

## **How Retail Category Differences Moderate Retailer Perceptions of Manufacturer Brands**

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### **Abstract**

This article examines how the type of product category influences manufacturer-retailer relationships involving manufacturer brands. Category management is a key retailer management mechanism, but this topic has not been addressed in the context of purchasing manufacturer brands. This study examined retailer perceptions of manufacturer brands across eight product categories and the effects on retailer relationship outcomes including satisfaction, trust, commitment and performance. A significant difference in model parameters was initially identified between the two liquor and six grocery categories. The effect of this difference on the retailer relationship outcomes with manufacturer brands was then assessed using multi-group structural equation modelling. There were no differences between the categories in terms of the effect of brand benefits on retailer satisfaction with the brand and the subsequent effect of satisfaction on retailer commitment and trust. However, the impact of retailer satisfaction with the brand on brand performance expectations was greater for liquor brands than for brands in the grocery categories. The results indicate a retailer's assessment of a brand's performance within the store environment depends on the role of the category as well as satisfaction with the brand.

*Keywords: Brands, Category Management, Relationship marketing, Retail buying, Structural equation modelling*

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### **Introduction**

The contemporary brand literature acknowledges the importance of retailers in brand management. However the role of retail channels in creating shareholder value for manufacturers' brands is regarded either as one of support (Keller and Lehmann, 2003), or as a possible secondary brand association for the manufacturer (Keller, 2003). This perspective stems from the view in the major brand texts i.e. Aaker (1996), Kapferer (2004) and Keller (2003) that strong brands create 'trade leverage' for manufacturers when dealing with retailers. While this literature recognises the value of brands to the end-customer, the value of brands to retailers has not been considered. Retailers not only allow manufacturers to distribute to the end-customer more efficiently, but also provide important customer functions on the manufacturers' behalf (Webster, 2000). Indeed many manufacturer marketing strategies require the cooperation of the retailer for their implementation (Ghosh, Chakaborty and Ghosh, 1995).

However changes in retailer practice have made the task of managing manufacturers' brands within channels more difficult (Stern and Weitz, 1997). These retailer changes include an increased emphasis on private labels, consolidation into larger organisations, expansion beyond traditional national boundaries and the implementation of category management (Shocker, Srivastava, and Ruckert, 1994). Thus manufacturers cannot rely as much on a brand's 'trade leverage' or brand loyalty and perceived quality (Aaker, 1996) as reasons why retailers should support brands.

Within channels of distribution (Porter, 1974), both manufacturers and retailers seek to optimise value and achieve efficiencies. However the reality of retailing is that distribution takes place amongst a network of manufacturers, retailers and customers (Anderson, Håkansson, and Johanson, 1994). A retailer deals with many manufacturers who also can supply a retailer's competitors (Holmström, 1997). In this network environment, the brand can be regarded as a 'resource tie' that links manufacturers and retailers together in

order to serve the end customer (Ford, 1998). Category management is a key tool of relationship collaboration used internationally by manufacturers and retailers (Basuroy, Mantrala, and Walters, 2001) to optimise the exchange value of such resources between brand manufacturers and retailers.

Category management is defined “as the distributor supplier process of managing product categories as strategic business units, producing enhanced business results by focusing on delivering better customer value” (Hogarth-Scott and Dapiran, 1997 p310). These categories are distinct manageable groups of products that consumers view as interrelated and substitutable. Category management means that retailers seek to optimise category profits overall rather than managing manufacturer brands independently within the category (Zenor, 1994). The benefits of category management for retailers are better category performance and inventory management. For manufacturers these benefits include the integration of the brand and retailer customers’ strategies rather than having separate strategies (Pearce, 1996). Manufacturers also welcome the opportunity to focus on the category more strategically with retailers and not just emphasise margins or pricing (Pearce, 1996).

This study advances the marketing literature by demonstrating that it is important to consider the role of the product category when examining relational outcomes between manufacturer brands and retailers. These results involve a secondary analysis conducted by the author into the role of manufacturer brands for retailers. It examines the moderating effects of product category type on retailer perceptions of manufacturer brand benefits and relationship outcomes. Because the findings are drawn from actual brands assessed by retailers, this research has a high level of external validity. The research also contributes to the business-to-business marketing stream by highlighting the importance of the product category within channel relationships. This research focuses on two research questions: First, to what extent is retailer satisfaction with the benefits of manufacturer brands influenced by the product category? Second, how do these category differences influence key retailer relationship outcomes associated with the brand?

