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Category management in Russian retail sphere (case of the Ural Federal District)

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*Institute of Economics of the Ural Branch of the Russian Academy of Sciences, Ekaterinburg, Russia; e-mail: reiz@inbox.ru***ABSTRACT**

The Ural Federal District is one of the leading Russian regions: it has a dynamically developing economy characterized by vigorous competition. One of the ways to enhance companies' performance in these conditions is category management. This article seeks to evaluate the level of implementation of category management principles in the retail sphere of the Ural region and to identify the main regional features of retail management. The article provides a brief overview of the approaches to defining category management and outlines its key elements. The empirical part of the study concerns with the results of the survey conducted among category managers of nine Ural retailers. The head offices of these retailers are located in Ekaterinburg and the majority of their stores are situated in the Ural Federal District. It was found that although all the respondents are aware of the key principles of category management, not all of them are able to put these principles into practice systematically, mainly due to the policies of their companies, which are often orientated towards gaining quick, short-term profits rather than building balanced long-term strategies. Category managers also often face constraints in their decision-making and lack modern tools for data processing and analysis. The conclusion is made that category management offers Ural retailers a range of opportunities for further development if they choose to invest in modern equipment and personnel training and revise their supplier relationship policies.

KEYWORDS

regional retail; Ural Federal District; comparative analysis; regional analysis; category management; retailer; customer needs

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Оценка степени распространения категорийного менеджмента в региональных торговых сетях (на примере УрФО)

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Уральский Федеральный округ является ведущим промышленным регионом с динамично развивающейся экономикой. Поэтому в условиях постоянно меняющейся рыночной ситуации, ускорения процессов глобализации, усиления конкуренции и перенасыщения рынков товарами актуальность темы обусловлена важностью поиска новых путей повышения потребительской ценности товаров с целью удовлетворения потребностей и запросов покупателей. Целью данной статьи является проведение сравнительного анализа торговых сетей Уральского Федерального округа по степени распространения категорийного менеджмента. В соответствие с целью исследования были поставлены и решены следующие задачи: выделены восемь элементов категорийного менеджмента, сформулированы пять гипотез относительно степени распространения категорийного менеджмента в торговых сетях с учетом специфики округа, проведен сравнительный анализ степени распространения категорийного менеджмента в Уральском федеральном округе на основании опроса действующих категорийных менеджеров девяти торговых сетей, головной офис которых находится в г. Екатеринбург и большинство магазинов на территории Уральского Федерального округа. В результате исследования в торговых сетях демонстрируется преобладание смешанных форм управления ассортиментной политикой, выявляются региональные особенности реализации данного подхода, а так же огромный потенциал для дальнейшего развития торговых сетей Уральского региона в данном направлении. Основные методы исследования: экспертный опрос категорийных менеджеров торговых сетей, группировок, системный, сравнительный.

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КЛЮЧЕВЫЕ СЛОВА

региональная розница; Уральский федеральный округ; сравнительный анализ; региональный анализ; категорийный менеджмент; торговая сеть; потребности покупателей

ДЛЯ ЦИТИРОВАНИЯ

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Introduction

In the conditions of highly dynamic markets, increased globalization and competition, even the most advanced economies, industries and companies have to deal with the effects of glut, when the supply of a product or a service far exceeds its demand. Customers' needs are constantly changing and so are their expectations. Panacea is usually sought in the areas of innovation, which are able to take into account shifts in customer expectations [1]. These trends affect all spheres of economy in the world, and Russia is no exception. However, different Russian regions, depending on the availability of resources and innovations, have different levels of development, which includes the sphere of sales management methods and technologies. The existing methods are quickly adopted by competitors, which reduces competitive advantages among other market players. Thus, there is a constant search for new approaches and techniques to improve companies' efficiency. Most modern methodologies are based on building long-term relationships with all partners in the value chain (relationship marketing). One of these approaches is category management, which has been developed and implemented in international theory and practice since the late 1980s. In Russia, category management started to develop in the 2000s.

Most researchers choose to focus on the Central Federal District, which has access to most resources, including innovation [2–5], and then extrapolate the results to the rest of Russia, regardless of regional variations. Therefore, it seems appropriate to conduct a comparative analysis of retailers operating in the Ural Federal District and identify regional features in the ways category management is applied in this region.

