

St. Petersburg University
Graduate School of Management

Master in Management

**FACTORS AFFECTING
CATEGORY MANAGEMENT PERFORMANCE
IN RUSSIAN FMCG SECTOR**

Master's Thesis by the 2nd year student

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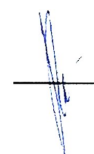
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ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

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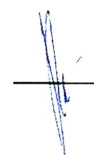


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АННОТАЦИЯ

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Описание цели, задач и основных результатов	Целью исследования является определение влияния факторов на процесс категорийного менеджмента в российском секторе товаров повседневного спроса. К организационным факторам относятся “стратегия и управление”, “инвестиции”, “способность измерять результаты”, “обмен информацией”, “персонал с компетенциями релевантными для категорийного менеджмента” и “преемственность знаний”. К поведенческим факторам причисляются “оппортунизм или объективность”, “коммуникации”, “адаптивность”, “доверие”, “общие цели”.
Ключевые слова	категорийный менеджмент, факторы влияющие на процесс и результат проектов по категорийного менеджмента, процесс категорийного менеджмента, взаимоотношения ритейлер-поставщик, рынок товаров повседневного спроса

ABSTRACT

Master Student's Name	Galina Melnik
Master Thesis Title	Factors affecting category management performance in Russian FMCG sector
Faculty	Graduate School of Management
Main field of study	Management (Master in Management - MIM)
Year	2017
Academic Advisor's Name	Associate professor, Olga R. Verhovskaya
Description of the goal, tasks and main results	The goal of the research is to determine which and how factors affect category management performance in Russian FMCG sector. Organisational factors were defined as “strategy&governance”, “investments”, “ability to measure results”, “information exchange”, “people with category management competencies” and “knowledge transfer”. Behavioural factors affecting performance of projects are “opportunism/objectivity”, “communications”, “agility”, “trust”, “common objectives”.
Keywords	category management, factors affecting category management process and results, category management process, retailer-supplier relationships, FMCG sector

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INTRODUCTION

Research Background

The following master thesis is devoted to factors affecting category management (CM) performance in Russian FMCG sector.

Russian FMCG sector is rapidly changing, and suppliers as well as retailers have to look for new effective ways to achieve a sustainable advantage within the market, which certainly includes CM practices:

First of all, until the present times retail chains were growing extensively in Russia, however, the possibilities for regional expansion are almost exhausted, making retailers look for tools which could qualitatively differentiate them from other chains. CM is one of the tools which could produce a “like-for-like” growth.

Secondly, due to high competition retail chains to change direction and become more “consumer-centric”, which requires identifying customer needs in each product category. They relocate marketing budgets from media advertising to in-store activity marketing tools. As CM concept is aimed on “delivering better consumer value” (Dupre, Gruen, 2004; AC Nielsen 2006), this instrument can be used more efficiently when retailer and supplier join their resources and capabilities in CM projects.

Thirdly, changes in market power balance between retailers and suppliers are clearly observed in last years. Some of retail chains had become significantly bigger than most of suppliers, thus resulting in shifting a bargaining power from manufacturers to retailers (Spector, 2005). In new conditions suppliers with the largest market shares have to collaborate efficiently with retailers in order to keep their leadership. Category management is a promising possibility for suppliers to develop a partner relationships with retailers and to keep a balance in their relationships.

Many suppliers and retailers broadly use CM all around the world (Desruchers, 2003; Gajanan, 2007; Kurtuluş, Toktay, 2011). There is a big amount of literature concerning CM strategies, in-store tactics, all kinds of CM practices (Cortiñas, 2008; Hübner, Kuhn, 2012) and outcomes of CM implementation (Desrochers, 2006; Kurtuluş, Nakkas, 2011; Kurtuluş, 2014).

However, though there are various approaches and studies on category management, there is not a systematic investigation of key factors determining the successful implementation of CM projects. Current studies in this area have rather questionable conclusions and mainly based on emerged market data (Gruen, Shah, 2000; Gooner, 2011), while emerging markets have

particular characteristics of retail chains development. Having in mind this gap, we propose the model of Category Management Factors which directly impact Category Management Performance in Russian FMCG sector.

Research Problem and Objectives

The aim of the study is to build a working model of factors, influencing the performance of CM projects and develop a set of recommendations for category managers in Russian FMCG companies.

In order to reach this goal we should answer the following research questions:

- 1) What are the specifics of CM projects in Russian FMCG sector?
- 2) What are the key factors influencing CM Performance in emerging markets?

Research Strategy and Organisation of the Study

The paper consists of investigation of approaches to CM definition, the theoretical research of CM process, identification of benefits of CM projects for all parties, observation of existing findings in CM antecedents and analysing existing models of factors. The investigation of theoretical sources is resulting in forming factors model, bringing in consideration power of infrastructural and behavioural aspects of the process. Further, as the result of research is suggested a model, taking into consideration the specifics of emerging market context on CM projects.

The theoretical part is supported with content analysis, using semi-structured interviews, participant observation and secondary data analysis as main methods of data collection.

The last step of this paper is development of theoretical model based on results obtained from an empirical study, a discussion on matches and assumptions of reasons of mismatch with model obtained from the literature review, a managerial implications of the results obtained, limitations and recommendations for further researches.

CHAPTER 1. CATEGORY MANAGEMENT THEORETICAL BACKGROUND AND MODERN INTERPRETATION

1.1 Approaches to category management definition

CM appeared at the beginning of 1990s as an innovative strategy to retail management which should assist retailers and supplier compete successfully for the shoppers. CM is a part of ECR (Efficient Consumer Response) concept which represents “business process and strategy where channel members form mutually beneficial relationships to bring better value to the end customer” (Dupre, Gruen, 2004). CM key idea is to manage whole product category in retail stores as the separate business units as there is the evident interrelationship between products within the category while traditional brand management approach concentrates on particular brands rather than on product category as the whole.

According to T.W. Gruen main idea of CM stands for “retailers to provide the right mix of products, at the right price, with the right promotions, at the right time, and at the right place” (Gruen, Shah, 2000). However as retailers have numbers of categories in the assortment, they are not able to run all them efficiently because of the shortage of resources and marketing expertise (Morgan et al., 2007). So for the most effective implementation of category management approach retailers should join their efforts with suppliers who best know market trends in their categories and can accommodate retailers with the reliable marketing expertise and even required resources.

There are different approaches for category and category management definition, they are presented in the Table 1 below.

Table 1 Different approaches for defining Category and Category Management

Author	Category definition	CM definition	Goal
AC Nielsen, 1992	Separate business unit	Process of product category management	Satisfying customer needs
Hutchins, 1997	Collection of products, but not brands	System of product category management	Minimising distance between retailer and supplier
Dussart, 1998	Separate business unit	Process of product category management	Customization of marketing closer to local consumers patterns
IGD, 2002	Groups of products	Strategic management of groups of products	Maximisation of sales and profits, satisfying customer needs

Author	Category definition	CM definition	Goal
ECR Europe, 2000	Separate business unit	Process of category management by retailer and supplier	Collaborative business result due to focus on delivering customer value
ECR Rus, 2009	Strategic unit	Strategic partnership of retailer and supplier	Category growth
Grosso, 2013	group of distinct products/ services which consumers consider as complementary or substitutable to satisfy their needs	set of activities done by a retailer and/or supplier	to better satisfy the end customers and improve results of category
Ruchieva, 2015	Separate business unit	Process of product category management	Maximisation of customer value

Source: derived from AC Nielsen, 1992; Hutchins, 1997; Dussart, 1998; IGD, 2002; ECR Europe, 2000; ECR Rus, 2009; Ruchieva, 2015.

While there are many variations of definitions, there could be distinguished two main ones. First definition was proposed by ECR in 1995: “category management is a retailer-supplier process of managing categories as strategic business units, producing enhanced business results by focusing on delivering consumer value” (Joint Industry Report on Efficient Consumer Response, 1995). According to this interpretation, CM is a process of collaboration between retailer and supplier for generating better outcomes for both parties.

Nielsen provided the second approach, and it defines category management as the process that includes operating product categories as business units and customizing them (on a store by store basis) to meet customer demands (AC Nielsen, 1992). Though in this description supplier-retailer collaboration is not discussed explicitly, AC Nielsen also recognizes joint supplier-retailer projects as the most productive method for CM implementation (AC Nielsen, 1992).

Thus, to maintain whole product category as strategic business units, to joint efforts of retailers and supplier in this process, to produce better customer value (by the better fulfillment of client needs) are three main intentions of CM.

1.2 Historical perspective of CM Research

As was already mentioned CM as a new approach in managing sales in retail sector has appeared in the beginning of 1990s. One of the first CM projects was the joint work of Procter&Gamble and Walmart (ECR. Rus, 2009). In this project the idea of joint category management by supplier and retailer was first realised, it was based on assumption that supplier knew and understood its consumers needs better.

The idea began actively spread out, and in 1992 consulting literature appeared in the market (AC Nielsen, 1992; Kurt Salmon Associates; 1995). These works were mainly aimed at developing practical methodology of how to realise CM projects and how to measure their effectiveness.

In 1994 the work of Cornell University researches McLaughlin and Hawkes was published. Based on the survey of american retail players they tried to assess the breadth of the distribution of the new approach to sales management, the prospects for its further development, as well as the potential complexity of its implementation. The results of the surveys showed that, despite the generally excellent knowledge of firms about CM, only a small part of them managed to implement this principle in practice to a relatively full extent. Among the factors that prevented the introduction of a new approach were the limitations of information technology, the need to train employees and, importantly, the lack of verification of the concept itself.

Only in the end of 1990s the first conceptual theoretical works about CM appeared in the literature (Hutchins, 1997; Dussart, 1998; Johnson, Pinington, 1999). These papers describe the CM practices, assess the advantages and disadvantages of the new approach, make attempts to formulate research questions relevant to the new field. At the same time, the publications dedicated to specific tools of CM began to emerge (Walters, Bommer, 1996; Anupindi, Dada, Gupta, 1998; Chen, 1999).

Over the next 16 years, the interest of the scientific community in this field continued to be unabated. To identify the most actively developing areas of research, there were analysed 70 scientific publications in leading foreign journals on marketing and management for the period from 2004 to 2016. Based on the results obtained, three areas of research in this field were identified, differing primarily in the object of analysis:

- 1) management tools in category management;
- 2) the relationship between the retailer and the supplier in the context of the category management;

3) the impact of the introduction of CM practices on market participants (retailer, supplier involved in CM, category captain, other suppliers and consumers).

Management tools in CM. Most of the modern research in this area is aimed at developing information solutions for category management that would make it possible to make better use of the extensive marketing information available to retail chains (see, for example: (Hübner, Kuhn, 2012; Sinha, Māthur, 2013). Modern information systems in retail chain allow to collect a huge amount of data: for example, the use of scan systems and loyalty cards allows to get a detailed description of all the characteristics of the buyer and his purchases. However, this information is not enough to determine what actions should be taken by the retailer in the product category to better match the needs of customers and, as a result, to ensure higher business results. To make such decisions, there is a necessity of tools that allow to model purchasing behaviour on the basis of available data in a category and predict its reaction to certain changes in the planning and design of the retail space, pricing, assortment and promotions (see, for example: Slot, Verhoef, 2008; Che, Chen, Yuxin, 2012).

Relationships between the retailer and the supplier in the CM context. The specific nature of the relationship between the retailer and the supplier arising in the course of their joint management of the category has been of interest to researchers for a long time (see, for example: Gruen, Shah, 2000; Azimont, Araujo, 2008; Lindblom et al. 2009a; 2009b). Indeed, intercompany relationships in the context of CM are characterised by significant operational and information integration between partners, long-term cooperation, the need to organise joint project teams, and high requirements for the level of trust between retailer and manufacturer. In these papers the most frequently studied questions are factors influencing the results of CM projects (see, for example: Morgan, Kaleka, Gooner, 2007), the problems of organising the work of units involved in these projects and their mutual integration (Castaldo, Grosso, Zerbini, 2009; Pardo, Wilson, Ivens, 2013). Another research issue in this field, which remains relevant for a long time, is an assessment of the possible opportunistic behaviour of the producer as a factor that jeopardises the effectiveness of the entire concept of CM (Nijs, Hansen, Misra, 2014).

The impact of the introduction of CM practices on market participants. Category management, which implies close cooperation of the retailer with one of its suppliers, remains an object of intense scrutiny by the antimonopoly bodies of many countries since the early 2000s (Balto, 2002; Gundlach, Desrochers, Foer, 2003). Development of the concept of "category captain", when the retailer delegates significant authority to the selected supplier in making

decisions for the whole category, caused another round of discussion about CM and the consequences of its implementation and raised a lot of questions for the researchers. Does such practice infringe free market competition? How will the "captain of the category" be selected? Will the category captain use the power given to him in his own interests? How will the introduction of the practice of CM affect the welfare of customers? (Kurtuluş, Toktay, 2011; Kurtuluş, Nakkas, Ülkü, 2011; Kurtuluş, Nakkas, 2014).

Table 2 contains description of 4 directions of CM researches: foundation (developing a concept and a process), application, relationships in CM and impact of CM on the stakeholders, their periods, main findings and authors, associated with each direction.