### **Literature review**

In this section the benefits of manufacturer brands for retailers in the business-to-business buyer literature is first discussed. Next the role of these brands in terms of

retail buying and relationship marketing is examined. Finally the research into category management and the implications for brands are explored.

Within the channels literature, the ‘trade leverage’ of a manufacturer’s brand represents a form of market or referent power for channel members (Brown, Lusch and Nicholson, 1995). In contrast, in the branding literature, channel members ‘support’ the brand manufacturer. However, for this support to occur manufacturer brands must benefit the retailer (Webster, 2000). Branding is a very beneficial resource for firms in creating cash flow and lowering the cost of capital (Srivastava, Shervani, and Fahey, 1997). For retailers these brand benefits include pre-established brand demand, image enhancement for the retailer, a signal of commitment by the manufacturer, margin benefits, better customer relationships, faster inventory turnover and lower selling costs (Webster, 2000). Other researchers highlight further benefits such as using branded variants to minimise intra-brand competition (Bergen, Dutta, and Shugan, 1996), the ability to cross-sell related products, participate in trade promotions (Kasulis, Morgan, Griffin and Kenderdine, 1999) and increased consumer usage (Wansink and Ray, 1996). Glynn, Motion and Brodie (2007) show these brand benefits can be classified as financial, managerial, and consumer driven. While the customer-based brand equity literature does not address these inter-organisational brand benefits, from the resource-based view of the firm manufacturer brands are regarded as market-based assets (Srivastava, Shervani and Fahey, 1998).

From the channels perspective manufacturer-retailer relationships have been often viewed as adversarial, emphasising interfirm power and control (Gaski, 1984). Dapiran and Hogarth-Scott (2003) consider that this tension reflects the power base of the channel members. The use of coercive power by either retailer or manufacturer can cause some channel members to exit the relationship. On the other hand, the use of referent power can lead to cooperation and trust which can enhance relationships with retailers (Frazier and Antia, 1995). Brands are seen as sources of power or pledges of long-term continuity in a channel relationship (Anderson and Weitz, 1992; Brown et al., 1995). Verbeke, Bagozzi and Farris (2006) found the strength of the brand in the manufacturer’s portfolio influenced retailer promotional support and shelf space allocation for a manufacturer’s products. Webster (2000) considers that manufacturers should regard retailers as the focal customer and Narus

and Anderson (1988) state that working partnerships are necessary between manufacturers and retailers, as both channel members have the same end-customer. The next section discusses the brand in the retail buying literature and the relationship marketing implications.

In much of the retail buying literature the role of the brand is either not included or only indirectly assessed using surrogate measures such as product uniqueness and product quality (Montgomery, 1975). The findings from the few studies that have included brand effects are mixed with respect to the influence of brand on retailers (Collins-Dodd and Louviere, 1999; Baldauf, Cravens and Binder, 2003). However, some empirical studies have addressed the effects of manufacturer brands on retailer relationships. Biong (1993) and Schellhase, Hardock and Ohlwein (1999) found that the supplier merchandise attributes in retailer buying are multi-dimensional in nature and affect retailer satisfaction, trust and loyalty. Previous research has also confirmed the multi-dimensional nature of channel member satisfaction (Ruekert and Churchill, 1984). Satisfaction has also been shown to be a strong predictor of loyalty and repurchase intentions (Ravald and Grönroos, 1996). Glynn and Brodie (2004) confirmed the broad direction of these findings by showing that brand had three benefits for retailers i.e. manufacturer brand support, consumer brand equity and customer expectations strongly influenced relationship outcomes such as retailer satisfaction, trust, commitment and performance of the brand. The Glynn and Brodie framework is depicted in figure 1, which shows the multidimensional nature of retailer satisfaction with manufacturer brand benefits and the subsequent influence on brand performance, trust and commitment.

