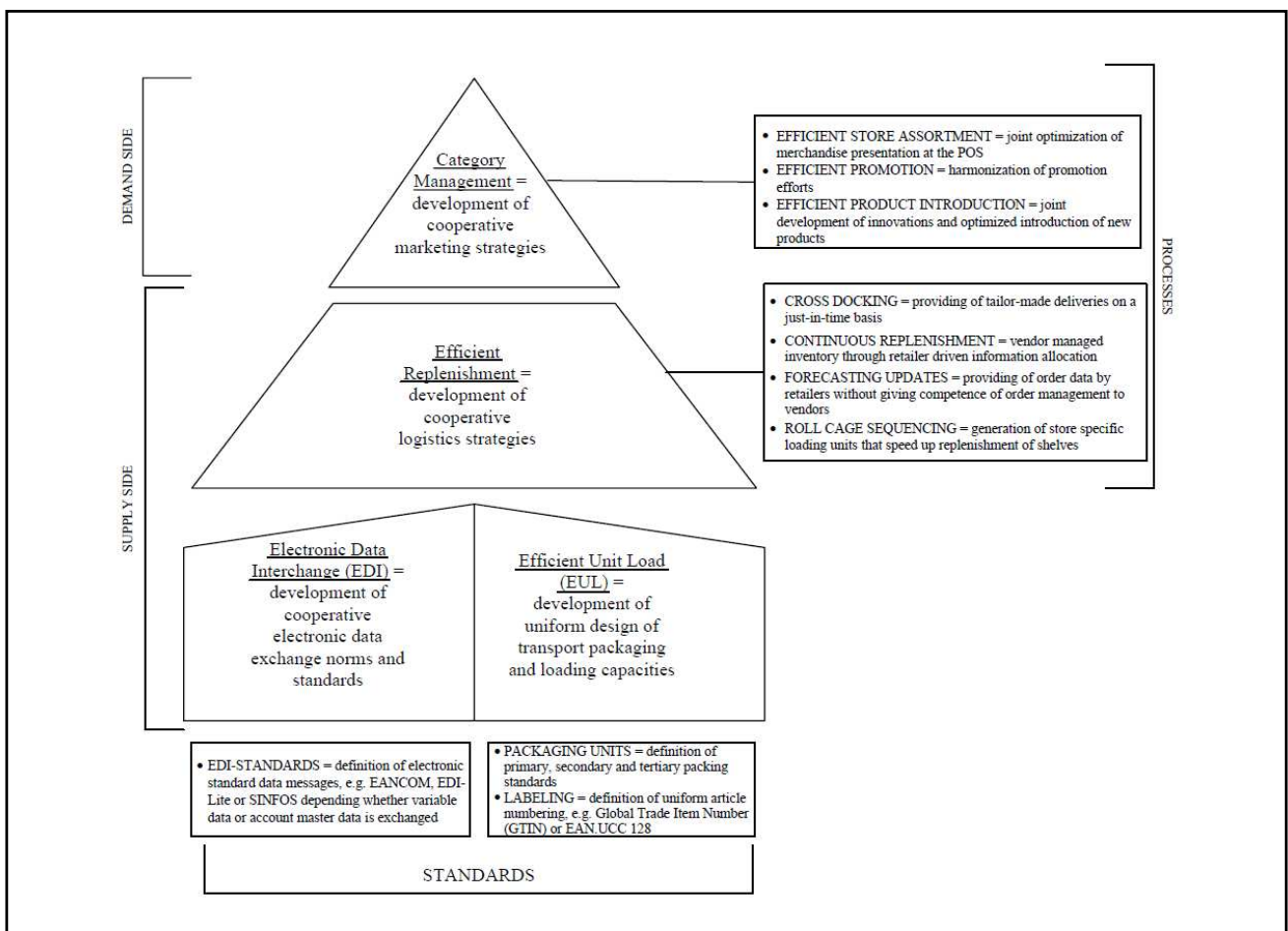


Figure 2: Generic ECR business process model by ECR Austria, 2001 (Aastrup et al., 2008).

As it may be observed, the two major models of ECR do have some differences in their approach. However, both models are addressing the same issues and instead of being a completely new framework, the European version is adoption of the original one suited to fit somewhat different circumstances. No matter which model is discussed, it may be presented that ECR framework is addressing three major areas of supplier-retailer relationships. These are management practices for supply and demand side as well as collaborative tools and processes (Corsten & Kumar, 2005).

For the purposes of this study, the European ECR model with its clearer distinction between demand and supply side initiatives can be considered more suitable. This is for two major reasons. First, the European model gives more emphasis and distinct role for category management, which is the focus area of this study. Second, the empirical part of the study will take place in Finland, a context where the European approach is more suitable and fitting. However, given the similarity of the ECR models and the minor distinction between them, literature referring also to the original ECR model is considered equally valuable and valid for the discussion and research in this study.

2.1.3. ECR in previous literature

As ECR has been developed by retail and manufacturing companies for the needs of consumer retail industry, the initiative in itself is not a scientific or academic approach to retail but rather pragmatic framework. Despite this, ECR has still been widely observed and researched from various academic perspectives. As the focus of this study is not on the whole ECR framework, observations from previous literature are narrowed to key notions on ECR's significance to the retail industry as well as its limitations.

In their article, Kotzab & Teller (2003) suggest that ECR should be considered as "a customer-oriented, re-engineered, value-added management strategy" designed especially for the needs of grocery supply chains. Aastrup et al. (2008) describe ECR to be a common decision between manufacturers and retailers to organize their distribution channel to a hybrid or relational structure between make and buy. In their study Corsten & Kumar (2005) suggest that the essence of ECR is the information sharing and usage of inter-organizational routines for better learning and enhanced customer experience. To generalize, all the definitions above, along with many others, do emphasize relationships, the reorganization of processes and organizations as well as use of information as the keys to gain more value and improve the consumer experience in retail.

Ever since the framework's inauguration, critical voices and concerns over ECR's benefits have been out and loud. One of the original projections of the initiative in the US was that it will produce total savings of \$30 billion through efficiency and cost reductions (Tosh, 1998). This goal as well as other objectives of ECR have been observed very critically in the professional press. For example a series of articles in Progressive Grocer question the success of ECR already in the early years of the framework. In his 1996 article "Is ECR dead?" Mathews discusses with retail industry decision makers if the ECR framework will ever be able to turn into something sustainable and productive (Mathews, 1996). In another article, Mathews discusses if ECR has been delivering more promises than actual performance. One claim that he makes is that everyone else in the industry, except the manufacturers, consider them to be the biggest beneficiaries of the ECR. Mathews' article also points out that in the early years of ECR, efficient replenishment was considered the most successful initiative (Mathews, 1997). The same aspect is brought up in Tosh's discussion with industry leaders. Many of them agree on the fact that efficient promotion, new product introduction or consumer-based demand initiatives in general have received too little attention and effort from industry, especially compared with work done on replenishment development (Tosh, 1998).

The claims and observations of the professional press have since been strengthened by research on the area. For example Kotzab (1999) gives out numerous aspects of criticism towards ECR. He states that for many practitioners ECR is either a set of old tricks in a new bag or then a strategic initiative focusing very much on the optimization of replenishment logistics with the cost of other strategic aspects (Kotzab, 1999).

One of the major criticisms towards ECR has been that it is lacking in providing a true win-win situation. Common thought is that ECR significantly benefits retailers but suppliers who are required to put in a major effort are often left with only a few benefits. Corsten & Kumar (2003) note that suppliers are generally "*apathetic about ECR collaborations*" as they do not see payout for their investment and work towards collaboration. Authors suggest that usually suppliers put in more investments while retailers take home the major benefits, which well can create a sense of inequality in a collaboration relationship (Corsten & Kumar, 2003).

Interesting observation is also made by Hoffman & Mehra (2000) as their study reveals that all types of organizational speculation and venturing based on the size of business should be avoided in order to implement ECR successfully. Authors note that successful ECR adoption requires partnering, trust, cooperation, coordination and sharing of information and therefore all kinds of

power abuse can well hurt the relationship and ECR efforts (Hoffman & Mehra, 2000).

In their study from 2005, Corsten & Kumar observe the significance and value of ECR specifically to the suppliers. Their observation is that generally there are benefits for suppliers to be involved in ECR. These benefits are greater than in any other type of relationship. However, at the same time they see that ECR takes away from the independence of suppliers and ties them closer to the requirements and needs of retailers. Authors do not see this as a negative thing, but rather as the cost of being involved in ECR-related activities, where by giving something, the supplier may gain much more in return. However, they also note that although suppliers benefit from ECR adoption, they still might feel unequal with the retailers and consider their share of the benefits to be too small. Despite finding benefits from ECR for the suppliers as well, authors conclude that the true win-win partnership often brought up in the popular press, are still few and infrequent in the academic research setting (Corsten & Kumar, 2005).

On a more recent note Aastrup et al. (2008) claim that application of ECR is not as common or as successful as it could be thought. They see that many firms in grocery retail work with ECR and concepts related to it but only in rare occasions apply ECR to its full extent. One of their findings is that lack of collaboration is a strong barrier to successful ECR implementation (Aastrup et al., 2008).

In their study, Dupre & Gruen (2004) suggest that in many cases where the benefits of ECR have not been fully realized the application of the demand framework has been insufficient. They note that the suppliers and retailers tend to undertake more often the easy and straight-forward cost saving operations from supply side initiatives and neglect the management of the demand side. According to the authors, controlling the costs of supply is not enough, but a modern retailer should also pay attention on how to *“present a differentiated offering that matches the need of its shoppers”*. (Dupre & Gruen, 2004) The following chapters will take a more detailed look on the demand-side of ECR, concentrating on previous literature and research around category management and captainship practices.

2.2. Category Management

As presented earlier, Category Management (CM) practices do fall under the ECR framework. As described in the European ECR framework (see figure 2), CM includes practices that drive the

demand-side of retail operations. CM is generally considered the best known and one of the most important processes of ECR (Lindblom & Olkkonen, 2008; Dussart, 1998). Like rest of the ECR, CM practice was started in the food industry and the main focus has ever since been there, as the industry needs all possible means in order to grow their razor-thin margins (Dussart, 1998). Category management has been applied in other sectors as well, but for the focus and scope of this study, discussion and applications in the grocery retail are the most relevant.

2.2.1. Definitions and goals

As researching the literature on CM, observation made was that the definitions of category management are numerous. Definition of CM was already given in the introduction, as based on the work of Dussart. Besides expressing his own definition, Dussart has also presented an extensive listing of key definitions which are summarized in the following table:

<p><i>“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”</i> Nielsen, 1992</p>
<p><i>“A flexible organizational approach that focuses supplier/distributor and wholesaler/retailer attention on the impact every product has on a category’s overall profit picture. All functions that affect the category’s P and L (i.e. space, price, promotion, cost, etc.) are place under the control of a single manager”</i> IDDA, 1993a</p>
<p><i>”More specifically for a retailer, CM means determining pricing, merchandising, promotions and products mix based on a category goals, the competitive environment and consumer behaviour”</i> open quotation from the Center for Retail management, Northwestern University, 1993; FMI, 1995</p>
<p><i>“Category management is a distributor/supplier process of managing categories as strategic business units, producing enhanced business results by focusing on delivering consumer value.”</i> Joint Industry Report on Efficient Consumer Response, 1995</p>
<p><i>“CM is a method whereby vendor and retailer team up to manage their mutual product categories on a store by store basis”</i> Joseph, 1996: The Category Management Guidebook.</p>

Table 1: Category Management definitions (Dussart, 1998).

As it can be observed from the various definitions above, key words related to CM tend to be supplier, retailer, their relationships and collaboration as well as product categories, consumer value and store by store approach. In the following chapters on CM, this research observes these different

key issues in the light of previous literature. As the focus of the study is on the supplier-retailer relationships in category management more emphasis is given to this rather than the consumer perspective.

Besides the definitions of CM also its objectives and purpose are important. Dussart (1998) suggests that CM has two key objectives: (1) use product category as the business unit and (2) customize marketing close to local shopping habits. Also Aastrup et. al (2007) note that the general concept of category management assigns all product categories a role of strategic business units. Desrochers & Nelson (2006) note that category management should shift managers focus from brands to the overall performance of a category. Dupre & Gruen (2004) also point out that from a relationship and collaboration perspective it is good to notice that the definition of strategic focus on category management should come from retailers' categories, rather than suppliers' brand.

In his widely referred article discussing the strengths, limits and developments of CM Dussart (1998) makes three basic assumptions that according to him explain the need to use CM processes:

- 1) CM assumes that consumers make shopping decisions from a range of products available in a category, making the definition of a category important from strategic perspective.
- 2) CM is based on the relationship shift, where retailers and suppliers concentrate on creating win-win value rather than just driving their own motives. Author suggests that success of CM partnerships lies in trust, mutuality, transparency, shared information and analysis. This is the case at least in the theory, but not always in practice.
- 3) Credibility of CM practices is depending on outcomes such as better profitability and returns, reduced waste and increased traffic among many others. As part of ECR, CM is expected to cut costs and increase profitability. However, like with the second assumption, the proof of this in the real world is also contradictory.

2.2.2. Category management process

Like with ECR or other strategic retail frameworks that stem from the needs of the industry, there are various alternative processes and frameworks available for category management as well. In the previous chapter both original and European ECR framework suggested that efficient promotion, assortment and product introduction could be directly linked to category management. However, also more detailed processes have been developed for actually executing category management and not just discuss it on a high abstraction level in relation to strategy.

In the following an eight-step category management process (figure 3) is discussed. It is one of the best known and utilized category management frameworks (Aastrup et al., 2007). Finne & Kokkonen (1998) note that this framework is one of the most applied in the Finnish retail as well. As considering the research environment, it can be considered very significant also for this research.

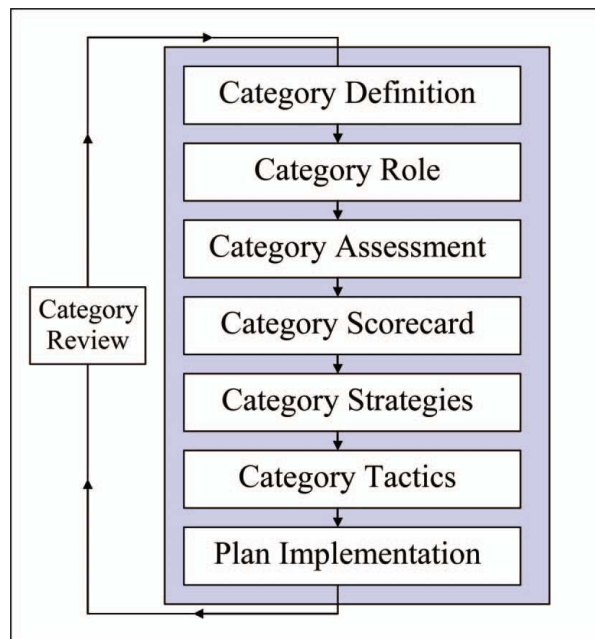


Figure 3: Eight-step category management process by JIPECR, 1995 (Aastrup et al., 2007).

Eight step CM process has been adopted as part of ECR framework and can well be considered a key in category management actions. Like in this research, the focus is on the execution of CM practices in store as well as in ways that suppliers could be involved through category captainship arrangements. Therefore the process is considered an integral part of the study's discussion. In the following, the eight steps of category management process are shortly reviewed, based on observation in the previous literature (Desrochers & Nelson, 2006; Gruen, 1998; Dussart, 1998, Dhar et al., 2001).

Category definition

This is the first step of CM process, where retailer defines the category by assigning range of products to it. Categories are often defined through consumer usage and purchase habits and ideally all products in a store are included in some category.

Category role

In this step a purpose is assigned to the category in relation to retailer's consumers, suppliers, markets as well as other categories included in the store (category mix). Generally it is considered that there are two alternative views for setting up the category: consumer or retailer based division. On top of these the consideration of reach and frequency is often used to define categories.

No category has a role automatically attached to it. It is up to the retailer to define and refine the category mix and portfolio to fit their strategic goals and consumers needs. Dupre & Gruen (2004) suggest that retailers that do not assign roles and strategies to their categories cannot differentiate through them and are, for this reason, restricting their own competitive capabilities.

When category roles are being assigned, often used are the four basic roles based on consumer preferences and behaviour.

1. Destination. Categories that retailer uses to define their store as offering superior consumer value and being the choice of location for shopping in these categories. For example soft drinks and coffee are often considered to be destination categories.

2. Routine. These are the categories that consumer most buy on a regular basis when shopping. Milk and pet care are often referred to be routine categories.

3. Occasional/Season. These categories include products that are bought infrequently and/or on certain occasions or seasons. For example, suntan and cleaning products are such categories.

4. Convenience. These are products that are often offered with better prices, range and/or quality in specialty stores, but the trade-off visiting another store to purchase them, makes consumer shop them along other products at the retailer. For example, shoe and leather care as well as car products are good examples of this category.

The other approach to categories is the retailer-based, discussed by Dussart (1998). He suggests that the advantage of this approach is retailer's better understanding of categories sales and profits and ability to use more objective measures in analyzing category's success. The roles in the retailer-based approach, as introduced originally by Silver Mine Consulting group, are:

- 1. Destination/traffic builder.**
- 2. Store loyalty builder.**
- 3. Margin enhancer.**
- 4. Cash flow.**

5. Impulse.

Dussart (1998) also notes that additional categories or subcategories can be identified for the retailer-based approach if required so.

As considering usage of the two different approaches, choice is ultimately up to the retailer. While some sources suggest that categories should be designed in the way consumers would shop them (Finne & Kokkonen, 1998), others suggest that retailer-based approach can create benefits through efficiency and measurability (Dussart, 1998).

Both Dussart (1998) and Dhar et al. (2001) discuss also the reach and frequency of categories and their significance to the roles. Reach, or penetration as according to Dhar et al. (2001), refers to percentage of households in given area that purchases the product category within in a year. Frequency is the average number of times per year when the category is purchased. Based on these two indicators, Dhar et al. (2001) divide categories in to four groups: staples, niches, variety enhancers and fill-ins (Figure 4).

		Percent of households buying	
		High penetration	Low penetration
Frequency of purchase	High frequency	Staples -RTE cereal -Coffee	Niches -Yogurt - Macaroni & Cheese
	Low frequency	Variety enhancers -Pickles - Rice	Fill-ins -Pancake mix -Syrup

Figure 4: Category roles (Dhar et al., 2001).

Authors note that as the consumers' behaviour and motivations to shop the different categories are

not the same, also the marketing efforts should vary in different categories. Given the strategic importance of category roles, retailers should use these two indicators while doing strategic decisions on the mix of categories and their roles (Dussart, 1998; Dhar et al., 2001).

Category assessment

In this step, more detailed assessment and analysis of categories is conducted. This means that instead of high-level role assignment subcategories, segments, individual brands and even SKU's are assessed based on the available information regarding consumers, suppliers and markets. Questions to answer in this stage are especially related to consumer behaviour and the performance of the category. From consumer perspective, it is important to know by who, why, when, how and where the category products are bought. Contribution-To-Margin (CTM) and Gross Margin Return on Investment (GMROI) analyses can be utilized to observe the performance within the category. By using data from internal (scanner, POS) and external (market research) sources the category's performance, pros and cons can be analyzed from various angles. Outcome of the assessment stage should be helpful as doing decisions later on in the CM process.

Category scorecard

Aim of this stage is to establish qualitative and/or quantitative performance measures for the category goals in order to be able to review and adjust the execution of category business plans. Measurements depend on the category as well as the strategies, but commonly measured are for example market share, sales, GMROI and profits. Idea of the scorecard is to support and align category plans and incentives as well as the structure and execution of these plans.

Category strategies

For every category, marketing, product supply and in-store strategies need to be developed and determined. Often the category strategies include themes such as traffic and transaction building, profit contribution, cash generation as well as various aspects of consumer marketing. These strategies, together with sufficient consumer understanding, help in creation of the category's marketing actions and mix.