Table 2 Stages of CM Research

	Object	Findings	Authors
<i>Foundation 1990-1998</i>	Definition of CM Methodology of the process	CM is a retailer-supplier process of leading categories as strategic business units, producing improved business gains by concentrating on producing consumer value. There 8 steps for CM realisation.	AC Nielsen, 1992; Kurt Salmon Associates, 1993; ECR, 1995,1997; Hutchins, 1997; Dussart, 1998; Johnson, Pinington, 1998
<i>Application 2005-2014</i>	Evaluation of management tools in CM	Tools that allow to model purchasing behaviour on the basis of available data in a category and predict its reaction to certain changes in the planning and design of the retail space, pricing, assortment and promotions	Slot, Verhoef, Franses, 2005; Desrochers, Nelson, 2006; Hall, Kopalle, Krishna, 2010; Murray, Talukdar, Gosavi, 2010; Gürhan Kök, Xu, 2011; Hübner, Kuhn, 2013; Sinha, Sahgal, Mathur, 2013; Han et al., 2014
<i>Relationships in CM 2007-2015</i>	Relationships between the retailer and the supplier in CM	Factors affecting the relationships: operational and information integration between partners, long-term cooperation, joint project teams, and high level of trust, opportunistic behaviour of the producer	Azimont, Araujo, 2007; Free, 2008; Morgen, Kaleka, Gooner, 2007; Dewsnap, Jobber, 2009; Lindblom et al., 2009a; 2009b; Gooner, Morgan, Perreault Jr., 2011; Nijs, Misra, Hansen, 2014
<i>Overall impact 2010-2016</i>	The impact of the introduction of CM practices on market participants	“Category captaincy” concept	Subramanian et al., 2010; Kurtuluş, Nakkas, 2011; Kurtuluş, Toktay, 2011; Kurtuluş, Nakkas, Ülkü, 2014

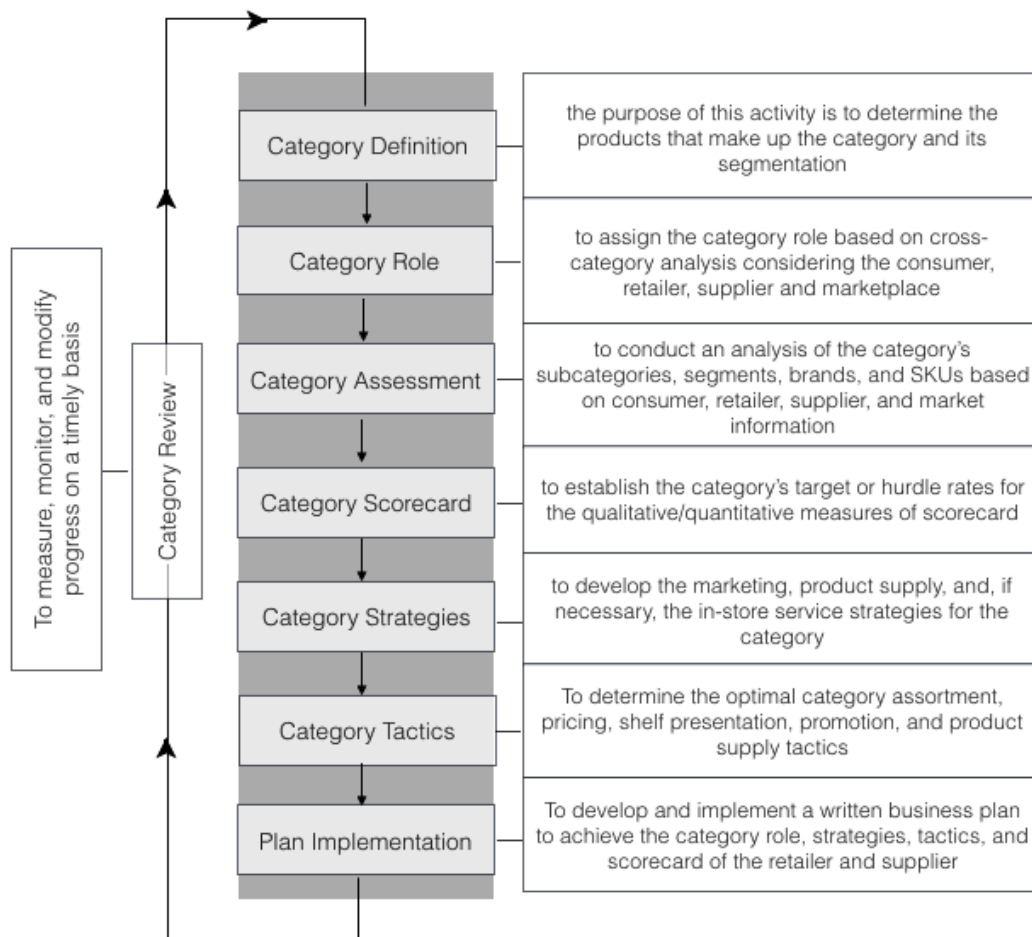
1.3 Process of CM

In 1995, the CM Subcommittee of the ECR Best Practices Operating Committee and Partnering Group Inc. (TPG) published an important research on category management process. They found out two macro-phases: opportunities identification and CM business process.

Opportunities identification contains determining categories that require intervention and defining a partner (retailer or supplier) who is more willing to cooperate. This is possible using opportunity gap analysis based on market trend, market share and relevance of category (Appendix 1) and manufacturer analysis. The output for this phase would be identified category and supplier who is willing to support the project. This “leading” supplier is also called “Category Captain”. The intercommunications between the retailer and the captain are directed by category captain who usually sets out the duties and rights of the parties, projects timing, recourses, and common goals (Bandyopadhyay et al., 2009). This kind of supplier-retailer partnership in CM field is the most common practice nowadays (Kurtuluş, Toktay, 2011; Kurtuluş, Nakkas, 2011; Kurtuluş et al., 2014).

Second macro-phase consist of category management activities, which represent 8 following each other steps. They are presented in the Figure 1 below.

Figure 1 Activities of CM Business Process (The Partnering Group Inc., 1998)

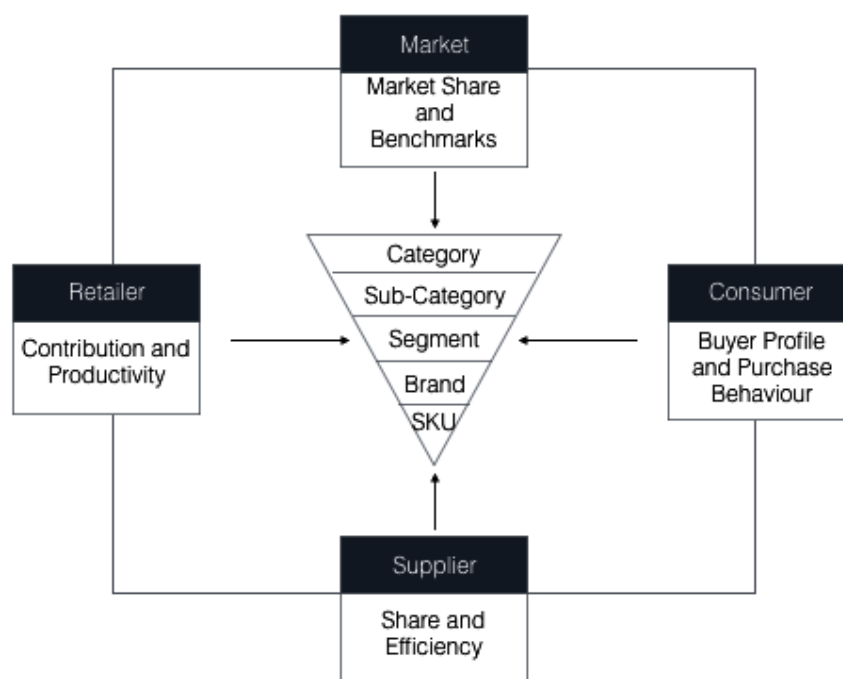


Step 1. Category Definition. Objective of this stage is to determine products that make up the category and its subsegments. The grouping process should be undertaken from the consumer’s perspective rather than from a purchasing perspective. Products belong to the same category if they meet either of two criteria: either they are substitutes, or they are closely related to each other. For example, different brands of chocolate bars would be certainly substitutes from consumer perspective, while chocolate bars and boxes of chocolate could be considered as closely related to each other. On this stage the outside informational support about consumer behaviour and consumer insights is relevant for retailer. Mainly output of this step is category tree, which represents the decision-making process when customer choose the product. (The example of this tree is in Appendix 2)

Step 2. Category Role. Step 2 is devoted to assigning categories roles based on cross category quantitative analysis that considers the consumer, retailer, supplier and market. Defined role helps to determine how exactly category should be managed. There could be distinguished 3 types of roles: Strategic (ECR), Economic (Blattberg, Nielsen), Consumer (Nielsen) according to different perspectives. (Examples of analysis presented in Appendix 3)

Step 3. Category Assessment. The assessment step includes analysing the category in more detailed and focused manner. The category should be analysed from four perspectives: consumer, market, retailer and supplier, information from all sources is necessary for determining opportunities for further improvement. Category Assessment is displayed in Figure 2 beneath.

Figure 2. Category Assessment from Four Perspectives (ACNielsen,2006)



Step 4. Category Scorecard. The scorecard details how the category performance will be monitored, and therefore builds on research into the balanced scorecard (Brewer & Speh, 2000). A scorecard may include metrics such as category sales, profit, return on investments, penetration, purchase frequency, and more. A category scorecard is a valuable tool in the dynamic process of satisfying consumers and maximising results.

Step 5. Category Strategies. This phase is aimed at developing and product supply strategies to achieve the category role and scorecard targets, and plan for the efficient use of resources to fulfil opportunities. There are seven marketing strategies which used in order to achieve target goals, they are presented in the table below:

Table 3. Category Strategies (AC Nielsen, The Partnering Group Inc.)

Strategy	Description	Category Purchase Dynamics
Traffic Building	attracting consumers to the store	High share, Frequently Purchased, High % of Sales
Transaction building	enlarging the size of average purchase	Impulse purchase
Profit generating	yielding profits	Higher Gross Margin
Cash generating	producing cash flows	Higher Turns, Frequently Purchased
Excitement creating	generating interest and enthusiasm among consumers	Impulse, Lifestyle-Oriented, Seasonal
Image enhancing	strengthening the view of retailer by consumer	Frequently Purchased, Highly Promoted, Impulse, Unique Items, Seasonal
Turf defending	positioning the category strongly among competitors	Used by retailers to draw traditional customer base

Step 6. Category Tactics. The objective of this stage is to define specific activities which will achieve category strategy. Tactics are the mechanisms for improvement in five aspects of category management: assortment, pricing, promotion, merchandising, and supply chain management. Applying the expertise of the supplier maybe the most relevant at this stage.

Step 7. Plan Implementation. Category business planning will not impact performance until the plans are implemented. Executional plans should be established such way, that people accept and understand their individual roles and consider the category manager as the one with authority to make decisions about distribution, pricing, merchandising and space location.

Step 8. Review. This step revolves measuring the progress of the category plan against its scorecard and modifying it if necessary.

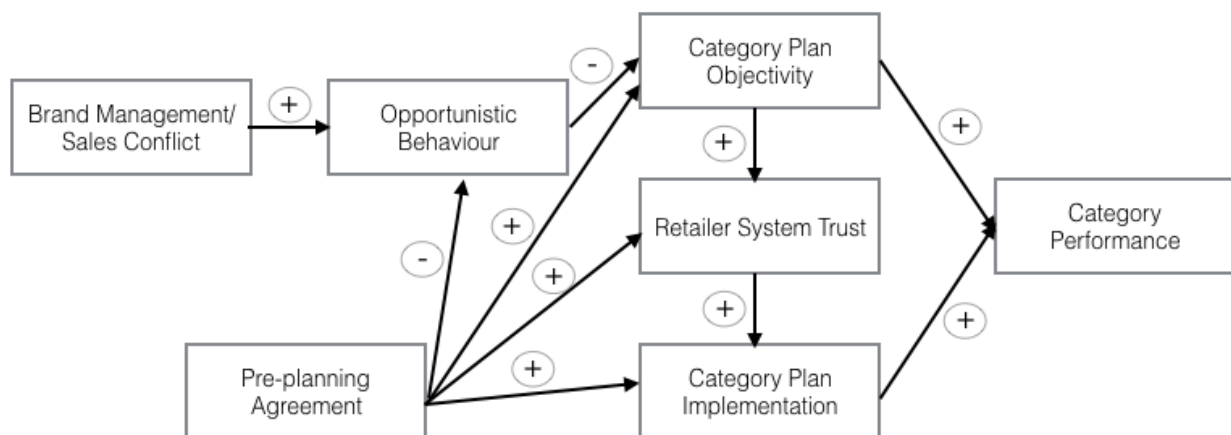
1.4 Factors influencing CM Performance

In order to build a model describing factors affecting CM performance there were studied and analysed several theoretical models existed in the literature. The main sources of creating a model were the following: “Determinants and outcomes of plan objectivity and implementation in CM relationships” model (Gruen, 2000), “Model of Benefits and Sacrifices from CM Interactions” (Aastrup J., 2007), model of Hamister J. (2007) and model by Rucheva A. (2016).