Many of these retailer brand benefits result in better relationship outcomes with manufacturers, as well as performance benefits such as lower costs. Kaufman, Jayachandran and Rose (2005) found that a manufacturer's product attractiveness became less important in stronger buyer-seller relationships. Realisation of these benefits involves the transfer of resources such as brand support between the brand manufacturer and retailer. There is now an increased understanding of how supplier resources, including brands, influence buyer-seller relationships (Cannon and Perrault, 1999; Jap, 1999). Ulaga and Eggert (2006) also consider that researchers have tended to focus on the soft side of relationship marketing i.e. trust and commitment without considering the more tangible aspects such as

performance or the financial determinants of value. Walter, Ritter and Gemunden (2001) proposed that buyers and sellers create value with direct functions such as profit and volume and indirect relationship based functions such as supplier market innovation and market development. Spiteri and Dion (2004) found that supplier benefits influenced overall relationship value, satisfaction as well as performance. Their model included supplier product benefits and brands which influenced the buyer's commitment to a supplier. However this stream of research has not addressed these benefits within the buying category of the retailer. The next section examines both the brand and the relationship marketing outcomes of category management.

The strategic outcomes of category management for retailers are better retailer differentiation from competitors and increased loyalty of the retailer's customer (Dupre and Gruen, 2004). Retail customers are able to find their preferred brands from one retail outlet at a fair price. For brand managers the implication is that pricing is coordinated across the category rather than by brand in order to optimise category profits. Johnson (1999) points out that category management can also be an effective tool for brand manufacturers. Brand manufacturers provide market trends and information for retailers and also have the opportunity to influence their position within the category (Glynn et al., 2007). Information sharing provides an opportunity for manufacturer retailer collaboration and the formation of partnerships, building trust and commitment (Dapiran and Hogarth-Scott, 2003).

Research into category management has mainly focused on the overall category performance benefits to the retailer using scanner data. Others however (e.g. Gruen and Shah, 2000) have examined supplier perceptions of category management. With the first stream of research, Basuroy et al. (2001) investigated the impact of category management on retailer prices and performance. Coordinated category pricing meant that prices rose under category management compared to retailers that did not adopt this practice. This affects the retailer performance if the consumer segment is price sensitive. Category management adoption produces the maximum benefit for retailers when inter-brand competition is high and store substitution is low. For manufacturers this means lower prices and margins and thus a need to maintain a strong business relationship with retailers in order to monitor profitability.

Dhar, Hoch and Kumar (2001) investigated differences between categories and found that categories have different roles within the store environment. These roles depend on whether the brand has a high or low purchase frequency and a high or low household penetration. Their research found that differences in brand share affected the performance of the variety enhancer categories such as pickles (low frequency, high penetration) and fill-in categories (e.g. cake mixes - low frequency, low penetration) but not for staples (high frequency, high penetration) and niche categories (high frequency, low penetration). This finding is consistent with Bell and Lattin's (1998) work, which showed that certain categories were more likely to appeal to 'large basket' shoppers. Broniarczyk, Hoyer and McAlister (1998) found that when a consumer's favourite brands were removed from a category assortment, customer perception of that category was reduced. Differences in the quality of brands within the assortment may also disadvantage lower income customers as retailers focus on higher priced brands (Gajanan, Basuroy and Beldona, 2007). Dhar and Hoch (1997) showed that both the breadth and depth of brands within the assortment affected overall category performance.

In the second stream of category management research, Gruen and Shah (2000) interviewed suppliers and found that conflict between brand managers and sales personnel and agreement on the category plan with retailer affected the retailer 'trust of the system' and overall category performance. Leading brand manufacturers are seen as category captains by retailers (Dupre and Gruen, 2004) providing advice to retailers on aspects of category management, but they need to ensure this position is not abused. This research highlights the tension that exists between a manufacturer's brand focus and the retailer's category focus. Gruen and Shah (2000) found that category management reduces opportunistic behaviour from manufacturers as well as brand/sales management conflict. However, more retailer pre-planning with manufacturers improved the retailer perceptions of objectivity which increased the likelihood of the category plan implementation and category performance.

Much of the research into category management has focused on pricing and category performance (Dewsnap and Hart, 2004). There is also a research stream that has examined category roles and the retailer product assortment. However research has been more limited as to the role of brands within category management.

Dewsnap and Hart (2004) did examine brand preferences within a fashion category but this was from an end-customer perspective. Furthermore, this stream of research does not address the impact of category types on retailers' perceptions of brands (Gajanan et al., 2007) and retailer relationship outcomes. The next section briefly details the analytical method used in the research. The initial findings have been reported in Glynn et al. (2007) and Glynn and Brodie (2004) and the key results will be briefly reiterated in the next section. The key difference between the Glynn and Brodie study and previous work in retailer buying was that the data collection focused on retailers' perceptions of actual brands sold in their particular retail outlets.