Category tactics

Following strategy, more detailed plan on the actual actions to be taken in the category is required. Although category management generally is a demand orientated practice this phase includes both supply and demand side tactics. Usually tactics do include the determination of assortment, pricing, shelving and promotion from demand-side as well as product procurement and distribution from supply side.

Plan implementation

In this face, step by step action plan for the category is done. While tactics define what is done, implementation focuses on by whom, when and how the tactics are done. Naturally such plans require the assignment of responsibilities, timing and resources.

Category review

While category management plans are put into action, constant review is done to observe, assess and adjust the plans as needed. In the review phase, also some of the previous steps can be repeated if necessary.

Previous pages have introduced eight-step category management process that is generally recognized as the way CM should be executed in retail. As it can be observed from the overview, it is divided into various tasks, of which some are more strategic high-level definitions and goals while others are more tactical, hands-on approach to the matter.

2.2.3. Impact of category management

Previously discussed definitions and processes of category management have suggested that it should be beneficial to all involved parties when category management is being executed. To find proof for this suggestion, this chapter examines previous literature and its findings for some understanding on the actual impact of being involved in category management.

As considering category management, the notions of its application are quite similar as of ECR framework in general. Like suggested by Kotzab (1999), ECR efforts are more concentrated on

supply side optimization rather than the demand side operation. Also Gruen & Shah (2000) note that in the 1998 ECR conference consensus was that retail industry had mainly been going after easy wins but true understanding and application of category management in order to realize true benefits was still far ahead.

Dupre & Gruen (2004) have studied the use of CM for gaining competitive advantage in FMCG industries. In their view CM can be used to gain sustainable competitive advantage that is created through improved customer loyalty, better resources allocation and sharing as well as more efficient procurement operations.

In their study, Aastrup et al. (2007) research the value of CM to retailers. Their consideration is that if retailer should be engaged in category management, considering the trade-off between benefits and sacrifices of CM. Based on their findings, authors define various hypotheses related to retailer-supplier relationships in CM. Some of the key suggestions are that category management process should start from the strategic aims and category roles of the retailer, rather than from the supplier's brand perspective. Authors also note that mutuality and trust are key concepts for establishing working CM relationships. Therefore suppliers must be able to document and reassure the retailers of the benefits of doing CM and the need of having the supplier as their preferred partner. Generally their conclusion is that CM can benefit both parties and especially the retailers, but requires use of information and linking of category management to retailer strategies in order to do so (Aastrup et al, 2007).

When considering the benefits and value creation of category management, Lindblom & Olkkonen (2008) observe that obtaining a win-win-win situation through collaboration is challenging to achieve in practice. General observation seems to be that at least the suppliers in different roles tend to lose or gain depending on what their role and relationship with the retailer is. Aastrup et al. (2007) suggest that CM can benefit retailers as well as suppliers but they also note that more observations should be made to understand the types of benefits and sacrifices that suppliers experience when involved in CM. Generally suppliers need to first gain the trust and mutuality in a relationship with the retailers, before being able to significantly influence category decisions. This means that before the suppliers get to enjoy benefits of category management, they have to convince the retailers that they are the most potential partner to work with. As the power in retail has shifted from suppliers to retailers in the previous decades, it should be in all suppliers' interest to gain the role of preferred partner with the retailers (Aastrup et al., 2007). In the following section,

the participation of suppliers will be observed in more detail.

2.3. Category captainship

Studying the previous literature on ECR and category management, category captainship is often presented as the way for suppliers to be better involved in retailers demand management practices. Besides better collaboration, CC is also seen as a way to achieve benefits from CM to all the involved parties.

As presented before, many steps in the actual category management process are more or less strategic, while the aim of this study is to focus on practices that are more tactical and hands-on, taking place at the store level. Assumption is that category captainship could provide some of these approaches and therefore it is studied in more detail. Although category captainship goes very closely together with category management and it is often hard to draw a clear line between these in the following some main themes from previous academic literature are discussed.

2.3.1. Characteristics

In their article Desrochers et al. (2003) suggest that benefits are gained from category management when the suppliers' and retailers' skills and information are used so that it produces better decision making and lower costs for all parties involved. As considering demand-side of ECR and category management, the most suggested way to do so by the literature is the category captainship (Desrochers et al., 2003).

Kurtulus & Toktay (2009) see category captainship as the outcome of the complexity related to category management. As much information and insights are required for doing CM well, retailers have started outsourcing part of this work to suppliers. Both the number of categories and products as well as limited resources in the use of retailers has been forcing this trend as well.

Typical CC relationship is suggested to be such where retailer shares information related to the category and supplier uses it to analyze, assess and create detailed strategic plans for the category. Aspects most often taken into account are regarding the assortment (what brands and products to include/exclude), shelf/space management (where to locate the products on shelf), what new products to take in and old ones to leave and how to price the products (Kurtulus & Toktay, 2009)

Suggested purpose of CC arrangements is to use suppliers' knowledge and resources in order to better manage retailers' categories. As Kurtulus & Toktay (2009) suggest, relationship could be considered as an outsourcing relationship. However, difference is that the retailer is free to follow or ignore any of suppliers' recommendations, depending on its own preference.

Areas where retailers generally expect suppliers input to category management through category captainship are, as suggested by Kurtulus & Toktay (2005a):

- 1. Assortment.** Recommendations on what kind of a product mix of brands and products the assortment should consist of. Also suggestion on what new products to introduce and old products to leave out can be part of assortment suggestions.
- 2. Shelf space management.** Refers to space allocation of different brands and products, as well as their location and order on the shelf.
- 3. Price.** In some cases, the supplier may be expected to provide the retailer with a suggestion of retail prices in the category.

Lindblom & Olkkonen (2006b) suggest that category captain does have a responsibility over three major things: 1) Development & growth of the category, 2) providing information on product trends and 3) recommending prices and shelf-space allocations for all the products in the category. This view is somewhat more general than the detailed list of Kurtulus & Toktay (2005a), but holds the same elements of key action areas.

As all of the suggestions made by suppliers are recommendations, retailers may or may not accept them. Possible nature of a CC relationship and retailer's attitude towards supplier's recommendations is often described as a continuum. In the other end of the continuum is a retailer accepting all recommendations and at the other end a retailer reviewing and verifying every recommendation (Kurtulus & Toktay, 2009). Given retailers ability to choose their partners as well as to have the decision of whether to use or not their recommendations, CC arrangements could be seen as weak or strong as suggested by Desrochers et al. (2003). Strength of arrangement's relationship is also depending on the autonomy and influence the supplier has on the relationship (Desrochers et al., 2003).

General recommendation regarding CC practices is that retailers should appoint the captainship to the strongest player in the category. Finding of Kurtulus & Toktay (2009) proves that ideal CC arrangement is such where manufacturer with high(est) brand strength and cross-price sensitivity is appointed as the captain, who supports the general recommendation. In their other article, Kurtulus & Toktay (2005b) also note that retailers tend to assign the category captainship to larger manufacturers with more resources and expertise for doing the work in the category.

Lindblom & Olkkonen have studied category management and category captainship practices in various articles (Lindblom & Olkkonen 2006a, Lindblom & Olkkonen, 2006b; Lindblom & Olkkonen, 2008). They have done especially it in Finnish retail, which is the geographical focus area for this study as well. Findings can well describe some of the characteristics in a small, concentrated retail market such as Finland.

In their article discussing supplier's role in category management, Lindblom & Olkkonen (2008) make an expected observation that suppliers with strong roles in CM (e.g. category captainship) tend to have better capabilities for providing input for the retailers. Authors also suggest that suppliers' ability in providing input to the category decisions as compared with their competitors abilities can be observed to certain extent how the category captainships are arranged between retailer and its suppliers. Although there is no direct dependency, this has significance, as the ones with better abilities are usually the ones acting as the captains (Lindblom & Olkkonen, 2008).

In a study focusing solely on CC, key finding of Lindblom & Olkkonen (2006b) is that most power in CC arrangements is held by larger suppliers, while smaller ones are more left out. Authors also note that as CC gets more institutionalized and standardized, smaller suppliers just might have to accept their role and the fact that largest suppliers do category decisions for them as well (Lindblom & Olkkonen, 2006b).

2.3.2. Benefits and challenges

Observing previous literature, benefits of category captainship seem to be taken granted by the authors. Benefits are often listed as they would be automatically generated through CC arrangements and the focus is very much more on the possible challenges. Therefore this overview

of CC's impacts focuses more on the possible challenges and has to settle for listing the few benefits as described in previous literature.

Benefits

Kurtulus & Toktay have observed category captainship in many of their articles. While the focus, like in the literature in general, is more on the challenges and negative adversities of CC arrangements, they have also noted some of the positive outcomes they could have. Kurtulus & Toktay (2005b) suggest that for the retailer CC arrangements can create significant benefits on short term as they can have better performing category "cheaper" or with less resources as the work is conducted by the supplier. By collaborating through category captainship, retailers can well benefit from suppliers knowledge and expertise in certain categories. Authors note that many retailers and manufacturers with experience of CC arrangements report positive outcomes. These usually are more efficient category management, increased sales in the category benefiting all parties as well as improved consumer satisfaction (Kurtulus & Toktay, 2005b).

One of the questions Lindblom & Olkkonen (2006b) try to answer in their study of CC arrangements in Finnish retail is what effects these arrangements have on both captains' and non-captains' from suppliers perspective. Studying their perceived role and benefits in CC, the findings are quite straightforward. As mentioned earlier, authors observe that the role of captain is often taken by the large suppliers, leaving the smaller ones possibly excluded. Another finding is that the influence of category captain is especially noticeable on assortment planning and space allocation. In regards of pricing and promotional activity, level of influence of captains and non-captains is not significantly different. Regarding the perceptions of CC arrangements, Lindblom & Olkkonen point out that category captains consider them generally in a positive way. They have seen the outcome of the arrangements on all levels of their business from basic sales figure and customer loyalty to brand and product performance. While the captains enjoy the benefits of the arrangements and perceive them in a positive way, perceptions of excluded or non-captain are not generally negative. According to findings of Lindblom and Olkkonen they tend to view CC arrangements in a neutral way. This is to suggest that most suppliers, whether captains or non-captains, tend to believe on the positive effects of CC as well as fairness of captains in their suggestions (Lindblom & Olkkonen, 2006b).

Like discussed earlier in the research ECR, category management or captainship are not just about

improving the retailer-supplier relationship and collaboration but also about delivering value to the end customer: the shopper. Kurtulus & Toktay (2005b) suggest that CC arrangements may be considered beneficial for the consumers as they tend to lead towards lower average prices, which is often one of the aims of retailers undertaking these practices. Another finding of Kurtulus & Toktay (2005b) is that consumers are generally better off under suppliers' assortment recommendation rather than retailers'. This is due to the fact that suppliers are able to provide wider variety and choice for the consumer which offers them more utility and value, while retailers prefer to narrow the variety of an assortment as they benefit from the competition between manufacturers. Kurtulus & Toktay (2005b) also suggest that retailers' long term success is related to their consumers' satisfaction. Regarding the benefits it may be suggested that application of CC arrangements are beneficial to most parties of the supply chain or as findings of Lindblom & Olkkonen (2006b) suggest at least neutral even to the parties (suppliers) not involved in it. However, no benefits are accrued if all the challenges stand on the way, as discussed in the following.

Challenges

In previous literature, various challenges related to category captainship arrangements have been widely discussed. Referring to the literature that has been in use for this research it could be said that the discussion around challenges has been a bit over proportionate as compared with other considerations and research around category captainship arrangements.

One of the most referred articles on CC arrangements and especially on its challenges is written by Desrochers et al. (2003). The focus of the article is on antitrust challenges of these arrangements and it makes good notions on what challenges they generally withhold. Authors note that the greatest challenges may rise when the supplier appointed as the CC possesses significant market power which often is the case with large suppliers. As discussing the sources and influence of power, authors recognize that the power of single company may come from various resources. For example, one can have the power by being very influential in the category where the CC takes place or on the other hand have power through presence in various categories at the retailer. According to Desrochers et al. (2003) CC arrangements can also entail power through contracts between the retailers and suppliers as well as through the information withheld by different parties. By having and using its power in CC arrangements, the supplier can influence both the retailers it works with as well as the competing suppliers. Authors suggest that most common ways to misuse power and

influence in category practices is to drive competitive exclusion or competitive collusion that both can hurt especially the rivals of a category captain (Desrochers et al, 2003).

Some suppliers, especially the smaller retailers with less power and influence, may be prevented from competing for CC role due to their lack of resources. This competitive exclusion is especially due to the information intensity and resource needs that effective CC and CM require. As the CC arrangements are often set up between the retailers and their largest suppliers, effect of the exclusion can well multiply. One concern of exclusion is paid CC arrangements where relationship between retailer and supplier is based on contract and paid amounts, rather than real benefits of the relationship. Desrochers et al. (2003) suggest that paid CC arrangements can weaken the quality and objectivity of CC decision making. Cost paid for being the CC is also likely to show up in the price paid by the consumer. From competitive perspective, competitive exclusion can show up by disadvantaging category captain's competitors. By pricing its competitors products in an uncompetitive manner, placing them on bad locations in the shelf or by not allocating them enough shelf space, CC can well do some damage and at the same time promote itself through exclusive CC means (Desrochers et al., 2003).

Competitive collusion in CC refers generally to situations where the category captain uses its role to limit and coordinate the competition among the different parties, either its competitors or the retailers it works with, in the supply chain. Kurtulus & Toktay (2009) also note that possible conflict of interest may exist in CC arrangements. This could be for the reason that what is in the interest of the category captain, might not be beneficial for the retailer or that the category captain might misuse its position and power to disadvantage competition.

Third challenge which is discussed for example by Kurtulus & Toktay (2005a) is the loss of knowledge that retailer may experience in CC arrangements. By handing over all the relevant information and data on a category and giving its suppliers the mandate to do recommendations for a category, a very passive retailer might in worst case lose all of the understanding he has regarding a certain category. Although retailer is free to end a category captainship relationship any time it feels so, it might prove very difficult if too much of the category management is done by the supplier so that the knowledge base at the retailer has been lost (Kurtulus & Toktay, 2005a).

Also Gruen & Shah (2000) discuss the challenges of category management as well as captainship in their article regarding plan objectivity and implementation. The article discusses the effects of various variables on the performance of a category as supplier and retailer relationships are concerned. Although many other aspects are studied as well, one of the most interesting questions authors pose is regarding suppliers behaviour as an “agent” and the degree of opportunism it might lead to. Based on agent theory, they suggest that category captainship is an arrangement along its lines, as decision-making and authority is delegated from principal (retailer) to the agent (supplier). In the study of their hypothesis, authors discover that the supplier opportunism is almost in-built mechanism in category captainship arrangement. It can rise in many ways ranging from data misuse to favouring own brands in “close-call” situations and retailers should be aware and expecting this some sort of opportunistic behaviour from suppliers in usual category management situations (Gruen & Shah, 2000).

Another of the authors’ conclusions is that the more objective a category plan is the better performing it tends to be. For this reason, authors recommend that all category plans are made in a non-biased way, reflecting true and fitting assortment, price and promotion mix offered to the consumers (Gruen & Shah, 2000). As considering this research, it is interesting to see what the perception of objectivity is in the studied case and if it truly takes place in the category management recommendations made in real life situations. As presented and well emphasized by the previous literature, biases are omnipresent in CM practices and can well deviate the decision making from the optimal path.

2.4. Importance of relationships

As noted, category management and captainship do go very strongly hand in hand and discussing one without the other would not be sufficient. Also observed is that relationship is one of the key words in defining category management and captainship, being emphasized in many of the articles referring to them. In the following, the importance of relationships for category management and captainships is discussed in more detail.

As presented by Aastrup et al. (2007), majority of CM definitions do give attention to the role and importance of relationships in the process. Gruen (1998) notes that one of the reasons why category management has been seen as “scientific retailing” is the fact that it deals with collaboration

between retailers and suppliers. Author also suggests that before CM was being applied, approach of both retailers and suppliers was much more contradicting and competing with a focus only on one's short-term benefits (Gruen, 1998). Also Finne & Kokkonen (1998) suggest in their discussion about category management, that the relationships between retailers and suppliers should be emphasized. There should be constant communication and collaboration throughout the process in order to have decision-making that benefits all parties (Finne & Kokkonen, 1998).

Relationships are important simply because it takes two to do category management well. Lindblom & Olkkonen (2008) suggest that CM could be executed solely by retailers, but without input and knowledge from suppliers, results would not be optimal. Authors also note that majority of research consider true collaboration as a requirement for successful CM (Lindblom & Olkkonen, 2008).

Dupre & Gruen (2004) emphasize joint operations, noting that CM is joint process of retailers and suppliers where category plans are constructed together based on the category goals and the related competition and consumer behaviour. Their suggestion is that the approach and initiative to do ECR's demand-side activities or category management should come from the retailer. Retailer should be the one defining the key categories and their importance to the customer. In this setting supplier, instead of defining the category should be able to provide insights on shoppers that could help retailers in doing the definition. Importance of the category helps the retailer to define how much store and shelf space every category and products in them deserve (Dupre & Gruen, 2004).

Aastrup et al. (2007) suggest that ideal CM setting includes relationships with "*high degrees of collaboration that is based on mutuality and trust*". Trust and mutuality, along with transparency, shared information and analysis are also emphasized by Dussart (1998) as keys for creating value through CM processes.

As considering the effect relationships have on performance and outcome of category management, study by Gruen & Shah (2000) discusses it from an interesting perspective. Authors observe the determinants and outcomes of category management plans and implementation from the perspective of relationships. They observe how category management performance is for example affected by the objectivity of category plans, supplier's internal conflicts between sales and brand management, supplier opportunism, retailer-experienced trust, preplanning agreement, resource commitment and the implementation of the plan. Based on discussion in previous literature as well as findings the authors make in their own research, they construct somewhat complicated model on the effects that

different relationship elements have on the implementation and outcome of CM practices.

For example, their findings clearly point out that implementation of CM is more successful if there is a sufficient level of trust and preplanning agreement between retailers and suppliers. This is especially significant as the authors suggest that suppliers, by understanding the level of trust retailers have in category management process, can better determine how much time, money and resources to pour into the category plan development and to what degree suggest changes. If these are not understood, possibility of successful implementation is lower and therefore suppliers should try to limit their recommendations on matters where they can gain most. As for preplanning, authors give huge emphasis on it. Their findings point out that by doing proper preplanning negative effects of opportunism, low implementation rate, lack of plan objectivity and trust can better be avoided. Authors recommend the use of preplanning as it is a powerful tool for enhancing the category management suggestions and decision (Gruen & Shah, 2000).

As it may be observed from the findings and suggestions of previous literature, relationships and collaboration do have a huge importance on any category management practices and category captainship arrangements. Without working together for shared goals retailers and suppliers are probably not able to do category management at all. Given this, also the relationship aspect should be notified in this study's case.

2.5. Summary

In previous sections, literature on ECR, category management and category captainship have been reviewed and discussed. Aim has been to develop a general understanding of retailer-supplier collaboration through the observation of previous literature on these different frameworks and their processes. Benefits and challenges as observed by previous literature have been discussed for better understanding of how the collaboration works and what could be its outcomes. What is common with ECR, CM as well as CC at least on a theoretical level is the aim to cut costs, increase effectiveness and efficiency in retail operations and create benefit for everyone from supplier to retailer and consumer, described as "win-win-win". In the following, the main themes discussed are concluded in the perspective of this research.

Like retail as an industry, also the framework related to it is large and complex. As it may be observed from previous literature, after 20 years of existence ECR's role as a total framework and

standard for the industry is still pending. Especially applications in the demand side are lagging behind as the companies have concentrated on optimizing their replenishment processes. Often the operations and requirements in demand and supply side of ECR are quite separated and performed by completely different functions. Even though for full application of ECR both sides are needed, they can still work and be observed separately. In this light, the focus of this study around category management and captainship can be considered justified. By focusing on a narrower and more defined area of ECR, this research is probably able to do more detailed observations and better recommendations, rather than trying to discover the framework as a whole. For these reasons, demand side practices of category management and captainship are chosen as the study's focus, while ECR framework will serve more as the back drop.