Methodology and data

The purpose of this article is to conduct a comparative analysis of retailers in the Ural Federal District, focusing on the way they apply the principles of category management in their practices.

The theory of category management was actively developed by such large consulting organizations as AC Nielsen and the Partnering Group Inc. as well as IDDA and ECR. At the next stage, these studies, both theoretical and practical, were continued by Dussart, Joseph, Jaervinen, Verra, Arkader, Ferreira, Desrochers, Dewsnap, Dupre, Gruen, Gooner, Morgan, Perreault, Staeiner, Carr, Coy, Sysoeva, Bozukova and others.

Our study relies on the data on the Urals and Russia in general provided by the Federal State Statistics Service. We have also interviewed category managers of nine retailers, whose head offices are located in Ekaterinburg and the majority of whose stores are on the territory of the Urals. There is sufficient evidence to confirm the efficiency of category management, which is actively discussed in international and Russian research literature [6–10]. We decided to focus on the case of the Ural Federal District to identify the specific regional characteristics of category management in local retail business and compare these features with those of other Russian regions. Our research comprises the following stages:

- 1) designing a questionnaire based on a three-point evaluation system;
- 2) formulating the main hypotheses;
- 3) surveying category managers;
- 4) data processing and systematization;
- 5) description and analysis of the results;
- 6) confirmation or refutation of the hypotheses.

Category management: definition and key elements

There are four main approaches to the concept of category management:

1. Category management is the management of categories aimed at maximizing customers' satisfaction [6].
2. Category management is the management of categories aimed at increasing sales and profits of trade companies by ensuring satisfaction of customers' needs [11].
3. Category management is a form of cooperation between retailers and manufacturers. Proponents of this approach focus on the cooperation between retailers and suppliers/manufacturers, which can significantly increase the benefits for all participants of the supply chain (supplier, manufacturer, trading company, consumer) [2; 8; 12; 13].
4. Category management is a form of cooperation between trading partners and a category captain in order to determine the optimal policy to maximize profits and increase customer satisfaction [14; 15].

We believe that the definition should emphasize what lies at the heart of category management – building of long-term relationships between all the participants in the value chain (marketing relationships). In addition, the proposed definition combines different features of

category management pointed out by different approaches. Thus, in this paper, we are going to define category management as a strategic approach to management of product categories based on the construction of long-term and mutually beneficial relations between all participants in the supply chain, aimed at maximizing the satisfaction of the end customer's needs, increasing sales and profits of all participants in the supply chain. Thus, category managers in retail companies determine the structure of their respective categories on the basis of the consumer decision tree and current market trends. These managers also form the pricing policy, realize shelf space management, conduct other marketing activities and so on. Within the specified framework, all participants in the supply chain are jointly looking for ways to increase the sales and reduce the costs by increasing the consumer value of the products [16].

Let us now identify the main element constituting category management:

1. The main focus made by retailers is on the consumer rather than on brands or products as such [6]. Systematization of products should be conducted on the basis of consumer understanding of the products and the consumer decision tree [12]. This information is revealed through quantitative and qualitative analysis of categories, including the research of market trends in social networks and customer interviews [7]. All events should be focused on consumer needs [6; 7; 14].

2. The relational approach of all the participants in the supply chain. Building long-term and mutually beneficial relationships allows the participants to gain better understanding of consumer needs, respond quickly to the changing situations, and effectively reduce their costs. Thus, information exchange and pooling of the resources to make them available to all participants of the supply chain can improve the efficiency of their activities [17; 18].

3. Product allocation in product categories, that is, the products are categorized according to consumer vision and needs, which allows the consumer to find a product that, satisfies their desires and expectations [7; 13; 15]. This helps to manage products more efficiently and to identify whether all the consumer needs are met in the context of the consumer decision tree [19; 20]. In addition, categorization provides an opportunity to find synergies between different categories [14].

4. Management of product categories as separate business units [6; 21; 22], which allows the

retailer, in particular, the responsible category manager, to focus on each individual category, to understand the needs of customers, to control all stages and processes in the category, to make timely adjustments and to make better decisions on the basis of the most complete and objective information [7].