### **Research Method**

This paper reports a secondary analysis of the original Glynn and Brodie (2004) data using product category as a moderating variable. The structural model in figure 1 was developed and tested across eight product categories with sixteen brands. The results showed that manufacturer brands offered three sources of brand benefit including manufacturer support for the brand, the retailers' assessment of a brand's equity and customer expectations for the brand. Manufacturer support reflected brand advertising, participation in cooperative advertising, the brand as a key part of the range and of category growth. The retailers' assessment of brand equity reflected the overall brand equity construct used by Yoo, Donthu and Lee (2000). Customer expectations of the brand reflected whether brand was in the store and if the consumer was concerned that brand was not present in store. These brand benefits influenced satisfaction with the brand, trust in the manufacturer, commitment to the brand and performance of the brand. This data was reanalysed by product category to answer the two research questions. A brief description of the research method is given below.

The data was collected with a mail survey of supermarket retailers in New Zealand using the key informant methodology in April 2003. The sample consisted of the shop-floor managers responsible for product ordering in selected categories for each store. The questionnaire was sent to 1404 category buyers in 357 New Zealand supermarkets. The category responsibilities of each manager had been established by means of a telephone survey of each supermarket, prior to despatching the main questionnaire. The categories (wine, beer, toothpaste, shampoo, fruit juice, jam, laundry detergent and dishwashing liquids) were

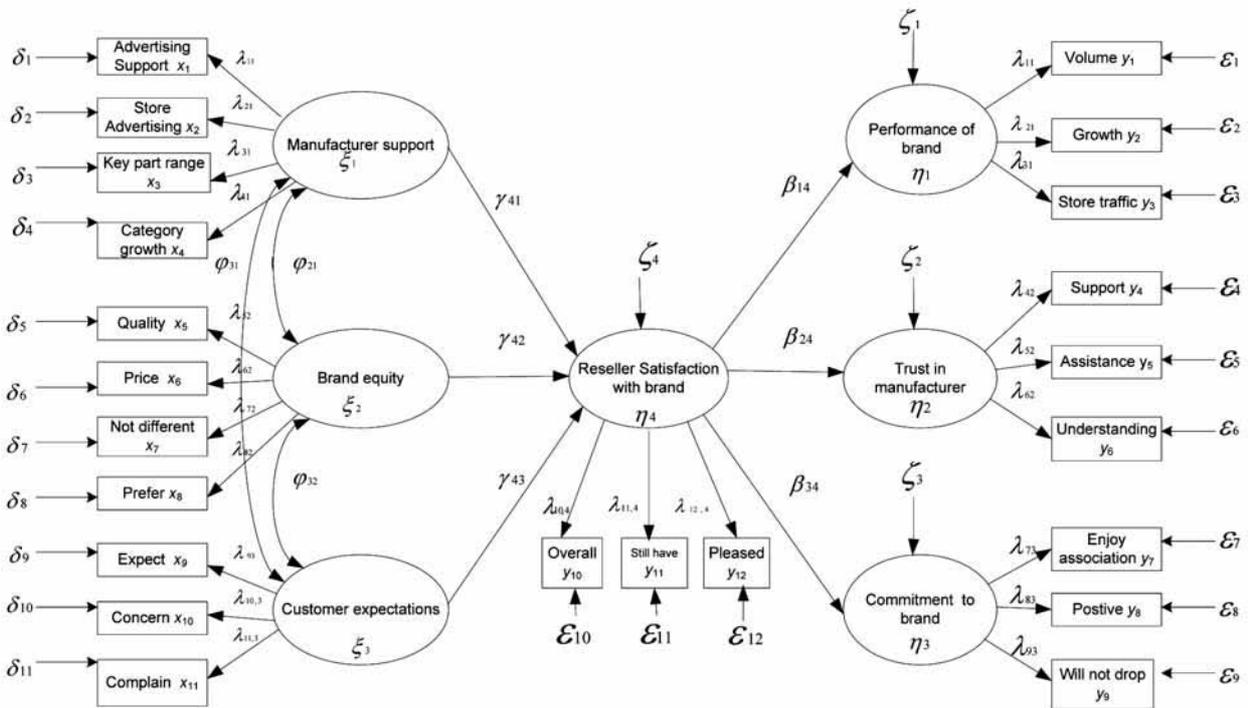
Table 1 Model Constructs, Items, Mean Scores and Reliability Statistics.