Model by Gruen, 2000

Model by Gruen is based on the idea that Category Management Performance is directly depends on two main drivers which are “Category Plan Objectivity” and “Category Plan Implementation”. Antecedents of these drivers are “Opportunism”, “Pre-planning Agreement”, “Brand Management/SalesConflict” and “Retailer System Trust”. Brand management/Sales conflict is independent variable and impacts opportunistic behaviour of supplier, which then negatively influences Objectivity of Category Plan. Pre-planning agreement between partners has strong direct effects: lower opportunism, greater plan objectivity, greater retailer system trust and higher plan implementation. Retailer system trust acts as a mediator between “Category plan objectivity” and “Category plan implementation”. (Gruen T., Shah R., 2000). The relationships between elements of the model are represented on the Figure 4 below:

Figure 4 Model by Gruen, 2000



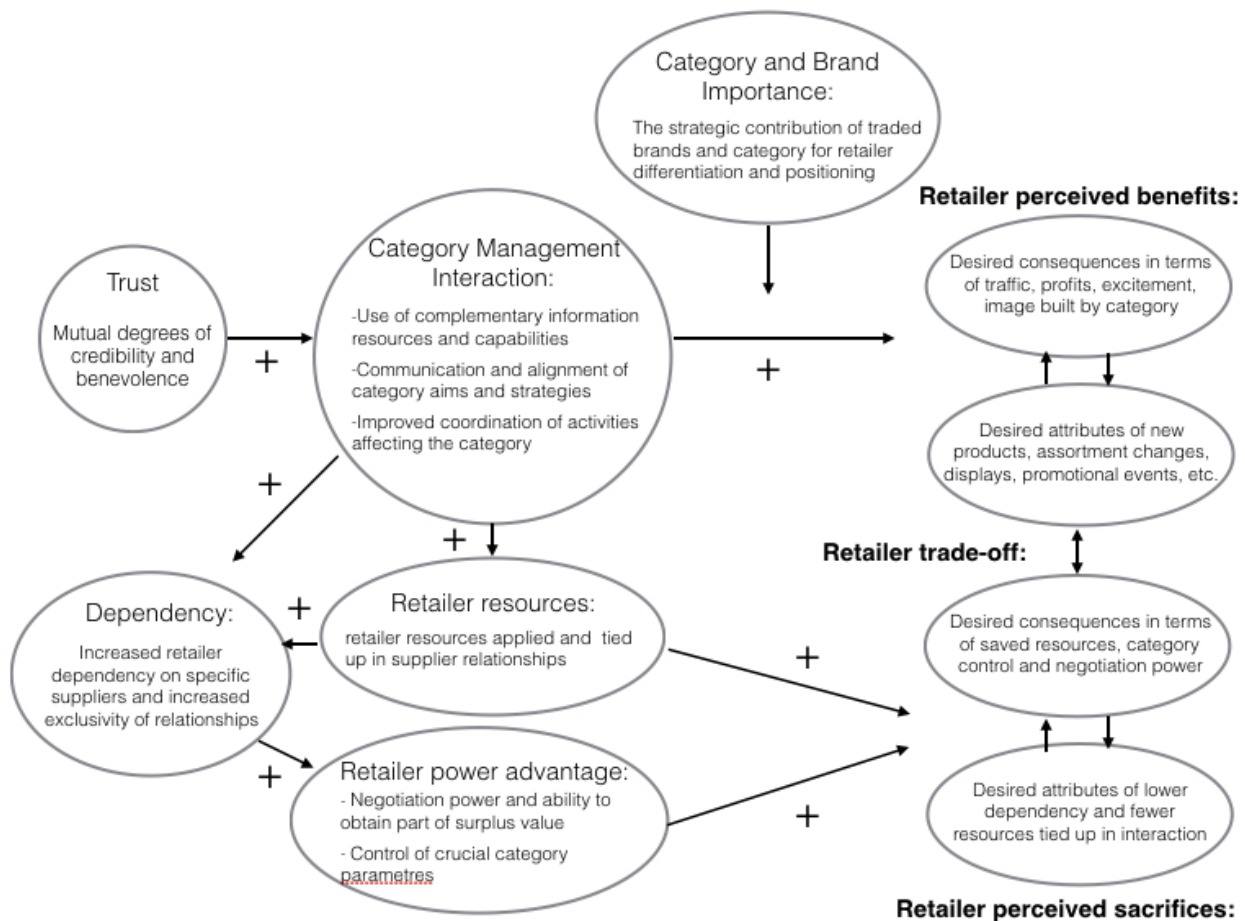
However, there are limitations of the model. First of all, it is based on the data derived from suppliers only. This fact limits authors’ conclusions, since category management

undermines dyadic relationships. Secondly, the data was provided by US suppliers from ECR conference in 1999, which considers the CM process only in emerged markets.

Model by Aastrup J., 2007

This model is aimed at identifying trade-off of retailer from engaging supplier in managing categories. Under trade-off is understood “the difference between perceived benefits and perceived sacrifices of retailer from CM interaction” (Aastrup, 2007). The idea of the model is that trust which is understood as “higher degrees of credibility and benevolence” defines closer interaction between supplier and retailer which leads to improvement retailer perceived value from CM projects. While “dependency” which is resulted from category management interaction and investment of retailer’s resources leads to retailer sacrifices. The model is presented on the Figure 5 below. However, this model is first which refers value approach in CM relationships between partners, it has several drawbacks. First of all, this is theoretical framework, it was not supported by practical data. Secondly, it considers only retailer’s side, ignoring other side of CM relationships - suppliers.

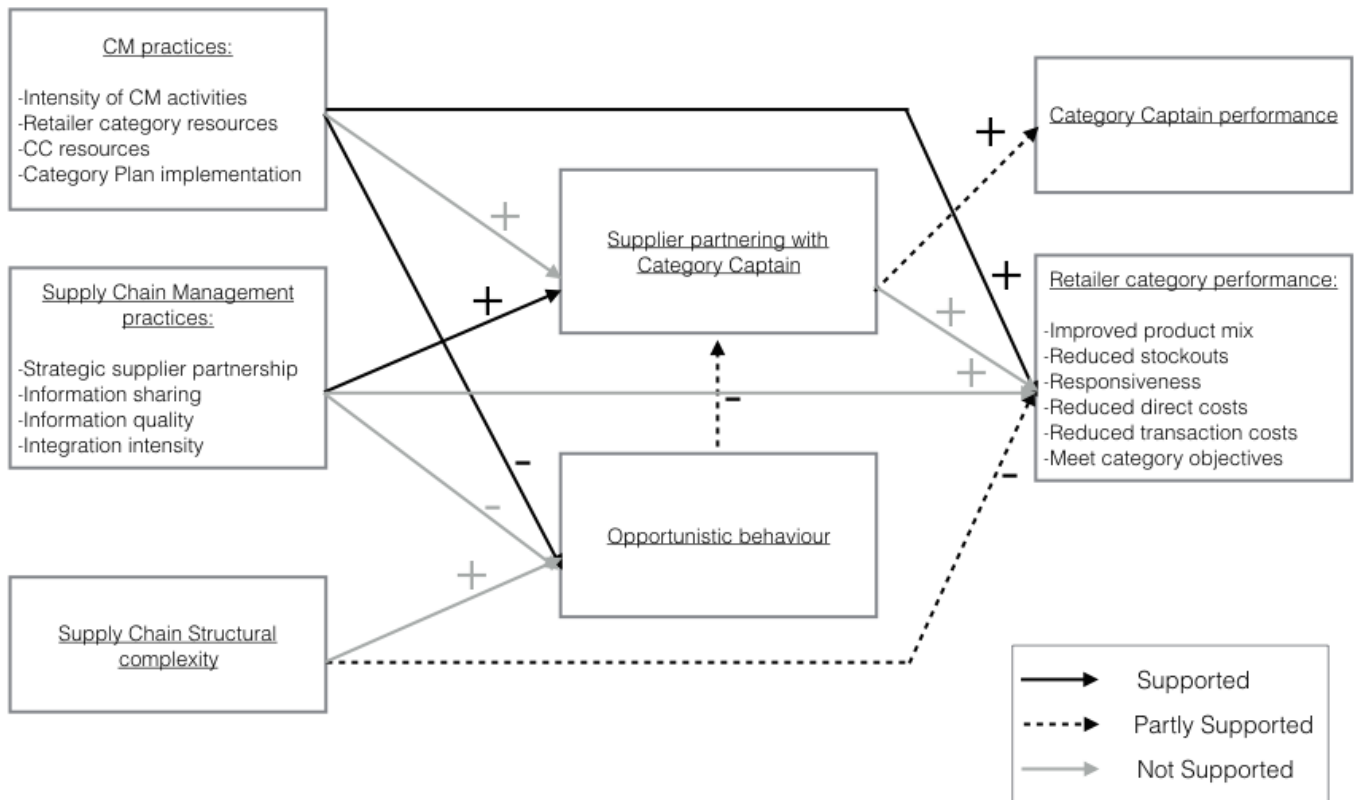
Figure 5 Model by Aastrup J., 2007



Model of Hamister J. , 2007

Model of Hamister is different from others by including connecting category management practices with supply chain practices. Thus, author understand “supply chain practices” as set of strategic supplier partnership, information sharing, information quality and integration intensity, while CM practices are: intensity of CM activities, retailer category resources, category captain resources and category plan implementation . Moreover, one of model’s antecedents is structural complexity which is undermined as “more complicated structural relationships, with more global extension of the supply chain” (Hamister J., 2007). It is also mentioned that complexity of structures creates physical and cultural distance between partners. According to the research it was discovered that CM practices are positively and directly related to SM practices, while it negatively influence opportunistic behaviour, however, the relationship between CM practices and Supplier partnering with Category Captain were not confirmed. In addition, Supply Chain practices impact supplier partnering, while they are not related to opportunistic behaviour. the third dimension of Retailer Category Performance, Supply Chain Structural Complexity, does not approve its power over either opportunistic behaviour or Category performance (only partly supported), so it means it does not seriously affect category. Based on literature analysis, the model hypothesised that CM practices are positively related to category performance and supplier partnering with Category Captain. Opportunistic behaviour as intermediate result of CM, Supply Chain practices and Structural Complexity just partly negatively influences supplier partnering Category Captain. In its turn, partnering slightly affects Category Captain performance and does not Category performance. So in conclusion, based on the model developed by Hamister, it could be concluded that only CM practices have direct impact on category performance, while other factors just have only mediated effect on category. The limits of this model are the belonging of sample to the market of North America, more particularly to New York State retailers, the constraints also caused by not having the requisite knowledge by participants and limiting research to retailers participants. (Hamister J., 2007) The model of Hamister is presented below on the Figure 6.

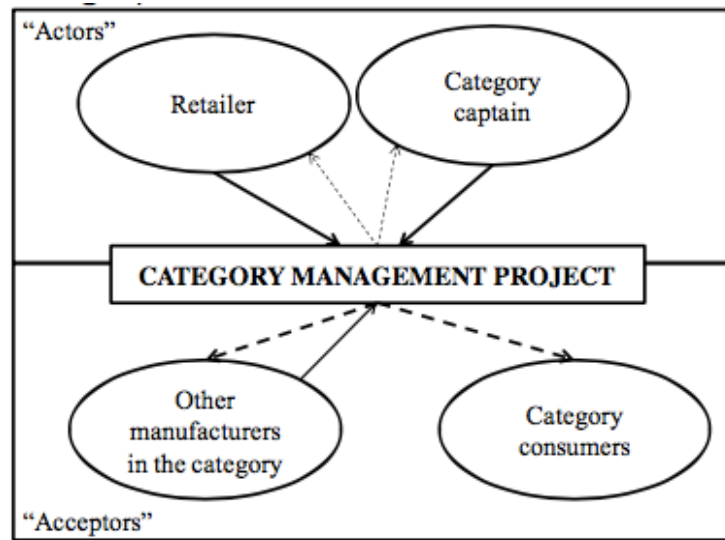
Figure 6 Model of Hamister J. , 2007



Model by Rucheva A., 2014

According to Rucheva, CM process stakeholders could be divided into two groups: “active” and “passive”. “Active” parties who directly initiate and run the project, anticipate and control project’s purposes and consequences are retailers and category captains, while “passive” parties who could not directly influence outcomes of CM project are other manufactures in the category and category consumers. Seldom other players in the category could engage in the project at least partly and can thus affect it, while consumers could only perceive the results of the project (Rucheva A., 2014). On the figure 7 it is represented the relationships of stakeholders to category management project according to their roles.

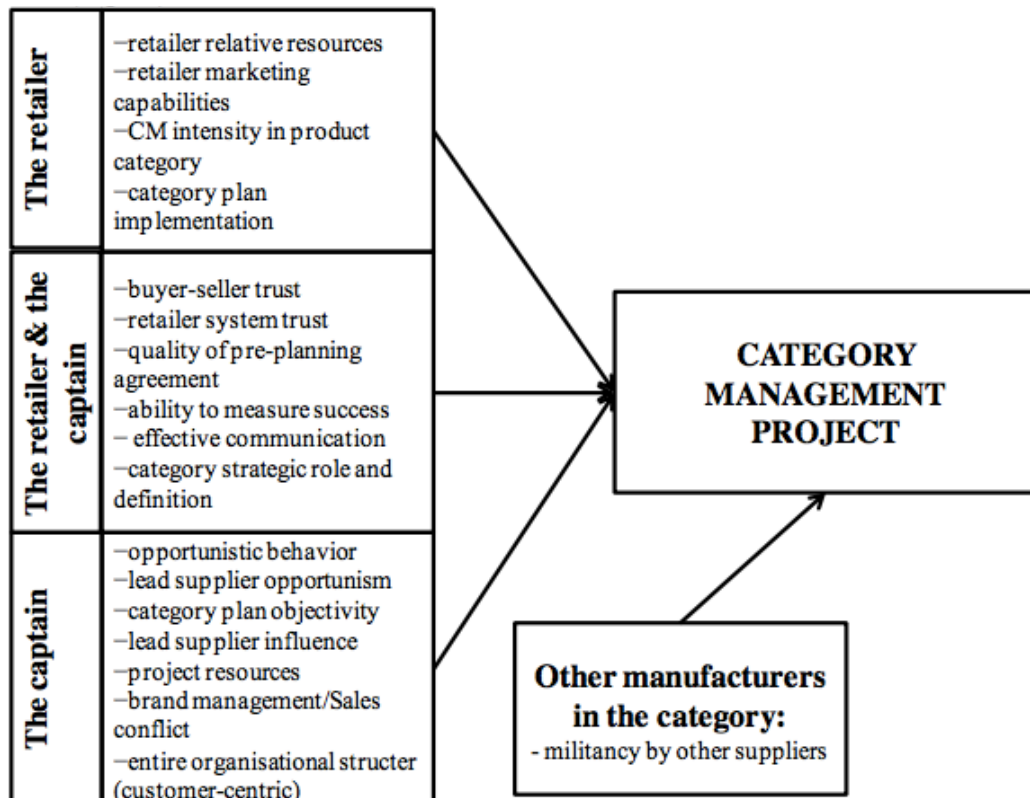
Figure 7 CM projects' stakeholders (Rucheva A., 2014)



Based on this principle, Rucheva defined three groups of factors depending on the actor influencing this factor. The logics behind this is finding the ways of impacting this factor by the the actor “responsible” for this concrete factor. Thus, there four categories of factors: “Retailer”, “Captain”, “Retailer&Captain” and “Other Manufactures” (which are able passively influence the process) (Rucheva, 2015).

