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MEDIATED CATEGORY MANAGEMENT: HOW THIRD PARTIES ENABLE THE IMPLEMENTATION OF BUYER- SELLER COLLABORATION^(*)

1. INTRODUCTION

Organizing supply chains is one of the most critical and long-lasting issues in management research (e.g. Bromberger, Hoover, 2003; Magee, 1960). Scholars investigating vertical relationships convincingly argued that suppliers' and buyers' collaboration facilitates value creation for both parties, thus identifying the ability to integrate value chain activities as a powerful source of competitive advantage (Porter, 1985).

The relevance of a collaborative interaction between sellers and buyers becomes clear if we consider that in many industries, the costs of mismanaging vertical relationships are massive (Slone et. al., 2007). It is not surprising then that supply chain management (SCM) has top priority on today's executives' agenda and generates one of the fastest growing markets of related business services. Indeed, supply chain management professionals (e.g., software houses, marketing analysts, and business consultants) who are capable of coordinating and integrating flows of information, goods, and capabilities across the chain are predicted to have bright growth prospects. In 2006, the supply chain management service industry was worth \$6.5 bn, which is projected to grow to \$11.64 bn in 2013. Such growth will be mostly driven by the quest for «supply chain solutions that integrate planning, execution, and coordination of

Scholars investigating vertical relationships argue that the collaboration of sellers and buyers facilitates value creation for both parties. Various techniques have been proven to suit this purpose. Among them, Category Management (CM) has raised growing interest in scholarly research as well as practice, becoming one of the most diffused and controversial techniques. In this paper, we tackle the issue of the collaboration between manufacturers and distributors within CM activities by pointing out the conditions that facilitate CM implementation. In doing so, we focus on the intervention of third parties that facilitate the collaborative process. The paper presents the results of a multiple in-depth case analysis of under-performing dyads where prior relationships between the seller and the buyer already exist, but CM is based on the intervention of a third party.

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the entire supply chain network» (Frost and Sullivan Report, on PR Newswire, July 11, 2007).

However, questions arise for manufacturers and distributors: what will be the pay-off from such massive efforts in SCM services? More importantly: why should companies rely on third parties to manage such critical activities?

In this article, we are interested in exploring how third parties' intervention in manufacturer-distributor dyads affects the organization and functioning of collaboration within the supply chain.

More specifically, we point to a widely diffused cooperative approach within the supply chain - Category Management (CM), i.e. a «retailer-supplier process of managing categories as strategic business units, producing enhanced business results by focusing on delivering consumer value» (ECR, 2000: 4) - which is based on the integration of manufacturers' marketing and sales activities with the distributors' procurement and sales activities. We focus on the fast-moving good (FMG) industry and investigate the process through which the manufacturer and the distributor jointly conceive, develop, and implement CM. We assess the role that third parties - namely independent organizations with specific expertise in CM and SCM - play in allowing the collaboration within the CM project.

There are a number of reasons why such a focus is relevant and worth of research efforts. First, because past studies have mostly focused on operations, not marketing. The massive growth of the SCM industry is poorly reflected in marketing research, which only envisages interactions between buyers and sellers within the dyadic coordination domain (e.g. Raju, Zhang, 2005), without paying attention to the role of third

parties as SCM service providers.

Second, because CM is among the most diffused but controversial practices that marketing has developed within the SCM domain. Indeed, prior studies show that the generation and appropriation of outcomes from CM is still controversial (Basuroy et al., 2001; Dewsnap, Hart, 2004; Gajanan et al., 2007; Morgan et al., 2007). However, these studies have maintained a dyadic focus, leaving virtually unanswered the question of how third parties can cope with conflicts between manufacturers and distributors, concerning CM projects.

Third, because there is recent evidence that third parties within vertical relationships may heavily affect the functioning of supply chains. Indeed, it is the ability to insulate critical functions and bridge organizational boundaries which discloses avenues of superior performance for third parties - the so called «maestros» within the supply chain (Bitran et al., 2007). Theoretical antecedents are notable on this subject, as Burt's theory predicts that brokers who are able to span across structural holes gain power and appropriate value within the network (Burt, 1992; 1997). However, past studies have mostly assumed the perspective of the third party, not that of mediated actors. Accordingly, our study models the interaction of manufacturers and distributors through a triadic perspective.

Finally, although the problem of marketing/purchasing integration is heavily debated in business to business markets, it still represents an innovative way to look at channel relationships in the fast-moving consumer goods industry. Indeed in such a context, the challenge of developing collaborative marketing relationships is perhaps more apparent than in industrial markets (Corsten, Kumar, 2005).

The remainder of this article is structured as follows. First, we analyze the issue of collaboration within the supply chain, with a focus on the widespread collaboration process investigated in our study (CM). Then, we describe the methodology used to explore our research problem. Finally, we present results of our analysis, discuss them and their implications for theory and practice, along with the research limitations and suggestions for future research.