Constructs	Items	Mean (std.dev) All Categories	Mean (std.dev) Liquor	Mean (std.dev) Grocery	Co-efficient	Construct reliability	Variance extracted	Source of items
Manufacturer support for brand	Advertising support for brand Brand is part of store advertising Brand is key part of range Brand is key category growth	4.8 (1.3)	4.8 (1.3)	4.8 (1.3)	.88	.86	.67	Biong (1993) Glynn et al. (2007)
Brand equity	Brand quality Brand price Brand is not different Brand preference	4.3 (1.2)	4.2 (1.2)	4.3 (1.1)	.92	.92	.75	Glynn et al. (2007) Yoo, Donthu and Lee (2000)
Customer expectations	Expect brand in store Concern if brand not in range (R) Complain if brand not there	5.2 (1.3)	5.3 (1.4)	5.2 (1.3)	.89	.93	.76	Glynn et al. (2007) Nilsson (1977)
Satisfaction	Overall satisfaction with brand Still have brand in range Pleased with brand in range	5.1 (1.1)	5.2 (1.1)	5.0 (1.1)	.88	.88	.70	Cannon and Perrault (1999)
Trust	Support available for things important to us Offers assistance for brand Understanding in dealing with brand problems	4.9 (1.0)	5.1 (1.0)	4.8 (1.0)	.87	.89	.71	Kumar, Scheer and Steenkamp (1995b)
Commitment	Enjoy association with brand Positive feelings towards brand are a reason we continue with it Will not drop brand	4.6 (1.1)	4.8 (1.1)	4.5 (1.1)	.87	.89	.70	Kumar, Scheer and Steenkamp (1995b)
Performance	Brand generates sales volume Brand generates sales growth Brand generates store traffic	4.2 (1.2)	4.0 (1.4)	4.3 (1.1)	.93	.79	.77	Johnson J.L. (1999)

determined beforehand by the researcher using secondary data (Nielsen, 2001). Each manager completed a questionnaire on a brand from two of the eight categories. Appropriate pre-testing with both retailers and experts in research design was undertaken to ensure the validity and reliability of the research instrument. Seven-point likert scales were used to record the informants' responses. All scales were anchored with

'Strongly disagree' 1 to 'Strongly agree' 7 except for the performance measure which was anchored with 'Below expectations' and 'Above expectations' again using a 1 to 7 scale. The response rate was 30% which compared well to similar retailer studies e.g. Baldauf et al. (2003) at 20% and resulted in a dataset with 820 observations (n = 820). The scale mean scores and reliability statistics are summarised in table 1.

Figure 1: Sources of Brand Value Model (Glynn and Brodie, 2004)



The initial structural equation modelling (SEM) showed extremely good fit, validity and reliability ( $\chi^2 = 951$ ,  $df = 221$ ,  $p$  value = 0.000,  $\chi^2/df = 4.3$ , RMSEA = 0.064, GFI = 0.91, AGFI = 0.99). A full discussion of the model, its stability and reliability and the mediation effects of retailer satisfaction with the brand has not been given here because of space limitations, but is discussed in Glynn and Brodie (2004). Next the moderating effects of the product category analysis are presented.

To answer the research questions, the data was analysed by product category. To gauge retailers' perceptions of each category, retailers completed several additional items relating to each product category using a 7 point likert scale 'Strongly disagree' 1 'Strongly agree' 7 scale from Kumar, Stern and Achrol (1992). These items were: 'This category is important in the future growth of the store', 'Customer preferences vary a lot in this category', 'Customer demand is strong for this category', 'Customer preferences for this category are changing' and 'The number of competing brands is high in this category'. A one-way ANOVA with a Scheffe post-hoc test showed that the wine and beer categories were significantly different at the  $p < 0.05$  level compared to the grocery categories for these additional questions.

Retailers thus considered the liquor categories to be more important and more competitive than other categories. Consumer demand was also stronger but these consumer preferences were changing and did vary amongst consumers; thus the liquor categories were also considered more dynamic. Mulhern, Williams and Leone (1998) reported that compared to grocery categories, liquor brands have larger dollar prices but were less frequently purchased. This finding was confirmed by local trade data that showed liquor to be one of the top ten supermarket categories (Nielsen, 2001) by dollar value. It was concluded that the liquor categories were more important to the supermarket retailers because of their higher dollar value, customer demand and future growth potential compared to the grocery categories.