Category management is the most recognized demand-side practice of ECR framework, aiming to delivering value to consumers and participating suppliers and retailers through improved processes and management. It is suggesting categories to be strategic business units and that they should be managed accordingly. True and open collaboration between retailer and supplier is seen as one of the keys for successful category management.

Bearing in mind this study's focus on store environment, one aspect of the previously discussed eight step category management process is significantly important: category tactics. If a rough line was to be drawn, it could be said that all actions and decisions taken before tactics are on a more strategic level where people from the headquarters usually ponder about the issues. Many of the decision made during these steps, for example the definition of category or assigning a role to it, are very much retailer-cantered operations where suppliers' role could be inexistent or insignificantly small. However, as the CM process gets into tactics and planning at the store level, the importance for suppliers' active involvement and input grows.

When considering actions taken in stores, involvement of all value chain parties' becomes much more important, inevitable and visible. Store being the interface for all the consumer action, actions there are definitely important both for the retailers and suppliers. As suggested for example by Gruen (1998), the key tactics in the CM process from demand perspective are assortment, pricing, shelving and promotion. As the framework for this research is developed, these features of category tactics should be included.

Considering literature on category management tactics as well as category captainship arrangements, most suggested areas where supplier involvement is beneficial or even required are 1) pricing, 2) shelf space management and 3) assortment. Shelf space management withholds both the space allocated to individual products and brands as well as their location within the shelf. Assortment recommendations can also be divided into various parts. Key things in assortment is the suggestions on brands and products to be included in the category and in more detail the recommendations on what new products to include or old products to take out. Other, also mentioned efforts or practices that suppliers can undertake in category management at a tactical CM level are promotions and other measures that enhance marketing and sales in stores.

Beside the more hands on approach of what supplier can do and influence on the category management decisions at the store level, the literature has also raised significant amount of discussion on the importance of relationships. As discussed for example by Gruen & Shah (2000), the nature of relationships as well as level of trust do have a noticeable effect on what will be done in category management together by retailers and suppliers. Although trust, objectivity and relationship are complicated and intangible matters they still have a significant effect on the more tangible issues presented before. Establishing a direct link or cause relationship between the intangible and tangible matters of category management is probably somewhat impossible but the matters must still be noticed as conducting the research on category management. As retail in general, also the relationships and practices for better management of categories seem to be very complicated. Despite of this, the next step of the research will be to create a clear framework based on the observations and use it in observing the discussed matters in more practical environment.

3. Research methodology and framework

Aim of this thesis is to use observations and recommendations of previous literature in its research on category management and captainship practices in stores. In the following a research framework based on the findings of previous literature, as well as focus and methodology of the research are being introduced and discussed.

3.1. Research framework

Main challenge in creating a framework for this study is that frameworks in previous studies covering category captainship in detail and in practice are almost non-existent. As it may be observed from the literature, only few articles concentrate solely on CC, while many connect it to the larger context of either category management or ECR framework.

As considering CC arrangements, Kurtulus & Toktay (2009) note in their review of previous literature that the research in the field is limited. This is especially due to the broad scope that CC implementations have had as well as the fact that CC practices are very different depending on the relationship between retailer and supplier. The general recommendations in CC research do focus around pricing, assortment, space management and promotions.

Also Lindblom & Olkkonen have noted as recently as 2008 that category captainship theories have been discussed in previous literature on ECR, but not much empirical work has been done to study the amount, nature or outcomes of the CC arrangements. They suggest that more theoretical and conceptual studies are required to create better frameworks for category captainship arrangements. One of the key focus areas for future research would be to create a comprehensive framework that observes the contextual factors and structural characteristics of supplier-retailer relationships and CM collaboration (Lindblom & Olkkonen, 2008).

Also Aastrup et al. (2007) are noting in their conclusions that both “negotiation model” and “relationships model” between retailers and suppliers should be developed. This is in order to be able to gain full benefits from category management process and observe the optimal role that suppliers can take as category advisors, i.e. category captains, in retailers CM practices.

Considering that this research is done for Master's thesis, no new ground-breaking theory or framework can be expected. However, as the aim is to use previous literature to better define the focus of research, framework in form of a visual representation of the observations can be considered useful. In the figure 5 a model considering the practices falling under category management and captainship in ECR framework has been constructed. Relationships of different practices are depicted as a hierarchy. I consider this style of presentation to be quite a clear way to follow the complexity of retail practices, ECR and CM. It also pulls into one figure the key variables as they have been detected in the literature.

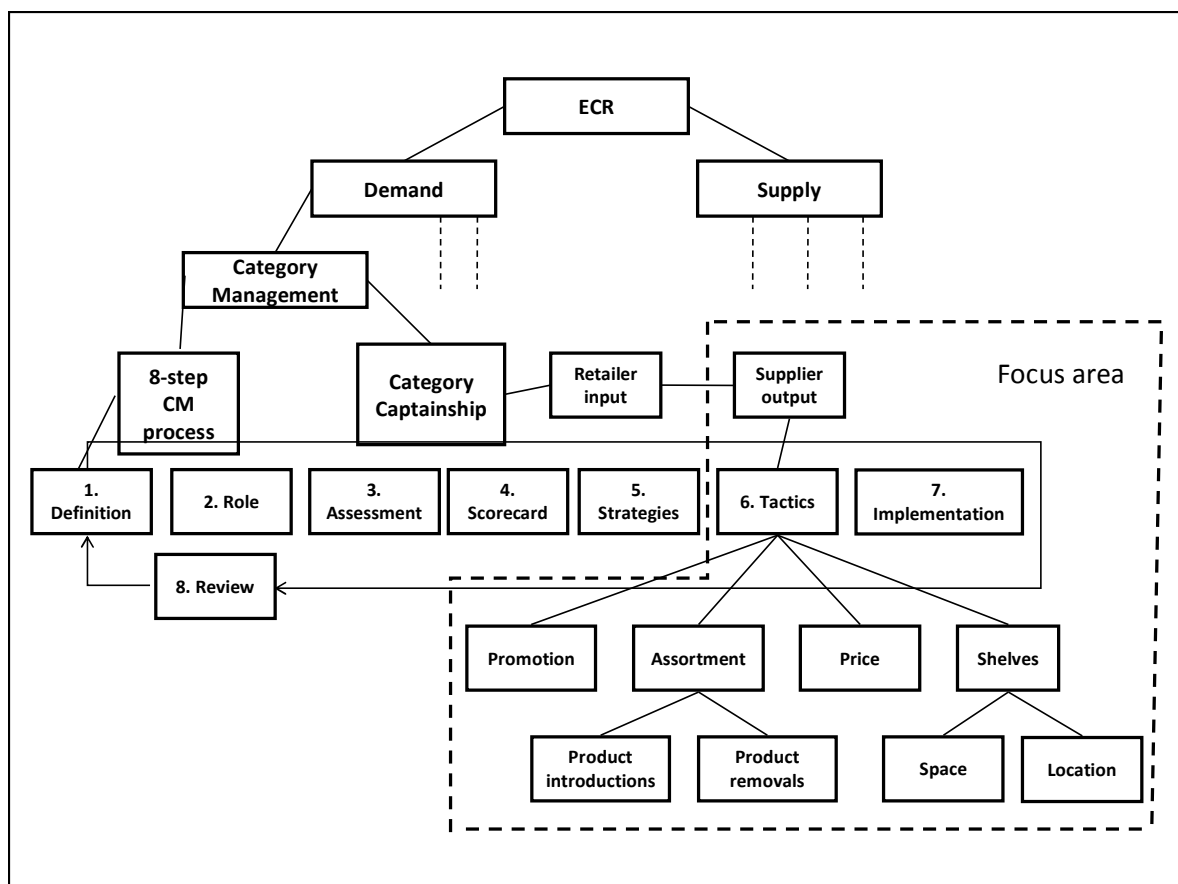


Figure 5: Research framework as based on literature review

On top of the framework is ECR framework which is based on the European model divided in to demand and supply side practices. Both of these practices have more levels under them as represented by the dotted lines. This high level of hierarchy is used to put the category management and captainship practices into context, as rest of ECR practices are out of this study's scope. Observing category management, it may be seen that it has been divided into two main sections: the

eight-step category management process and category captainship arrangements. This is a somewhat simplified version of CM's content but well describes this study's focus areas.

As discussed, not all parts of the CM process are included in the focus of the study. While the first five steps of CM process are more strategic, retailer-orientated and often can be done without suppliers input, parts 6 and 7 are the areas where suppliers' collaboration is more expected. This can be done for example through the input coming from CC arrangements. As considering CM tactics as well as the practices most often included in CC practices, the same four main focus areas are often referred to. Therefore price, promotions, assortment and shelves are in the interest of the study later in the research. Regarding assortment and shelves there is even lower level of observations and variables that will be taken into account.

What is left out of the actual framework but must be noticed while conducting the research and interpreting the results, is the impact and importance of relationships. As noted in the previous literature, the tangible "what suppliers can do in category management/captainship" and outcome are very closely linked to the nature of relationship, trust and objectivity. Therefore these matters cannot be completely ignored in this research either. Observing them as part of the study will probably reveal something regarding the relationships and dynamics in a given category.

As it will be introduced in the coming sections, this research concentrates on a single case. Therefore the framework presented here is just an initial one. It will be revised and edited based on the characteristics and requirements of the case. In words of Lindblom & Olkkonen (2008) this picture can be seen more as the representation of structural characteristics of supplier-retailer relationships collaboration, while the research case will define the contextual factors that ultimately shape the research framework.

3.2. Research focus and methodology

As Hirsjärvi et al. (2009) suggest research is all about making decisions until it has been submitted forward for grading or review. As my aim is to do a proper research in this thesis as well, the statement is very true. Considering the options for conducting the research in this thesis, one decision has been over the topic of the research and another one on the type and nature of research

conducted.

Some of the first choices I as a researcher made after choosing the subject of category management in retail were to decide on the perspective of the research. Everything cannot be observed in one study, so more detailed perspective on the research theme was needed. First choice was to concentrate on the collaboration of different parties in category management, which made category captainship practices significant for the study. Considering that the most important decisions in retail are made by the shoppers at the store floor and both suppliers and retailers do have an opportunity to affect these choices for their benefit, I wanted to observe how it could be done in collaboration.

As pointed out by previous literature, the application of category management as well as category captainship recommendations is ultimately in the hands of the retailer. Supplier may give recommendations on various matters, but the final word should still be said by the retailer. For this reason, I considered the focus on the retailers' perspective of the matter to be fitting. This is not to underestimate the importance of collaboration, relationships or role of suppliers in category management, but rather try to discover what are thoughts and needs of the retailer that is the ultimate decision-maker in category management issues. In other words how do they see category management and suppliers input to it? Leaving out suppliers' view of the matter is a conscious choice, as probably much can be learnt by both suppliers and retailers just by listening what the people working closest to the store space have to say.

As considering the choice between different research methodologies and approaches, Hirsjärvi et al. (2009) suggest that the choice is often done between three major strategies: experimental research, quantitative survey research and more recently introduced case study, which often is referred to as qualitative research as well. The differences of these three approaches are summarized in table 1, as applied from Hirsjärvi et al. (2009).

Experimental research	Quantitative (survey) research	Case (qualitative) study
Measuring the effect of one variable to another. Typically conducted through the use of samples from certain population and by controlling the included variables to discover results.	Collection of information in a standardized form. Collecting a sample, especially in human groups, in a structured way with the aim to be able to describe, compare and explain phenomenon through analysis.	Detailed study around a single issue. Focus on individual case or group where the phenomenon is aimed to be observed in its “natural form”. Description of the research subject is often the aim.

Table 2: Three approaches on research (Hirsjärvi et al., 2009)

Given the complexity and linkages of category management and category captainship into larger context, I strongly believe that observing one case and making conclusions and recommendations based on it does well serve the purpose of the research. First of all, it will create a general understanding between the theoretical considerations and practical applications of category management on a more general level but at the same time it will pinpoint opportunities, problems and action points in the case in question.

Case studies are generally considered to be qualitative in their nature as suggested for example by Metsämuuronen (2008) and Hirsjärvi & et al. (2009). In his book Metsämuuronen (2008) discusses case study as a method of qualitative research. Some of the benefits of case studies he lists as stated by Cohen, Manion, Adelman and other authors are for example that case study gives a possibility for generalization and brings out the complexity and interrelation of social structures. Case study is also often directing towards action and application in practice. Ultimately the results of case study can be discussed in a descriptive, down to earth tone that enables the readers to make their own conclusions as well (Metsämuuronen, 2008).

Also Hirsjärvi et al. (2009) suggest that the starting point for qualitative research is the description of real world and life, with the aim to describe it in a complete and precise manner. However,

qualitative study can rarely be expected to be completely objective, as the values and views of both the researchers as well as the research subjects do have their influence. Therefore, instead of proving a certain hypothesis, qualitative study aims more to discover facts. Some of the typical features of qualitative research are also the use of humans as the source of information, conducting inductive and detailed analysis of collected information and targeted research subjects. It should also be noted that in qualitative research the research problem and setting may change while conducting the research and the material collected during the research should be treated as a unique case and interpreted accordingly (Hirsjärvi et al., 2009).

However, Hirsjärvi et al. (2009) note that qualitative and quantitative studies are too often understood as opposites that rule out each other. However, in their opinion these two practices can well complement and support one another. When conducting research, the choice is not black and white between quality and quantity or number and concepts, but can be something where these two entities also meet. As Metsämuuronen (2008) and Hirsjärvi et al. (2009) point out, the choice of case study seems to be fitting as the research's subject is closely linked to the practical applications and actions in category management. This said, the study conducted in this thesis will revolve around a specific case and therefore lean strongly to the research methods of qualitative research. However, this does not mean that the research will completely rule out the quantitative ways of collecting information for its purposes. If in the course of study, application of quantitative methods seems to be fitting and useful for the final outcome of the research, they should be equally applied.

When studying a case, discussion on research methods and choices made by the researcher are difficult to be completed before understanding the case environment. Therefore the next chapters will concentrate on the details and specifics of the chosen case. Based on those, the discussion on choices and methods for the purposes of this research will be finalized.

4. Case: Baby food in Finland

This chapter deals with the issues related to the research case. First, characteristics of the case environment are discussed. This is followed by the introduction of case-adjusted research framework and methodology. The chapter will conclude with the presentation of case research findings.

4.1. Characteristics

To observe category management practices and ways that the retailer-supplier relationship could be enhanced through category captainship, the study concentrates on discovering the current key practices in category management and their use at the store level. Aim is to better understand the retailer and supplier relationships as well as the use of category management and captainship practices in the case.

Food is one of the original reasons for the development of modern retail, for example the fast moving consumer goods retail is mostly operated by the traditional grocery retailers (Dupre & Gruen, 2004) Also the focus of this research case will be on food and even more detail in the baby food category. Research related to this category will concentrate on hypermarket size retail stores in Finland. In the following, the case environment and companies as well as specific characteristics of the category in question are discussed in more detail. Also the case characteristics effect on the research setup will be considered.

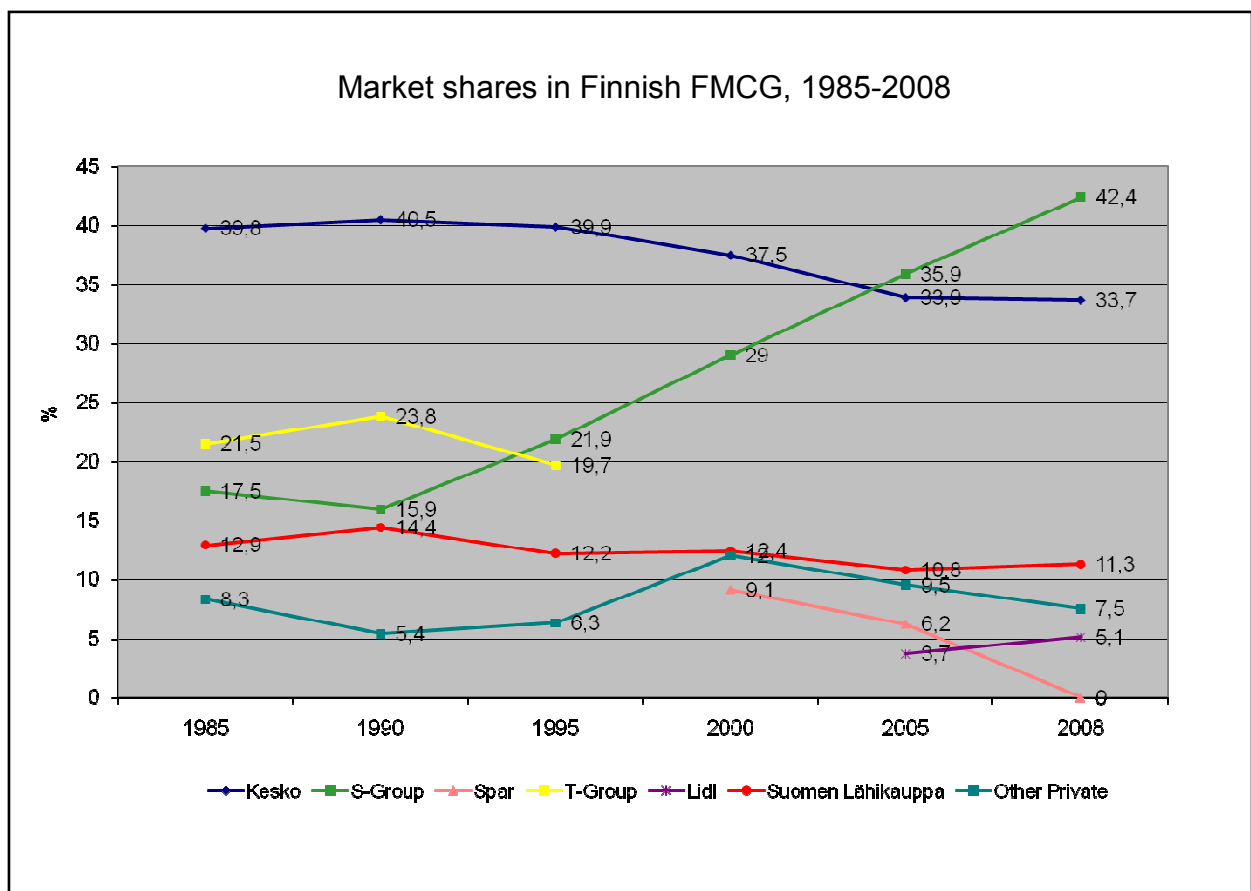
4.1.1. Finnish retail

Finnish retail in fast moving consumer goods (FMCG) is very concentrated. The two largest retailers, S-Group and Kesko, hold together over 70% of the total market in grocery retail. On the manufacturer side, number of major players involved is higher but also this side of the market has been constantly consolidating (Lindblom & Olkkonen, 2008).

Looking at recent statistics by AC Nielsen, total sales of Finnish grocery and supermarket retail at the end of 2008 were almost 14 billion euro. Largest chain in the market is S-Group with sales of

5972 million euro and 42.4% market share. Second largest group is Kesko with sales of 4753 million euro and 33.7% market share. Third largest player is Suomen Lähikauppa Oy with 1595 million euro of sales and 11.3% market share. These three companies take together over 87% market share and the rest of the market is divided between smaller companies (AC Nielsen, 2009).

In graph 3 it can be observed that the greatest competition regarding market share has lately been between S-Group and Kesko. Looking at the past 5 years, it can well be concluded that S-Group has been the gainer in the competition for market share, especially at the cost of Kesko.