The factors identified by Rucheva could be seen below on Figure 8.

Figure 8 Model by Rucheva (2015)



The main limitation of this model is the theoretical nature, no practical evaluation was done. The author recommends this model for structuring interviews with industry experts, and in addition, it perfectly suits for adjustments for emerging markets' context.

As mentioned above in models' descriptions, there are several common limitations of them: they are based on emerged market data, they consider only one side of relationships either retailer's or suppliers (except Rucheva A.), and half of them are theoretical without practical confirmation. This creates a gap in research literature on development of the model affecting CM process referring emerging market issues.

Developing a new model

Based on literature analysis we determined the table of factors which can influence CM projects' implementation and performance and combine the correlated factors into appropriate cluster and then code them for future research purposes by model element (Table 4). Model element was defined by the following principle: "inputs" are resources and capabilities of suppliers and retailers as the starting point of the project; "process" is factors related to CM activities or their quality; "enablers" are factors by themselves impacting directly or indirectly the CM process. We divided them into two groups: "infrastructural" - which depend on organisation and "behavioural" which are impacted by individuals involved in CM process.

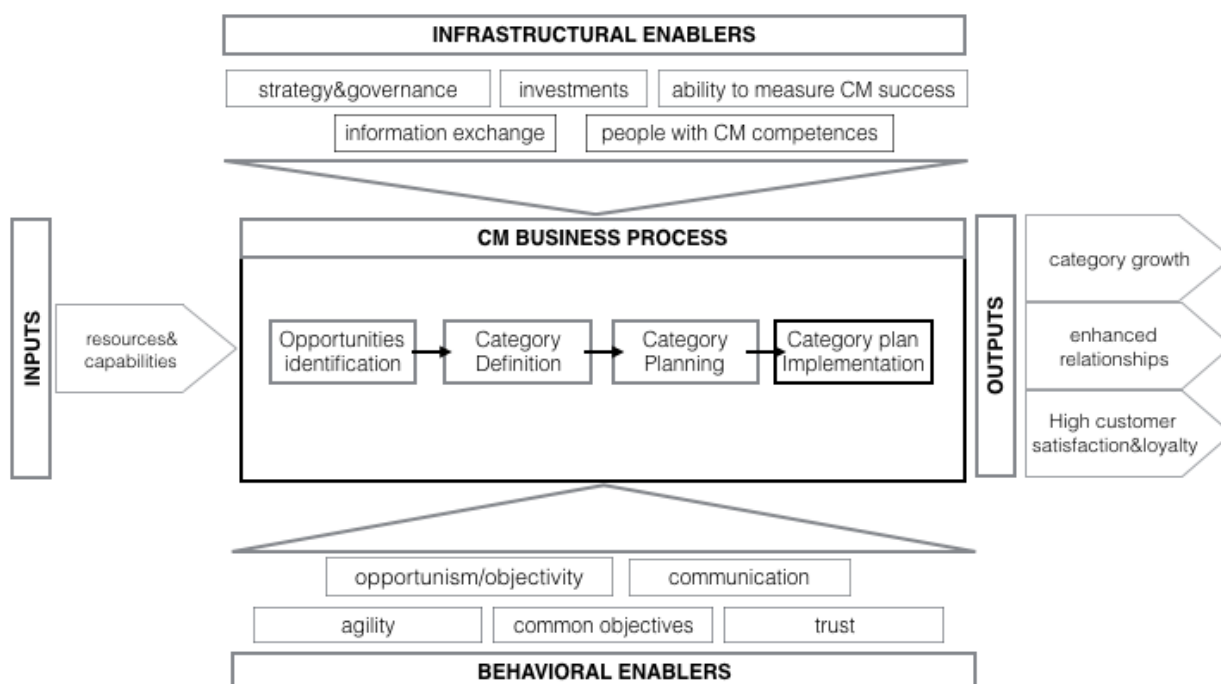
Table 4 Factors influencing CM performance

	CM projects' influencing factor	Source in CM field	To which stakeholders factor belongs to	Model element
1	retailer relative resources	Gooner et al, 2012	The retailer	inputs
2	retailer marketing capabilities	Gooner et al, 2011	The retailer	inputs
3	supplier resources	Gooner et al, 2012	The captain	inputs
4	opportunistic behavior	Gruen, Shah, 2000	The captain	behavioural enabler
5	lead supplier opportunism	Gooner et al, 2011	The captain	behavioural enabler
6	category plan objectivity	Gruen, Shah, 2000	The captain	behavioural enabler
7	buyer-seller trust	Dupre, Gruen, 2004	The retailer and the captain	behavioural enabler
8	quality of preplanning agreement	Gruen, Shah, 2000	The retailer and the captain	behavioural enabler

	CM projects' influencing factor	Source in CM field	To which stakeholders factor belongs to	Model element
9	different motivations for activities	Kurnia and Johnston (2001)	The retailer and the captain	behavioural enabler
10	differences in interests and perceptions	Kurnia and Johnston (2001)	The retailer and the captain	behavioural enabler
11	category strategic role and definition	Dupre, Gruen, 2004; Dhar, 2001; Gooner, 2011	The retailer and the captain	behavioural enabler
12	integrated communication	Christopher, 2005	The retailer and the captain	behavioural enabler
13	Information sharing	Hamister, 2007	The retailer and the captain	behavioural enabler
14	Retailer's resistance to change	Dupre, Gruen, 2004	The retailer	behavioural enabler
15	retailer system trust	Gruen, Shah, 2000	The retailer	infrastructural enabler
16	Top Management support	Dupre, Gruen, 2004	The retailer and the captain	infrastructural enabler
17	project resources	Dupre, Gruen, 2004	The captain	infrastructural enabler
18	Understanding of CM and necessary skills	Kurnia and Johnston (2001)	The retailer and the captain	infrastructural enabler
19	brand management/ sales conflict	Gruen, Shah, 2000	The captain	infrastructural enabler
20	entire organisational culture	Dupre, Gruen, 2004	The captain	infrastructural enabler
21	Information sharing	Hamister, 2007	The retailer and the captain	infrastructural enabler
22	ability to measure CM success	Dupre, Gruen, 2004	The retailer and the captain	infrastructural enabler
23	Intensity of CM activities	Hamister, 2016	The retailer and the captain	process
24	Category plan implementation	Gruen, Shah, 2000	The retailer and the captain	process

Designing this table of various factor we derived the following model (Figure 5).

Figure 8 Theoretical Model of factors influencing CM performance



Inputs: the elements which organisations have at the point of decision if they should start CM project or not. As for any logical model inputs are *resources and capabilities*. Gooner mentioned retailer relative resources and its marketing capabilities, by relative resources he understands “the retailer’s resources and capabilities (financial, informational, reputation, etc.) relevant to supporting key merchandising activities” (Gooner, et al, 2011). The retailer is always in contact with his consumers, it is well positioned to have detailed knowledge about them. By supplier resources he underlines “the organizational resources, commitment, and skills of the manufacturers needed to support the merchandising process” (Gooner, et al, 2011). It can be consumer and competitors analysis, business conception of CM, technical capability.

Process of CM: includes four enlarged stages - opportunities identification, defining strategic role of category, planning the CM project and finally implementation. Two determinants appear in the literature which describes the specifics and quality of CM process, they are “*intensity of CM activities*” and actual “*CM plan implementation*”. CM intensity is the extent to which CM activities are performed in a specific product category. CM intensity includes resource deployments designed to create valuable strategic positions among consumers by coordinating the efforts of the retailer and all the suppliers to the category. Such retailer–supplier coordination in CM includes analyzing assortments of manufacturers’ and store-brand stock-keeping units (SKUs) to maximize category-level profits; planning and executing supporting

shelf-sets, promotional schedules, feature advertising, cross-merchandizing, and so on and so on. Because consumers' needs and rivals' strategies are constantly shifting, effective retail CM requires frequent adaptation. Quality of plan implementation measures by satisfaction of all stakeholders with results and correlations with pre agreement.

Enablers infrastructural: factors which are determined on firm level. They include “*Strategy&Governance*”, “*Information exchange*”, “*Investments*”, “*People with CM competencies*” and “*Ability to measure CM success*”.

Strategy&Governance

By Strategy and Governance we understand the role which CM plays in organisation. Is there focus on it? Are there special department in structure of organisation? What is CM concept within the organisation? Are there dedicated resources investing in CM projects? According to the literature review there could be two ways of managing CM in organisation: first - by decentralised structure, in cross-functional teams, including sales, category management, marketing from both sides (retailer and supplier); and another way - by a centralised buying function, where decisions are made by marketing, implementation by operation (Brettschneider, 2000).

Information exchange

Category management is fundamentally an information-driven process (Dussart, 1998; AC Nielsen, 2006), and throughout the eight steps there is a heavy reliance on applying information of different formats and perspectives. Possible inputs to the different steps include point-of-sale (POS) data, consumer insights on motives, preferences and purchase habits in a category (through basket analysis, household panel data, focus groups and so on), financial analysis of categories, and market analysis of suppliers' market shares and retailers' actual and fair shares (JIPECR, 1995; Qureshi and Baker, 1998; Johnson, 1999; Dewsnap and Hart, 2004; AC Nielsen, 2007). The information resources applicable in category management are not evenly distributed between retailers and suppliers (Johnson, 1999; Dewsnap and Hart, 2004).

Investments

This factor identifies the readiness of organisations to invest in the project. For both organisations, it may depend on the its trust in CM activities and their effectiveness or the priority of these kind activities, since as a rule, CM could bring only long term effect (Dupre, Gruen, 2004).

People with CM competencies

By Gruen (2004) there were found that there could be the conflict of brand management and sales departments. It appeared when according to CM plan some SKUs should be delisted and the conflict between department may appear. This fact underlies that CM competencies are related not only to knowledge of category managers but also they require ability to solve the conflicts inside organisation and with partner.

Ability to measure CM success

The ECR Joint Industry Committee has also recognized the importance of common planning on ECR through the development of the Global ECR Scorecard with key measures of the project. The inability to measure category success negatively impacts the possibility of chance that the pre planning agreement will be implemented and lead to a competitive advantage. Many retailers recognize the significance of joint scorecards but are inactive to adopt the concept because it suggests transforming the system they measure business. A current practical study demonstrates the importance of the scorecard. The study showed that the degree category plan implementation is highly correlated with the level of pre-planning agreement which involves a scorecard (Gruen, Shah, 2000).

Enablers behavioural: factors which are determined on individual level of managers who involved in the project. They consist of “*Opportunism*”, “*Trust*”, “*Retailer resistance to change*”, “*Common objectives*”, “*Communication*”.

Opportunism

It often occurs, that a category review shows that one or two SKUs of Category Captain should be delisted to improve CM performance. However, as a rule, in this situation CC will keep its SKUs in the assortment. This is rationalised as a “fair exchange” for its work as a captain. In the end, this type of behaviour influences category plan objectivity. Thus, opportunism will be defined as the degree to which the supplier will guilefully seek her own company’s interests to the detriment of overall category outcomes, absent effective means of monitoring or detection (Gooner, 2001).

Trust

By this factor understood the trust between managers from both organisations who agreed to run a project. Trust can be defined as ‘a willingness to rely on an exchange partner in whom one has confidence’ (Moorman et al., 1992: 315). Ganesan (1994) and Doney and Cannon (1997) distinguish between two components of trust: credibility and benevolence (Hamister, 2007). Credibility is based on the expectancy that partner A and partner A’s expertise can be relied on to

fulfil the statement of partner B. Benevolence on the other hand is the extent to which partner A is believed to be genuinely interested in partner B's welfare and is motivated to seek joint gain. Also, if retailer does not trust in the CM or the expertise of the partner, the likelihood of CM implementation is lower. However, supplier may predict the expectations and could limit the offered change (Dupre and Gruen, 2000).

Retailer resistance to change or Agility

Experienced buyers resist change, since they were trained for getting more money from suppliers. It requires them to be retrained for category management principles and procedures. (Dupre, Gruen, 2004)

Common objectives

Defining common objectives is essential for implementing the CM project, since retailers and suppliers may have different motivations and perceptions of the project. So these different views should be discussed before the project starts, it is better if they should be included in preplanning agreement (Bucklin and Sengupta, 1993).

Communication

Communication between partners allows effectively change the information on functional level. It could improve the all stages of CM process if it would be based on principle "the right information reach the right person in right time" (Gruen, 2000).

Outputs, or Category Management Performance. In the present study, we define "category performance" as the overall sales volume and growth that a manufacturer perceives to generate in the category with its retailers, and conceptualized as a three-dimensional construct comprising (1) operational performance ("*category growth*") and (2) strategic performance ("*consumer loyalty and consumer satisfaction*") and (3) relational performance ("*level of relationships*"). These measures reflect external effectiveness or market performance at the category level, as perceived by the suppliers.

In the theoretical chapter was conducted the interpretation of approaches to CM definition, exploring two main concepts given by ECR Community and Nielsen. Thus, CM has three main points, which are: management of entire product category as strategic business units, joint efforts of retailers and supplier in this process and delivering better customer value.

Moreover was provided the theoretical research of CM theories with separation on stages according to time also to the object of research four stages of CM research were distinguished: foundation, application, relationships and overall impact.

The research was continued with defining specifics of CM process, which consists of two macro phases - Opportunities Identification and CM business process. CM business process includes eight steps: category definition, category role, category assessment, category scorecard, category strategies, category tactics, plan implementation and category review.