5. Category managers' responsibility for the categories assigned to them. Category managers manage categories as business units and are fully responsible for the decisions made and the results obtained [15; 23]. This gives them the ability to manage all processes within the category, at all stages – from purchasing the products from the supplier to their sale to the consumer. Thus, category managers evaluate, plan and control the entire process within their categories [21; 24]. In this case, an important aspect is that it is not the process of performing certain functions within the department that becomes fundamental, but the result obtained—an increase in the sales and profit of the company by boosting end customer satisfaction [7; 24]. All strategic decisions are taken in the head office, in particular, by category managers [6; 25]. Assortment, pricing, marketing and merchandising management at the level of specially trained people is more effective and efficient [10; 26].

6. The purpose of purchasing products is to maximize sales, profits and increase retailer traffic at the expense of quality work with the structure of the assortment matrix by forming orders, balancing inventory maintenance and constantly optimizing the purchase system [15; 21]. It is unacceptable to purchase products to obtain marketing payments or to obtain the lowest possible price by filling warehouses [7; 8].

7. The “4P” concept (Product, Price, Place, Promotion) [9]: working with the assortment matrix is based on a deep analysis of customer needs and market trends [14]; pricing in the context of each individual category implies the presence of the planned mark-up for each individual product category [6; 7]; merchandising based on planning of the retailer shelf space and of the product categories planograms [12; 27]; regular promotional activities [8; 10].

8. Availability of high-quality data upload and analysis system. An important element of category management is information management through analysis and planning aimed at plan implementation within the categories [27]. Planning, testing and forecasting, pricing, merchan-

dising and engaging in promotional activities are important elements of category management [6]. Therefore, the category manager needs to obtain objective, easily accessible data to make decisions and enhance the effectiveness of business processes [7]. In addition, the availability of a quality system of product ordering and distribution helps to provide the right number of the right products to the stores where they are in demand, at the right time and to the right shelf [6].

The key elements of category management described above constitute a part of category management methodology, which was designed and presented by two consulting companies AC Nielsen and The Partnering Group Inc. in 1992–1995.

Empirical data

The effectiveness of the above-described methodology [6–8] was confirmed by the practical experience of Ural retailers [9; 10].

We assessed category management in the Ural Federal District by looking at the following criteria (see Table 1).

Table 1

The Category management elements and their meters

| № | Category management elements | Meters |
|---|--|---|
| 1 | Consumer as the main focus | 0 – not applied; |
| 2 | Long-term and mutually beneficial cooperation of all supply chain participants | 1 – partially applied; 2 – fully applied |
| 3 | Products categorization | |
| 4 | Categories are managed as business units | |
| 5 | The category manager is responsible for the categories assigned to him or her | |
| 6 | The purpose of the products procurement | |
| 7 | Marketing-mix | |
| 8 | Availability of the system of high-quality data analysis | |

This article uses the data from interviews with eighteen category managers from nine retailers of the Ural Federal district: “Yabloko”, “Galamart”, “Monetka”, “Rait”, “Plus”, “Optima”, “Kvartal”, “Pygmalion”, and “Anster”. All the interviews were conducted in 2018. These retailers have stores in different cities. All stores or the majority of the stores are located in the Ural Federal District, the head offices are located in Ekaterinburg and all the decisions are made by category managers in Ekaterinburg. Category managers are the people who manage the categories and are responsible for their effectiveness (turnover and profit).

Our sample includes large (“Monetka”, “Rait”, “Galamart”, “Optima”); medium (“Yabloko”, “Plus”, “Anster”); and small (“Kvartal”, “Pygmalion”) retailers. We interviewed managers working in various fields: food products (“Yabloko”, “Monetka”, “Rait”), industrial products (“Galamart”), consumer products, cosmetics (“Optima”, “Plus”, “Kvartal”, “Pygmalion”), and pet products (“Anster”). Table 2 provides brief descriptions of the retailers in question.

In our study, we applied a three-point scale to evaluate retailers’ activity in each element of category management. We also asked our respondents for more detailed comments, which allowed us to minimize the degree of subjectivity on the part of respondents in the interview and to eliminate the possibility of any misunderstanding concerning what constitutes category management.

We have formulated five main hypotheses of this research:

1. In the Urals, which is a dynamically developing industrial region, the competition is high and all retailers, regardless of their size, strive to survive on the market. To do this, they use the most modern methods and techniques to maximize their incomes and increase customer loyalty.
2. The need to retain or increase their market share requires significant effort on the part of all trading companies in the region and leads to prevalence of category management methods in all areas of trade.
3. The Ural region offers its residents significant opportunities in the sphere of higher education. Therefore, we can assume that category managers and executive managers of regional and local retail companies should have a high level of training and all the necessary management competencies, in particular in the sphere of category management.
4. Category managers as qualified, well-paid professionals should enjoy a high level of freedom in their decision-making.
5. Category management principles are applied less frequently in the numerous single-industry towns (“monotowns”) and closed towns of the region due to the specific mentality of the people in these towns.