2. CHALLENGES TO COLLABORATION WITHIN THE SUPPLY CHAIN

The literature on vertical relationships has emphasized the great potential resulting from a long-term, cooperative orientation (e.g. Porter, 1985; Dyer, Singh, 1998; Sheth, Parvatiyar, 2000). Despite the evidence in favor of long-term relationships, however, managers still encounter serious problems in the maintenance of cooperative relationships (Rigby et. al., 2002), because the competing interests of each party remain and can even mean highly antagonistic relationships in some cases (Jap, Ganesan, 2000).

Channel relationships therefore appear as characterized by the presence of co-competitive linkages between the parties. Indeed, both the seller and the buyer may be willing to increase their sales and margins exploiting the opportunities of collaborative projects (e.g. Jeuland, Shugan, 1983). Besides this common interest in growing

the business – what is called «pie expansion» (Jap, 1999) –, though, the parties also have competing interests when it comes to bargain on the economic conditions of the exchange – what is called «pie sharing» (Jap, 2001)⁽¹⁾.

On the one hand, efforts at pie expansion call for a long-term orientation and an openness that allows for learning and continuous improvement (Anderson, Narus, 1990). On the other hand, efforts at pie sharing suggest a short-term orientation and secrecy over critical information (El-Ansary, Stern, 1972; Jap, 1999; 2001) that may lead to collaboration failure.

This is a typical situation that buyers and sellers face when working on CM projects, where the quest for collaboration through integration is relevant to the project success (e.g. Dussart, 1998). Prior research indeed refers to CM as a practice calling for supply chain integration, related to the coordination and alignment of manufacturer's and distributor's marketing strategies, which converge within one single decision unit (e.g. Zenor, 1994). It is quite implicit in the literature that CM processes require the integration of knowledge and capabilities traditionally held by actors operating at different levels of the supply chain (Drupe, Gruen, 2004; Gruen, Shah, 2000). This is so, because firms linked by vertical relationships show low levels of knowledge overlap and their alliances are likely to be exposed to a comprehensive set of strategic information (Rindfleisch, Moorman, 2001).

(1) In this article, we interpret «pie expansion» as a synonym for «value creation», that is the generation of differential economic value, and we consider it within the domain of consequences of the marketing strategy formulation and implementation. Similarly, we interpret «pie sharing» as a synonym for «value appropriation», that is the distribution of economic value between two actors (hereby the manufacturer and the retailer).

However, since capabilities, expectations, perceptions, and preferences of the actors operating in the supply chain are typically heterogeneous, latent conflicts (Dwyer, Walker, 1981) and risks of opportunism (Morgan *et. al.* 2007) threaten the success of the whole process. Indeed, recent studies show how CM fails in keeping its promises (Kotbaz, 1999), although past studies convincingly argued that distributors and manufacturers enjoy significant improvements in their interaction, whenever they are able to abandon mutual suspicion to streamline the CM processes (Corsten, Kumar, 2003). In particular, even though collaboration creates unique value that neither partner can reproduce independently, a tension exists between maximizing such value and distributing it between the parties (Zajac, Olsen, 1993), particularly due to unfairness perceptions that are asymmetric between the parties (Corsten, Kumar, 2005).

Thus, there are a few critical issues which make CM relationships challenging to be implemented in practice (Gruen, Shah, 2000; Corsten, Kumar, 2005). However, past research has paid little attention to how CM can be implemented, shifting the attention mostly to antecedents of CM failure such as conflict and asymmetries, and neglecting those conditions that may help supply chain members to cope with integration issues in CM. The intervention of a third party within the dyadic relationships could be helpful to this end, as suggested by studies on the role of mediators in bridging the gap between actors in market relationships (e.g. Sawney *et. al.*, 2003; Verona *et. al.*, 2006) and by recent channel management initiatives that offer insights on cooperation opportunities generated while exploiting the new sources

of value creation deriving from the support of third parties external to the focal dyad within specific cooperative initiatives (Castaldo, 2007).

The notion of mediation is not new in distribution channels and draws from a large body of studies in the field of management sciences. Studies within distribution channels point towards the need to analyze the context within which dyadic business relationships are embedded (Anderson *et. al.*, 1994; Kenneth, Heide, 2004) since mediation expands the unit of analysis to a third actor external to the focal manufacturer-distributor dyad.

Notwithstanding research efforts on this matter, the role of third parties in bridging vertical relationships is mostly confined to a concept of intermediary, which is a transaction facilitator, and a gatekeeper in the flows of goods and information, which probes into the commercial and logistic functions (e.g. Alderson, 1954; Stern, El-Ansary, 1988; Kotler, 1991; Artle, Berglund, 1959). Less emphasis has been posed on how mediators allow the integration of market-based processes (Srivastava *et al.*, 1999) along the supply chain.

In order to fill in such a gap, we hereby present an explorative analysis, which points out how third parties enable and shape the process of collaboration among manufacturers and distributors within the domain of a CM project which, as previously illustrated, requires high levels of integration and has never been inquired as a potential area for mediators' activities.