On top of that, were investigated four existing models of factors influencing CM performance by Gruen, Aastrup, Hamister and Rucheva. There were identified the limitations of those models and proposed a new one. It allows structuring data collection process which introduces interviews with industry specialists from the side of a particular stakeholder. It has also worked for reviewing the model for the emerging markets' context by collected data.

CHAPTER 2 FACTORS INFLUENCING CATEGORY MANAGEMENT PERFORMANCE: RESULTS OF EMPIRICAL RESEARCH

2.1 Research Design

Data Collection

Due to the lack in research of CM practices in emerging market context and systematising factors influencing CM projects performance, we used the following avenues of inquiry. The overall exploratory nature of study based on the research objectives demanded that we use different sources and methods. A literature review is the first one. To accomplish this, we analysed and summarised the available published information on CM practices in Russia on ECR Russia web site. Data with regards to the most important principles, types of CM relationships during the project, challenges and process stages was systematically examined to present the overall understanding of the phenomenon specifics and to make a preliminary analysis of a possible sample of respondents..

The second stage of data collection was participant observation, a method where the researchers engage themselves in the research settings they are studying. Before-mentioned method is especially well-suited for investigating naturally transpiring phenomena such as the development and adoption of business practices (Judd et al., 1991). One form of observation was through participation in three CM projects by the author during seven-month internship in one of the manufacturer's company. The author participated in fifteen meetings with retailers during negotiating process. This stage gave a deeper understanding of studied phenomena and specifics of relationships in CM project. As the outcome first and second stages, the results of these theoretical and empirical overviews were used to select an expert for our pilot interview. Also, the first variant of the interview guide was composed based on the collected information.

In the next step of data gathering a pilot face-to-face interviews with two specialists (Category Manager in international company in Russian department and buyer from one of Russian retailers) were conducted. The produced questionnaire was examined and further redesigned in accordance with experts' opinions. In other words, the third stage of empirical research has helped to verify structure and content of questionnaire and to reveal specifics of questions for suppliers and retailers.

The fourth phase was aimed at selection of respondents by contacting ECR community in Russia. We focused on including category managers, key account managers from supplier's side, category managers, buyers from retailer's side, and third-party experts from specialised category

management agencies in Russia. The completion of this step enabled to find respondents meeting the criteria and appropriate for investigation of CM experience and to finalise an interview guide to collect data.

The next stage of the research comprised semi-structured in-depth interviews with respondents and interpretation of the records of transcript data. In-depth interviews were preferred as the most appropriate method of data gathering as they are optimal for receiving data on individuals' personal stories, attitudes, and experiences. Relationships in CM projects is a touchy topic as it embraces the relational aspect of two people from different organizations. In-depth interviews enable creating an open atmosphere for an interviewee to understand the issue entirely. Furthermore, such tool allowed to obtain reliable and data-rich information with the relatively small sample of partakers of CM process as respondents. Based on the availability of experts, the author led face-to-face interviews. Other interviews modalities such as Skype, phone, or e-mail were practiced as well. To initiate the discussion, the first author asked the participants to tell about their previous experience in CM. Further, the conversation flowed as respondents were motivated to take part in the interview and share their opinions to contribute to understanding by themselves the complex nature of CM relationships. At the end of each meeting, participants were invited to give any other comments about CM they believed were important.

Complete 13 interviews were taken throughout the data accumulation step. During this stage, our purpose was to obtain the in-depth understanding of CM phenomenon in the Russian context. The interview guide contained the following sections: (1) Interview profile. This section contributes to an extended understanding of respondents profile as well as gathering CM practice he or she has. This section is important to confirm the validity of the data gathered. (2) Background information of the company. This section is dedicated to data about company's profile. It included general information about the company, its leadership in category and focus of organization on CM. This part was devoted to gathering more information about "inputs" for the final model. It was conducted to realize common characteristics of companies involved in CM projects. Moreover, it helped to investigate the level of organizational development in the context of its readiness to implement CM practices. It is critical to know how businesses fight for their consumers. The incentives for having these questions could be explained by the requirement to get a full panorama of the current circumstances on FMCG market and company's recognition of CM tools appliance. (3) Process of CM. The questions in this section

were primary focused on specifics of CM process in Russia, to understand deviations from classical CM steps and identify the factors which may cause the differences. (4) Organisational enablers. This group of questions were particularly aimed at identifying factors influencing CM process , which do not depend on individuals involved in CM. (5) Behavioural enablers. This block is also about factors specific questions, but it is aimed at investigating the relationships of CM stakeholders on individual level. It helps to find out drivers of people who engage in and run CM projects. (6) Finding three top factors. This part was devoted to highlight the main three factors which are the most important important in CM context. It was necessary for identifying the themes which are touchable for either retailers or suppliers, and which they may use in their negotiations in order to reach an agreement. (7) Output of CM process. There are classic benefits which CM gives to parties which are well described in the literature. However, for us it was important to challenge them in order to realise the real help of CM for winning competition in Russian market. (8) Specifics of CM in Russia. This was question-conclusion, which offers interviewees to share their vision of CM development in Russia and its possibility to survive in local circumstances. Moreover, it allowed to catch the overall mood of an expert about CM concept. As it is the last but not least part of questionnaire, respondents can share relevant in their belief explanations and recommendations to improve the idea and share any additional thoughts on the issue (see the interview guide on Table 5 below).

Mostly open-ended questions were practiced. This method gave us trustworthy information on respondents' views without being necessitated by a settled set of possible answers. Rosenthal (2013) underlines that open-ended questions are powerful for the interviews as they are intended to get “an in-depth understanding of participants' experiences, perceptions, opinions, feelings, and knowledge”. Rosenthal (2013) highlights the significance of precise question design as it directly influences the quality of the obtained data. The concluding structure of the questionnaire is based on the analysis of secondary data such as ECR presentations, conference papers, information about CM projects available from different sources.

In average interview endured one hour. All interviews were audio-recorded with participants' agreement for later transcription and further analysis. Interview transcripts, notes, and documents were systematized, analyzed and gathered in one dataset.

This five-phase research process enabled collecting and evaluating numerous types of observational evidence from several sources that enabled data triangulation to guarantee the reliability of the concluding results (Elo et al., 2014). The crosschecking information throughout

the research process, multiple informants at the different phases of data collection, the same questions in interview processes help to reach triangulation.

Table 5 Questions of the interview

	Questions	Purpose
Interviewee profile	Please tell about your practice in CM. Which companies did you work for? How many projects did you realise?	To evaluate the status of expert and results validity
Background information about the company	Which category do you work with? Is your company leader in the category? Do you conduct researches in category on regular basis? Do you have available dedicated resources for CM projects?	To evaluate level of availability of company's resources and competences as "inputs" for final model
Process	Please describe the CM process from your practice. Identify stages and involved stakeholders from retailer's and supplier's organisations.	To identify elements of "Process" block in the model , to identify specifics of the process in emerging markets
Organizational enablers	<ul style="list-style-type: none"> - Which resources and competencies from retailers and suppliers organisations are necessary for successful implementation of the CM project? - Based on your practice, do organisation invest enough resources in the project or some are missing? - Do you think that organisational culture influence on CM project ? Which values are the most important ? - Which kind of internal organisational barriers or conflicts may occur during the CM process? - Is top management involved in the process? - How do partners measure success? Is it joint process ? - Which barriers on firm level could be in CM process implementation? 	To identify elements of "organizational enablers" and how they influence CM process

Behavioural enablers	<ul style="list-style-type: none"> - Many people say that CM project is based on trust. Is it true? Why? How does trust affect the process? - Is there a certain level of trust between partners which allows CC act effectively? - Do the retailers have “trust” to the category management system, or do they generally approach it with suspicion? - To which extent does retailer trust in CM capabilities of suppliers? - Is opportunistic behaviour of CC possible in CM project? - How does retailer check the objectivity of CM plan proposed by CC? - How common objectives are defined in CM process? Which are they? - Which barriers on individual level could be in CM process implementation? 	To identify elements of “behavioural enablers” and how they influence CM process
3 Top Factors	Please identify 3 factors which affect the result in CM project the most.	To identify the most important factors affecting CM
Benefits for stakeholders	Which benefits do stakeholders (retailers, suppliers, consumers) have as a results of CM projects?	To identify “Outputs” of the model for all stakeholders
Specifics of CM in Russia	What is the present and future focus of CM practices in Russia on your opinion?	To identify specifics of Russian context and overall vision of CM concept

Sample selection

According to the purposive sampling approach the sample selection was according to the relevance to the research (Elo et al., 2013). The main principles for choosing the respondents is the participation in CM projects with retailers or/and suppliers in FMCG sector. In addition such issues as sufficient respondent’s experience in CM fields, number of projects realised and participation in ECR conferences. There were three groups of respondents: 1) Supply-side companies (or suppliers); 2) Demand-side companies (retailers); 3) Third-party experts (specialised agencies). Some reasonable concerns such as time constraints and the availability of the expert for conducting the interview were also matched in the selection process. After a thoughtful examination of the respondent’s background and the other mentioned determinants the author has originally chosen thirty nine potential respondents to contact.

Thirteen experts accepted the invitation to participate in the interview, ensuring 33% response rate. Experts from multinational production companies as well as specialised agencies were open to our invitations, while retailers representatives were very difficult to involve in

research process. Finally, we received positive responses from 6 suppliers (Mars, Unilever, Danone, Procter&Gamble, Bonduelle), 4 retailers (Lenta, Intertorg, Gazpromneft AZS, Metropress) and 3 agencies (DMGlobal, Nielsen and Advantage Group). These interviews were conducted over a two-month period in Russia by the author. All who were interviewed had extensive involvement and broad experience in category management (minimum three years), working experience in FMCG sector (average ten years), and seven of those interviewed extended their own company experience with participating as speakers in ECR-Russia conferences. For research purposes, the respondents are numbered as retailers from 1 to 4, suppliers from 1 to 6 and third-party experts from 1 to 3 to affirm anonymity due to concerns about confidentiality.

The number of participants involved in the study is not occasional. It is worth mentioning that choosing appropriate sample for open-ended interviews is an essential stage in the research process. Sampling for in-depth interviews is about discovering a balance between a necessity to get a rich experiential data from respondents, without sacrificing the equal representation of experiences across the population of potential participants. Such balance is usually obtained through “saturation” principle, which means that data collection is terminated when no new themes is being received. The data saturation was accomplished conducting the interview with respondent #12.

Data analysis

Data interpretation in qualitative research opposed to quantitative research can be a very time-consuming and complicated process (Petty, 2015). That is why data analysis from the interviews was handled in several stages. The first step was an employment of the content analysis aimed at categorizing and structuring data under the titles of the themes that are in the center of this study and correlate with research questions. These are inputs for CM project, specifics of CM process, enablers of CM, benefits obtained by stakeholders, and Russian CM context. Each category of data was coded to enable comparisons between responses (Braun and Clarke, 2006; Petty, 2015; Won and Choi, 2017). In terms of inputs for CM project the following themes emerged: (1) category knowledge; (2) customer knowledge; (3) partnership level. Referring to CM process two themes revealed: (1) stages of CM process, which includes (a) opportunity identification; (b) proposal; (c) pilot implementation; (d) roll-out in all stores; and (2) characteristics of CM process, which contain (a) alignment to retailer’s strategy; (b)

transparency; and (c) CM practices intensity. Two major themes were identified for enablers: (1) infrastructural enablers, which include (a) people with CM competences; (b) ability to measure CM success; (c) staff turnover; (d) investments; (e) information exchange; (f) strategy&governance; (2) behavioural enablers, which contain (a) trust; (b) opportunism/objectivity; (c) communication; (d) agility; (e) common objectives. As for benefits obtained by stakeholders the three themes emerged: (1) enhanced relationships; (2) category growth; (3) personal development. The following themes were identified for Russian CM context: (1) Exploring stage of CM maturity level; (2) Relationship atmosphere; (3) Main barriers for CM projects implementation.

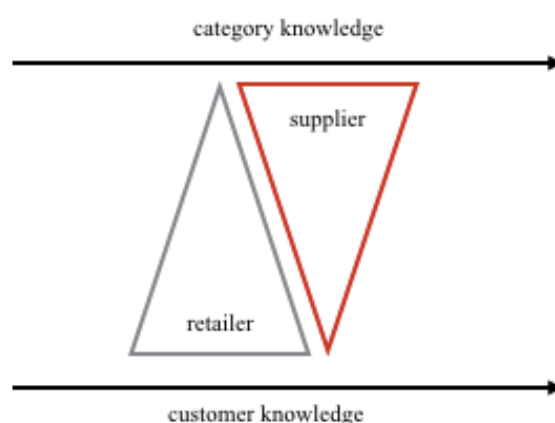
2.2 Results of analysis

After content analysis of companies' representatives answers were aggregated following themes, allowing to build theoretical model of factors affecting category management.

Inputs of the model

In theoretical part we identified inputs as “general resources and capabilities”. However, empirical part revealed the most important themes which defined the flow of CM project. They are “category knowledge”, “customer knowledge” and “partnership level”. Basically, the principle of retailer and supplier exchange of their knowledge for the project is “starting point of CM project” (supplier #1). These relationships were represented by supplier #1 on the Figure below:

Figure 8 Basis of retailer-supplier interaction in CM project (supplier #1)



When they retailer and supplier realise the opportunities of combination of their resources they could start CM project. However, respondents also mentioned that they do never start the CM project without having trustful relationships with partner. Under “*trustful*

relationships” is understood having trust, respect and previous experience of joint projects. Almost all factors would directly or indirectly depend on partnership level. It impacts the way CM activities would be done by supporting on different levels of organisation the project or not.