**Analysis**

The effect of the product category on the retailer perception of manufacturer brands was tested by means of a multi-group SEM analysis with product category as the moderating variable using LISREL 8.54 (Joreskog and Sorbom, 2001). To assess the statistical significance of these effects, the base model (Model 1) was compared to models in which the various structural matrices were

Table 2. Structural Models -Liquor and Grocery Categories

Parameter	Categories	Liquor <i>n</i> = 237		Grocery <i>n</i> = 583	
	Lisrel	Std. estimate	<i>t</i> -value	Std. estimate	<i>t</i> -value
Manufacturer support →satisfaction	$\gamma_{41}$	.94	4.5	.99	5.9
Brand equity→satisfaction	$\gamma_{42}$	.36	2.9	.41	4.2
Customer expectations→satisfaction	$\gamma_{43}$	.61	3.3	.51	3.3
satisfaction→performance	$\beta_{14}$	.88	10.0	.73	13.9
satisfaction→trust	$\beta_{24}$	.66	9.5	.43	12.5
satisfaction→commitment	$\beta_{34}$	.85	9.3	.75	12.7
$\chi^2$ ( <i>df</i> = 221)		517	<i>p</i> -value	714	<i>p</i> -value
$\chi^2/df$		2.34	.000	3.23	.000
RMSEA		.075		.062	
GFI		.84		.90	
AGFI		.80		.88	

constrained to be equal or invariant. This analysis provides the equivalent statistical test to an ANOVA, but also allows the researcher to control for measurement error (Bagozzi and Yi, 1988).

The dataset *n* = 820 was split with the liquor brands in one dataset (*n* = 237) and the grocery brands in the other (*n* = 583). For the liquor categories the fit statistics were  $\chi^2 = 517$ , (*df* = 221)  $\chi^2/df = 2.34$ , *p*-value= 0.000, RMSEA= 0.075, GFI= 0.84, CFI= 0.98, AGFI= 0.80 and NNFI=0.98. For the grocery categories the fit statistics were  $\chi^2 = 714$  (*df* = 221),  $\chi^2/df = 3.23$ , *p*-value= 0.000, RMSEA=.062, GFI= 0.90, CFI= 0.99, AGFI= 0.88 and NNFI= 0.99. Thus, the model fitted both category types very well and this analysis confirmed the reliability of the original measures and the structural relationships.

All freed pathways were significant at *p*< 0.05. The magnitude of the effect for each pathway is similar for

both the liquor and grocery categories. This finding also indicates the stability of the factor structure under the influence of the moderating variable. The validity of the structural model is also confirmed as all pathways are significant. Thus, the effects of manufacturer support of the brand, brand equity and customer expectations of the brand on retailer satisfaction with the brand, together with the pathways to performance, commitment to the brand and trust of the manufacturer are confirmed in both category types. Table 2 summarises the structural models for the liquor and grocery categories with the fit statistics and standardised estimates for each pathway.

To answer the research questions, invariance tests were conducted using a two-group analysis. This analysis establishes whether the differences between the model parameters are statistically significant. Table 3 shows the multi-group analysis results with all specified parameters jointly estimated as per the original structural model. This

**Table 3** Two-group Analysis - Liquor and Grocery Categories

Competing Models	$\chi^2$	df	$\Delta\chi^2$	$\Delta df$	Model Comparison	CFI	NNFI	RMSEA	CAIC	Significance at $p < 0.05$
Model 1. $\gamma$ & $\beta$	1357	491				.99	.99	.066	1828	
Model 2. $\gamma$ invariant	1360	494	3	3	1 & 2	.99	.99	.066	1807	Not Significant
Model 3. $\beta$ invariant	1377	494	20	3	1 & 3	.99	.99	.066	1825	Significant
Model 3a. Satisfaction → Performance invariant	1383	492	26	1	1 & 3a	.99	.99	.066	1840	Significant
Model 3b. Satisfaction → Trust invariant	1357	492	-	1	1 & 3b	.99	.99	.066	1819	Not Significant
Model 3c. Satisfaction → Commitment invariant	1357	492	-	1	1 & 3c	.99	.99	.066	1820	Not Significant

analysis reported as model 1 indicates a good fit of the model to the data i.e.  $\chi^2 = 1357$ , ( $df = 491$ )  $\chi^2/df = 2.76$ ,  $p$ -value = 0.000, RMSEA = 0.066. The next model (Model 2) tests for differences between the sources of brand benefit constructs by category. Here the model is estimated with the  $\gamma$  parameters held invariant. Model 3 tests the differences between the relational variables  $\beta$  parameters namely satisfaction, trust, commitment and performance. In comparing differences in the structural models between groups, two additional fit indices are shown, the CAIC (Consistent Akaike Information Criterion) and the NNFI. The NNFI and CAIC indices are useful because they account for fit and model parsimony and penalise the fitting of additional parameters (Steenkamp and Baumgartner, 1998).