3. METHODOLOGY

In line with the exploratory aim of our study, we followed a qualitative research design based on a multiple case study. This

approach is consistent with the purpose of reaching a very deep understanding of research issues (e.g. Yin, 1984), and thus may well suit the purpose of disentangling the process through which third parties enable the cooperation required in the development of a CM project.

The need to access confidential information demanded a careful endorsement strategy with multiple stages. First, we decided to contact a firm that has recognized experience and expertise in acting as a third party in consumer marketing projects in Italy. Our choice fell on ACNielsen, because they are one of the three leading suppliers of professional services to both buyers and sellers within the Fast Mover Consumer Goods (FMCG) sector and because we had good access to key managers in this firm. Second, with ACNielsen, we pre-selected different projects and dyads corresponding to three main criteria: recency, relevance, and mixed power balance. The recency of the cooperative project was a requirement to reduce memory biases by the respondents; the relevance of the project was estimated roughly in terms of the size of the value creation opportunity for the cooperation between the supplier and retailer; and the power balance between the buyer and the seller was considered to enhance the generalizability of our findings by mixing cases where the buyer, the seller, or neither of them has the upper hand (Caniëls, Gelderman, 2007). Third, we began pre-

liminary phone dialogues with each of the companies' marketing directors to check their disposition to participate in the study. The final sample contains three cases of CM projects. They are all highly recent and relevant, involved ACNielsen as a third party, and represent three different power scenarios, which we monitored in terms of relative size, the firms' positioning within the business, and the existence of a prior relationship with the mediator⁽²⁾ (see Table 1). Variance in such indicators is relevant to control for the bargaining power within the dyad, which may influence key dimensions of collaboration, such as working mechanisms (e.g. information exchanges) and outcome distribution (pie sharing).

Each of the three selected dyads has implemented a strategic cooperative project aimed at increasing either the sales or the margins of a product category in the store chain, and using ACNielsen as a third party in initiating and completing the project. The projects were similar in nature with respect to the kinds of consumer products and retail channels. Each project can also be traced from the beginning to the end through four analytically distinct phases: (1) *agreement*, (2) *analytical phase*, (3) *strategic phase*, and (4) *implementation and review phase*.

The first project (Case I) involved the Italian division of a German retailer, R-Market, and the Italian division of a British consumer goods supplier, SunWash. The retailer is present in 11 regions of Italy,

⁽²⁾ The existence of a prior relationship with the mediator is considered relevant for bargaining power because of the function performed by the mediator in this organizational setting, which involves a control over the use of strategic information. A strong tie with the mediator could allow an indirect control over such strategic resource, therefore increasing power towards the counterparty in the dyad.

TABLE 1.
THE DIFFERENCES BETWEEN
THE THREE DYADS

		RELATIVE SIZE	PRIOR RELATIONSHIP WITH MEDIATOR	POSITIONING WITHIN THEIR BUSINESS	⇒	BARGAINING POWER
D Y A D S	R-Market	Residual	First CM project	Residual	⇒	UMBALANCED FAVORING SUPPLIER
		FAVORING SUPPLIER	FAVORING SUPPLIER	FAVORING SUPPLIER		
		SunWash	One of the 3 leaders	Stable and positive		
	Iper-G	Leader	Stable and positive	Leader	⇒	UMBALANCED FAVORING RETAILER
		FAVORING RETAILER	FAVORING RETAILER	FAVORING RETAILER		
		Acetil	Follower	First CM project		
	S-Store South	Leader	First CM project	Residual	⇒	BALANCED
		FAVORING RETAILER	BALANCED	FAVORING SUPPLIER		
		Italian Flavour	Follower	First CM project		

Legenda: Retailer
Supplier

with a capillary distribution through super and iper stores, and a mass-market positioning focused on convenience. The manufacturer is a category leader, selling household products, and offering a range of products, mostly with very high brand awareness and image. Before the CM project, R-Market and SunWash already had an arm's length relationship with each other which was maintained by the supplier's key account manager and the retailer's buyers on a transactional basis, i.e. ordinary sales orders and related activities. Interestingly, both parties considered their relationship long-standing and solid, but it actually resulted in poor value creation. In order to improve performance, the parties would have to share sensitive information, but were unwilling to do so. Nevertheless, they both were keen on a solution to increase their results and saw the potential for ACNielsen to come in as a third party to assist them.

The second project (Case II) concerns the Italian division of Iper-G, a worldwide

leader in retailing, and Acetil, an Italian supplier in the pickled vegetable sector. The retailer is one of the largest chains of super and iper stores in Italy, with iper-stores in most of the main cities in Italy and over 400 super-stores, again focused on mass-market positioning. The manufacturer is the leader of the category, offering products with a high level of brand awareness and brand image. As in the previous case the relationship between Iper-G and Acetil was based on conventional buying-selling transactions and judged positively. However, in the years before the project the sales of the manufacturer in the retailers' stores showed a decreasing pattern. Furthermore, Acetil perceived that the interaction with Iper-G was becoming more complex because of the organizational changes on the retailer's side that increased the number of buyers interfacing with the supplier. The project initiator in this case was the third party, ACNielsen which suggested the opportunity of developing a project with a retail partner to

Acetil. The firm accepted the suggestion with two main objectives in mind: to increase its knowledge of a partner which was becoming more and more complex and to improve its sales. In order to get Iper-G on board for this project, ACNielsen showed data to the retailer indicating the opportunity to improve its sales and margins by collaborating with Acetil.