“Only after building certain level of trust partners began to interact” (retailer #3)

“First you need to understand whether you trust or not, and then join the project with this partner. Trust to the manager means even more” (retailer #4)

“Previous experience with negotiating on other questions defines level of trust between partners” (retailer #3)

Process of CM in Russian context

Practical recommendations in CM field are based on model of CM implementation, contained nine stages, which should be done in order to get maximum result from CM practices (ECR Europe, 2000). They are: opportunities identification, category definition, category role, category assessment, category scorecard, category strategies, category tactics, plan implementation and category review. Referring our research respondents mentioned the following several stages: “opportunities identification”, “category definition”, “category tactics” and “plan implementation”.

“Opportunities identification” is preliminary step for starting the project. If retailer initiate the process it looks for gaps usually in its biggest categories such as milk, cheese, beauty&health, pet care, chocolate and alcohol. Than they choose Category Captain based on their proposals. The main criteria for choosing category captain which were mentioned by respondents are “quantity and quality of brands” (retailer #2), by quality is undermined leadership in category and their margin; “objectivity of supplier”(retailer #1,2,3), by objectivity is understood the motivation to grow the whole category, not its own brand; “previous relationship experience” (retailers #1,2,3,4). When supplier initiates the project, usually it also identified the most potential retailers, where there is an opportunity gap for growing category. Then category manager makes a presentation which is necessary to present for retailer, after this retailer either agrees to start a project and implement a pilot or it refuses the idea. In most cases the most important factors which play role in the decision of retailer are “alignment with retailer’s expectations (with its strategy)” (supplier #1,3,4,6,) and “partnership level between two companies” (supplier #1,2,4). It was mentioned and especially highlighted and discussed by almost all respondents that usually CM projects are initiated by suppliers, the situation is that

retailers are not motivated to be involved in them, and in most cases they are even sceptical. In this situation supplier takes the active role in this process, realising everything which is in his power.

“Category definition” is the next step in realising CM project, according to respondents usually it includes “segmentation of consumers” and developing “category decision tree” (all suppliers, retailers #1,3, third-party experts #1,2,3). This block is usually done by supplier, who uses its category knowledge and offers to apply it in CM project.

“Category tactics” . From the stage of category definition, which represents the view of a supplier on category, partners bypassing classical steps such as “category role”, “category assessment”, “category scorecard” and “category strategies” or partly touching them in their negotiations, move directly to category tactics which include category assortment, pricing, shelf presentation, promotion, and product supply tactics. It was mentioned by most of respondents that assortment and shelf presentation plays the most important role in this process (suppliers #1,2,3; retailers #1,2,3; third-party experts #1,2). Supplier also could give the recommendations for pricing policy, but it mostly concerns only captain’s brands.

“Plan Implementation” step usually starts with the pilot implementation of category vision in one or several stores. The results are compared to stores with the same characteristics. However, interviewees from supplier side identified the complexity of getting information from retailer even for analysing the results (suppliers #1,6). Usually retailer makes the conclusions by itself and decide whether there would be roll out or not. Suppliers also noted that it rarely happened since retailers are not ready to invest money in category development, so project exists while supplier is investing in it (supplier #4).

One of the main conclusions that can be obtained as a result of the analysed data and expert opinions is that the players of the Russian FMCG market are mainly interested in the short-term result of the category development is also confirmed by the data obtained during the analysis of the business practices for the implementation of CM projects in ECR web site. Two stages of implementation are most clearly defined: the definition of a category based on the consumer segmentation and the decision tree and the tactical task block, where the supplier makes recommendations on the assortment, creates planograms for subsequent implementation, and develops specialised trade equipment to simplify navigation of buyers in the category. In other words, the most significant contribution is from the supplier, and the absence in many business cases of the stage of determining the role and strategy of the category can serve as

evidence of the passive role of the retailer in the existing business practices of Russian projects for the implementation of CM. Moreover, this means that the retailer needs short wins and the fastest result from the implementation of CM practices, therefore, the role of the category, its strategy, and the willingness to focus on a certain target buyer are not included in the list of priority tasks at this point in time and can not be a motivating factor to launch CM projects.

Infrastructural Enablers of CM.

Strategy&Governance

There was an opinion among the experts that retailers do not have long-term strategy at all. They declare that they want to stay apart from the competition, while they do not broadcast clear unique vision.

“If to look on Top managers’ statements, usually they want everything in the same time: lowest prices, best quality, good location...” (third-party expert #3)

Moreover, they are switching each other changing the direction of organisational development. Thus, buyers have to be in line with current leadership, and have to be agile in order to stay in line (third-party expert #3).

Such dynamics of retailer requires supplier to adapt fast to new course of actions.

“The speed is what is necessary for supplier in CM project, there are a lot of changes happening in retailer, that needed to be addressed” (supplier #4).

“We continue to do the project without captain since the project required quick actions, which captain did not take due to their tardiness” (retailer #3)

It is worth to mention that focus of retailers is to survive in highly competitive market, thus, they choose the most effective ways to do it. As CM projects in most cases require a lot of investments and result is difficult to predict, they are considered as risky in retailer’s project’s portfolio, which makes its implementation quite difficult. As a result, the most projects are initiated at personal level due to proactive approach of buyer or manager in organisation. He or she is motivated by personal development or show off in order to move up a career ladder (supplier #4,6, third-party expert #2).

Structure

According to the responses usually the governance of CM projects are laid on buyers or category managers, merchandising and advertisement departments from retailer's side and team of category managers, key account manager, customer marketing experts from supplier side (supplier #2,3). There are issues with decision process in retailer's team. Usually it is long and not straight-forward, all decisions are needed to be agreed on several levels with a lot of people, which makes this process ineffective.

“There is fragmentation of departments: each one is responsible for its own small piece and does not transmit to other departments. There is also a problem of communication on different levels” (third-party expert #3)

There is also a practice to involve third-party expert from specialised agency. Usually supplier hires this agency in case, when there are no trustful relationships between partners yet (third-party expert#1). In order to assure retailer in objectivity in CM proposals, third-party agent is invited to prove the reliability of analytics results. Once the first experience is successful, in next cases it began to interact with supplier directly (supplier #2). We also asked respondents (especially retailers) if such experience with participation of third-party agent would be interesting for them, and most retailers answered that the level of CM competences of supplier is quite high, and participation of third-party is not necessary (retailer #1,2,4).

People

By “people with CM competences” is undermined CM experience, ability to analyse fast and knowledge of the market. Retailers noted that they are waiting for information about the market and valuable category insights from supplier. Moreover, it is important not only to have research base but also to reply to retailer's requests.

“There is a moment. From the point of view about category supplier should have two competences: 1) their own research base, which they use while make the proposal for participation in CM project and 2) ability to react fast on retailer's requests. There are companies which have one competence while there is always a need for both of them. It is also good when supplier provides not only interesting insights, but also some useful recommendations.” (third party expert #3)

On the top of that, category managers should not only to be experts in the category, but also they should have soft skills - such as negotiating, adaptability and client centricity. Due to Gruen there could be conflict situations between category management and sales, which should be solved according to our research with “efforts of category manager” (supplier #4).

Ability to measure success

By ability to measure success was stated the development of joint scorecard. However, due to experience of our respondents there were identified two main issues. First one is “inability of retailer to define the adequate performance indicators” due to retailer’s expectation to “*enhance all performance indicators in the same time*” (supplier #1,2,3,5, third-party experts #1,2,3) by implementing CM project. Due to CM methodology KPIs depend on the defining category strategy: either it is aimed at expanding assortment, or increasing margins, or increasing volumes depending on the strategic role of category. However, as it was mentioned before retailers often skip this stage in CM process, so their expectations of CM is overrated in advance. The other issue is one way of measuring. It means that often retailer does not want to share results of the projects, or it shares only part of it due to the policy of organisation.

Investments

Investments of supplier is one of the reasons why retailer starts to do the CM project and one of the issues which may cause a conflict situation. In emerged markets investments are usually made by retailer who realise the potential and value of CM, but in Russian market, where the competition is very high, retailer prefers to invest in more prioritised projects, such as opening new stores or optimising logistics. In this situation, supplier in order to prove retailer practical use of CM concept invests in pilot projects, retailer is supposed to support roll out, but in most cases CM ends with a pilot. In this situation supplier as a Category Captain is in weak position, its investments is high risky.

“There is also very strange practice - supplier pays for equipment, it expects to have opportunity to have priority in CM projects, and as a consequence the “gold shelf”. In this case: firstly, there is a contradiction: the whole principle of CM is violated, and secondly, if the retailer refuses the expectations of supplier stay deceived.” (third party expert #2)

Information exchange

“CM is information-driven process” was confirmed by all respondents. The biggest issue is CM project in Russia is not sharing necessary information about key indicators with partner. Information exchange is closely related to personal trust between partners. More buyer trusts key account manager or category manager, more information he or she presents to partner.

“Retailer is not ready to share information, they always have more initial data, sometimes they even cannot show results of the pilot” (supplier #4)

Knowledge transfer

This is specific Russian factor which we determined during our interviews with experts. The issue is that there is a high level of staff turnover in Russian retail companies. As CM project is long-termed project, this fact impacts the implementation a lot.

“Due to high turnover it always happens that we have to agree everything once again. All agreements are very difficult transferred” (supplier #3)

“Buyer is not interested in effect which would be in the next several years, so CM is not prioritised activity, it is more optional” (third party expert #1)

According to literature review and empirical analysis of experts opinion, we identified two stages of CM maturity level based on infrastructural factors as dimensions. There are the “exploring” and “established” stages, the “exploring” is related to emerging markets (on Russia example) and “established” - to emerged markets. This model is shown in the Table 6 below.

Table 6 Model of CM maturity level (developed by author)

	Exploring	Established
Strategy & Governance	Partial or no focus on qualitative ways of growth	Partial or full focus on value creation CM strategy
Structure	CM initiatives are coordinated through existing relationships or third party (mediator)	CM through cross-functional symmetrical teams
People	Level of CM competence varies significantly across organisation with some basic training	Key CM stakeholders have CM competences with tailored training program
Ability to measure success of CM	Some basic performance measures are tracked and reported (one-way)	Critical performance measures are developed and periodically reported (two-ways). Performance measures are jointly developed with suppliers
Investments	Made by supplier in pilot projects	Joint investments in CM system and support
Information exchange	Limited data exchange no integration, mostly negotiations	Integrated systems with suppliers for sharing and reporting necessary operational, tactical and strategic information
Knowledge transfer	high staff turnover without knowledge transfer	CM knowledge management system

“Exploring” stage describes the situation when CM projects are mostly initiated by supplier. It could be understood by the fact that the supplier see big opportunities in development CM in retailer due to its market share and level of partnership. Usually this step starts with pilot CM projects, which are fully financed by supplier, so retailers readily agree to such a deal. Even though supplier provides all resources, part of implementation of the project stays with retailer, so it requires personnel resources and capabilities to make it work. In this situation work overload of the buyer may significantly prolong the process since retailer does not have dedicated resources for the project, moreover, there could be also problems with implementation due to unusual tasks. It happens very often that representatives of supplier helps to make merchandising in pilot projects. Problems arise not only with implementation, but also with category definition and planning, in most cases, the category analysis process is performed completely by the supplier’s category managers, so the strategic role of the category is not determined at all. Moreover, the situation is complicated by the fact that many retailers are not ready to share data. This is due to the company's policy and, in general, due to mistrust of the retailer to CM projects. At this stage, in order to build trust with retailer, supplier may engage the mediator - expert from professional agency, for example, from Nielsen. Mediator reduces the risks of the retailer in the supplier's opportunistic behaviour. He also helps with collecting a data

from retailer, which is very important for reasonable offers in CM project. However, after trust is built, and retailer sees real benefits in category management, he starts working with supplier directly.

“Established” level of maturity could be characterised by customer oriented approach of retailer. Customer-oriented approach involves building an organisation in such a way as to fully satisfy the needs of the consumer and to gain his loyalty. To do this, you need to understand your customer and to customise all activities for him. Even though this approach is not new, and proved to be the only way in achieving sustainable competitive advantage, limited number of Russian retailers are using it. Mostly, those retailers are either international or federal level, for example, Lenta, Metro, X5 retail group but there are also regional ones, mostly because of their “agile” type of the organisational culture. The process of CM management at “established” level significantly differs from the previous stage. The fundamental difference is organisational structure of retailers, which allows to implement all stages from strategic to operational in CM process. Usually, retailers execute the project by cross-functional teams. It consists of buyers, marketing specialists, analysts, merchandisers from retailer’s side and key account manager, category managers from supply side. At this stage a full cycle of projects is implemented, involving a lot of resources from both sides.

Behavioural Enablers in CM.

Previously we analysed how CM capabilities could be built on firms’ level, and how the infrastructural factors influence the CM process, now we turn to the CM process from individual point of view and consider how behavioural factors affect the results in CM.

Trust

All interviewees mentioned that the decision either to join the CM project or not, they make based on personal trust to manager who they work with. Understanding the retailer’s level of trust and past experiences with category management has both managerial and category planning implications for supplier. For example, when working with an inexperienced retailer, previous research has suggested that the supplier partner should recommend fewer changes (i.e. reductions in SKUs and inefficient promotions) in a category plan (Gruen and Shah, 2000). One of interviewee also mentioned:

“There is a retailer’s point of the comfort zone, and it is better to know where it is in order to offer the right volume of changes in CM” (third expert #1)

Before approaching a retailer for a category management partnership, a supplier can take a few measures to gradually build the retailer's level of trust. For example, the first time category management is applied to a retailer's category, the category review typically results in the delisting of several SKUs that do not add value to the retailer's customers. In this step, the supplier proposes delisting recommendations for its own SKUs as well as competitors' SKUs in the category. Previous research has shown that when the supplier that makes the category review delists its own SKUs gains respect from the retailer (Gruen and Shah, 2000). This helps ease the retailer's reluctance to delete SKUs from a category, because the supplier's actions communicate that it will act objectively and in the best interest of all three parties (supplier, retailer, and end customer). Ultimately, the retailer's success with its early category management projects is essential to building retailer's system trust. When a retailer has early success, then that retailer will be more likely want to enter into future category management projects.