Ural Federal District: main characteristics

According to the data of the Federal State Statistics Service as of 19.02.2019, the Ural Federal District occupies 10.6% of the territory of Russia and accounts for 8.4% of the population. According to the structure of the main macroeconomic

indicators for federal districts in 2018, the Ural Federal District occupies the first place in mining 36.8%; the fourth place in manufacturing-12.3%; the third place in provision of electricity, gas and steam; the third place in air conditioning-12.7%; the third place in water supply, sanitation, or-

ganization of collection and disposal of waste, elimination of pollution – 13.3%; the sixth place in agriculture – 6.2 %; the second place in equity investment – 19.1%; the second place in financial investment – 7.4%; and the sixth place in retail turnover – 8.6% (see Table 3).

Table 2

Description of retailers

| Retailer | Stores | Field | Regional representation | Quantity of stores |
|------------------------|-----------------|---|--|--------------------|
| Monetka ¹ | Discount stores | Food, essential goods, products of the retailer's own production and own trademarks | Sverdlovsk region, Chelyabinsk region, Tyumen region, Kurgan region, Tomsk region, Perm region, Republic of Bashkortostan, Siberian Federal District, Khanty-Mansi Autonomous District, Yamal-Nenets Autonomous District | 1,040 |
| Rait ² | Hypermarkets | Food, commodities, products of the retailer's own production and own brands | Sverdlovsk region, Tyumen region, Khanty-Mansi Autonomous District, Republic of Bashkortostan | 30 |
| Yabloko ³ | Supermarkets | Food, consumer goods, products of the retailer's own production | Ekaterinburg | 13 |
| Optima ⁴ | Supermarkets | Cosmetics, perfumery, household chemicals, household goods | Ural Federal District: Sverdlovsk region, Khanty-Mansi Autonomous District, Yamal-Nenets Autonomous District | 123 |
| Plus ⁵ | Supermarkets | Household goods, household chemicals, perfumery, cosmetics, engineering, tableware, leather goods, knitwear, toys, gardening tools and products, stationery, home care products | Sverdlovsk region, Chelyabinsk region, Perm region | 78 |
| Kvartal ⁶ | Supermarkets | Perfumery, cosmetics, household chemicals, electrical engineering, tableware, leather goods, knitwear, toys, gardening tools and products, stationery | Ekaterinburg | 6 |
| Pygmalion ⁷ | Supermarkets | Cosmetics, perfumery, toys, knitwear, hosiery, dishes, household chemicals | Ekaterinburg | 3 |
| Galamart ⁸ | Supermarkets | Consumer goods: gardening tools and products, pet products | Russia | 200 |
| Anster ⁹ | Pet stores | Pet food, accessories, aquariums, birds, fish, live plants, animals and reptiles | Sverdlovsk region | 30 |

Note: ¹ <http://www.monetka.ru>; ² <http://raitfresh.ru>; ³ <http://www.tc-apple.ru>; ⁴ <https://vk.com/optimaekb>; ⁵ <https://vk.com/plusekb>; ⁶ <https://www.rabota66.ru/vacancy/company/21765631>; ⁷ <http://qlaster.ru/enterprises/detail/71823>; ⁸ <https://galamart.ru>; ⁹ <http://anster.ru>