Finally, the third project (Case III) involved a regional division of an Italian retailer, S-Store South, and the Italian leader supplier in the coffee industry, Italian Flavour. The retailer in this case is a medium national player, with a high capillarity of mass-market stores in the region. The manufacturer is the largest seller of branded coffee blends in Italy and among the most well-known worldwide, although it is not the category leader in the store chain. In this case the two companies also had a stable and positive relationship based on sales transactions and maintained by the supplier's key account manager and the retailer's buyer. The parties became aware that the sales of Italian Flavour in S-Store South outlets in the particular region of Italy was below the average of the Italian marketplace and both sides saw the opportunity to increase their returns. In this case, the initiator of the cooperation was the supplier which proposed a cooperative project to S-Store South. It turned out that the retailer was unwilling to share with Italian Flavour the information required to collaborate in increasing value creation. The parties therefore jointly decided to get a third party involved as a guarantor of the proper, neutral use of sensitive data. S-Store South suggested the provider of its data analysis services, ACNielsen, for this. Italian Flavour agreed to this mediator,

because ACNielsen was also one of its own data providers.

The similar background conditions of the three cases are noteworthy. They are all stable transactional relationships with room for improvement, an unwillingness to exchange sensitive information directly, and established contacts to a trusted third party. As we will see in the further analysis, these conditions are important for the projects' success.

Data on these three projects were collected through semi-structured, in-depth interviews and archival data on decision processes and results. Each interview was conducted by two investigators, lasted an hour and a half on average, and was tape-recorded and transcribed. Our analysis followed the conventional steps of a multiple case study (e.g. Yin, 1984; Bourgeois, Eisenhardt, 1988). The preliminary analysis of the verbatim transcripts consisted of a triangulation of the collected data referring to each dyad, comparing the retailer, supplier, and third-party's point of view. After the analysis of each dyad, we conducted a cross-case analysis in order to build a general explanation that holds across the individual dyads even though every case has its unique details, too. The usual measures for ensuring reliability and validity in qualitative case study research were taken (Yin, 1984). As a further validation strategy after data collection, the identified key informants served as a check throughout the analysis process to verify our interpretations (Creswell, 2003). In an exploratory project of this kind, internal validity is more important than external validity, but generalization beyond the three cases was enhanced by controlling for the variance in power between buyers and sellers (Table 1).

4. FINDINGS

In this section we present the results of our analysis in order to bring out more clearly the mechanisms that the third party uses to perform its function of enabling cooperation in CM projects. In reporting the findings we will follow the sequence of the cooperative project phases: agreement, data analysis, strategy definition, and implementation and review. In each phase we will look at the conditions for collaboration success and the mechanisms activated by the third party to bypass factors inhibiting collaboration.

1) Agreement Phase

The initial move to contact a potential partner and agree on starting to cooperate on a strategic marketing project at the dyadic level is tricky, because it requires suppliers and retailers to be prepared to open up and jointly manage a portion of their marketing, sales, and procurement activities (Cova, Salle, 2007).

In our three case studies, the common situation was that the parties had a stable and positive arm's length relationship characterized by an absence of distrust. The lack of distrust is seen by our respondents as a requirement for embarking onto a cooperative project:

«You pointed out that there must be an approval of the mediator's choice of the counterpart, can you specify further what you mean by that?» (Interviewer)

«The approval means that with many suppliers there may have been a prior issue in negotiations, that is, there are suppliers with whom we work better or worse in each product category, therefore the approval is in some sense a way to say that there isn't a

veto on the choice of the supplier ... If I really don't have a good relationships with a given supplier, I won't choose it for the project' (Interview with R-Market project leader).

«We have chosen Acetil because we already maintained good transactional relationships. It was a firm that gave us stimulus such as new promotional proposals ... because when we start such a kind of project and exchange data ... data for us have a value, so they can be shown only when we have a trustworthy relationship, of course related only to the business» (Interview with Iper-G project leader).

However, the existence of a long-standing relationship and the absence of distrust are not the same as having a trustful relationship, a key antecedent of cooperative interaction (Ganesan, 1994; Morgan, Hunt, 1994). Without strong trust, ordinary transactions may be possible but there is no basis on which to establish deeper collaboration; this is because the trust required for an arm's length relationship is different from the trust required for cooperation. Indeed, the absence of the latter type of trust from at least one side of each dyad was an apparently insurmountable obstacle to collaboration on the project, for example in Case III:

«[At the beginning, we maintained] the usual relationship between industry and distribution. Those were shallow, based only on commercial aspects, on the fact that if a buyer was not satisfied, it would be difficult to maintain a good collaboration relationship ... Italian Flavour had already approached us, but we have always been reluctant to start this project with them» (Interview with S-Store South project leader).