Our interview sample highlights this:

"There was a case when in my presentation there were not a single number, there was no evidence, but because of the fact that there were trustful relationships, belief in my expertise, and because I knew the agenda of retailer, I collected the concept which was very easy to sell" (supplier #6)

Common Objectives

Defining common objectives are one of the top factors, which interviewees mentioned as very important. Moreover, common objectives should be built not only on the corporate level, but also on individual. Retailer's representatives have the attitude toward suppliers that they are opponents and their interests conflict each other, they cannot realise that they get more in cooperation than acting alone.

"They (retailers) can not go to another level. They play by their own rules, are not ready to trust, do not rely on expertise" (supplier #1)

However, sometimes the whole CM project could happen only on initiative of two people - buyer from retailer's side and sales manager from supplier's side.

Agility

Company representatives mentioned that in order to stay competitive within the market, retailer should be agile. He should not be scared of changes, since only by trials retailer could achieve competitive advantage within the market. Interviewees mentioned that resistance to

change of retailer is one of the barriers of implementation the project. For example, when everything was agreed in the plan, retailer may oppose to “drill holes in the floor” (supplier #4)

“willingness to change (not to be afraid of something new), openness, it is more competitive and sustainable” (supplier #3)

“Agility of retailer is very important - do not be afraid to change something, be ready for anything” (supplier #5)

“My task is to remove the fear of the manager's manager so that he is not afraid to try, take responsibility for his decisions” (retailer #4)

Opportunism/Objectivity

Opportunism is the main obstacle for retailer to do the project together with supplier:

“The biggest risk is opportunistic behaviour. We often do not enter the project, because the game in one gates is not successful.”(retailer #2)

Moreover, interviewees from retailer side mentioned that they work with suppliers - leaders of category, since they have less intention to push their extra SKUs on the shelf: *“They can take their place deservedly” (retailer #2)*. Suppliers' opinion coincides with retailers. They consider that leader does CM project for the whole category growth, whereas following players want to grow their shares in order to become a leader (supplier #2).

However, some retailers mentioned that there are leaders with “leadership mindset”. It means that they actually do not care about the whole category, do not try contribute by their insights. Thus, they believe that if consumer does not find the product he or she wants, he or she would buy the product of the leader (retailer #3). In this case retailer loses the loyalty of their consumers.

Also, it is interesting how interviewees evaluated the objectivity of category captain. Most of them noted that objectivity is not really important for CM project, what important is trustful personal relationships between partners based on respect and openness (suppliers # 2,3,5,6, retailers #3, 4). However, it may be actual on “Emerging” stage of CM maturity, when all projects are based mostly on interpersonal relationships of buyer and seller.

“It is impossible to have CM like in the theory, it is impossible to operate with absolute objectivity, it impossible to sell absolute category concept, because retailer by itself would have less money, since they earn from the contracts too” (supplier#6).

Communication

According to interviewees communication is closely related to trustful relationships. It should be open, concrete and informal. *“In ideal situation supplier may directly write a letter to retailer’s manager who makes decision in the category and say “I have an idea - what do you think? without any extra meetings or approvals” (supplier#4).*

Communications are also perceived as main challenge, since they should not consist of emotions, they should be built on constructive dialog between two sides of the deal. *“The most difficult part is to effectively manage your time, remove emotions, learn to act according the communication system” (retailer #4).*

According to behavioural enablers we identified four types of “relationship atmosphere” which is possible between partners in CM project, which are “open-market negotiations”, “cooperation”, “coordination”, “collaboration”. These four types based on dimensions defined as behavioural enablers. They are summarised in the Table 7 below. It is assumed that “collaboration” atmosphere is the most effective for successful negotiation in CM project.

Table 7 Relationship atmosphere Evaluation (developed by author)

	Open-Market Negotiations	Cooperation	Coordination	Collaboration
Trust	No trust	Partial trust between counterparts based on mutual benefits	Trust based on previous experience	Partners are committed to the relationships
Common Objectives	No common objectives	There are some KPIs for the projects, but they could be measured separately	High aware of partner’s objectives	Acting is one team with the same objectives
Agility	Is unknown	Is limited due to high uncertainty of the joint projects	More agile since there was positive experience of the projects	New ideas are generating in regular basis, the changes is the constant process
Opportunism	Each part acts in their own interests	Opportunism is almost impossible, since CC has to show his objectivity in order to gain trust	Objectivity is not in place, it is more about finding benefiting compromises for both sides	More objectivity since partners act more as the one team
Communication	Ocasional interactions	Regular joint meetings	More efficient information exchange	Advanced system of communications based on principles of respect and mutual benefits

CM Outputs

According to respondents there are three main benefits for CM stakeholders: “enhanced relationships between supplier and retailer”, “category growth” and “personal development”. Comparing to the theoretical model the aspect of “customer satisfaction&loyalty” was not mentioned due our interview sessions. It is related to the fact that customer is not central focus of most of retailers, even though they present it as their priority in strategy goals , in practice it does not work.

Main Barriers for CM implementation in Russian FMCG market

There were identified the *main barriers* which organisation face in implementing CM projects in Russia:

- Arranging customer centric organisation
- Developing functional trust
- Defining category strategy

Barrier 1. Arranging customer centric organisation

A firm committed to CM implementation should change governance structure from a centralised buying function to a decentralised structure where there are cross-functional teams that are responsible for whole category (Brettschneider, 2000). This requires changing the whole mindset of people working for this organisation towards consumer oriented approach. It was mentioned in interviews that Russian retailers are not ready to implement CM practices:

“There is no strong retail education in Russia. That means that retailers don’t understand new marketing philosophies, thus, they are very slow to adopt them. Buyers were taught such way that they are used to buying things from suppliers at the lowest possible price, and somehow get rid of it in the stores. They are just not willing to do something like category management, which demands them to see them and supplier as partners” (third party expert #2).

Besides adopting a consumer-oriented organizational structure, in several of our interviews it was noted that top management must adopt a CM concept and transfer this vision throughout the whole organisation.

A top management that believes in CM will adjust their entire organisation around the customer and overcome the two major internal barriers (structure and staff skills). Finally, since

CM demands team efforts, top management must guarantee that everyone involved feels ownership in the category plan implementation.

Solution to barrier 1

Retailers should start with forming cross-functional teams according to category principle, so that it can combine the product knowledge expertise of its buyers with the customer knowledge of its marketing department and market knowledge of suppliers as their partners.

Barrier 2. Developing functional trust

“There is an opinion, that everybody deceive each other in retail. It is wrong, market is changing very fast. One is not a warrior in the field. It is easier to reach goals in one team. It is impossible without trust to each other. As for me, I gave the full information, it is better when is available than it is hidden and then distorted” (retailer #3).

This example shows the importance of building trust on functional level of organisation. It undermines the full information exchange which allows to analyse category at full extent and come to valuable solutions. Moreover, many retailers considered forming relationships with one supplier as risky, since they do not wish to be dependent on one partner, and weaken their relationships with other suppliers. The retailer can reduce this dependency by making competition between partners once in a while, inviting all suppliers to participate, or by clearly communicating its strategy goals to existed captain (Brettschneider, 2000).

Solution to barrier 2

In order to become captain supplier should demonstrate its objectivity in its CM proposals. For example, supplier could delist its own SKU, if it does not provide any value to end customer, or manufacturer could include retailer’s own trademarks in the analysis. This steps insure retailer to trust his supplier.

Barrier 3. Defining category strategy

A major problem with CM process in Russia is excluding strategic element of concept analysis. Russian retailers do not assign strategic roles to categories, thus, are not be able to differentiate within the market. Rather than building sub categories SKU by SKU, Russian practitioners can combine the established subcategories to construct a category concept. It is more restrictive and simplified approach that the first one (combining SKU by SKU), this model still provides differentiation, since there is a little possibility that competing retailers would combine the same subcategories for a category definition (Andersen Consulting, 2000).

However, if to consider the fact, that in Russian market this is made by supplier, there is a risk that subcategories would be the same in different retailers.

Solution to barrier 3

The competitive review is crucial in overwhelming this issue. A retailer should determine the strategic role of category by finding correlation between category roles and financial results, and then assigning role after comparing the categories in strong performing outlets with those where the category sales decreased. Competitive comparison will allow retailer to define the target audience and to adjust its categories according to their needs.

2.3 Findings from research

Most of factors investigated are correlated with those ones described in previous investigations of CM process. However, such important factor from literature review as “opportunistic behaviour of category captain” does not play essential role in CM process in emerging markets. According to research the objectivity do not affect significantly results, what important is “overall relationship atmosphere”, which may include the element of objectivity or may not. The specifics of Russian retail companies has also additional infrastructural factor “staff turnover”, it is very important for CM project since the objectives of it are long-oriented, and when people working with suppliers are changing it affects the results significantly.

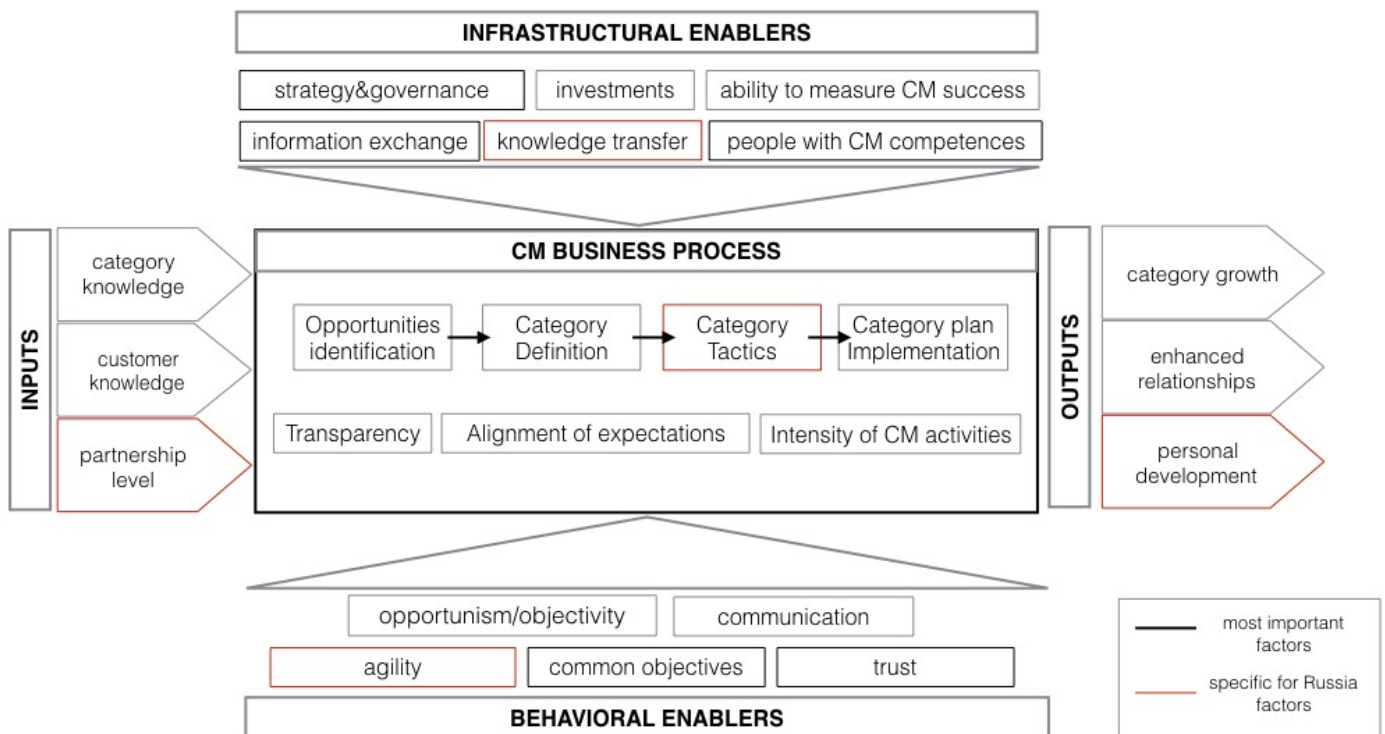
From our research there was distinguished two types of CM maturity in the companies. There was developed a comparative table which allows company to identify its level according to objective infrastructural factors from the research and to determine goals for its enhancement.

Based on the behavioural enablers there was created a tool which defines the company’s “Relationship Atmosphere” based on different elements. Assessing those elements may help a company to find gaps in their relationships with the partner and improve them using this framework in order to reach the most productive “collaboration”.

Juxtaposition of theoretical model and practical results provides a CM model with inputs, process, behavioural enablers, infrastructural enablers and outputs. Inputs “general resources&capabilities” were concretised with “category knowledge”, “customer knowledge” and “partnership level”. Proved infrastructural enablers such as “strategy&governance”, “information exchange”, “investments”, “people with CM competencies”, “ability to measure success” were complemented with “knowledge transfer” which negatively influence the project due to Russian specifics. The most important factors which are valued by suppliers are

understanding of retailer’s strategy, transferring detailed information about the project freely between workers within the company, and sharing the data about sales, which allows to conduct better analytics of the category. On the other hand, retailers expect CM expertise and professional experience from suppliers. Almost all behavioural factors such as “trust”, “communication”, “agility”, “common objectives” and “objectivity”, which may affect the relationships were included in the final model. The most valuable ones for emerging market are trust, common objectives and agility. Outputs were determined as “category growth” as operational objective, “enhanced relationships” as relational objective, and “personal development” as personal objective. The final model is represented on the Figure 9.