Graph 3: Market shares in Finnish FMCG 1985-2008 (Kehittyvä Kauppa, 2009)

The competition between Kesko and S-Group is very characteristic of Finnish retail, especially in the grocery context. Although both companies are operating in multi-branch retail trade with stores and operations for example in food, home, building and car trade, the profiles of the companies are somewhat different.

S-Group

S-Group consists of collection of cooperatives and central SOK cooperative with its sub-branches. In total the group consists of 22 regional and 10 local cooperatives. S-Group's operations and business include supermarkets, fuel and service stations, department and specialty stores, tourism and hospitality, agricultural as well as automobile trade and even banking. For the overall business of S-Group grocery retail is a significant and important area. Of all business branches, supermarket retail is the most significant area for S-Group, generating sales worth of 6 683 million euro or 56.5% of total sales of 11 821 million euro (SOK Corporation, 2009). In recent years, S-Group has been very successful in its daily retail strategy and has managed to grow its share of the market. For example, its super- and hypermarket chains S-Market and Prisma hold the two top positions in Finnish grocery retail with most sales in 2008 (Peltola, 2009).

Kesko

Like S-Group, also Kesko is a multi-branch trade company. It is not a cooperative, but operates through a dual model combining central Kesko group and its operations with independent retailer entrepreneurs who are responsible for running numerous stores. Kesko has been also aggressively building its operations outside of Finland. While S-Group had only 215 million euro worth of sales in Baltic region, did Kesko generate over 2000 million worth of sales abroad. Observing Finnish grocery retail, the focus of this study, the role of food trade within Kesko is proportionally smaller than at S-Group. With total sales of 4110 million euro, food's share is approximately 43% of Kesko's total net sales of 9 600 million euro (Kesko Group, 2009).

Authorities

As the competitive setting in Finnish retail is almost oligopolistic, it has been under constant scrutiny by Finnish competition authorities. For example, S-Group's acquisition of Spar operations in 2005 was critically reviewed but ultimately accepted by the competition authorities (Rantanen, 2005). Also other operations and procedures between retailers and suppliers are under constant surveillance. For example Nielsen's Scantrack, an information service on retail sales and market shares, is not currently available to the different retail parties in Finland. This is due to the decision of Finnish competition authorities, which requires that some parts of the service and information provided through it must be adjusted to the special environment and competitive situation of

Finland in order to be compliant with the competitive laws. Due to these regulations, the retailers have decided not to invest to the redesigned Scantrack, but for example put resources into their own scanning and tracking capabilities (Kampanja, 2008; Niemelä, 2008).

4.1.2. Stores: Hypermarkets

Focus of this study will be around hypermarket size stores in Finnish retail. Hypermarket, as defined by Kesko's Annual report glossary, is a retail store selling great variety of goods on self-service principle. Its area exceeds 2500 square meters and even though half of the area is covered by non-food items, the sales focus is still on groceries and other daily items (Kesko Group, 2009).

There were a total of 104 of these stores in Finland in the beginning of 2009. Kesko owns most hypermarket stores, a total of 64. S-Group runs 51 hypermarket size stores and Suomen Lähikauppa 25. Other companies in the market do not have any stores in this category, so in terms of competition the hypermarket sector of Finnish grocery retail is even more concentrated than rest. According to AC Nielsen data (2009) hypermarket size stores created total sales of 3460 million euro, accounting for almost 25% of total retail sales. Only large supermarket size stores created more sales, 4704 million euro. However as calculated from the data, the average sales per hypermarket store are significantly higher: 24.7 million euro per hypermarket versus 8.7 million euro per large supermarket (AC Nielsen, 2009). The reason for this study's focus on hypermarket stores is due to their significant role in serving the needs of baby food category shoppers. Nielsen's data from year 2007 shows that from the total amount of baby food sold, 43,8% of the value and 46,1% of the volume came from shops with size over 2500 square meters, equivalent to the previously given definition of hypermarket (AC Nielsen, 2008).

4.1.3. Category: Baby food

It can be said that baby food as a grocery retail category is very distinct from many other categories available in the stores. I have personally worked on space management projects around baby food categories in Finland and probably have better than average understanding of the category's function, features and specialties. In the following some of the general characteristics and special attributes of baby food in Finland are discussed.

Category's characteristics

Key characteristics of baby food are nutrition, quality and safety. Baby food is meant for babies from four months onwards and the range of products does expand all the way to toddlers of over a year of age. Generally baby food is strictly controlled and the requirement for quality is high by consumers and authorities (Lindqvist, 2002).

It is important that baby food products give right nutrition to the growing babies in the safest and healthiest possible way. For this reason, these products are often developed in cooperation with medical experts on baby nutrition and do include for example minimal amounts of added sugar or other ingredients (Piltti, 2005). Authorities are also very strict on the marketing and advertisement practices related to baby food. They follow the marketing in order to ensure that right type of information about the products and their nutritional values is given to the consumers (Latvala, 2006). As for infant formulas marketing, promotions, selling the product with a loss or any other similar activity are simply forbidden in Finland. This is due Finnish authorities' strict application of WHO code from year 1981 that limits all types of sales and marketing promotion of infant formula products (Evira). Given these limitations, also marketing and promotion in store environment for the baby food category does have some special characteristics, as discussed later.

Category role

Baby food category is often considered to be a destination category in grocery retail. It is a category which consumers fitting the category's consumer profile often use as one of their criteria for choosing the store they shop in. Even as a destination category baby food is a special case as it is sort of an "on/off" category. This means that baby food is certainly not a destination category for all the shoppers, but for a rather limited group: families with small children. This is the primary shopper group of the category and people outside this segmentation rarely do impulsive shopping in baby food, like one might do for example in candy or carbonated drinks categories.

Considering Dhar et al's (2001) division of category roles (see figure 4), baby food category can well be described to be high frequency as the shoppers of the category do need to buy baby food frequently for the daily nutrition needs of the baby. The other descriptive, penetration (percent of households buying in the category), depends very much on the shopper profile of a given store or demographics of certain area, which then defines if baby food is a high or low penetration product. Given the focus of the research on hypermarket size stores where families often tend to shop, baby

food can be considered to be generally a high frequency, high penetration product category in these stores. This conclusion is supported by a shopper study noting that baby food consumers tend to appreciate the baby food shelf over rest of the store in their shopping. This means that store with good assortment and competitive prices in baby food are more probable to attract these customers (Jonsson & Ekstedt, 2002). Considering that hypermarkets usually have more dedicated space for baby food, it can well be concluded that baby food is high penetration and frequency in these stores.

Products

Baby food market around the globe is quite similar when it comes to products. As defined by Datamonitor research, the category consists of following products: canned and jarred baby food, ambient baby food, baby juice, baby snacks and infant formulas. The formulas are generally divided into three: liquid concentrate, powder and ready-to-feed. According to Datamonitor's research on global baby food market, in 2004 66.4% of the value in 20 billion US dollar market came from infant formula sales (Datamonitor, 2005). Even though the basic product range is more or less the same around the globe, emphasis and importance of different products in the category does vary a lot. As the research of this thesis concentrates on Finland, the features of Finnish baby food category are discussed in more detail.

In figure 6 is depicted the product tree of Finnish baby food category. The division of products at different retail chains and suppliers do vary a bit, but are the same on a fundamental level. As it may be observed from the product tree, baby food category is divided into four main product groups: baby food in jars (including drinks), porridges, gruels and infant formula.

This tree structure is applied from baby food tree used by AC Nielsen, the provider of Scantrack information for the industry and retail. The picture can be considered to be presenting the Finnish baby food category product tree and be equally applicable at different retailers and suppliers applications of it.

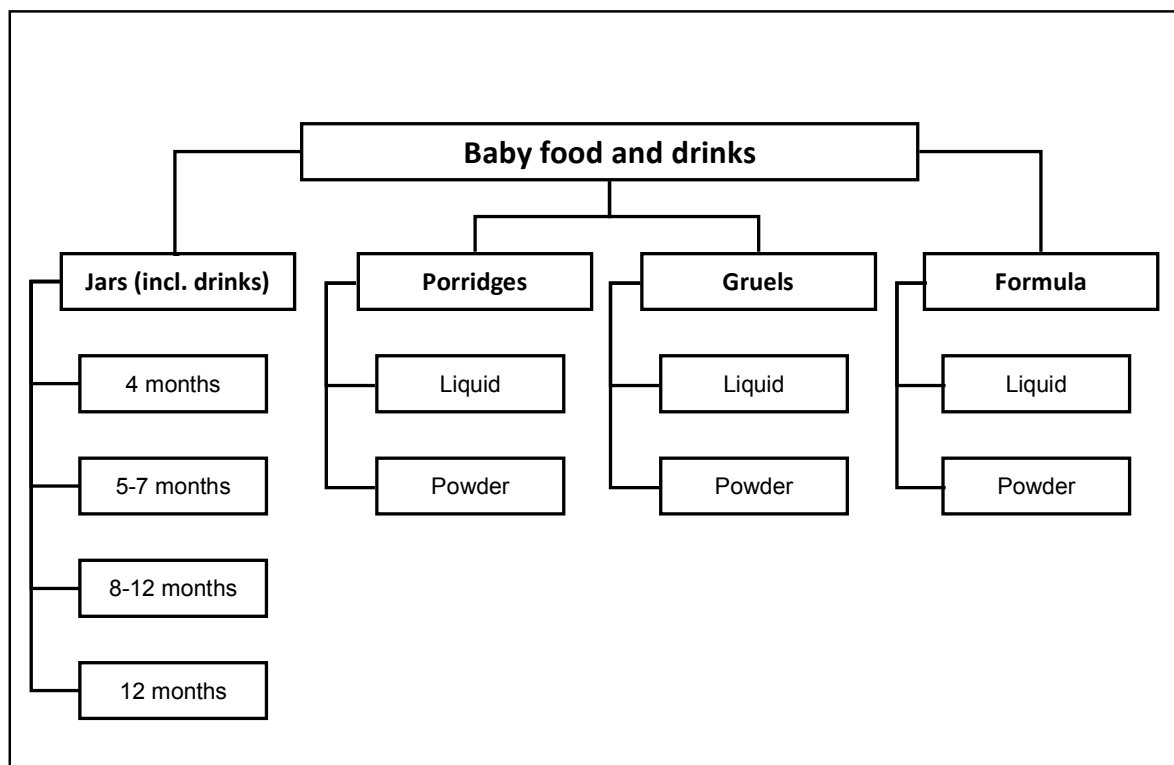


Figure 6: Baby food category product tree in Finnish retail (AC Nielsen, 2008)

Traditionally the share and importance of baby food in jars has been very large in Finland as around half of Finnish parents feed their babies with jar food. It is estimated that Finns are the most active users of jarred baby food products in the world (Lindqvist, 2002). An article by Turun Sanomat notes that quite recent trend in jar baby food has been the introduction of meals for children over one year, usually for ages between one and three years, so the product group for children of 12 months actually covers ages from 12 to 36 months (Kimpimäki, 2008). This seems to be global trend, as the suppliers intention to produce more complicated and food like meals is mentioned already in Datamonitor's report from 2005 (Datamonitor, 2005).

Other significant food product groups are baby porridges and gruels. In the Datamonitor listing, these seem to be included in the ambient baby food products, but in Finland they are recognized as independent product groups with significant shelf space. Most of porridges and gruels sold are ready to use products and only small percentage of sales comes from the porridge and gruel in powder/flake format.

Third large product group are the different infant formulas. More variety and options are offered in ready to use products which are also the most sold formulas, while the portion of powders is significantly smaller. Sometimes baby drinks are listed as a separate category group but at least in Finland they can be considered to be a niche product group, as only small amount of products are available when compared with the other four groups.

Like on the global scale also in Finnish baby food category, much of the value is generated by the infant formulas as they usually are the most expensive products. According to AC Nielsen data on baby food sales in Finland in 2007, infant formula generated almost one quarter of the total category value with less than tenth of volume. As speaking of volumes, almost 80% of all baby food sold in Finland is baby food in jars (AC Nielsen, 2008). This also shows up in the Finnish baby food shelves, where the different age segments for baby food in jars take up over half of the available shelf space (Kimpimäki, 2008).

As considering the average assortment of baby food category in a Finnish retail store, it is very much depending on the size of the store. The usual unit of measure in stores is a module, 90 cm wide "backboard" that usually has 3-7 shelves attached to it. In smaller stores, baby food category might be only size of one or two shelves, but in larger super- and hypermarkets, the size of baby food category can vary from small six modules setting into gigantic 16 modules. On average stores with eight modules or more hold around 300 different products under the category product groups.

Producers and shares

Size of Finnish baby food market is over 60 million euro. This is shared mainly among three major producers which are Suomen Nestlé Oy, subsidiary of global food manufacturer Nestlé, Nutricia Baby Oy, owned by multinational Danone, and Semper, a Swedish food producer. There are also few smaller suppliers, often specialized on niches such as organic baby food or special diets. Of these best known brand is HIPPI, specialized on organic baby food, sold in Finland by Swedish Arvid Nordquist.

In Finnish baby food, Nestlé is the market leader in with around 55% market share, followed by Nutricia Baby with estimated 30% share and Semper is third, having roughly 10% of the market (Kimpimäki, 2008; Korhonen, 2008). When observing the different product groups Nestlé is generally the biggest in baby food jars and Nutricia Baby has the largest share in porridges and

gruels, especially in the ready-to-use products. In infant nutrition Nestlé is estimated to have the largest share, but Nutricia's products are on a strong second place (Kimpimäki 2008, AC Nielsen 2008).

Brands

While none of the baby food producers are originally from Finland, most of the brands in the category are very local as well as part of their production.

Nestlé sells products under three brands: Piltti, Nestlé Bona and NAN. Both Piltti and Bona are brands with Finnish origins and have ended up in Nestlé's use through acquisitions and mergers. Especially Piltti is a traditional and well-recognized brand among Finnish consumers and is definitely the biggest brand in Finnish baby food category. Its brand line consists of baby food in jars and porridge and gruel powders. Nestlé Bona product range covers baby food in jars, gruels, porridges and special products like baby drinks. Infant nutrition is sold under global Nestlé brand NAN. Majority of Piltti and Bona products are manufactured in Finland by Nestlé in the only Finnish factory specialized only on baby food. Almost half of the baby food produced there goes to export and rest is used for Piltti and Bona products (Nestlé Finland webpage; Kimpimäki, 2008; Korhonen, 2008).

Nutricia Baby is selling products under two brands: Muksu and Tutteli. Like in Nestlé's case also these brands are Finnish, originally owned by Valio Oy. They ended up in Nutricia's use through a larger deal between the companies. Muksu product line covers both baby food in jars, gruels & porridges as well as some special product like baby drinks. Muksu is especially popular brand in ready to use porridges & gruels. Tutteli is the brand name for Nutricia's infant formula products. Majority of Muksu products as well as Tutteli infant formulas are produced in Finland, but Nutricia also imports some of its products (Nutricia Baby webpage; Kimpimäki, 2008; Korhonen, 2009).

Semper does not have separate brands for different products and everything from baby food in jars to infant formula, gruels and baby drinks are sold under Semper brand. Majority of Semper's products are imported from Sweden where they are also produced (Semper, webpage).

What is noticeable about the brands in Finnish baby food category is that there are no private labels. Pirkka brand owned by Kesko group used offered a private label baby food in jars. Also these

products were produced by Nestlé's factories but have not been available in the market since early 2008.

Consumers

One of baby food category's special features is its consumers, as the shopper and final consumer of the products are different. Primary shoppers in baby food category are parents with children aged less than two years. The children, in their part, are the primary consumers of the products. As it is quite obvious that babies can not purchase their own food, the parents are the required "middleman" who make the consumption decisions in stores.

Baby food, mainly the food in jars, has also secondary consumers. For example, fruit and berry purees in jars are popular among teenagers, students and athletes as nutritional, cheap and ready packed snacks (Kimpimäki, 2008; Lindqvist, 2002). As an example from Finnish baby food market, largest secondary consumer group of baby food are under 25 year old women (Kimpimäki, 2008).

Quality and safety are characteristics that baby food shoppers appreciate and look for. Shopper insights study on baby food category emphasizes that for parents, shopping baby food is not only about brands and products but also about the safety and feelings of their babies. On top of this, they look for nutritional, convenient products that provide good taste and enjoy for the baby (Jonsson & Ekstedt, 2002). Given this dimension of category's characteristic, it can be said that baby food is a product category where besides utility and value also the emotional behaviour of the consumers affects the shopping practices. Given the behaviour of consumers in the shopping situation as well as their demand that the producers' products are suitable for their baby, building trust and recognition is as important as having the right assortment available at shelf.

Discussion

In previous, the characteristics of baby food category in Finland have been discussed from various viewpoints. As it may be observed, the category is quite special within retail and does have numerous defining characteristics that are significant not only for suppliers, retailers and consumers of this category, but also for this research. In the following, retailer-supplier collaboration in baby food category management and captainship in Finnish retail is discussed.

As mentioned, baby food is generally considered a destination category for the people fitting to the customer profile. These primary customers are generally families with children under two years old. What makes this interesting destination category for the retailers is the fact that a shopping basket of families with children tends to be larger than many other shopper segments' baskets. Besides baby food, families need to also buy other baby care products, especially nappies, larger amounts of food and in the case of hypermarkets, also other children products such as toys and clothes. In his presentation, Ahtela (2008) has presented Nielsen shopper research from 2007 where shoppers are divided into seven segments: pre families, new families, maturing families, established families, post families, older couples and older singles. Out of these segments, two fit the shoppers of baby food category:

1. New families. Households with children under six years of age

2. Maturing families. Households with children between 0-17 years. (Not all under 6 years or over 10 years)

Findings suggest that these two segments make up 16% of Finnish households but do create 24% of retail purchases. This is very significant share, while for example post families (household of 35-54 years of age, no children at home) make up 22% of shoppers but do only 19% of total retail purchases (Ahtela, 2008).

One could think that attracting these segments to the store with a well managed baby food category would be beneficial for the retailer as it probably encourages the consumers to shop for other categories and will bring overall benefits to the retailer. However, the situation is not this straightforward. It is true that baby food is a destination category for many stores, especially in the larger store concepts. Considering the two traditional marketing methods, price and differentiation, almost all stores in the Finnish market have decided to lure customers to this category with prices. This means that margins in baby food are generally low, in some product groups even negative.

Due to the low profitability and because of the large number of products in the category, baby food might not always be the most interesting category for the retailer to care for. While there are numerous categories in store which have better profitability, less complexity and also include retailers own private labels, it is understandable why baby food could be sometimes neglected.

However, this is somewhat controversial. On the other, retailers recognize baby foods potential to

lure in customers and therefore keep its prices and margins low. But then simultaneously, due to the low margins, they might not have the interest, time and effort for the management of the category as resources are limited and there are dozens of other things in store that need to be taken care of.

Suppliers on their part do have all the interest in managing the baby food category in the best possible way. Unlike the retailers, suppliers do not benefit indirectly from families shopping in other categories during their trip. Of course manufacturers of multiple products such as Nestlé could benefit from sales in ice cream, cereals and coffee as well, but reification of these results is somewhat challenging.

Given retailers possible lack of interest for managing the category due to low margins, lack of private labels or any other reasons, baby food category in Finnish retail can well be considered a good proving ground for category captainship arrangements. This could mean that the industry or at least the category captain could have more influence on the category's decision-making.

Considering that the shoppers and consumers of baby food are different, this does create an interesting challenge. On the other hand, suppliers will have to be able to produce products that are suiting the taste of the babies and fulfil the nutritional requirements for the infants. At the same time, they must have brands that the shoppers do trust and buy frequently as well as enough assortment variety that the shopper can find the products they perceive as the best possible nutritional range for their babies. It is suggested by shopper insight study that baby food category is a sort of a closed space within the store. This means that consumers make their buying decisions independently in the baby food category based on its appearance, assortment and atmosphere, while the ambience of rest of the store does not play a big role. It is also suggested that almost 80% of shopping decisions in baby food category are made already at home (Jonsson & Ekstedt, 2002). Given this, there should be enough incentive in creating a working and inspiring baby food category in stores, so that the shoppers are able to find what they are looking for, enjoy a pleasing shopping experience and top of it all maybe even be stimulated to try and buy new products.