Examining research question one, model 2 shows the sources of brand benefits (manufacturer support, brand equity and customer expectations) pathways on retailer satisfaction with the brand are not significantly different

between the two category types. However in research question two model 3 shows there are significant differences in the beta pathways from retailer satisfaction to the relational outcomes (trust, commitment and performance of the brand) between the liquor and grocery categories. Here the chi-squared statistic difference for model 3 is above the chi square threshold ( $\chi^2(3) = 7.8$ ,  $p < 0.05$ ). The liquor categories led to significantly higher estimates of relational outcomes by retailers compared to the grocery categories.

These results broadly show that there are no category differences evident for the relationship between manufacturer brand benefits and retailer satisfaction in answer to research question one but that there were category differences in the impact of retailer satisfaction on relational outcomes in answer to research question two. These effects may be due to differences among the individual pathways themselves. The invariance testing in models 1 to 3 shows the effects of the casual pathways

together, but does not show the differences between individual pathways in the model e.g. the pathway between brand equity and satisfaction with the brand for the liquor and grocery categories. Therefore further analysis of research question two was undertaken by examining these individual pathways within the model. Model 2 showed that the overall pathways were not significant which was confirmed in the analysis of individual pathways. Next, the results for the individual pathways for model 3 from satisfaction to brand performance, commitment and trust are discussed.

These model 3 pathway results are shown in Table 3 as models 3a, 3b and 3c. It can be seen that the statistical significance in model 3 is due entirely to the satisfaction to performance pathway for the brand. Thus in this study, retailer satisfaction had a greater effect on performance of the liquor brands than on performance of brands in the grocery categories. Despite the apparent differences in the standardised beta coefficients reported for the individual structural models, there were no significant differences for the relationship between retailer satisfaction and trust and commitment to the brand.

In summary the structural pathways were significant for both the liquor and grocery categories and the model fit statistics for both category types were satisfactory. To answer the research questions, a multi-group analysis was employed to assess any statistically significant differences between the individual pathways in the model. The analysis found no differences between the liquor and grocery categories in terms of the impact of manufacturer brand benefits on brand satisfaction. However, there were differences for the satisfaction - relational outcome paths i.e. the retailer satisfaction - brand performance differing across categories.

### **Discussion and Implications**

Despite the importance of brand equity in the marketing literature, there have been few attempts to examine brands from the retailer perspective. Moreover, much of the empirical work on category management has involved scanner data analysis rather reporting than retailer attitudes. In this study the effect of product category differences on retailer perceptions of the brand was considered. Previous studies on manufacturer brands and retailers have ignored the effect of the product category (Baldauf et al., 2003; Verbeke et al., 2006). In contrast, studies on category management have focused more on the benefits per se of category management rather than the role of the category for the retailer's store.

Category management allows retailers to manage brands as part of a category to optimise overall category profit and has advantages compared to managing the same brands independently of the category (Zenor, 1994). This retailer strategy has led some (e.g. Low and Fullerton, 1994) to suggest that brands and brand management are less relevant under category management. However, research into category assortment suggests that brands have a role (Broniarczyk et al., 1998) for the retailer. Previous business-to-business research has shown the brand to be a component of the overall decision making between buyer and sellers (Baldauf et al., 2003). However this research did not consider the broader product category context of the brand purchase. This research has also made a contribution to the category management literature in that a brand context of category management was addressed. Previous research has addressed the retailer perceptions of the category management system, but this study has encompassed brands, relationship outcomes, category differences and utilising a performance measure that was relevant to the store as a whole.

This study assessed the effects of category differences on the manufacturers' brand from the point of view of the retailer. Significant differences between the liquor brands and the grocery brands category were found in the dataset. The differences in the category groupings reflect consumer preferences, category growth, number of competing brands, customer demand and preference variation. In addition, the moderating influence of category differences on relationships between constructs such as retailer satisfaction, commitment trust and performance of the brand could be assessed.

