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## Nature and Effects of Category Captain Arrangements in the Manufacturer – Retailer Relationships

**E**fficient consumer response (ECR) is characterised by the emergence of new principles of collaborative management along grocery supply chains. The best-known business process of ECR is category management (CM). CM is a process of managing categories as strategic

business units – thus enhancing business results by delivering consumer value. A typical form of CM collaboration involves ‘category captain’ (CC) arrangements – whereby certain suppliers (the ‘category captains’) take control of the CM process. Category captains are said to improve the performance of an entire category such that suppliers, retailers, and consumers all benefit. However, the CC practice runs the risk of allowing certain suppliers to abuse their power by improving their own market share at the expense of the other suppliers within the category.

The purpose of the article was to examine CC arrangements in the context of Finnish manufacturer–retailer relationships. The specific research questions of the study were: 1) In the Finnish context, do CC arrangements exist in which suppliers take a significant role in the management of the category? 2) What are the effects of any such CC arrangements from the perspectives of: (i) the category captains; and (ii) those who are excluded from CM decision-making?

A survey study conducted among Finnish fast moving consumer good manufacturers (n = 89) revealed that, in the Finnish retailing sector, CM collaboration does include category captain arrangements in which certain suppliers are able to assert significant control over the management of particular categories of goods whereas other suppliers are more or less excluded from the CM decision-making. Largest manufacturers appear to have assumed the role of category captain. The present study also revealed that the decision-making responsibility of suppliers who are excluded from CM collaboration is generally weaker than that of exclusive captains (or co-captains) with respect to the two key variables of CM – assortment plan-

ning and space allocation. These results reflect one of the major presumed drawbacks of CM – that CM activity might pose a serious threat to smaller suppliers.

Among category captains, the arrangements are clearly perceived to have a positive effect on business-related results, consumer-related results, and on product-related and brand-related results. In contrast, excluded suppliers take a more neutral view on these effects. It should be noted that the opinions regarding the effects of category captain arrangements among suppliers who are more or less excluded from CM collaboration are not especially negative. This might indicate that small manufacturers seem to have at least some belief in the ‘ideal’ of CM and the fairness of category captains.

Generally, there is a need to develop guidelines that would prevent category captains from acting in an opportunistic manner that reduces competition and limits variety of choice for consumers. To avoid these potential problems, it is important that retailers filter category captains’ recommendations before implementing them. However, it is acknowledged that this is difficult because competitive exclusion can take various subtle forms. Retailers should also appreciate that it is risky to be dependent on only a few large suppliers. An exclusive CM relationship with one large supplier can weaken relationships with other suppliers. This can decrease a retailer’s capacity to combine the expertise of several suppliers in producing value for consumers. ■