In order to create the workable shopping environment, aspects brought up are for example the order of products in the shelves as well as the information shared to consumers at the point of sales. As considering the order of products, discussions comparable to the assortment recommendations of category captainship practices have taken place between the retailers and suppliers in Finnish retail. For example, use of planograms (shelf layout plans) is common among both parties. Opinions of

different retailers and suppliers differ significantly in these matters and no widely accepted practices or principles exist. For example, views on what would be the best order for different brands do vary from supplier to supplier and retailer to retailer and no industry standard has been established. As for the information and marketing material, the situation is similar: all extra material makes the shelving more complicated, but at the same time the need to inform consumers on the brand, products and especially their ingredients and nutritional values is recognized. Open questions remains around these matters and through this research I hope to be able to shed some light on these issues as well.

In discussions with both the representatives of suppliers and retailers, the challenges of keeping baby food category in order has been brought up. As there are so many products, with some of them moving from the shelves at very fast pace and others just very randomly, keeping the shelf stocked and neat looking takes some effort. One open question therefore is if the use of external help for shelving that would relieve the work load of retailers, be beneficial for management of the category and should therefore be included as part of category captainship practices in baby food category.

All this brought together, baby food category in Finnish hypermarket retail does create an interesting research setting for category captainship and management. Quick conclusion is that retailers probably would need and welcome help to better manage the category, but the open question remaining is how much and which type of. These and other questions posed by this research will try to be answered in the following part of the case research.

4.2. Case research

For the purposes of researching the case, following section will modify the initial research framework introduced in chapter 3 with the case characteristics and introduce the chosen methods for conducting the research. Following this, the findings of the research are presented and discussed.

4.2.1. Case adjusted research framework

Given the characteristics of Finnish retail environment and the baby food category, some aspects of the case do reflect the previously introduced research framework (figure 5) based on the

observations made from the previous literature. In the following, key characteristics from case are discussed and then the adjusted framework is introduced.

First of all, the Finnish retail market is very concentrated and basically two major players dominate significant share of daily retail and groceries. Given this oligopolistic setting, the Finnish authorities are constantly observing the market and the behaviour of different players. For this reason, for example detailed market data such as provided by AC Nielsen, is not generally available. This strict competitive situation along with the authorities added interest in the market also rules out some of the category captainship practices, such as recommendation on price which has been suggested as one of the means for suppliers to be involved in category management.

As considering the category in question, baby food, it also has numerous special characteristics. Baby food as a category is very distinct from many other categories found in grocery stores. Key characteristics of baby food are good and healthy nutritional products for babies and toddlers under 2 years. Quality and safety of the products is an absolute must for the consumers as well as the authorities.

Baby food is destination category for families with children aged less than 2 years. This group is also the primary consumer group of baby food. It actually has two different consumer profiles: parents acting as the shoppers and babies who are the end consumers. There is simultaneously a need to appeal to the taste of babies (product, assortment) as well as the expectations and requirements of parents (brand, shopping experience, assortment). Secondary consumers of baby food are for example athletes, teenagers and women under 25 years looking for cheap, tasty and nutritional products.

In store, baby food category is very independent of rest of the store and consumption decision on it takes place in a sort of “closed space”. In baby food category variables such as nutrition, safety and quality are much appreciated and the consumers are keen on finding required information on these when doing their consumption decision. Marketing and promotion practices of baby food category are closely followed by the authorities and the suppliers have to take certain steps to ensure that the information and image provided of the products in marketing as well as in store follow the official

requirements. For infant formula, this for example means that no marketing material or promotional activity of any sort can take place.

In Finland, due to the category's role and tight competition, baby food is often sold on zero margins. At the same time, from operations perspective baby food is a category with huge number of products which in turn means significant amount of work to keep the category in order in stores. This tends to create a mixed approach from retailers: on the other hand it is considered to be a strategically important category as it brings in well paying customers, however at the same time it tends to be tactically complicated with multiple products and low margins. Due to the latter reasons, the category might not raise enough interest among retailers to take care of it well. On the supplier side, there are number of producers who have specialized on the products of baby food category, constantly introducing new products and innovations and wishing to serve the consumers in this category as good as possible. Given the complexity of the category and retailers limited resources, suppliers should have some open space and opportunity for actually helping retailers in the management of the category and at the same time ensure that the category gets the attention it requires from suppliers' perspective.

Baby food category in Finnish retail can be consider as a good proving ground for CC but there is still a need to understand what is most required by the retailers in order to manage the category well. Considering the findings from previous literature, the suggested supplier practices of giving recommendations on assortment, promotion practices as well as the contents and order of shelf space do seem to apply in this case. Currently the practice in the retail is that recommendations of assortment and shelving aspects are often combined in the use of planograms so also this perspective should be noticed in the research framework. Based on the case's characteristics other features to be considered are external shelving aid to ease the work load of retailers and use of promotional material such as product info for the customers to enhance the shopping experience.

Considering the special environment of baby food in Finland it must be noticed that one of the means outlined in the category management and captainship practices is completely out of question. Despite being suggested by the literature, supplier provided price recommendations are certainly something that would not be accepted by the Finnish competition authorities and therefore these aspects should not be reviewed in the actual research.

The findings from previous literature were earlier summarized and presented in a research framework (figure 5). Taking into account the characteristics of the case in questions, this earlier framework has been revised and is presented in figure 7 as the research framework for this study.

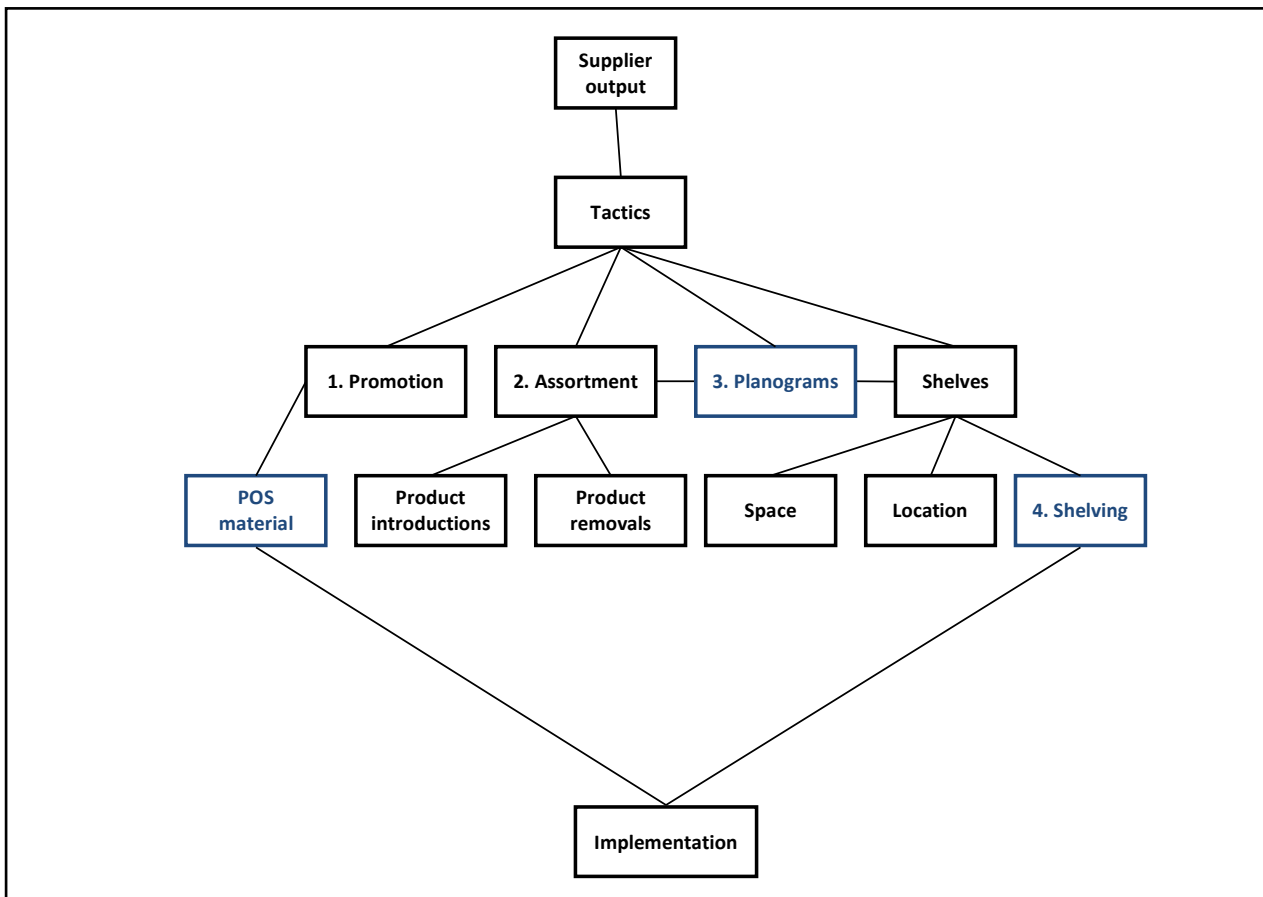


Figure 7: Revised research framework

As suggested previously, category management tactics is the point where suppliers can best be involved in through CC practices and recommendations. Given the suggestions of previous literature and the characteristics of the case, it may be concluded that there are four major aspects that the research should take into consideration:

- 1) **Promotion.** This includes all the promotional activity taking place in store. Aspect brought up from the case is the use of various point of sales material, such as information on products for the consumers. Other such material could be more traditional marketing material or gifts and giveaways included with products.

- 2) **Assortment.** As suggested by previous literature, recommendations on assortment should include the recommendation on optimal assortment, introduction of new products and removal of “unneeded” products.
- 3) **Planograms.** Planogram is a used practice in Finnish retail and the study aims to find out also its role and need in baby food category management. As suggested by the case, subcomponents of the two other areas, assortment and shelves, are often combined into planograms. Usually planogram illustrates the optimal layout and product facings in the category shelf and therefore the elements of “shelf” can be considered to be covered by planograms. Planograms also give recommendation on the assortment that the category should include. Of course the case could also be that assortment is given and fixed before the creation of planograms, but the link between assortment and planograms is expected to be so close that it is illustrated in the framework as well.
- 4) **Shelving.** Literature suggests that recommendations made by category captain do include issues on how space is allocated within the shelf as well what location is given to different products in the shelf. As the case suggests, the space and location matters are dealt with planograms, so this area will concentrate on suppliers’ role to keep the shelf in order as well as the functionality of shelves in retailers’ daily work.

These are the key areas of the study as observed from previous literature and the case environment. Besides these, the study will also observe the relationships between retailer and suppliers, which is one of themes of this research and has also been notified as the intangible link related to collaboration in category management and captainship. Aim is to discover how the work in the category is seen and experienced by the research subjects in the various matters presented in the framework as well as in general. In the following, the research methods for conducting the study are introduced in more detail.

4.2.2. Research methods

Research method

As considering the research method, semi-structured interviews with the representatives of the retailer has been considered to be most appropriate. Interviews are generally considered as one of the most common research methodologies in qualitative research. Hirsjärvi et al. (2009) suggest that

interviews are chosen for example when the interviewer wants to give the research subject to express himself in a open way or the interviewer has the need to do clarify or deepen the answers of the research subject.

Given the complexity of retail and category management, interview does give an opportunity to better focus on the matters which are significant and meaningful to the research subjects. Of the types of interviews, semi-structured or theme interviews as suggested by Metsämuuronen (2008) seem to be the most fitting. As the study has already defined the key focus areas from previous literature and case environment, discussion should concentrate on these but still flow to the direction where the research subjects have most input to give. Completely open interview might deviate too much from the original research focus and too structured interview on the other hand might lead to situation where valuable information from the research subjects is never discovered.

Based on this, the interview questions were divided under seven main themes and 2-4 questions were prepared for all of the themes. The interview questions can be found in Appendix I. The main themes are also listed and discussed below:

- 1. General.** Includes few general questions to open up the conversation and draw the big picture regarding baby food category management at the research subject's store.
- 2. Promotion.** Questions around promotion practices in the category such as information and marketing material, regarding their usefulness and need in category management practices.
- 3. Assortment.** Aims to discover the key characteristics of a baby food category assortment and discuss the possible sources (suppliers, chain) for the assortment.
- 4. Planograms.** Questions regarding the application of planograms, their usefulness and like with assortment, also the different sources. Also the aspect of product order on shelves is included.
- 5. Shelving.** While planograms deal with other shelf related matters, this theme discusses more practical approach: shelving and how the shelf and the product packages work in the daily work of the retailer
- 6. Suppliers' role.** Questions regarding suppliers' current role as well as the needs for their involvement in baby food category management. In this theme, matters related to all four focus area will be discussed from the perspective on suppliers' role.

7. **Comparison to other categories.** Aim of this theme is to link baby food category in to the larger context of the whole store. Theme tries to discover how well other categories in store work or what could be learned from retailers' experiences in them. This theme links to all of the focus areas from the framework, trying to see what is required to make a category "tick" in retailers' perspective.

In addition to the discussion themes and questions the research includes also a questionnaire that the interviewees are to fill out during the interview. Found in Appendix II the simple five-point scale questionnaire revolves around the same themes as the interview questions. It requires the interviewees to give their opinion on the importance of them in the management of baby food category. Reason for conducting the questionnaire is to receive some supporting material and data for analyzing the findings of the interviews. When analyzing the answers of the interviewees the data from questionnaire can help to understand the big picture of baby food category management and make conclusions on the research themes. Although not being purely quantitative method, the questionnaire will also try to break the general black and white division of research into strictly concepts (qualitative) or numbers (quantitative) studies, as discussed and also represented by Hirsjärvi et al. (2009).

Research subjects

As research subjects were chosen six different hypermarkets from Finland. General summary of the interviews is included in Appendix III. Four of the stores are located in the southern region of Finland, one in the eastern parts of the country and one in the west. All of the stores are located in the vicinity of medium-sized or large cities with a diverse consumer profiles. In stores, interviews were conducted with the person most responsible for the management of baby food category, him being usually also the responsible for other industrial food product categories. The background and roles of the respondents vary from sales person and industrial buyers to store owners. All of the interviewees have a significant experience in retail, at least five years, and often in a position with similar responsibilities and tasks that they hold currently. Most of the respondents have also worked in different sized stores and therefore have a good understanding of baby food's significance in hypermarkets as well as in retail in general. Interviews were conducted individually with the persons around the predefined themes and questions. Due to the nature of the research more or less emphasis was given to the discussions of themes as based on the knowledge and interest of the

interviewees to discuss the topics. All the interviews of the research took around 30-40 minutes to complete and were conducted during June 2009 at the respondents' place of work. All the interviews were conducted in Finnish and the titles as well as the quotes presented from different respondents have been translated to English by the author.

4.3. Case findings

In this part key findings of the research are reviewed and discussed in detail. Discussion will follow the structure of the research, so that all of the seven major themes as well as the questionnaire are discussed individually. While this section concentrates on presenting the results, they will also be discussed and compared in relation to previous findings and research framework in the following chapter.

4.3.1 Results

1. General

The purpose of the first questions was to open the discussion with the respondents with whom I had no previous connection with regarding the research subject. As the interviews took place at the respondents' place of work, these questions served also as an orientation to the discussion around baby food category management before going into more detailed themes.

When asked if baby food category is important for their store every single respondent answered yes. Respondents recognized the importance of baby food category as luring in families with young children to the store. They considered it to be a big consumer group and a target customer profile for hypermarket size stores. It was recognized that this group has buying power, it tends to spend significant amount on grocery shopping and while buying baby food they also fulfil other consumption needs in the store. This segment was generally considered as a profitable and good consumer group for a store. As discussing the opportunities of the category, getting this consumer group in to their store was mentioned by over half of the respondents and it was also a dominating vision on what the respondents saw as the category's opportunities.

While discussing the challenges of baby food category, opinions were not much more divided. Two main items mentioned were low profitability and limited space of the category. Four of the

respondents pointed out that majority of the products in baby food category sell out with low margins, especially in the youngest baby food in jar segment where food is sometimes sold out with lower price than bought in. This lack of margins was considered to be a challenge but at the same time understood to be a consequence of the competition in the category. All the stores in hypermarket size keep their baby food prices low and individual retailer does not have much chances for raising prices. Respondent C described the situation as following: *“All the competitors are doing this so we have to go along with the others. There are no chances for change, as this is the practice at competitors as well.”*

Also the consumers are very price aware, as expressed by respondent F: *“In any other category in our store, it (price) is not as important as in baby food. We have to keep equal prices with the competition as the consumers are such alert of any changes”*. He also gave an example of a case where price of an infant nutrition product was raised by few cents due to the producer’s new pricing scheme. This immediately generated comments and questions from the consumers. Due to these reasons many of the respondents recognized that the challenge will not be solved by raising the prices but rather by changing consumption patterns. Three of the respondents thought that by giving more emphasis on the older segments for example by offering snack products in older baby segments and expanding the range of products toward older toddlers would allow better margins in the category for both retailers and suppliers. This view was well expressed by respondent D: *“One of the chances could be to spread the age reach so that even older kids would be eating baby food longer, so there would an option for baby food that is directed directly to them. This however, would be more of the industry’s ball to play.”*

As for the challenges of space, many respondents pointed out the fact that baby food category have numerous products in it. As the shelf meters are not always plenty enough to accommodate all products, the assortment is needed to be cut down. According to many respondents, high number of products also requires quite of an effort and resources to keep it in order at the store.

When asked about the general practices of category management and captainship in baby food category the answers were very varying. The collaboration with suppliers and use of planograms were mentioned by four respondents. Also mentioned were promotions, selling in larger patches straight from pallets and using shelf ends as a promotion space. An interesting example of a successful combination of price and quantity promotion was given in regards of ready-packed baby food six packs. Instead of making people to choose which 6 products to include in the promotion,

Nutricia offers a ready assembled pack. This makes it easier for the retailers to sell the product and keep the shelves in order. At the same time it tends to bring up the shoppers' average purchase in the category. These were some of the general examples that the respondents gave and more information was discovered as the category management practices were discussed in more detail in the following questions.

2. Promotion

When asked about the best promotion practices five of the respondents pointed out the use of price and mass promotions. As the consumers are very price aware, it was suggested that promotions where buyers get for example five jars for two euro do generally work best. These were considered especially efficient in cases where promotions are placed to the shelf ends or on pallets. However, mass promotions seem to be one of the most used practices at retailers in general, as expressed by respondent A: *"Mass promotions are the best mean. Large masses in a good location do sell always, no matter what is the product"*. Also respondent B had a similar view, stating: *"Absolutely the best solution is a shelf end with a good price promotion."*

Other aspects in regards of store promotion mentioned were large assortment, good looking and well designed shelves that are kept constantly in order and complimentary products given for baby food shoppers. However, three respondents pointed out that the products should be of good quality, useful and the promotions should take place only couple of times a year. As other mean for promotion was suggested the offering of new products for home tasting. According to one respondent this has stimulated consumers to buy them afterwards in significant amounts. One respondent also suggested that having tasting in store is something that has never been done but might well be a worth of try. As changing of consumption patterns was reflected in the challenges discussion, the respondent seemed to consider these means as a way to maybe change the patterns.