Table 3

Retail turnover in Russian regions, 2016–2018

| District | Turnover, mln.rubles | | | Growth (in comparable prices), % | | | Total, % | | |
|----------------|----------------------|-------------------|-------------------|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2016 | 2017 | 2018 | 2016/2015 | 2017/2016 | 2018/2017 | 2016 | 2017 | 2018 |
| Central | 9,531,830 | 10,140,136 | 10,881,600 | 95.6 | 102.3 | 104.0 | 34.0 | 34.0 | 34.5 |
| Northwest | 2,742,437 | 2,922,979 | 3,074,300 | 98.3 | 102.8 | 102.4 | 9.7 | 9.8 | 9.7 |
| South | 2,994,484 | 3,120,255 | 3,288,900 | 98.5 | 101.0 | 103.5 | 10.6 | 10.5 | 10.4 |
| North Caucasus | 1,538,028 | 1,620,758 | 1,599,800 | 95.4 | 101.7 | 97.4 | 5.4 | 5.4 | 5.1 |
| Volga | 4,977,617 | 5,219,930 | 5,545,400 | 96.2 | 102.1 | 103.9 | 17.6 | 17.5 | 17.6 |
| Ural | 2,475,431 | 2,555,718 | 2,706,800 | 92.9 | 99.5 | 103.5 | 8.7 | 8.6 | 8.6 |
| Siberian | 2,797,008 | 2,918,494 | 2,713,000 | 95.5 | 101.4 | 102.2 | 9.9 | 9.8 | 8.6 |
| Far Eastern | 1,248,760 | 1,315,065 | 1,738,200 | 97.7 | 102.0 | 103.0 | 4.4 | 4.4 | 5.5 |
| Russia | 28,305,600 | 29,813,300 | 31,548,000 | 95.4 | 101.3 | 102.6 | 100.0 | 100.0 | 100.0 |

Source: Federal State Statistics Service, February 19, 2019.

Thus, retail trade in the Ural Federal district in 2018 demonstrated positive dynamics with figures above the national average. Sverdlovsk (3.6%) and Chelyabinsk regions (1.6%) are the most important regions of the district. Smaller, but also very important regions are the Khanty-Mansi Autonomous District (1.3%) and Tyumen region (1,2%). Somewhat less impressive figures in terms of the volume of retail trade are demonstrated by Kurgan region and the Yamalo-Nenets Autonomous District (see Table 4).

As of January 1, 2019, Russia has 40 closed administrative-territorial formations or “closed towns”, which include ten closed nuclear cities, five of them in the Urals. Another group of cities consists of the so-called “monotowns” or single-industry towns, which constitute another characteristic feature of the region. According to the Federal State Statistics Service, as of 19 February 2009, the retail trade turnover in 2018 increased in comparison with 2017 by 3.5% and amounted to 2706.8 billion rubles. Per capita sales of goods amounted to 219.1 thousand rubles (on average in Russia, 214.9 thousand rubles). At the

same time, per capita income, which determines the standards of living in the region amounted to 33,254 rubles per month in the Urals, compared with the average Russian indicator of 32,598 rubles per month. At the same time, the overall consumer spending in the Urals was 24,054 rubles per month, while the national average indicator is 23,465 rubles per month. Thus, it can be concluded that the population of the Urals has incomes above the average Russian level.

In the Urals, there is a number of institutions of higher education and research institutions such as the Ural Federal University, the Ural State University of Economics and the Institute of Economics of the Ural Branch of the Russian Academy of Sciences. These institutions provide ample opportunities for specialist training.

Category management in the Urals: comparative analysis

For our research, we conducted a questionnaire survey among category managers of nine local and regional retailers operating in the Ural Federal District (see Table 5).

Table 4

Retail turnover in the Ural Federal District, 2016–2018

| District | Turnover, mln.rubles | | | Growth (in comparable prices), % | | | Total, % | | |
|--|----------------------|-------------------|-------------------|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2016 | 2017 | 2018 | 2016/2015 | 2017/2016 | 2018/2017 | 2016 | 2017 | 2018 |
| Russia | 28,305,600 | 29,813,300 | 31,548,000 | 95.4 | 101.3 | 102.6 | 100,0 | 100,0 | 100,0 |
| Ural Federal District | 2,475,431 | 2,555,718 | 2,706,766 | 92.9 | 99.5 | 103.5 | 8.7 | 8.6 | 8.6 |
| Kurgan region | 104,329 | 108,662 | 114,624 | 91.7 | 100.3 | 102.3 | 0.4 | 0.4 | 0.4 |
| Sverdlovsk region | 1,054,177 | 1,078,234 | 1,130,702 | 94.5 | 98.5 | 102.3 | 3.7 | 3.6 | 3.6 |
| Khanty-Mansiysk Autonomous District-Ugra | 366,782 | 394,613 | 420,592 | 91.0 | 102.2 | 103.7 | 1.3 | 1.3 | 1.3 |
| Yamalo-Nenets Autonomous District | 122,658 | 127,666 | 138,460 | 88.5 | 101.1 | 105.2 | 0.4 | 0.4 | 0.4 |
| Tyumen region | 333,808 | 354,135 | 383,777 | 94.7 | 102.0 | 106.6 | 1.2 | 1.2 | 1.2 |
| Chelyabinsk region | 493,676 | 492,409 | 518,609 | 90.5 | 97.5 | 103.7 | 1.7 | 1.7 | 1.6 |

Source: Federal State Statistics Service, February 19, 2019.