Under such conditions, the intervention of a third party, trusted by both the dyad members, can perform the mechanism of building a bridge between the supplier and the retailer. This means that the third party serves as a mediator, bypassing the direct supplier–retailer relationship and thus coordinating indirectly the two parties' activities based on the trust that they have in the mediator (e.g. Burt, 2000; 2001).

Consistent with this, our cases showed that the mediator was allowed to bridge the relational distance between the suppliers and retailers. Essentially, the mediator was entitled to represent each of the parties' interests on the strength of both sides of the dyad's trusting attitude towards itself. More specifically, trust in the third party was grounded in its reputation as a competent player in the marketplace and its prior relationships with the parties as a professional service provider. Prior relationships are important, because they mean that the third party enjoyed knowledge-based trust (Lewicki, Bunker, 1996) and not just calculative trust. In other words, the parties valued working with a third party they already knew and may not have accepted in the same way an equally qualified but unfamiliar mediator. Our interviews confirm this:

«There were pre-existing relationships with the parties, which were based on daily services provided in this activity ... over the years, I never received a call or a message sent from someone whom I didn't know» (Interview with ACNielsen project leader).

«ACNielsen are experts in approaching both this kind of projects and the relational problems between buyers and sellers; this is cer-

tainly a positive aspect» (Interview with SunWash project leader).

ACNielsen helped to overcome the initial reluctance to collaborate, because they were expected to behave in the interest of both parties, to manage conflicts, and to engender the needed commitment (Morgan, Hunt, 1994) from both sides of the dyad. Indeed, this effect is confirmed by our data:

«There were no problems with the partnership between the mediator and us or between the mediator and the counterpart ... he [third party's manager] does not have any reason for privileging one of the two parties ... it was a good triangulation, we could expect an high-quality work» (Interview with Italian Flavour project leader).

«Nielsen stimulated the willingness of both parties to begin such a project by showing us the numbers proving that the category was underperforming ... Iper-G market share was really underperforming in all its store formats ... We were also underperforming in hypermarkets ... in supermarket the situation for us was even worse ... so Nielsen convinced us that we could recover this gap with this project» (Interview with Acetil project leader).

Hence, the third party played the role of a trust bridge, because its intervention changed the interaction pattern between the supplier and the retailer, reinforcing this interaction as a feedback effect which enables the trust in the third party to also be exploited within the direct supplier–retailer interaction. Our interviewees reported the following:

«This project allowed us to enter into more strategic settings and to have a different dialogue, which was no longer based on the achievement of a rebate from a big order of X volumes. Things changed, the relationships began to change and become more tranquil, collaborative, almost like over a meal, because you have managed a method and you have obtained satisfying results ... Nielsen was the glue of this process» (Interview with S-Store South project leader).

To conclude, in the agreement phase it was important that there was no distrust between the buyer and the seller and that they both had trust in ACNielsen as the third party who could thus act as a bridge and enhance the relationship between the buyer and the seller.

2) Analytical Phase

The crucial step after the agreement to collaborate is to get the supplier and the retailer to share information, which is required to perform the strategic analysis that will show the room for value creation within the category. This sharing of information is critical to the project success, because the supplier and the retailer usually have complementary market knowledge that is considered sensitive by both sides. More specifically, the supplier has data on how its products are performing in other retail chains, whereas the retailer knows how successful other suppliers' products are in its own outlets. Once shared, this knowledge could not only be used within the domain in which the parties collaborate, but also outside of the CM project in competitive bargaining at the transactional level of sales orders and discounts. Our interviewees specifically noted that:

«It's evident that we don't have all those data related to the products ... because of our economic role in the business ... so it becomes relevant to have a partner, because we know the aggregated data, but when we have to reason at the single reference level we need a knowledgeable partner» (Interview with Iper-G project leader).

«We don't exchange information with the suppliers, this is a company policy ... It is Nielsen that undertakes the responsibility for managing the data for that particular project and for nothing else. That is why this role is very important to us» (Interview with S-Store South project leader).

Hence in the analytical phase the typical cooperative tension between pie expansion (cooperation) and pie sharing (competition) becomes tangible. The parties have to move from voicing good intentions to actually making themselves vulnerable by sharing sensitive information.

The question is whether the project can still succeed even if the parties are not willing to exchange information with each other, as the S-Store South project leader pointed out. In such a context the inclusion of a third party can be the solution. From our interviews we found that in this phase the third party still uses a bridging mechanism by acting as the link between the two parties. The supplier and the buyer provide the required sensitive information to ACNielsen instead of sharing it directly. In this context, the Acetil project leader mentioned the following:

«During the analysis, we met just Nielsen; in this phase the retailer also analyzed some data just with Nielsen. So we had separate meetings ... this is because there was the

need to clean the data ... [but] we never met Iper-G without Nielsen» (Interview with Acetil project leader).