As discussing the amount of marketing and information material in the category, the answers were much divided into two. Generally respondents recognized the need for providing information on baby food to the consumers. Four respondents considered that more information could be available than currently. As suggested also by the previous findings, respondents considered shopper to be very alert while shopping baby food, wanting to ensure the safety and quality of the products they are buying. Respondents also pointed out that information on allergy-suitable products, their ingredients, new products, product changes, organic options and other aspects is good to have at the

point of purchase. Three respondents also mentioned that information on new products should be provided more actively by the suppliers both to consumers as well as for the retailers themselves. Although product-related information was considered to be useful by the respondents, there was not much demand for more marketing material. Generally the respondents were not too keen on the idea of using shelf space for promotional purposes. Some of the respondents even doubted if there is any benefit, as expressed by respondent F: *“I wonder if the consumers even see the material at shelves.”*

While respondents considered providing of product related information to be important, majority of them also agreed that the ways in which information is currently provided is not the best. All suppliers in the category tend to use notes, brochures and promotional equipment that are loosely attached to the shelf. As the traffic in the aisles is high, these products do not stay in their place and quickly make the shelf area messy. This could also be one of the reasons why most respondents were asking for more information, but not so much for promotion material. In order to keep the shelf clean, they clearly tend to prefer the more important material to be present.

As a result, most of the respondents wished for more organized and clear way of presenting the information at the shelf area. Suggested solutions were for example use of centralized info points such as billboard or pole where all key information could be added. Two respondents suggested the use of information slips that could be easily placed under the shelves plastic edging, keeping them in place. Generally, the respondents preferred solution was a clean and practical shelf. As they see practical and good-looking shelf as one of the means for promotion, this preference over loads information and marketing material can well be understood.

3. Assortment

As discussing the features of a good baby food category assortment, the answers were unanimous. Every single respondent emphasized the need for a vast and wide assortment which offers variety of products and options to consumers. The general requirement for vast assortment was well summarized by respondent B: *“In the assortment, there has to be something for everyone. There needs to be organic products, wide number of different brands, there has to be as much options and choices for the customer as possible”.*

Respondent F pointed out that the assortment in Finland is very vast as compared with other countries and that is the way the retailers, suppliers as well as the consumers want it to be. In order

to develop the assortment, one of the respondents saw that there could be more variety in baby juices and three wished for more snack products in older categories. Otherwise the options available today were considered fine as long as they are all included in the assortment at the shelf.

When asked if the stores use an assortment recommended by their chain or assortment customized to their store needs, everybody pointed out that their aim is to include everything possible in the assortment. This means that both products recommended by their chain as well as almost everything else available is often included in the assortment. Generally the respondents had or wanted autonomy in the building of category assortments because some products, for example organic, do have very varying consumption and demand patterns in different locations. Respondents said that new products are added as they come out as well as when the customers ask for products that are not currently in the assortment.

The only limitation the respondents had for leaving products out from assortment was lack of space. Still, only one of the respondents admitted that they look at sales data few times a year and drop out some of the worst selling items in order to save some space and free it up for better selling products. Another respondent with considerably larger sales space pointed out that they include everything in the assortment as the baby food generally has long preserving times usually from one to two years. For this reason even the least selling products will move from the shelf before last selling date. This seemed to be the general practice and worst selling items usually had at least a bit of dedicated space in the shelf. It is somewhat surprising that the respondents have not taken more active measures in managing their assortment that trying to include everything possible in it. Considering that margins was seen as one of the biggest challenges, use of reduced assortment where best selling items have more dedicated space could well be a solution that the respondents could benefit from. However, it seems that currently the respondents do not have plans to do this, but they rather grow the category shelf space in order to better accommodate the products. All in all, the respondents were very unanimous on the aspects regarding assortment as everyone considered a large assortment to be the best characteristic and also aimed to have such assortment in their store as well.

4. Planograms

If assortment was the area where respondents were most unanimous, discussion around planograms created the most diverse opinions of all themes included in the study. Majority of the respondents used planograms in a way or another but their view of its usefulness and need for it varied a lot.

Three respondents pointed out that planograms are good starting point for building the shelf. They give a general idea on how the shelf should be constructed and often speed up the building process. One respondent considered planograms to be almost useless, especially in the case of chain provided pictures. One respondent admitted that the only time he uses planograms is when the suppliers are wishing to rebuild the shelves by using them.

It seemed that the opinions of the respondents were divided very much based on how they considered the planograms to be used. General opinion was that planograms, even when modified for the store, rarely fit as such but need modification either at the building stage or later when its can be observed how the shelf behaves in practice. Respondents taking this attitude and using planograms in this way: planning, building, measuring and editing, seemed to be fairly pleased with them. They also seemed to understand planograms purposes as a reflection of real world that can help the category perform better. This view was expressed well by respondent D, who said that in her store the pictures are often done in cooperation with suppliers and expressed her satisfaction on planograms as: *“I do have an eye for perfection, so I tend to find some small things that need to be adjusted. Technically there’s nothing wrong with the pictures and they are generally ready for use as such.”*

As for the more negative opinions, the approach on planograms seemed to be more that they should mirror the truth as good as possible. They did not see the need to edit shelves as a natural part of using of planograms, but rather as a shortfall that prevented the pictures to be useful. From this perspective, planogram should be more of a perfect, tailored solution that works as well in reality as on paper. This perception was well reflected on the opinion of respondent B: *I do not see value in their use. Planograms never fit with the shelf... If it would be done individually for stores, the result would be much better. Not even so many planograms would be needed, one per year is would be enough, if it just would be done like that (tailored)”*.

As asked about the planograms provided by industry, everyone had been using them, generally more than the general pictures provided by their chain. One respondent pointed out that pictures meant for the whole chain probably do not fit anyone as the shopper profiles and consumption patterns are so different. Four respondents referred to the fact that when using supplier provided pictures they also get the industry representatives to rebuild the shelf which is always a good thing for the store.

Respondents considered the biggest annoyance and reason of dissatisfaction in the use of planograms to be the fact that suppliers tend to do the pictures according to their own standards that strongly favour their own products. Respondent F expressed her frustration to the situation as follows: *“The competition is bloody with every damn company. It is annoying that the company making the planograms puts always and everywhere their products to the best possible places”*

As an example of this practice, respondent E presented a case where shelf build by Nutricia was so biased towards their Muksu products that the shelf ran constantly out of better selling Bona and Piltti products. The store had to redo the whole shelf to make it more balanced.

It was also pointed out by the respondents that the space and location in shelf really needs to be delegated based on the popularity of the products and not on the preferences of the suppliers, as for example moving good selling products to the bottom shelf tends to drop their sales drastically. This is very much in line what has been suggested in previous literature on category plan objectivity. Respondents generally wished that the suppliers could find some generally agreed rules on these practices. Bottom line was that as long as they do not find such solution and probably also after it, the planograms and plans provided by suppliers need to be controlled and checked by the store as well. As two respondents pointed out, the best solution that serves the need of everyone is usually found through collaboration and cooperation between the retailer and suppliers. Although some of the respondents maybe considered the situation to be more problematic, respondent A considered that situation has developed from the past and today all suppliers are more active and diligent in their work. She sees that this is also reflected in the planograms: *“Probably no one would today draw a picture which would be completely biased. The shares of others must be taken into account in every supplier’s actions.”*

As part of the planograms also the order of products in shelves was discussed with respondents. Everyone agreed that the current practice where products are divided under age groups in baby food in jars, porridge and gruel segments is the most logical. Three of the respondents had also created a snack segment where the snacks from older baby food categories were joined together. Aim of this is to make the snacks more available to the consumer and change the consumption pattern from 4 months fruit jars that sell at a loss to products with better margin. The respondents that had the snack shelf in use were generally pleased about it and thought that it boosted sales of baby food snack products in the category. Also two of respondents who currently do not have a separate snack segment, thought that it might be a good solution that serves both the needs of the consumers as

well as brings up the low margins for retailers.

When considering the order of products within the segments, the general agreement was that brands should be emphasized over taste, colour or any other characteristic. Many respondents pointed out that baby food consumers are usually very brand loyal and tend to look for products within a brand. This was described by respondent A as follows: *“Consumers in the category are very brand loyal. They usually buy the familiar brands and products”*. Also considered was that for the store it is better to have brands within segments and preferably organize them in vertical blocks within the shelf as opposite to laying them down horizontally on shelves. Respondents considered that vertical order makes brands and products more accessible for consumers and makes sales campaigning, such as where consumers get for example three Semper jars for a euro, easier for the retailers. One respondent also pointed out that it is much fairer practice to all the suppliers as every producer needs to put products both to the best places as well as to the least selling top and bottom shelves. These reasons were well highlighted in the response of respondent B: *“By no means, should they [the products] be according to tastes, as it makes building campaigns much more difficult. Brands need to be ordered neatly in upright position, so that offers and campaigns can be constructed in clear way to the shelf. Brand should be first, because the consumers look first for it, taste and other things are just their secondary options.”*

5. Shelving

As shelves were discussed, the respondents' answers to the questions presented were very similar. When asked about the sales packages of baby food and their functionality in retailers' everyday work, everyone said that the packaging format is very functional. Most of baby food is delivered to the stores in large packages: 6 to 12 products placed on a carton bottom and wrapped in plastic. For the stores this is quite convenient format for shelving as they just need to remove the package and place the whole carton package to the shelf. All the respondents were very satisfied with this way of packaging and only two suggestions for improvements were given. First, two respondents pointed out that carton packages with only six jars are much more convenient than the ones holding more: they are lighter and do give more flexibility for placing them on shelves. As pointed out earlier in the general questions, the ready-made six packs for consumers were also considered good solution for both its convenience and sales effect. As for the other given suggestion, one respondent thought that providing more products on ready-to-be-sold pallet would be helpful. This way a full pallet of products could be quickly placed to the shelf area and by wrapping one plastic off it would be ready

for sales. However, for this practice the prerequisite was that suppliers should come up with a product mix of well selling and quick moving products, such as snacks, for the pallets. Other than that, the respondents' general view on baby food sales packages was positive.

As talking about shelf's functionality in daily work, all of the respondents again agreed. But unlike with baby food packages now the agreement was more in a negative sense. Like suggested in case characteristics, respondents noted that baby food category withholds numerous products and requires loads of work to be kept in order. The respondents said that they receive baby food shipments 2-3 times a week and placing these shipments to shelves requires 1-2 persons to work full time almost the whole day. It was pointed out that due to the quite convenient packaging baby food shelf is somehow doable for the stores, although it takes lot of time and resources. If the products would need to be laid down to the shelf jar by jar, it would be almost impossible to keep them in order. One respondent admitted that to save time, he often places the new products on top of the older ones, not caring about FIFO (first in, first out) practice as the jars have so long due dates and sufficient turnover that eventually everything is sold before final consumption date.

Three respondents pointed out that putting the shelf in order on shipment days is not enough and it needs to be checked and cleaned more often. As one respondent put it, baby food shelf is the only shelf in their whole store that needs to be visited every day: every other day there is a shipment coming in and in the days between it needs to be cleaned and arranged. When discussing the challenges in the upkeep of shelves, many respondents also pointed out to the help they receive from the suppliers. As this is also a separate theme in the questions, I have included that discussion as part of the next section. Despite of the amount of work the shelf requires, the respondents generally agreed that when the daily maintenance of baby food shelf is done, it is a good and working shelf both for the customers as well as for the store. As respondent A worded: *“When baby food shelf is in order, it is very good. It is a clear and good entity.”*

6. Supplier's role

When discussing the role of the suppliers in baby food category management, the respondents considered it to be significant. Everyone recognized that suppliers are taking quite active role in the category management, especially through the participation of their sales representatives. Generally the respondents thought that the participation of suppliers and their sales force is good. Many considered this to be due to the tight competitive situation in the category, which was also found to

be bit of an annoyance. As discussed earlier, quite a few respondents thought that there is no common ground between the suppliers to work on and this has led to a situation where everyone is pushing aggressively their products and ways of organizing the category. At the same time they tend to neglect the other players. As one respondent put it, baby food is definitely not the only category in such situation but it still requires an active participation and judgment from the retailer in order to be successful.

There were three major areas of supplier participation of which at least one was mentioned by all of the respondents. Most often brought out was the need for suppliers to actively update and inform the retailers about the changes in their assortment. As there are thousands of products in the store, the retailers are not able to follow them all. Therefore the suppliers really need to make sure that the new products get to the shelf as well and that departing products are taken out of the assortment. Respondent A thought that this is crucial for well functioning category and bit more could be done by the suppliers in order to have their message through. Respondent C shared a similar view: *“Supplier’s role in the category is definitely significant... All the information on new products and other, it’s all coming from them. I do feel this to be important.”*

Another important area as discussed already in relation to planograms is the help provided by suppliers for building and updating the shelves and preparation of different promotions. Most respondents appreciated this and considered it to be a valuable help and practice from suppliers’ side. Third area mentioned, though less frequently, was the sales data, analysis and projections received from suppliers. It seemed that retailers do not have too much time to do this at a detailed level, so all information available from suppliers is considered helpful in discussing and managing the category. Some of the respondents, like respondent D who was actively participating in the shelf planning process with suppliers, were very fond of using this data to develop the category, while some were pleased to have it but did not see it as a highly important input from the retailers. Like with planograms, the opinions on the usefulness of the data seemed to be depending on the activeness of the retailer in putting their own effort to the baby food category’s management together with the suppliers.

Two respondents pointed out also that agreeing on product and price promotions at store level is welcomed feature from suppliers. Although this was not mentioned as the most important feature, but as price is so important for the shoppers and margins so low in the category, it is understandable why the respondents warmly welcomed suppliers’ flexibility to do local promotions on top of the

chain-wide deals as well.

Despite of the general satisfaction in suppliers operations in baby food category management, at least when too aggressive means are set aside, the retailers did have one area where more help was wished for. As pointed out already in the discussion around shelving the respondents wished that the suppliers would be more active and helpful in providing extra hands on the weekly shelving work. As respondent E worded: *“Help in shelving is absolutely a 10 + effort from the suppliers”*.

Apparently Nutricia was most active in this area, as three respondents pointed out that they receive shelving aid from the company once or twice a week. When visiting the store, this person stocks the shelf with company’s products and puts them into good order. One of the respondents had shelving aid also from Semper and HIPP. Rest of the respondents did not receive shelving aid at all or only on a very infrequent basis. Still every single respondent considered it to be important and essential aid that suppliers should provide to them. As discussed, baby food category causes loads of work for the retailers while bringing in only low margins and therefore the respondents considered shelving aid to be a good way from the suppliers’ side to be involved in the category management. However, as three respondents pointed out, it should not be just an outsourced service but rather a person from the supplier company who would understand the role of the category in the store, dynamics of the shelf as well as the characteristics of the products.

As part of the discussion the respondents were also asked to give their opinion on who of the suppliers has done significantly good work in baby food category. The answers to this were quite varying and one conclusion from them is hard to draw. Probably the most significant reason on the different opinions is the relationships that the respondents have with different suppliers’ sales representatives. If the relationship with one of the representatives is significantly better than with others, this is most probably reflected on the answers, especially if the actions of the suppliers are generally on par. However, the relationships are not the only defining factor as it can be observed from discussion on the answers below.

One respondent thought that all three major companies, Nestlé, Nutricia and Semper, are doing a good job in baby food category management and named them as equally good suppliers. Two of the respondents did consider that the two biggest suppliers Nutricia and Nestlé are quite equal in their efforts in the category and named this two as their preferred suppliers. However, both of these respondents as well as few others recognized that Nestlé is the supplier with biggest brands and

most established operations, while Nutricia has more of a contender and challenger role in the category. Two of the respondents found Nestlé to be the best supplier in the category. Both said that this is due to the resources and effort the company can dedicate to baby food in their store. One of the respondents appointed Nutricia as the best suppliers for them. Reasons for these were for example price and promotion campaigns that the sales representative can do at a store level as well as the aid they provide for shelving of the products. Same respondent also pointed out that Nutricia's representative can give more focus on baby food, while Nestlé's and Semper's need to work with other categories as well. All in all, the respondents were pleased with suppliers' efforts in baby food category and thought their role to be significant.

7. Comparison to other categories

While making comparison to other categories the message coming from the respondents was almost unanimous. The respondents were asked to name the best working category in their store in general as well as the one where the participation of suppliers was the best. For the first question two of the respondents named cereals, mueslis and other breakfast products. Reasons for this were very rational and practically orientated: the shelf has clear and limited product range with only small amount of changes per year, the products are easy and fast to shelve and it is very easy to create a good looking, functional shelf in the category. Care-free and convenient were obviously the motivation for many of the answers.

The same view was reflected in the answers of rest of the respondents, as they nominated candies as the best functioning category in store. Candies were also chosen unanimously by every single respondent as the category where suppliers' participation is the best. As one respondent put it, suppliers' participation in candy category is even more sophisticated and inclusive than in baby food. The suppliers take a big role and do huge effort to better manage the category and virtually leave the retailer only the role of checking and approving their plans. As described by the respondents, the participation of every supplier in candy category includes active sales representatives as well as shelving aids that visit the store 1-3 times a week to take care of the products. On top of it, most of the companies are very flexible and willing to negotiate local promotions and campaigns. Most companies adjust their assortment based on real sales data in order to have optimal assortment in the store and do actively take part in drawing planograms and resetting the category's shelves few times a year. Especially appreciated was the work done by

Fazer and Leaf, but generally respondents were very satisfied with all the suppliers in the candy category. One respondent pointed out that due to suppliers' high participation the work load versus profitability ratio in candy is one of the best in their store. Other comments given in regards of suppliers work in candy category were for example:

"Easy to take care of" - Respondent D

"No need to do any work" – Respondent E

"Best overall package from the suppliers" – Respondent B

Of course this situation does not come without reason but is, like in baby food category as well, due to the tight competitive situation in candy category. Three respondents pointed out that the suggestions from candy suppliers tend also to be biased and do require oversight from the retailer. Despite of the tight competition, the discrepancy between different suppliers in candy does not seem to be as noticeable as in baby food or at least the retailers are more pleased with situation where the suppliers take an active role in managing category on a daily basis as well as developing it at long term. On top of it candy category also brings in good margins and profitability to the retailers, which at least some of the products in baby food category are missing.

Questionnaire

As presented previously besides the interview the respondents were given a questionnaire that asked them to rate with a number from 1 to 5 (1= Not important at all, 5= Very important) the importance of various aspects in category management. The questionnaire is found in Appendix II. As discussing these results it must be reminded that the questionnaire was done only with six people so it should not be treated as statistically significant data but rather as a supporting element for the analysis of the research. In table 3 are presented the results, average, standard deviation, minimum and maximum values and numbers of respondents for different parts of the questionnaire.

Topic	AVG	STD	MIN	MAX	N
Store promotion	4.23				
Promotion material	4.17	0.41	4	5	6
Information material to consumers	4.33	0.52	4	5	6
Price campaigns	4.20	1.30	2	5	5
Assortment	4.46				
Variety	5.00	0.00	5	5	6
Availability	4.50	1.22	2	5	6
Chain based assortment	4.00	0.00	4	4	3
Store specific assortment	4.33	1.21	2	5	6
Planograms	3.94				
Use of planograms	3.83	0.98	2	5	6
Chain based planogram	3.00	1.15	2	4	4
Store specific planogram	5.00	0.00	5	5	6
Shelf	4.71				
Appearance of the shelf	4.83	0.41	4	5	6
Shelves practicality to the consumer	4.83	0.41	4	5	6
Shelves practicality to the store	4.40	1.34	2	5	5
Easiness of shelving	4.50	1.22	2	5	6
Shelf-Ready Packaging	5.00	0.00	5	5	6
Suppliers involvement	4.20				
Store promotion practices	4.33	0.52	4	5	6
Supplier provided planograms	4.33	0.52	4	5	6
Supplier provided assortment	3.17	0.98	2	4	6
Supplier provided shelving aid	4.67	0.52	4	5	6
Supplier provided sales promoter	4.50	0.55	4	5	6

Table 3: Questionnaire results

General observation is that the results of the questionnaire are quite much in accordance with the answers of the interview. Interestingly, highest overall value is given to the shelf just before assortment that was generally considered as an important area by the respondents during the interviews. As looking at the factors of shelf, all the factors have received generally high points. Expectedly “shelf-ready packaging” received high marks and zero variance, which in line with respondents’ considerations that this type of packaging greatly helps in shelving. As the interview revealed, they also considered the packing to be sufficient at the moment, so there is probably not much room to improve on this matter. However, some interesting notions can be made for two factors with higher variance: “shelves practicality to the store” and “easiness of shelving”. These two received the lowest average and highest variance in the shelf category, which is quite contrary to respondents’ considerations about the high workload in baby food category and shelves. Although during the interview respondents generally agreed on that baby food is hard work for the store, the questionnaire reveals that not all of them consider this to be a high importance matter. The variance in these two questions could be interpreted as an indication that at least some of the

respondents are willing to work bit more in order to ensure that the shelf is convenient for the consumer, rather than having to do less and have worse shelve functionality for the consumers.