Table 5

Survey of category managers

| № | Category management elements | Monet-ka | Yabloko | Rait | Opti-ma | Plus | Kvartal | Pygma-lion | Gala-mart | Anster | Idealre-tailer |
|---|--|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|-----------|----------------|
| 1 | The main focus is on the consumer | 1 | 1 | 1 | 2 | 1 | 0 | 0 | 2 | 1 | 2 |
| 2 | Long-term and mutually beneficial cooperation of all supply chain participants | 1 | 1 | 1 | 2 | 0 | 0 | 0 | 1 | 1 | 2 |
| 3 | Product categorization | 2 | 2 | 2 | 2 | 2 | 0 | 0 | 2 | 2 | 2 |
| 4 | Categories are managed as business units | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 1 | 1 | 2 |
| 5 | Category managers are responsible for specific categories of products | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 |
| 6 | The purpose of products procurement | 1 | 1 | 1 | 2 | 1 | 0 | 0 | 1 | 1 | 2 |
| 7 | Marketing-mix | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 2 | 2 | 2 |
| 8 | Availability of high-quality data analysis system | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 2 |
| | Total | 9 | 9 | 9 | 13 | 7 | 2 | 2 | 10 | 9 | 16 |
| | Total, % | 56 | 56 | 56 | 81 | 44 | 13 | 13 | 63 | 56 | 100 |

Most Ural retailers sell products of different categories and do not have a pronounced specialization. Therefore, to avoid any misunderstanding, respondents were asked to specify the main product categories that they manage.

1. The retailer “Monetka” scored 9 points out of 16 (56%). This indicates the average degree of category management prevalence in the trading network. In general, the managers of this retail actively work with the assortment; the product categories are based on the consumer needs; the assortment is regularly reviewed, analyzed and rotated. Category managers monitor market trends, analyze statistical data from both internal and external sources (in particular, the data from the AC Nielsen), and actively work with all the “4P” concept principles. However, the company’s weakness is reporting as it requires category managers to spend a lot of time obtaining the necessary information. Despite the fact that all strategic decisions are made at the head office, in general, the company is more focused on the tactical unit of category management implementation and tends to make decisions that allows it to get results only for short-term periods rather than trying to forecast any long-term developments. In addition, in the work of category managers, a great emphasis is placed on receiving compensation payments from suppliers, which significantly distorts the essence of category management (the focus from consumers’ needs shifts to receiving payments from suppliers). The responsibility and decision-making power of category managers is limited.

2. The retailer “Yabloko” also scored 9 points out of 16 (56%), which is a fairly good result of a medium-level regional retailer. In general, the company is actively working on all the “4P” concept principles, especially in terms of relationships with its suppliers and the focus on the consumer. However, the lack of high-quality data analysis significantly complicates the work of the company’s employees. Category managers seek to get the highest possible payments from the suppliers, which affects the final result of their work and shifts the focus from consumer needs to obtaining additional profit from suppliers.

3. The retailer “Rait” received 9 points out of 16 (56%). In general, the retailer is actively implementing the framework of the “4P” concept, monitors market trends and its competitors’ activities. Similar to other Ural retails, its weakness lies in the sphere of reporting as it requires category managers to manually process large amounts of data. The

retailer is more focused on tactical activities and is more interested in obtaining results in the short term. In addition, category managers, similar to the case of “Monetka”, are motivated to receive marketing payments from suppliers, which significantly reduces the effectiveness of category management. The responsibility and decision-making power of category managers is limited.

4. The retailer “Optima” scored 13 points out of 16 (81%) and shows the highest results in terms of category management implementation. The company strives to take into account and analyze all the customer’s needs. The category managers seek to increase the company turnover and profit by enhancing customer satisfaction. The retailer seeks to provide the most favorable prices and the highest level of customer service. The weak points in this case are the need to improve the data analysis system and limited freedom of category managers in their strategic and tactical decision-making.