The third actor therefore offered the safe context within which the analysis of market data could be performed. It is very important to note, though, that the bridging mechanism, which brings the parties together, can only work because the third party performed at the same time a second mechanism aimed at conflict reduction by keeping the parties apart: the mechanism of selecting who was to be involved in which part of the analysis and what kind of data were passed on. This means that ACNielsen had the full picture and could coordinate the analysis, while the other project partners did not get to see more than they needed to. Bridging and selecting are complementary and equally important mechanisms. The parties only trusted ACNielsen to be their link, because they knew that confidentiality would be maintained by ACNielsen:

«The third party works as an interface, allowing the retailer to disentangle all the aspects related to the analysis ... we decide the pricing policies and the promotion jointly with the supplier, but we don't obtain information about market segmentation or targeting from the supplier ... we discuss, on a 360° basis, sharing information, but we need a neutral party which certifies the process» (Interview with S-Store South project leader).

A closer look at specific practices in the strategic analysis phase reveals how carefully the third party managed the simultaneous bridging and selecting. We found that one common practice was the

“encryption” of sensitive data such as margins and sales value. This means that the third party found ways to display sensitive results without giving the precise figures or company names:

«Figures on economic roles, sales for packaging types, sub-segments sizes and their contribution to overall volumes and margins were encrypted by reporting them in graphs where values on the axis were omitted, but relative distance of segments still evaluable ... This analysis was shown to the seller with Nielsen always present ... In this way we were able to share these analyses and to match them with the decisions on the strategic role of the category within each segment» (Interview with S-Store South project leader).

«In any case, the presence of this mediator allowed getting information that, albeit encrypted, was very useful for the analysis. I refer in particular to the margins: if we had interacted directly with R-Market, we would not have been able to refer to this information» (Interview with the SunWash project leader).

In this way, the parties kept control of their data but were still able to discuss results. ACNielsen brought them together but also protected them from each other by being there as a neutral third party and selecting items for the agenda. This finding is interesting since it provides the insight that third parties may be allowed to perform a knowledge filtering role which is different from the brokerage role assumed in structural holes where the mediated actors are supposed to be unaware of, or ignore, each other (e.g. Burt, 1992; 1997). In our cases, the suppliers and retailers knew very well who was on the

other side of the mediated relationships and that their counterparts owned the knowledge resources needed to develop and complete the cooperative project. The third party managed the information flow and analysis for the benefit of the other two parties. ACNielsen did not use the data from the two parties for its own advantage or to play them off against each other. In contrast, it strengthened its own position by being trustworthy in its bridging and selecting role.

3) Strategic Phase

If sharing sensitive information can be a source of conflict in distribution channel relationships, then we can expect that it is even more difficult to reach a joint conclusion on what kind of CM activities should be undertaken. This requires strategic integration and this is the most critical issue for the success of cooperative relationships in vertical dyads (Johnson, 1999).

We find that the third party needs to activate the bridging and selecting mechanisms in this phase of the project too. The third party brings the other parties together for strategic decision making but it also selects the options that are considered, filtering out in advance any option that would severely disadvantage one of the parties. Moreover, by providing an established and shared data processing methodology, the third party adds objectivity to the cooperative process and acts as a clearing house, which is very important in supporting the day-to-day operations within the project in order to prepare major strategic decisions. The following quotation captures how the third party's neutral bridging activities lead to a positive outcome:

«We identified the standard assortment in

respect of each product reference. Italian Flavour started to see some [of its] product references that were excluded from the assortment, but Italian Flavour managers were happy with this solution ... I also was very happy when I saw the shelf. In fact, there was absolutely no forcing, because it had been managed in a really neutral way» (Interview with Italian S-Store South project leader).

Our interviews were also very instructive with regard to how the selecting mechanism is applied in practice in the strategy definition phase. Here, it is important to know that the multiplexity of vertical relationships (Zerbini, Castaldo, 2007) increases when a strategic cooperative marketing project is undertaken at the same time that the competitive trading relationship at the transaction level continues. While some people from the supplier and the retailer side have meetings with the third party to integrate their marketing strategy for a category, their colleagues (who are key account managers and buyers) are still in an ongoing bargaining relationship with the common conflict in value sharing. The domain of interaction between the buyer and the key account manager is different from that where knowledge should be shared for setting joint strategies of value creation. These two domains need to be kept separate or the CM may be jeopardized. This means that the third party brings together the «right» people at the strategic level, but keeps out the «wrong» people from the transactional level. A neutral party like ACNielsen can remind the partners that they should not be distracted by current, short-term issues at the transaction level, but should focus on the strategic opportu-

nities which warrant the exchange of some sensitive data and the effort to integrate CM initiatives. This is illustrated by the following quotation:

«ACNielsen is a subject super partes which guarantees that the project will proceed till the end ... it is someone who stimulates the relationship, that is: if S-Store South don't answer me because their buyer has argued with my local seller, I can't do anything to solve the problem ... whereas ACNielsen acts as a connector telling S-Store South: "the project should go on because of the investments both of you have made"» (Interview with Italian Flavour's category manager).