As for why average of assortment, which was emphasized as the key thing by the respondents during interviews, was left behind shelf few reasons can be observed. The average is clearly brought down by the questions in relation to assortment. Only half of the respondents rated “chain based assortment”, giving it only fours, which significantly lowers the overall average. This is generally well in line with interviews, where significantly more preference was given for tailored assortments. In this light, the high variance in answers for “store specific assortment” is more surprising. In the interviews, there was a clear preference for assortment that is fitted to the needs and demographics of the store. However, this does not seem to be all of the respondents thinking in relation to this factors importance. One possible reason for this could be the difference in attitudes that respondents have towards category work. While some respondents emphasized the level of convenience and for example wished for planograms that would reflect reality as well as possible, it seems that some respondents are willing to put more of their input to the developing of the category and therefore do not consider for example ready made store specific assortments to be so important.

There are also interesting observations to be made for some of the individual factors. Out of the individual factors three were valued as 5 by all 6 respondents. These were the variety of the assortment, use of store specific planograms and shelf-ready packaging that was already discussed previously. As expected, assortment in general ranked high. As the interview pointed out assortment and especially vast and varied assortments is a defining character of baby food category for the respondents. The results from the questionnaire assure this as “variety in assortment” ranked as the highest individual factor.

As the planograms were discussed, the opinions of the respondents were quite divided. This is seen also in the questionnaire where the four different factors related to planograms have received quite different points and variances. Also to one of the questions, “chain based planograms”, all respondents have not even answered. In the interview it was revealed that all respondents used planograms in some way but not all considered them to be very important or useful. This was especially due to the fact that some respondents did not like the fact that the planogram, despite how well made, rarely fit the reality perfectly. At the same time, some of the respondents had more

relaxed view on the matter and found planograms useful. This also shows up in the questionnaire, as “use of planograms” receives the third lowest points from all sub factors, but also has a high variance as some of the respondents have rated it with a 5. While discussing how the planograms are being used, many respondents admitted that one of the key drivers for their use are suppliers, who both tend to offer their input with ready planograms and also help building the shelf according to the plan. This practice of suppliers is often done specifically for the store, so the planograms tend to fit better than chain-wide planograms provided for all stores with same number of shelves. These aspects are also reflected in the questionnaire, as “supplier provided planograms” receives good points with low variance and “chain based planograms” is considered significantly less important than “store specific planograms” that has received full grades with zero variance.

Contrasting the factors with highest marks with the low end of individual factors one can make an interesting observation. In the questionnaire, the lowest points were given to “chain based planograms” (3.00) and “supplier provided assortment” (3.17), which both also did not receive full 5 points from any of the respondents. For the first, the variance is fairly high but on the other hand only four respondents have rated it and for the latter the variance is moderate. As observed in the interviews, respondents tend to value high degree of autonomy and independence while doing assortment and shelves in their store. This can also be observed in their questionnaire answers where the given low points refer to the fact that help from the chain to build planograms or from the suppliers to choose the assortment are not considered to be important. At the same time, “store specific planogram” and “variety” which many respondents took almost as a synonym for having everything possible in the shelves, no matter the chain recommendations, did receive high marks.

4.3.2 Case summary

Findings of the case point out that category management and retailer-supplier relations in baby food category in Finland are generally conducted in a positive manner. The respondents were satisfied with the way that category is currently operated and how suppliers are involved in its management. Baby food category is a big in hypermarkets and therefore important for the retailers. This is especially because the category lures in families with young children, a consumer group concerned to be good and wanted from store’s perspective.

In the research, assortment was found out to be the one of the most important individual matters for the respondents. Especially wide variety is a key element for most of the respondents. Generally every respondent aimed for the widest possible assortment and considered only the lack of shelf space to be preventing them from carrying every available product in the category.

Promotions in stores were generally found to be well functioning, as the suppliers are actively bringing up campaigns and ways to promote the products. Some demand did exist for more information material to the consumers, but at the same time all respondents wished that the material at shelves could be distributed in a more organized way than currently.

Planograms divided the opinions most. Many admitted using planograms just for the benefits they receive through suppliers' participation in drawing the planograms and rebuilding shelves based on it. Other recognized benefits were the aid that planograms give on building the shelf or visualizing how the shelf would look when done. At the same time, some respondents argued that they do not find any added benefits in planograms. It was suggested that this difference in opinions is especially due to what the respondents consider the planograms to deliver. Generally admitted were also that majority of respondents mainly use planograms provided by suppliers as they also design and build the shelves. As these planograms are generally more tailored for the store's needs, planograms provided by chain were not seen as very useful by the respondents.

When discussing shelves, respondents considered them to create a significant work load for the stores due to the size of the category and the number of products in it. As the situation is such where retailers wish to have a big number of products in the category and suppliers offer great variety to choose from, it seems that there is not too much that could be changed or fixed. Respondents did recognize that the current packing solution for products is working quite well and makes their work in the category convenient and straight forward.

It seems that most of the inconvenience experienced with the shelving and managing of baby food category relates to its low margins, as the category brings in only minimal returns with maximal amount of work. As presented previously, the situation regarding wide assortment and numerous products is not probable to change. Therefore the problem should be addressed from the other side

of the equation, by making the category margins better. Margins are especially low in 4 month jars and as consumers are generally very price aware the respondents saw that the best thing for fixing the situation would be to change the consumption patterns. As means for this were suggested for example the introduction of more snack products such as juices and food products for children as well as the establishment of separate snack segment in the category.

The respondents noted that the lack of generally accepted rules on planograms, shelving and other practices among the suppliers does drive them to aggressively push their own products at the cost of others' and the best of the category. Respondents found this to be an annoyance at least when planograms and shelving solutions as well as collaboration with suppliers in general were discussed. Although the retailers do have their part in all of the matters discussed, it appears that the opportunity to fix many of the inconveniences is more in the hands of the suppliers. From retailers' perspective, they should be the ones coming up with innovative solutions in order to develop the category further.

All in all, studying the case revealed many interesting aspects on baby food category management and relationships around it from retailers' perspective. Baby food in Finnish retail seems to be a well-working category but does not come fully without problems. As the discussion and comparison to other categories especially pointed out, there is still room for improvement and development in the baby food category and its management.

5. Discussion and conclusions

This final chapter of the thesis pulls together the observations of the study. First, the findings of the case study will be discussed and considered from theoretical perspective, both in relation to used research framework as well as observations from previous literature. This is followed by discussion on the managerial implications of this research both in the case in question as well as in category management and captainship in general. Finally, the study is summarized by concluding considerations on study's achievements and limitations as well as on possible future research.

5.1. Theoretical implications

5.1.1. Research framework

In the following, the research framework and its elements presented in figure 7 are compared and adjusted to the findings. It seems that the structure of the research framework has been right, as all respondents did recognize the discussed areas as important and did not have any additional topics they would have preferred to discuss regarding in relation to category management and collaboration in baby food. Same applies for the questionnaire, where all areas received fairly high marks and none of them received the lowest mark, although to four subjects not all of the respondents' answered. This seems to indicate that also the questionnaire included the most important subjects in relation to the focus of the study.

In promotion, besides POS material also other means such as quantity campaigns, price promotions use of shelf endings and giveaways were suggested by the respondents as possible means to do promotion activities in store. Although discussion specifically on POS material rose quite a bit of discussion and various opinions, from retrospect I do not consider it to be so important function of promotions that it has to be raised above other means as it was done in the research framework.

Very interesting observation was that my original expectation of assortment and planograms going hand in hand in baby food category management was a fallacy. Discussion with the respondents as well as the results from the questionnaire revealed that at least the researched retailers see these two as very separate things. Assortment seems often to be decided and done by the retailers themselves,

while planograms are constructed in more cooperation with the suppliers.

On the other hand, the link between planograms and space and location, two parts listed originally under shelves, was very strong. To make the model more fitting with the findings, I would move these two variables to be part of the planogram. It seemed that although respondents had some preference over certain matters regarding the layout of the shelves, they did not have strong guidelines or principles to follow in this area. As a result, the shelf often seemed to be organized in the way that the suppliers had suggested in their planograms and just later fixed as needed.

Finally, shelving was considered to be a very important matter especially due to the great workload in the category. Although there was not much other room for improvement than shelving aid provided by supplier, I would raise this issue in par with the other focus areas. Judging from the findings and answers, it can be said that the research framework served its purpose and most of the observations made from the previous literature as well as the case environment were significant and fitting the actual research. However, if the study would be conducted again, the framework would be modified with the mentioned changes and would look like as presented in the figure 8:

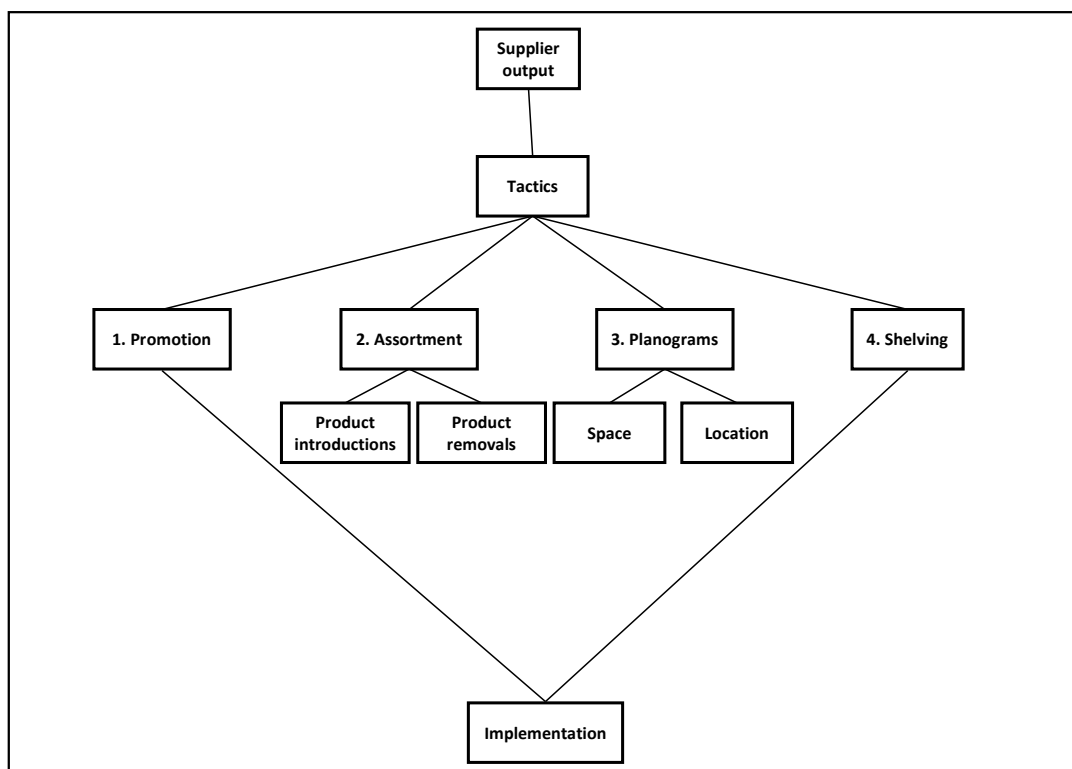


Figure 8: Reviewed research framework based on results

5.1.2. Previous literature

The purpose of the case has not just been to research and describe the management of baby food category in Finland, but also compare it against the observations made in previous literature. Discussion on the most interesting observations is conducted in the following.

As the definitions of category management were discussed earlier, two key notions on the role and purpose of CM were made by Dussart (1998): 1) product category treated as a business unit and 2) customizing marketing close to local shopping. Both of these terms seem to take place with baby food category in Finnish hypermarkets. All respondents recognize the importance of baby food as an individual category luring in wanted and well-paying customers. At the same time, also the problematic situation where category has low profit margins is recognized by many respondents. As for locally customized marketing, the respondents seem to be very keen on providing discounts and campaigns at a local level as well as building the shelves and assortment to fit the needs and interests of their consumers.

It seems that the retailers in the case have understood at least on a general level the purpose and goals of category management. However, this does not seem to be the case with category captainship. As Desrochers et al. (2003) suggest the best benefits are gained from CM when suppliers' and retailers' resources and skills are put equally into to use to produce better decision-making and lower costs. Desrochers et al. (2003) suggest that best way to do this is through CC, as do also Kurtulus & Toktay (2009). They also note that CC is the result of the complexity in categories and lack of resources at the retailer (Kurtulus & Toktay, 2009). As the case proves, the retailers are already now over employed with the numerous categories and products in them. As suggested, baby food is especially complex category with special features such as being a closed space from rest of the store, having a dual shopper-consumer profile and including numerous different products, of which some are heavily regulated by authorities.

Given all this, baby food category was considered to be a prime example and opportunity for category captainship collaboration. However, in the case no clear structures for category captainship arrangements seem to exist and no formal arrangements for the recommendations and their implementation are in place. As Lindblom & Olkkonen (2006b) suggest, the category captain

should have responsibility over development and growth of the category, providing information on product trends and recommending price and shelf-space allocation in the category. Generally it seems that the retailers have given no clear role or responsibility to the suppliers, but just use their input where they feel it to be most fitting case by case. On the other hand, retailers also implied that supplier often were pushing for their own agenda and forgetting about the category as an entity. In some responses, there were indications that individual retailers are trying to build more long-term relationships with retailers but generally this was not the case with the studied respondents. As suggested by Gruen & Shah (2004), the focus on category should not come from suppliers brand and motivates, but more from the retailers side. Obviously, when this input from retailers is lacking and no formal arrangements are in place, it can be expected that the suppliers do not have enough incentives to drive for this orientation.

Placed on the relationship continuum, introduced by Kurtulus & Toktay (2009), CC arrangements in this case seem to be quite weak. Without any clear collaboration agreements in use, retailers appear to be operating equally with all suppliers, taking recommendations and suggestions in consideration where wanted and needed. Some respondents clearly indicate that their chain has some ground rules on what presence different products and brands should have in store, but in the end the retailers are very independent to decide on how they collaborate in baby food category. It seems that respondents' motivation for collaboration with suppliers is not coming from long-term strategic goals or orientation for win-win situation as not much evidence for this type of collaboration was found. Probably more motivating for the retailers are actually the short term benefits that they could generate through the collaboration. As suggested by Kurtulus & Toktay (2005b) one major reason for category management collaboration are the quick wins that retailers can receive both by doing category work "cheaper" and with less resources with the suppliers input in the place. This was observable for example in every respondents opinion on that best collaboration takes place in candies where suppliers do most work. Also some respondents' answers on the use of planograms, which they utilized only to have suppliers input and resources for redoing the shelves implicated similar approach to the use of suppliers input.

Suggestion of Lindblom & Olkkonen (2006b; 2008) that suppliers with more resources do have more influence over category decisions than their smaller competitors, seemed to apply in this case. Especially the two biggest producers, Nestlé and Nutricia, are recognized and preferred by the retailers as the best supplier to work with. As mentioned, this preference probably has much to do

with the level of relationship retailer and supplier representatives have. Still, in the case of Nestlé their size, skills and experience to work in baby food were recognized by many respondents. Considering also Kurtulus & Toktay's (2009) suggestion of ideal CC relationship where supplier with highest brand value is the CC, respondents' choice to work especially with Nestlé seems to be justified.

In literature, assortment is suggested to be one of the key elements in category management, especially as part of category tactics and captainship recommendations. For example, Gruen (1998) suggests that key tactics in category management include assortment along with pricing, shelving and promotion. The importance of assortment can also be observed from the results of this research as all respondents considered assortment to be a core element of baby food category and its management. However, previous literature suggestions and respondents opinions regarding assortment practices turned out to be quite different. In literature for example Kurtulus & Toktay (2005a) suggest that through CC suppliers should take an active role in giving recommendations on what products to include in the assortment and how to place them to shelves. Also Lindblom & Olkkonen (2006b) point out that the influence of category captains or suppliers in general is most often observed as recommendations on assortment planning as well space allocation in the category. Judging from the results in this case, these assumptions regarding assortment do not fit. Respondents seem to prefer being very independent with their assortment decisions. Like pointed out by the low scores in the questionnaire as well as by some answers in the interview, retailers do not consider suppliers' help and recommendations important while building up their assortment. As said, this is very contrary to the views many previous articles had on category captainship role.

Kurtulus & Toktay (2005b) also suggest that suppliers' assortment recommendations are more beneficial to the consumers as they tend to offer more variety and variation than retailers', who tend to prefer narrowed assortment in order increase the competition between retailers. In the case, many respondents used the chain recommendations as the basis of their assortment but aimed to build an assortment that best fits their own store. In the case of baby food, this aim was most often to have the largest possible assortment. While Kurtulus & Toktay (2005b) expected retailers to be narrowing down their assortment, in this case they actually tried to build it to be wide and varying so that it would please and serve all the baby food consumers optimally. So while assortment clearly is an important area for retailers in baby food category management, the way they see it is quite different from what is suggested by previous literature: level of independence is high, need for

suppliers input quite low and generally retailers aim for widest possible assortment that can best serve the needs of their customers.

As observed while reviewing previous literature, much of the previous research has concentrated on the problems and challenges that CM and CC could create, especially for the retailers. Issues brought out were for example the lack of objectivity in suppliers' recommendations through uncompetitive means such as competitive collusion and exclusion (Desrochers et al, 2003). Also Gruen & Shah (2000) pointed out that supplier opportunism is almost a built-in mechanism of CC arrangements and can be present in various ways. These observations from previous literature were also strongly present in the research case. As the previous literature suggests, all suppliers in the case tended to promote their own cause at the cost of the others. Many of the respondents recognized suppliers' opportunistic behaviour in their category management practices, especially in their planogram suggestions. It was pointed out that baby food is not the only category in their stores where this happens, but many of the respondents found it somewhat problematic or irritating.

Opportunism and push for their own cause seem to be very built-in to suppliers' behaviour, but at the same time their input for the category is considered to be important and useful by most of the respondents. In this case, the question is not anymore how to get rid of opportunistic behaviour but rather how to manage it best and mitigate the risks involved. As some of the respondents pointed out, best results from category management practices are reached through collaboration and active participation of the retailers. Instead of handing over the category to the suppliers for a playground, the retailers still need to keep the leashes in their hands and have control over final decisions. This probably is the best way to manage a category in an open and non-biased way. Similar approach is suggested for example by Gruen & Shah (2000) who consider open collaboration as to be the way for successful and better performing category plans.

One of the suggestions of Kurtulus & Toktay (2005a) about the challenges of category captainship is that by handing over relevant information to suppliers, retailers might themselves become passive and eventually lose their understanding of the category and its dynamics. The retailers in this case seemed to be very much the opposite: even though data and sometimes even responsibility was given to the suppliers, retailers still prefer to act in an independent manner, keep a close watch on their suppliers and have the final call on issues when they feel so. This is probably partly due to

tight competitive situation in Finnish retail where both retailers and suppliers push to make the most out of the razor-thin margins. On the other hand, it also reflects the fact that no real agreements for category management and captainship exists between retailers and suppliers in this case. If there are no clear agreements, it can not be expected that there would be sufficient level of trust, orientation for long term benefits or aim for win-win-win collaboration from either side.