5. The retailer “Plus” scored only 7 points out of 16 (44%). In this company, category management principles are not applied systematically. Category managers’ responsibility is still significantly limited and the company is still trying to restructure its activities to focus on the consumer. The same applies to the company’s relations with its suppliers. Nevertheless, it should be noted that the company has sufficient potential for further development since, in a relatively short time period, it has managed to produce some good financial results [9; 10].

6. The retailers “Kvartal” and “Pygmalion” scored 2 points out of 16 (13%), which means that the level of category management is quite low in these companies. To date, these retailers are a classic version of “traditional retail”. They need to invest additional resources to implement the principles of category management more actively.

7. The retailer “Galamart” scored 10 points out of 16 (63%). The company is quite active, placing great emphasis on all the principles of the “4P” concept, focuses on consumers, regularly monitors all market trends, quickly and efficiently adapts to changing customer needs. However, category managers do not have full freedom in their decision-making and are working more as purchasers rather than as category managers. There is also a problem with the data processing system, which prevents category managers from promptly obtaining the necessary information.

8. The retailer “Anster” scored 9 points out of 16 (56%). The retailer has good results in terms of

category management. At the same time, its category managers do not have the necessary freedom of decision-making and many management processes are still in their initial phase. However, at the moment, the retailer is actively seeking ways to implement category management principles.

The research confirms that today Ural retailers tend to use category management principles more or less actively and manage to achieve some positive results. In its pure form, category management is not used in any of the analyzed retailers, but some elements of this approach are applied by absolutely all retailers (see Table 6).

Let us now look at specific elements of category management. As far as the focus on the consumer is concerned, we found that 22% of retailers are really focused on the needs of their customers and seek to identify and satisfy their consumers' needs. 56% of respondents pointed out that the retailers are focused on consumer needs, but not fully, acting in certain situations to the detriment of consumer interests and prioritizing short-term results. In 20% of the cases, there was no goal-setting to satisfy consumer needs while the main goal was to make a short-term profit in the absence of long-term strategic planning.

As for building long-term and mutually beneficial relations with other participants of the supply chain, 63% of retailers are on the way to establishing long-term relations with their partners, but none of them feels that it is their main priority. 38% of retailers do not have a specific goal to move in this direction.

More than a half (78%) of retailers apply the principle of product categorization while 22% do not consider it appropriate.

At the same time, if we look at the categories that require full management at all stages of work,

we shall see that in 78% of cases, this principle is applied only partially and the decisions are often made without taking into account the specifics, roles, strategies and tactics of each individual category. 22% of retailers do not consider product categories as business units at all.

All category managers we interviewed said that they are responsible for specific product categories, but only in 10% of retailers, category managers are fully responsible for their product categories and enjoy complete freedom in their decision-making. 90% of respondents indicated that to some extent they have freedom in their decision-making, but most of their decisions still require additional coordination with their superiors. In all retailers, functions of related departments overlap, which generates conflict and decreases employees' efficiency.

As for product purchasing, 11% of respondents pointed out that they seek to maximize sales by satisfying their customers' needs. In 67% of cases, managers quite often face the need to fill the warehouses / shelves of the retailer in order to receive marketing payments. In 22% of retailers, procurement activities are focused on receiving marketing payments.

The data show that most retailers adhere to the "4P" principles because this element of category management is tactical in nature and allows to achieve short-term results relatively quickly. 67% of the retailers we surveyed use marketing-mix, 33% of retailers try to improve their business by applying the marketing-mix principle, but do not use its full potential.

Most retailers lack quality systems of information collection, which would enable their category managers to make decisions faster and better. Only 10% of respondents said that they have

Table 6

Comparative analysis of category management application in Ural retail

| Category managements elements | 0 retailers | 1 retailer | 2 retailers | Total number, retailers | 0, % | 1, % | 2, % |
|--|----------------|---------------|----------------|-------------------------------|------|------|------|
| The main focus is on the consumer | 2 | 5 | 2 | 9 | 22 | 56 | 22 |
| Long-term and mutually beneficial cooperation of all supply chain participants | 3 | 5 | 0 | 8 | 38 | 63 | 0 |
| Product categorization | 2 | 0 | 7 | 9 | 22 | 0 | 78 |
| Product categories are managed as business units | 2 | 7 | 0 | 9 | 22 | 78 | 0 |
| Category managers are responsible for specific categories of products | 0 | 0 | 9 | 9 | 0 | 0 | 100 |
| The purpose of product procurement | 2 | 6 | 1 | 9 | 22 | 67 | 11 |
| Marketing-mix | 0 | 3 | 6 | 9 | 0 | 33 | 67 |
| Availability of high-quality data analysis system | 8 | 1 | 0 | 9 | 89 | 11 | 0 |
| Total | 19 | 27 | 25 | 71 | 27 | 38 | 35 |