This evidence suggests that third-party mediation succeeded in tightening relationships between suppliers and retailers, because it could manage the complexity of the relationships resulting from the tension between cooperation and competition within and across the multiple relationship levels involved. ACNielsen was able to introduce flexibility into the relationship, because it was trusted by both partners, linked and separated them for the benefit of the project, and acted like a membrane, controlling the level of osmosis between the supplier and the retailers. This enabled the members of the dyad to decide on an integrated strategy which could be implemented in the next phase of the CM project.

4) Implementation and Review Phase

The successful completion of the previous phases will be in vain, unless the strategic decisions can be implemented in practice. Once strategies have been defined, the implementation is dependent on the parties' ability to extend collaboration to other business functions that have not been

involved in the cooperative project. The issue here is that these peripheral functions, for example the local buyers and sellers responsible for specific products and outlets, were not included in the project in previous phases. They may lack the commitment to implement the changes required by the marketing functions that sponsored the cooperation in the CM project, because at the transactional buyer-seller level entrenched competitive bargaining dominates the new cooperative stance. In the three cases we studied, it was critical that a wider subset of functions and actors participates unreservedly in the project's implementation. We find that this situation calls, once again, for the selecting mechanism on the part of the third party. However, in this phase it is not a matter of deciding whom to exclude, as in the previous phase, but whom to include. In other words, this selecting involves also bridging.

Based on our interviews, we found that the supplier's and retailer's project leaders leveraged a key characteristic of the third party – its widespread reputation and credibility within the industry – to avoid resistance from the other functions who are required to accept and implement the defined strategies and to obtain their endorsement and commitment to the project. The following quotations underline this point:

«We need the method to be communicated to everyone, to be shared and accepted by our associates, at the level of each point of sale ... Nielsen provided us with the method» (Interview with S-Store South project leader).

«I liked this project because it raised awareness of CM not only within S-Store South,

but also among the S-Store South associates ... they have involved the associates in the process to ensure their sponsorship of the project» (Interview with Italian Flavour regional account manager).

Note that the third party now becomes a mediator not between the supplier and the retailer, but between different functional levels in the supplier's and the retailer's own organizations respectively. By way of illustration, marketing managers would bring in an ACNielsen expert to convince their account managers that the project makes sense. And the buyer responsible for a particular outlet would rearrange the point of sale because the request «from above» is endorsed by ACNielsen.

Finally, the implementation phase comprises also the review of the outcomes from the CM project. Has the project led to an improvement in the category performance? And can this success be attributed to the third-party involvement? Our three cases show very clearly that all two questions can be answered affirmatively. While we are not allowed to give exact performance figures here, we know from our interviews that all three projects have resulted in superior category performance and an increase in value thanks to the collaboration. Second, our investigation highlights that relationships between the two parties after the project have been extended beyond the typical domain of interaction of an arm's length transactional relationship. A wider set of people and organizational functions in each firm now has established contacts with their counterparts in the other organization, establishing the ground for further collaboration and the development of stronger trust instead of just an absence of distrust. The

following quotation is very apt in this respect:

«In the end, this type of project has several benefits, it's difficult to have a negative outcome: besides having positive consequences from a selling perspective – as it is better to guide certain decision of the retailer instead of receiving them, influenced by other competitors – it also has a potential ... because it strengthens the current relationship. You interact with higher-order decisional figures, different from those you are used to deal with in day-by-day negotiations, one or two decisional level higher, and this is an asset that can last over time ... Such relationships are fundamental in the long term, when you have known and worked with a person, even if on distance, on a project like this one, it's a big advantage ... eventually when you need it – and I hope I never need it – you can make the call that solves even a hot issue ... there's a relational advantage in dealing with these projects» (Interview with the SunWash project leader).

In the implementation and review phase, we therefore find that bridging and selecting mechanisms are still supported by the third party, but this third party moves more into the background, providing the legitimacy for rolling the project out into the outlets and maintaining the commitment for it until the measurable success of the CM project speaks for itself and strengthens the dyadic relationship as well as the trust in the third party.

5. DISCUSSION AND CONCLUSIONS

This study points to the prior debate on the role of third parties on cooperation by extending it from the operations (Bitran

