

# Supplier Integration in Category Management

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## Intro

The increased attention given to relationship marketing during the last decades (e.g. Anderson et al., 1994; Morgan and Hunt, 1994; Weber, 2001) has created a general acceptance among retail researchers of the importance of collaboration between retailers and suppliers. There are however no fit-for-all solutions for how to collaborate or share responsibilities. Previous studies have reported both positive and negative outcomes from different kinds of collaborations (see Vaart and Donk, 2008 for a review of collaborations in supply chains). An ongoing challenge for retail researchers is therefore to create models that provide aid in suggesting how retailers and suppliers can collaborate.

An integration of suppliers in the development of the category is often mentioned as an integral part of category management (Harris and McPartland, 1993; Gruen and Shah, 2000; Dhar et al., 2001; Dupre and Gruen, 2004). In some cases, suppliers can be granted a category captain role, meaning they function as an advisor in the management of a category (Dupre and Gruen, 2004; Bandyopadhyay et al., 2009; Gooner et al., 2011). An important question to address for retailers is to what extent suppliers should be involved in category management.

The conditions for collaboration in category management are different in different kinds of retailing. To understand how the resources of the retailer and supplier can shape the two actors' roles, this study looks at builders' merchants (BMs) and their suppliers. Here, the suppliers hold important expertise about their products, while the BMs are more knowledgeable about the market and their customers. In addition, the BM stores are often managed separately as franchises or members of a group, where the resources of the store greatly differ from the resources of the BM headquarter. As a consequence, the division of roles and responsibilities between the suppliers, the stores and the BM headquarters is a relevant topic that can contribute to the understanding of how to manage categories in retailing. The aim of this paper is therefore to *explore supplier integration in the category management of builders' merchants*.

## Methodology

The empirical body of this paper is mainly based on four interviews with Managing Directors or Purchasing Directors in BMs. The interviews ranged in duration between one to two hours. The interviews were structured around four activities that are included in category management; Assortment choice, pricing, marketing and inventory management. For each of the activities, the respondents were asked to describe (1) what resources and competences were needed to carry out the activities, (2) the availability of those resources among the involved actors and (3) the need for the actors to acquire certain resources or competences for

improving the activities. Based on these interviews, conclusions could be drawn concerning how suppliers could be integrated into the category management of BMs.

## Conclusions

This paper identifies five resources that are important for carrying out category management, as seen in Table 2. Among those resources, understanding of the products is where the supplier makes the most important contribution. It is therefore in the activities of assortment choice and marketing of the products that the supplier can be partially integrated, as this is where the need for understanding the products is the most apparent.

**Table 1: Resources perceived as important for carrying out the activities included in category management**

	<b>Assortment choice</b>	<b>Pricing</b>	<b>Marketing</b>	<b>Inventory management</b>
<b>Understand local circumstances</b>	x	x	x	x
<b>Understand patterns in market</b>	x		x	x
<b>Understand the products</b>	x		x	
<b>Understand the value chain</b>		x		x
<b>IT maturity</b>		x		x
Perception of activity responsibility	Supplier can be partially integrated	BM should be responsible	Supplier can be partially integrated	BM should be responsible

There is also a demand on suppliers to improve their understanding of market patterns and to increase IT maturity. When suppliers are able to acquire these resources as well, they might be able to make a significant contribution to the remaining activities of category management as well. The product expertise is held uniquely by the supplier in question and therefore considered a complementary resource to the retailer (cf. Das and Teng, 2000). The IT maturity and understanding of the value chain is mainly a demand to be on par with the retailer, and therefore it is considered a supplementary resource (cf. Das and Teng, 2000).

This description of resources provides support for retailers and their suppliers concerning how to assign roles and responsibilities in category management activities. It can also shed light on how an investment in acquiring a certain resource might affect the influence an actor will hold over the category management activities.

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