5.2. Managerial implications

As these following observation are mainly based on the findings of baby food case, they probably also best fit to it. However, as the findings seem to be quite well aligned with the observations of previous literature, they can also be considered to be good guidelines for others struggling on with their category management and retailer-suppliers relationships in demand management.

While the relationships in the case generally seemed to be good, not much depth and commitment was observed. While suppliers can easily be blamed for opportunistic behaviour, finger can also be pointed to the retailers for shopping around for the best benefits and not engaging in a long term development. As suggested by various authors in the literature, this commitment and orientation, besides openness and honesty, is often the key to success in CM and CC arrangements. Creating benefits through strong relationships can still be considered something that at least the case participants still need strive to. In the following, some suggestion for closing these gaps from managerial perspective are given.

Although the research only involved retailers in its interviews, their perspective on suppliers' behaviour provides also basis for giving managerial recommendations towards suppliers. Literature on CM and CC suggest that definitions of category and its importance should come from the retailer, not from supplier's brand perspective (Dupre & Gruen, 2004). It has also been suggested that objective category plans that reflect reality on market shares, assortment and promotion create the best results (Gruen & Shah, 2000). In this case it seems that the suppliers are not aiming for these goals, but have created much of their input with an orientation only towards their own products and brands. Such an approach is not to the best for earning trust and mutuality that successful category management requires (Aastrup et al. 2007). As indicated by the respondents' answers, no clear structure or common agreement on how the category should be treated and built

seems to exist among the suppliers. For example, suppliers tend to have completely different approaches on what way the brands should be laid down on the shelves. This certainly is not the best way to deal with category management, as the literature strongly suggests that best results can be gained through trust, preplanning and objective category plans which all drive down the negative adversities of category management collaboration (Gruen & Shah, 2000).

Given this, suppliers of baby food as well as in anyone else struggling to get a strong foothold with their retailers, should have objectivity as the goal of their category planning collaboration. As suggested, suppliers do have quite much to be gained from category management, so doing it well should be in their interest. Working or at least communicating across companies, suppliers should aim at defining the importance of their brand as well as their competitors in the category and make plans based on this reality. The aim definitely is not to limit down on competition, but rather set it to more realistic basis from the category management perspective. Just by agreeing on few basic principles regarding the category, such as how often the shelves are redone, what is the order of the brands and what data is used to define the space that different products deserve, would be a good start. By making compromises on these areas, suppliers do not have to spend all their scarce resources just on trying to get their view across every time meeting the retailer but maybe be more productive. By having these industry standards in place, suppliers could put more effort in to developing working relationships with the retailers on a more long term basis and concentrate on innovation and development of new products and promotion practices.

Although the biased and opportunistic behaviour of suppliers has been clearly highlighted both in the previous literature as well as this research's findings they are not the only ones to be blamed and in need of change. As the case findings indicate, also retailers' commitment seems to be often very shallow and based on short-term benefits. Like presented by the literature, short-term solutions or paid captainship do not bring in any sustainable benefits but rather result in suboptimal category plans and higher prices for the consumers (Desrochers et al., 2003). Instead of shopping around for the best deal retailers should start requiring the suppliers to work towards the previously mentioned industry standards. By putting their foot down and demanding objectivity and openness in category management plans retailers can well positively influence suppliers' orientation towards category captainship. Of course this requires retailers to stick to their standards and not change their mind always when offered right incentives or sums. It is probable that if the retailers continue changing their direction when suitable for them, there is not much motivation for the suppliers either to

commit to the development of the relationship or category.

Besides the aim for objectivity and openness, both retailers and suppliers should work towards more long term orientation in category management. Retailers should appoint clear responsibility over captainship to one supplier, preferably based on his competences to do category captainship, and others should follow the suit. Obviously this should not mean that the appointed captain decides for everything in the category, but does do strong recommendations for example on the issues presented earlier in this study: assortment, promotions, space or even price. Similar with requiring the suppliers to follow the principle of objectivity on their plans, retailers should take a clear stand on this as well. Making the rules of category captainship clear, such as who is the captain, for what reasons and how his as well as category's performance is measured would probably take away much of the suppliers uncertainty around category decisions. If everybody involved knows what the rules of the game are, they are probably keener to follow and work in accordance with them. Therefore the retailers should not be afraid of announcing a responsible captain for their category. For sure it will raise some objections, but as Lindblom & Olkkonen (2006b) have found out most non-captains do consider the work of the captain to be objective and the effects of CC to be positive. Like in many other arenas of life, also in retail it is hard to have many different leaders, so retailers should clearly take the lead on category management issues. Let it be the objectivity of the plans or the appointment of category captain, they should define the way to be followed. Suppliers can do their part to courage the retailers to take the lead, but only when the retailers take the steer, can the work in category be best executed.

This need for clear direction and leadership also creates need to move the retailer-supplier collaboration up from the store level towards the earlier planning faces of category management. As suggested by this study, tactical plans of category management and decisions on store level issues are where suppliers' most often are involved. Although this has not been a focus area of this study, it would be important that the suppliers are involved early enough in the planning process. Taking part in retailers of strategic decision making on category management would probably increase the quality of suppliers' recommendations as there is more time for analysis as well as deepen the relationship. As a result, the retailer and supplier can perhaps agree better on how the category should be managed. Although case findings indicate that individual retailers do enjoy and appreciate high degree independence in their work, they would also appreciate help and support from their chain. Top-down approach on category management, at least as long as it leaves room for local

customization, while providing general frames on how to work deal with retailers, what to demand from them and where to involve them for best results, would most likely be valuable. At least if the aim is to create a beneficial relationship and optimal win-win-win situation for all involved parties, from suppliers through retailers to consumers.

5.3. Summary of the study

To conclude, this section considers the achievements of the study in terms on how well the research questions were answered, what is the validity and reliability of the study and what are its possible limitations. Finally, some ideas for possible future research in the research's focus area will be presented.

5.3.1 Research questions

Considering the research question set up in the beginning of the research, it may be said that some answers to all questions were found, but not all of them were being covered in sufficient matter. Both studying the previous literature as well as analyzing the findings from the case provided insights and ideas on what the answers could be on the different questions. As with so many other things, the suggestions presented here are not absolute truths on these complicated matters but rather just an educated view among many others.

Considering the first two questions: “What are the key practices in category management at store level?” and “What should be included in supplier's role as category captain?” the simple answer to both based on previous literature seems to be: assortment, price, promotion and shelves. As observed from previous literature, these four topics are the key focus in category management tactics as well as the suggested involvement areas for category captains. Considering the findings from case, it can be concluded that these four can well have different importance in different categories. In this case, price could not even be considered as being part of CC arrangements due to the regulatory environment, while suppliers' involvement in shelving the category products was considered to be very important. However what was not answered in relation to the second question neither by previous literature or the case findings is what else the suppliers could do in the category than just give recommendations on how to build up the shopping space in the stores. This is to say that despite of significant discussions and recommendations on what could be done at a more

tactical level in category management, more detailed answers on how to deepen collaboration and relationship between suppliers and retailers were not satisfactorily received.

This lack also ties in with the last question “How the supplier could best operate as a category captain in the retailer’s store environment so that it benefits all involved parties (supplier, retailer, consumers)?”, for which the answers found through the research are not as straightforward as for the first two questions. As a general observation made from the previous literature key words for the answer could be relationship, trust and objectivity. As suggested by the literature and proofed by the case, suppliers do have a tendency to push their own cause at the cost of others. However, although this might create positive results in short-term, it rarely drives the benefit of the category and its stakeholders in long term. From this perspective it could be said that suppliers should aim for objective, open and honest view on the category and drive actively this together with the retailer.

However, more observations and research is still needed to formulate an extensive answer on this question, which this study is not capable of doing. This is partly due to its short coming in the research, where only retailers’ point of view was observed, leaving out both the suppliers as well as consumers perspective. Although some conclusions could be made just from the perspective the retailers provide, the answers in this area are not enough to draw them. As discussed above, most of the suggested means for category management were quite tactical and operative, leaving out the more subtle dimensions of category captainship and especially collaboration. This was reflected also in the empirical part of the study, where the research subjects were not really challenged to consider the different aspects of category management relationship. For example, no considerations on what they could do differently were done during the interviews. Due to this the study as such has not been able to discover and observe the collaboration dimension in detail. Therefore it is also hard to give answers to question related to the matter. What can suggested based the findings is that commitment of both suppliers and retailers is a key to success in long term and first step towards it is taken when the trust between these parties is established. But unlike with the two first questions, no definitive and clear answer can be given. This suggestion can more be considered as the starting point for the full answer and the actual benefits as well as suppliers ways of realizing them to all parties would require more research both by taking into consideration various perspectives as well as deepening the level discussion on relationships and collaboration with the research subjects.

5.3.2 Validity and reliability

One consideration with research is always its validity and reliability. Hirsjärvi et al. (2009) define validity as the indication that chosen research methods have measured what they were designed to measure and reliability as the proof that the study results are repeatable if the study was to be conducted again. Given the fact that the main research method in this thesis has been qualitative, individual interviews with research subject in specific case, proofing of validity and reliability is not as straight forward as it might be with more quantitative research approach. As Hirsjärvi et al. (2009) suggest, in qualitative research these terms have gotten different types of interpretations and even though these exact terms would not be used, accomplishments of the study should still be evaluated in some way by the researcher. Reflecting on the study conducted in this thesis, I consider that the study has reached acceptable level of validity and reliability or as I would rather express it, the research has achieved its goals of being compelling study on category management and captainship as well fulfilling the requirements for Master's thesis research.

During the course of this study, I have presented number of evidence and proof, so that the reader could also agree on this view of study being trustworthy piece of research. Considering the research framework, it was built on extensive observations in previous literature, as listed in the reference section of this thesis. To fit the generic framework to the case's characteristics, it was adjusted with observations made in the detailed study of the case environment. To give the readers understanding on what actually was researched and how, the research subjects, environment as well as the general methods for conducting the study were described. Also a mix of both qualitative and quantitative approaches were used in the study as the research subject answered both questions and filled out a question form. As it was pointed out in the summary of the case findings, these two research methods were well supporting each other. Finally, in the observations of results pointed out that the framework seemed to be fitting as research subjects discussed all raised matters in detail. Also the findings of the case study were generally in line with observations with previous literature, although also contradicting findings were made. Considering that the study was a case with special characteristics, this could well be expected. Given the fact that I have some previous experience from the subject area, I have aimed to use this knowledge and understanding only to enhance the study in its preparation phase. On the other hand, I have not let this previous knowledge to interfere with my objectivity while interpreting the results. It is clear that this research and especially its findings from the case are just one approach on the complicated matters of category management and captainship. I still consider the research to be such an accurate, realistic and truthful reflection

of the subject that the same results could have been gained by any other research studying the case and matter under discussion.

5.3.3. Limitations

Despite of having achieved its research objectives, the study is not without limitations. As suggested earlier, doing research is all about making decisions. These decisions rule out certain subjects, view points or approaches on the chosen research area. Sometimes also the available resources or researchers experience can limit what can be done in terms of the study. In the following, some of the main limitations of this study are considered.

First and foremost limitation is obviously the study's concentration on single case, category and geographical location. Baby food category in Finnish retail or even more in hypermarket store definitely is not the most general and applicable choice for study. However, as argued during the research, this has been a conscious decision of the researcher. Of course the applicability of the findings can be argued and be considered a limitation, but as the study, its focus and merits should still be recognized.

Secondly, the case research conducted concentrated only on retailers' point of view. As discussed already earlier in relation to the research questions, the results gathered from interviews can be considered to be reflecting only one side of the coin and should be treated and analyzed with this in mind. The other side would obviously be suppliers take on the matters, revealing how they feel and see the collaboration with retailers. If wanted, third added perspective could be the consumers' considerations. When it takes two to do category management and captainship, including only one perspective in the study can be seen as a limitation. However, this approach should be considered to be sufficient for few reasons. First of all, I consider that studying one side well can create more value than trying to cover a 360-degree view on things but on a more superficial level. Second, the resources and time in use for the research are limited, so narrowing it down from this perspective does make sense. Even though the suppliers view would be included, the picture on win-win-win category management would not still be complete, as the consumers' perspective would have been neglected. Lack of supplier interviews is a clear limitation of this study, but also does leave an interesting research path open for the future.

Third limitation of the study is narrow view on category management focusing mainly to the category tactics at the store level. This has ruled out much else of the demand management practices and is reflected in the fact that discussions around collaboration have been limited especially in the study's empirical part. Looking in retrospect the study could have benefited from some more research and reflection on the preplanning going on before category tactics, especially as the link between strategy and tactics is generally strong. Same applies for more detailed questions towards the respondents on category collaboration, where for example the value of working relationships and retailers own role could be considered. On the other hand actions taken in stores are a clear research area, while including the strategy and collaboration aspects could have well complicated the study significantly. From the research execution perspective, strategy would have also required the inclusion of retailers' personnel from headquarters besides the research subjects from stores. As for the discussion on collaboration, efforts to deepen the study on this area would have been relatively easy, as suggested above. However the challenge with deepening this area could have been the gained input from the respondents, as the observation already now was that they seem to operate in an environment where the collaboration in relationships seems to be fairly shallow from all sides.

Fourth limitation of the study is actually due to the limitations of previous research in the area. As pointed out, research on category management and captainship does lack strong frameworks. As no recognized and widely used theoretical frameworks were available, the study had to use its own. Despite of being strongly based on previous literature on the subject, the framework is not quite the same as using something more established. Of course, the aim of the study was not to prove the framework to be wrong or right, but more to use it as the setting where to build the case research. However, use of recognized framework, if such had been available, would have made it easier to reflect and relate the findings on something that has been discovered in the field previously.

5.3.4. Possible future research

Although this study has managed to answer the questions it posed in the beginning, it has also raised a number of new questions. As discussed in the limitations, nothing can be studied completely and from all perspective. Both studying the previous literature as well conducting the research on the case did raise some considerations and thought on what would be interesting to

know and learn more about. As a food for thought and conclusions, few key ideas are presented.

As the discussion on limitations indicated, having suppliers' viewpoint on the matter would be highly beneficial. It would be it in the terms of this case, but also in larger context. From the previous research studied, most of it concentrated on the benefits and especially on the challenges that retailers might come across in category management and captainship. This is understandable as the retailers are the final decision makers in many of the issues. However, at the same time it would be interesting to understand better what is the motivation of suppliers to be involved in category management collaboration, what do they expect to gain out of it and how would they improve it. As discussed earlier, comparing both the suppliers and retailers view as well as putting more effort into the discussion on different aspects of collaboration, could also well generate some interesting new findings.

Considering the observations made in the study regarding the importance of assortment in baby food category, this area could also generate some interesting research. Especially if done in the case category where wide assortment is considered to be key to success, it would be interesting to study how the use of limited assortment might affect the results and collaboration. Reduced assortment has been widely discussed, researched and claims on its benefits to all parties have been made. It is said that it makes consumer choice easier and cuts down costs for retailers and suppliers. As it could be also observed from the results, this was not something the research subjects had really interest on. As it was suggested by the respondents, widest possible assortment is what is wanted by all parties in baby food category. Given this, it would be very interesting to study and observe how more narrow assortment would affect customers' consumption patterns as well as retailers and suppliers work and profit margins. It would be highly interesting to understand what effects of reduced assortment could have in a category with numerous products, where as wide assortment as possible is currently considered to be the key to fulfil consumer needs and for good category management.

Finally, a suggestion for developing more frameworks on category management and captainship needs to be made. As discussed, the lack of these frameworks is making it hard to building up on previous research as well as treating the subject from more theoretical viewpoint. As for now, the means suggested on category management and captainship is quite operational and more refined

features of relationships between different parties tend to get neglected. Of course it must be remembered that both category management and captainship stem from ECR framework, which is a practical approach on retail by retailers, which obviously limits the degree of theory that can be applied to it. Still, frameworks around the subject matters would be highly useful and would probably enhance future research in the field.

All in all, this study has taken a one view on category management and captainship in retail. It has shed some light on retailers' perspective on category management practices, suggested best ways for suppliers to be involved in it and discussed these matters especially in terms of baby food in Finnish retail. While this study has concentrated on limited area of retail demand management, the reality on it as well as everything left outside of the study's focus are far more complicated and intertwined than described in this study. As said in the introduction, all of these matters are related to one of the world's largest businesses, involving numerous operators, processes, products and transactions. Given this, the area of retail, category managements as well as category captainship should not lack interesting topics for research and will probably employ research at all levels of science in the future as well.

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Appendices

Appendix I: Interview questions

1. General:

- Is baby food category important for your store? For what reasons?
- What in your opinion are the biggest opportunities of the category? What about challenges?
- What measures do you have in use for managing and promoting baby food category?

2. Promotion:

- In your opinion, which are the best practices for store promotion?
- Do you think that baby food category/shelf should have more promotion and information material towards the consumers in store?

3. Assortment:

- What do you consider to be the characteristics of a good baby food assortment?
- Do you use an assortment provided by the chain or one that is modified for your store?

4. Planograms:

- What is your opinion of planograms in baby food category?
- Have you used planograms in your store?
- Have you used planograms provided by the chain or the suppliers?
- What have you been satisfied about in the planograms? And what unsatisfied about?
- What do you consider to be the most suitable way to arrange the products into the shelf?

5. Shelving:

- How well does the baby food shelf function in your daily work?
- Do you consider the packages of baby food to be shelf-ready and functional for shelving?

6. Supplier's role:

- How do you see the role of suppliers in the management of baby food category?
- How the suppliers could best help you in managing baby food category?
- Are the actions of some supplier exceptionally good in the category?

7. Comparison to other categories:

- In general, what category do you consider to be the most convenient for the store?
- In which category the participation of the industry is exceptionally good?

Possible extra questions:

- Do you think that the suppliers could help you in category management?
- Do you think that the suppliers could help you in store promotions?
- Do you think that the suppliers could help you in assortment creation?
- Do you think that the suppliers could help you in planogramming?
- Do you think that the suppliers could help you in shelving?

Appendix II: Questionnaire

In your opinion, how important are the following matters in managing baby food category:

	(5) Very important	(4) Quite important	(3) Can not say	(2) Not very important	(1) Not important at all
Store promotion					
Promotion material					
Information material to consumers					
Price campaigns					
Other, what?					
Assortment					
Variety					
Availability					
Chain based assortment					
Store specific assortment					
Other, what?					
Planograms					
Use of planograms					
Chain based planogram					
Store specific planogram					
Other, what?					

In your opinion, how important are the following matters in managing baby food category:

	(5)Very important	(4) Quite important	(3) Can not say	(2) Not very important	(1) Not important at all
Shelf					
Appereance of the shelf					
Shelfs practicality to the consumer					
Shelfs practicality to the store					
Easiness of shelving					
Shelf-Ready Packaking					
Other, what?					
Suppliers involvement					
Store promotion practices					
Supplier provided planograms					
Supplier provided assortment					
Supplier provided shelving					
Supplier provided sales promoter					
Other, what?					

In your opinion, are the any other important aspects and/or practices related to the baby food category management?

Appendix III: Interview summary

Table presented here includes the summary of the interviews conducted for the research of this study. Explanations of the table's fields are given below:

Interview/respondent = Acronym of the interview and its respondent

Title = Refers to the position the respondent holds in the organization

Date = Date of the interview

Location = Regional location of the hypermarket where the interview took place

Interview / respondent	Title	Date	Location
A	Buyer (Industrial products)	11/06/2009	Uusimaa region, Finland
B	Department head (Industrial products)	11/06/2009	Uusimaa region, Finland
C	Department head (Industrial products)	16/06/2009	Capital region*, Finland
D	Retailer	23/06/2009	Etelä-Karjala region, Finland
E	Sales person (Industrial products)	24/06/2009	Varsinais-Suomi region, Finland
F	Department head (Industrial products)	30/06/2009	Capital region*, Finland

* **Capital region** = Helsinki, Espoo, Vantaa, Kauniainen