Figure 9. Final model of factors effecting CM performance(derived by author)



2.4 Managerial Applications

A joint approach to category management in comparison with a category project initiated by a supplier extends the sphere of partner relations from the level of tactical decisions such as price negotiations, entry of novelties and so on to a partnership that creates a sustainable competitive advantage for both partners. Results of this research provide additional insight into achieving desired results in CM. Thus, implications to managers are classified due to relation to two main issues: how to build “negotiation process” or “relationship model” in order to use the full potential of CM project, and how suppliers and retailers can present themselves as valuable partners for each other.

There are several issues for the development of a new negotiation model. New negotiation model should change the attitude of the partners to the management of the category at the initial stages of the project, since the interactions can not be limited to tactics, implementation and revisions. Participants in the process must understand each other's goals and expectations, this coordination will help to increase the potential for implementing a successful project with minimal efforts. In addition, the new model of negotiations should also ensure the relationship atmosphere, built on principle of trust, honesty and mutual benefits from the project.

There are also implications for suppliers concerning how they could present themselves as valuable partners. Thus, retailers value the CM expertise of supplier, and are waiting for useful recommendations which are not only professional but also aligned with retailer's strategy. When retailer chooses category captain, it expects him to be objective. “To be objective” does not mean to promote absolute objective category lens, it means to act in interests of retailer, considering its interests such as contracts with other companies, not taking into account only promotion of its own brands. Moreover, as retailer's organisation is very dynamic, it requires supplier to be agile, which means to adapt category plans and concepts according to retailer's changed direction. While negotiating supplier should consider that in most cases the initiative and realisation of the project are laid on the behalf of buyer's personal leadership, so one of the drivers of negotiations should be personal benefits which buyer will get from the project, such as career promotion due to showing extraordinary results, or investments which help her or him to promote the project inside the organisation.

On the other hand, as suppliers invest in CM project its own financial, personnel and other resources, they expect a return - to have loyalty from retailer - trustful relationship, which could help to solve not only project questions, but also routine ones more efficiently. Moreover,

supplier is waiting engagement of retailer in CM project. The situation is such, that retailer put a lot of its own efforts and expect retailer to participate actively in plan realisation. The other important issue is “transparency”, which means acting as one team rather than hiding information necessary for reaching common objectives. It would simplify the whole process and make it more comfortable and effective for both sides. This might represent a necessary change in mind set of retailers from being opponents to becoming partners.

Conclusions

The purpose of the research conducted was in developing a model of factors influencing the CM in Russian FMCG companies.

The research starts with a theoretical part, where were investigated more than 70 scientific papers devoted to category management. Were described different ways to category definition in CM, historical perspective of CM from 2004 to 2016. Were provided details of CM process. Were evaluated and analysed four existing models of factors affecting CM performance and suggested the model with infrastructural and behavioural enablers, taking into account the nature of their existence. It was suggested that “strategy&governance”, “investments”, “ability to measure CM success”, “information exchange”, “people with CM competences”, “opportunism/objectivity”, “communication”, “agility”, “common objectives” and “trust” affects the process of CM and thus, CM performance.

Theoretical research was supplemented with an empirical part consisting in content analysis of 13 experts’ interviews from 4 retailers, 6 suppliers and 3 third-party experts. For the content analysis there were used various sources of evidence: open-ended questions interviews protocols with experts, participant-observation and analysis of ECR Russia conference papers. After the data-collection process was conducted analysis and as a result of this a theoretical model were modified. Inputs were clarified as “category knowledge”, “customer knowledge”, “partnership level”. In CM process “Category planning” were changed on “Category tactics” due to specifics of CM in Russian context. “Knowledge transfer” was added in “infrastructure enablers” element, and agility relevant to supplier as well as to retailer supplemented “behavioural enablers”. “High customer loyalty&satisfaction” as output was deleted from the model. There were defined three main barriers of CM implementation in Russia “Arranging customer centric organisation”; “Developing functional trust”; “Defining category strategy” and their possible solutions.

The analysis provided is aimed to help stakeholders of CM process to understand how behavioural and infrastructural factors influence CM performance and which internal elements of an organisation could support or diminish CM in conditions of Russian FMCG industry. According to our study CM improves the relationships between suppliers and retailers, performance of the category and CM competences of stakeholders involved in the process, which has high importance in highly competitive Russian market.

From this research, managers could make conclusion that in order to start CM project there should be certain partnership level which should be built on trust reached through previous experience of solving different routine questions. Moreover, it is expected to have customer knowledge from retailer as well as category knowledge from supplier.

Further, CM process in Russian market miss the strategic element of classical CM methodology. It is related to misunderstanding and underestimating the CM results in retailer organisation. However, while not referring to category strategy retailer misses valuable opportunities to differentiate within the market.

In order to build relevant partnership level the relationship atmosphere is very important. Due to our research the factors which should be specially addressed are “trust”, “common objectives” and “agility of both partners”. There was revealed that “objectivity” is one of the less prioritised drivers for enhancing relationships and results of the project.

Onward, “strategy&governance”, “information exchange”, “knowledge transfer” and “people with CM competencies” are the infrastructural enablers which should be specially addressed in CM projects. First one - “strategy&governance” - is expressed in absence of customer-centric approach in retailer’s organisation as well as limiting understanding of Category Captain of its role to deliver value to customer instead of promoting their own brands. Both sides should realise that their goal is bringing value to customer first. “Information exchange” and “Knowledge transfer” are serious barriers for conducting category analysis and managing the project. As CM is information-driven project, lack of available data for analysing for both sides negatively affects the CM performance. “Knowledge transfer” undermines lack of knowledge management system which would allow to transfer results of previous manager’s activities to the present one. Implementing knowledge system of CM project for both sides significantly increases transparency of CM process.

Further, it could be concluded that CM projects positively influence category growth, relationships between partners on individual and organisational levels and develop competences of stakeholders.

There could be observed some limitations of the research. First of all, the respondents of empirical study have different backgrounds and working in different types of companies, thus, they could subjectively highlight the organisational issues which are relevant only for their organisations. This limitation was partly overcome by taking into account other sources of information about the companies; but there could be some effect on study results. Secondly, there were studied actors of different CM projects, it could be more valuable for study to take dyadic interviews, of participants from retailer and supplier side in one project. It may give valuable insights for identifying the dynamics and drivers of such relationships. Further, the limitation is ability to use participant observation only for three projects. However, it give deeper understanding of the CM process, it may result in unconscious preference to results obtained by this method. Critical thinking and open-mindedness of researcher minimised this limitation.

Additional studies could examine conclusions made using quantitative methods, to build better comprehension of how and which factors are connected among themselves, to check with statistical methodology result about critical enablers of CM. It could be made by detailed examination of linkages between factors, their strength, and reasons. Another direction of further research could be the quantitative research of connections between infrastructural and behavioral enablers of CM process, separating behavioral factors which are formed outside of the organisation and are personal ones, and highlighting factors formed by the organisation itself. Other direction of research could be investigating dyadic relationships in different CM projects and analyzing factors influencing them.

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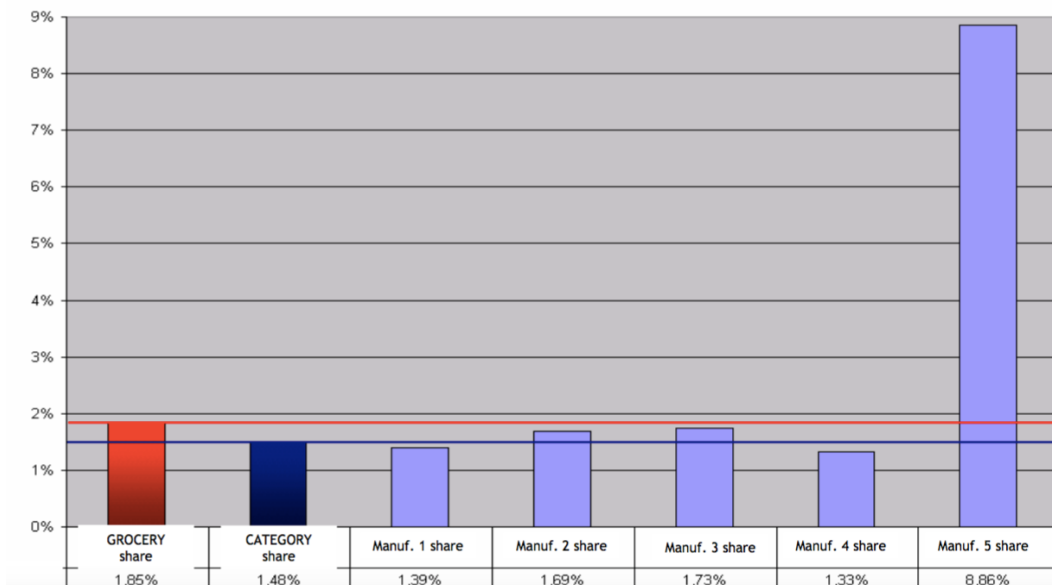
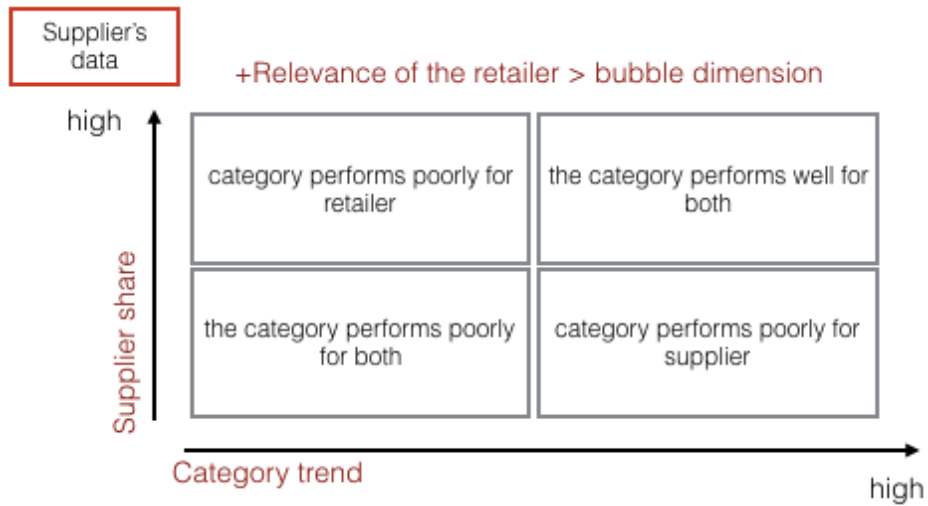
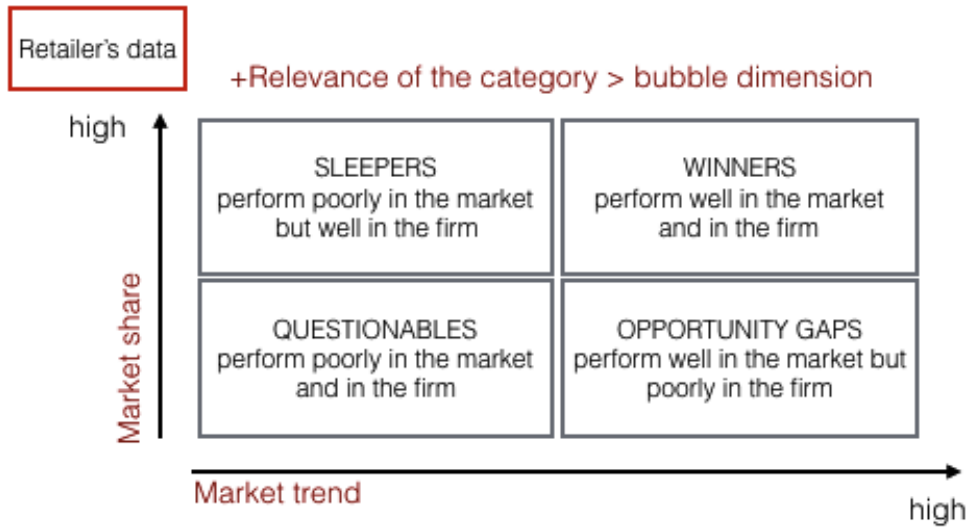
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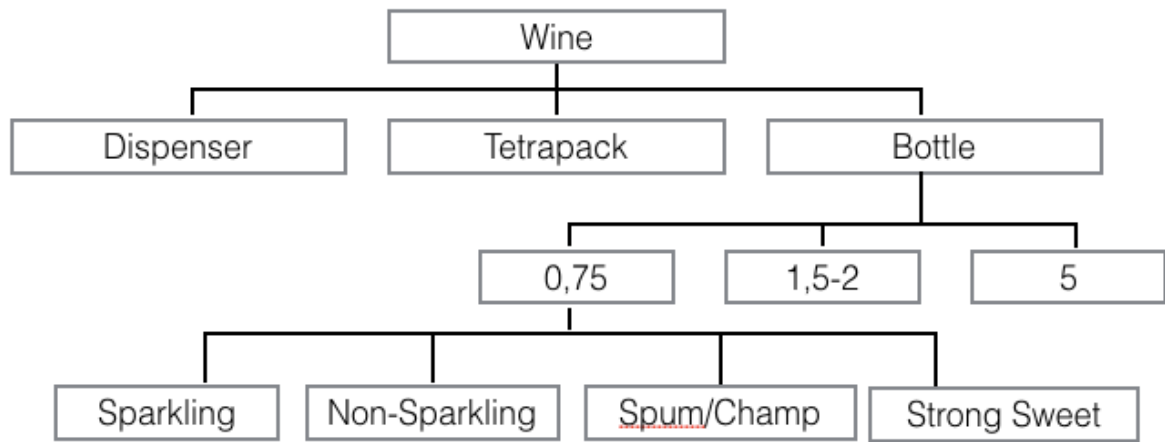
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Appendix 1. Opportunity Gap Analysis



Appendix 2. Example of category tree for wine category (ACNielsen)



Appendix 3. Defining Category role Strategic (ECR), Economic (Blattberg, Nielsen), Consumer(Nielsen)