The first research question addressed whether there were any differences in the effects of sources of brand benefits on retailer brand satisfaction between the liquor and grocery product categories. Verbeke et al. (2006) had found that brand strength was an important variable in retailer resource allocation. Dhar et al. (2001) also showed the role of the category was important which depended on the household penetration and customer purchase incidence. As suppliers to the category, manufacturers and their brands thus have an important role for the retailer. The individual structural models for each category showed that all pathways in each model were significant and this extension of the original Glynn and Brodie model attests to its reliability and validity. Thus for both the wine/beer and grocery categories manufacturer all three brand benefits had a significant

impact on brand satisfaction. However the invariance analysis of the category types showed that the relationship between retailer brand satisfaction and the inputs i.e. the sources of brand benefits is not affected by category. That is, the perception of each brand benefit is similarly effective in developing brand satisfaction in both categories.

For the second research question, the findings showed that satisfaction with brands in the liquor categories had a greater effect on performance expectations than brands in the grocery categories. However, the associations between brand satisfaction and trust and commitment were the same across categories. Category management research has focused on category performance and profitability, and not on the outcomes for the store. The performance measure in this research focuses on the role of the brand in enhancing store outcomes including store traffic, profit and sales volume. This finding is consistent with previous work by Basuroy et al. (2001) who concluded the economic benefits of category management for retailers are category specific because of the price sensitivity of brands within each category. Basuroy et al. (2001) also consider that category management is less beneficial when price elasticity is low. Mulhern et al. (1998) have noted the high price sensitivity of liquor brands and Zenor (1994) found the level of brand competition in a category was important for category profitability. This study shows that category differences are important when retailers evaluate the effect of brand satisfaction on performance. In addition this model shows a significant effect of satisfaction with a manufacturer's resource (brand) on brand performance. This finding contrasts with Gruen and Shah (2000) who found no link between a supplier's resources and retail category performance.

The results for research question two also showed that there were no differences in the impact of retailer satisfaction on the outcomes of commitment to the brand or trust in the manufacturer across category. Previous commentary on category management highlights the relational benefits of manufacturers and retailers working together (Dupre and Gruen, 2004; Hogarth-Scott and Dapiran, 1997) in terms of the retailers' trust and commitment to the category management process. Dupre and Gruen (2004) suggest that retailer trust of the supplier is important for category management success. These results examine a further facet of retailer trust within category management, namely trust in a

manufacturer's brand, which is mediated by reseller satisfaction. However category differences themselves do not influence the satisfaction - trust pathways.

Dupre and Gruen (2004) also posit that category management results in more retailer loyalty to the manufacturer brand as the category assortment has been optimised. These authors assert that category differentiation is the first step in this process which leads to enhanced loyalty to manufacturers' brands. This research shows that category differences do not influence the retailer satisfaction with the manufacturer's brand - commitment pathway. In addition, a further contribution of this research is that retailer perceptions of trust and commitment to manufacturers' brands and performance outcomes have been quantified with retailer satisfaction as a mediating construct. The results also show that the category can enhance or detract from the contribution of satisfaction to performance outcomes.

Brands from eight different categories were used in this research, which enhanced the generalisability of the findings unlike many other retailer studies such as Lassar (1998) and Baldauf et al. (2003) which typically reported results from only one category. In addition, retailers responded to questions about actual brands within these categories. The next section considers the managerial implications of these findings.

One implication for brand managers is that the role of the category is important

when the manufacturer is dealing with retailers. The brand manager who recognises the role of a particular category to retailers should benefit. The literature has not generally considered the product category role with manufacturer-retailer relationships involving brands. This observation is surprising given that a key marketing strategy for brand manufacturers often involves extending brands into other categories and the emphasis of retailers on category management in order to enhance return on investment.

It should be noted that this research was conducted in the supermarket sector. Thus there is a need therefore to replicate the findings (Hubbard and Armstrong, 1994) in other retail contexts. Future research could also explore further the role of the category, i.e. whether it is a staple, variety enhancer, niche or fill-in category, in manufacturer brand evaluation by retailers. Another relevant area is the type of brand such as private labels within the category. As retailers control private labels,

assessing the effects of private label brands on the development of retailer relational outcomes within these categories would be a further area for research.

This research has considered manufacturer brand buying from the retailer category perspective. Previous research had emphasised the adoption of category management together with performance and pricing considerations. This research examined category differences within the context of retailer brand buying. The findings underline the importance of the category in retailer brand buying and that retailer performance measures of a manufacturer's brand may vary by category. When evaluating retailer relationship perceptions of manufacturer brands, the role of the category is an important moderating influence.

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