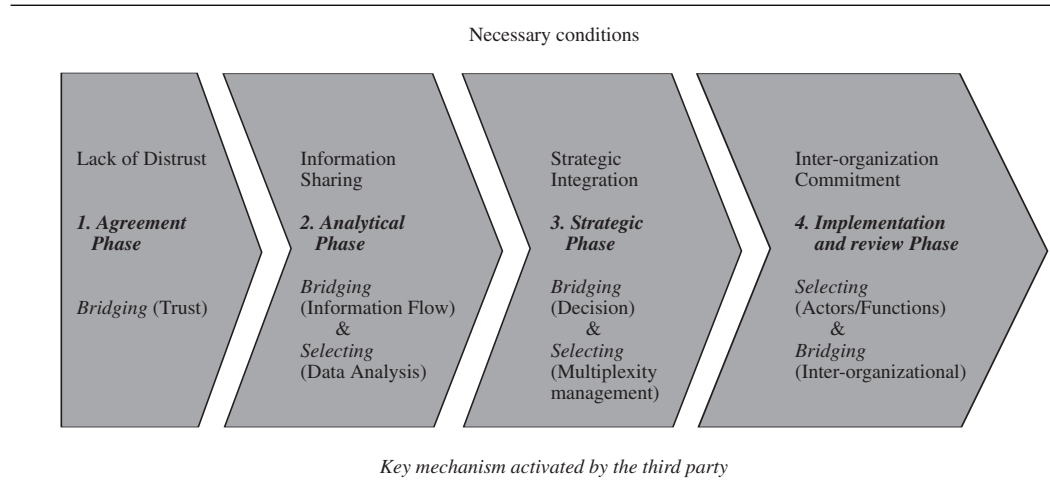


FIGURE 1.
THIRD-PARTY ROLE IN
COOPERATION: SUCCESS
CONDITIONS AND KEY MECHANISMS

et al., 2007) to the marketing domain and offering a few important insights.

First, at a process level, it is useful for understanding how collaboration is achieved and maintained along the phases of the CM project. More specifically, this study identifies, for each project phase, the success conditions and the key mechanisms activated by the third party, which advance our understanding about how collaboration can be implemented in mediated environments (Figure 1). In particular, we found two main complementary mechanisms that the third party activates: *bridging* and *selecting*. This means that the third party is responsible for bringing the other two parties together but also for keeping them apart in several important ways. Crucially, the third party is a trustee of sensitive information, a neutral authority in decision making processes, and a legitimating force in generating commitment within and between the supplier and retailer organizations.

Second, at a structural level, our study acknowledges the multidimensionality of CM relationships, emphasizing the co-existence of dualistic tensions of collaboration

and competition. In this respect, it contributes to earlier research (Bengtsson, Kock, 2000; Zerbini, Castaldo, 2007) by showing how multidimensional interaction is managed in mediated environments. In particular, it shows that the third party, by means of the two key mechanisms, is successful in combining the collaboration and bargaining tendencies embedded in the dyad, because of its ability to split such contrasting modalities, and shift them on a separated interaction environment, albeit within the same project context.

These insights have to be carefully considered, however, with respect to the limitations of the study. Firstly, we have focused on the process of mediation in CM and could provide only limited insights on the competitive and economic outcomes of such a process. Given that the focus on outcomes is primary in CM projects, we expect that further research might follow such an avenue of analysis, relying on more detailed data to assess the economic and competitive performance of mediated CM. The basic dilemma we have studied is fairly generic, though, as is the possibility

of involving a third party. Therefore, we believe that the gist of our findings is likely to be applicable to other forms of project-based strategic collaboration, e.g. joint product development, and other vertical business relationships that are enabled by third parties, e.g. investment projects mediated by banks.

Finally, we have reported about ongoing projects up to until their implementation in a large-scale sample of stores. Although this has the benefit of relying on more precise data, as informants' mnemonic effort of recalling about past experiences is minimized, we can only infer tentatively about long-term consequences of mediated CM. Further research might extend the duration of the observation window, developing longitudinal studies, to observe the extent to which the integration process is maintained over time, and the contribution of third parties to long-term relationships and CM functioning.

Bearing the limitations and the preliminary nature of our findings in mind, managers can already draw some plausible practical lessons. First, from the manufacturers' and distributors' perspective, our analysis suggests that investments of marketing and supply chain managers in CM mediators might be helpful in overcoming constraints to the exploitation of value creation opportunities, also when business relationships are already in place. Indeed, a lack of trust in counterparties and no willingness to share strategic information appear to constrain the parties' ability to collaborate and fill in value gaps. Instead, a third party may facilitate the integration, filtering sensitive information and filling relational gaps, and thus constituting a

viable medium to allow manufacturers and distributors to pursue collaboration strategies of growth.

In this respect, our study suggests that marketing and supply chain managers should select third parties not only on the basis of hard skills of data analysis and CM implementation techniques, but also on the basis of the relationship that the service provider maintains with the targeted counterpart of the CM action. Indeed, such a prior relationship seems critical in generating the commitment of the counterpart in the project.

Second, our study also suggests that investments in CM mediators should be motivated not only by the quest for economic performance, but could also be key to a relationship management focus. Third parties' interventions are very much valuable also in the soft domain of relationship quality, and may be key in letting the overall manufacturer-distributor relationship evolve toward stronger collaboration. Following this direction, further research might valuably focus on how channel relationships change through the intervention of third parties, and assess which dimensions of the relationship are affected by the mediator's activity.

Finally, an implication emerges from our data also according to the mediator's activity. While rivalry appears growing in the data analysis and information system segments of supply chain management, there is little development of professional services in their relational potential. In this respect, mediation activities appear as a viable path of differentiation, which discloses significant opportunities of growth also for SCM service companies.

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