access to such systems, which make it easier for them to analyze information. 80% of respondents find the data processing system they use inadequate and pointed out that they have to process the information manually. It is obvious that the introduction of information systems is expensive, but the results are likely to be sufficient to cover the costs of such systems. In general, we can conclude that the potential of modern data processing systems is largely underestimated by most Ural retailers.

Thus, we found that all Ural retailers use some of the elements of category management. Large retailers seek to introduce modern approaches, implement category management principles at the level of 56-81%. Medium-sized retailers tend to follow suit as category management is prevalent at the level of 44-56%. Small retailers occasionally 'copy' the actions of their competitors, but elements of category management are used only at the level of 13%. This refutes hypothesis 1 that all retailers, regardless of size, strive to survive and implement the most modern approaches and techniques that can increase the company's income and attract more regular and loyal customers. Despite the high level of competition, a major role in the willingness to implement category management is played by the retailers' size, their market share and available resources.

The results show that category management is mostly prevalent in the sphere of consumer goods, as well as industrial products, cosmetics and perfumes (63–81%), the medium level is demonstrated by food and pet retailers (56%). This does not support hypothesis 2.

An interesting fact is that the category managers who participated in this survey do not have special professional education in the field of category management and none of the respondents knows the methodology very well, although the respondents are aware of certain elements and stages of category management. Specialists mostly gain their knowledge by adopting the experience of their colleagues or learning at work, "by trial and error". Thus, hypothesis 3 is not confirmed. We may suppose, however, that retailers might be able to improve their performance by investing in their personnel training.

Contrary to assumptions, most category managers reported that they had a low level of freedom in their decision-making. Thus, hypothesis 4 is also not confirmed. Most strategic and tactical decisions are taken at the level of the own-

er or the department head. In addition, as many respondents pointed out, they need to coordinate a number of decisions with employees of related departments, which contradicts the principles of category management. In most of the cases (90% of respondents), the main task of category managers is to control all processes within the category and deal with current problems. Category managers do not have enough resources to solve strategic issues. However, according to category management theory, a category manager should act like an entrepreneur and manage a category as a business unit, making all strategic and tactical decisions within the category. Therefore, by depriving category managers of the ability to fully manage categories, to make decisions and be responsible for them, trading companies do not use the potential of this approach to the full.

Regarding hypothesis 5 – the presence of a large number of single-industry towns and closed cities in the region complicates the process of implementing category management – we can conclude that this hypothesis is only partially confirmed. In closed towns category management appears to be the most effective as the population generally enjoys higher incomes and is more open to change.

Financial results of category management implementation in single-industry towns turned out to be minimal. The main reason is the limited financial capacity of the population.

Summing up, we can conclude that category management principles are implemented by Ural retailers but to a different extent. The largest market players apply these principles more actively because they have a greater negotiating power, increased ability to control the conditions for the implementation of this approach, and more resources for training their employees, monitoring and following the latest market trends. Ural retailers mostly use category management methods in combination with other methods rather than in their pure form.

Conclusion

We share the widely spread opinion that in the context of globalization and increasing competition, no trade company has all the necessary resources to create, maintain and develop a sustainable competitive advantage on a global scale [12ae]. Thus, any company's important competitive advantage lies in the development of long-term and mutually beneficial relationships with

partners in the supply chain. Category management is developing within the framework of this model.

As a result of our research, it can be concluded that in the Ural Federal District, which is an economically developed region, retailers actively implement category management principles, although they do not use all the elements and prefer mixed forms of management. This to a great extent depends on the size of the retailer, its market share and the available resources. At the same time, regardless of the sphere of trade, category management mostly prevails in the so-called “closed” cities. Category management principles are applied least frequently in single-industry towns or “monotowns”.

We found that category managers participating in our survey did not have any specialized professional training in category management and, as a result, did not enjoy sufficient freedom in their decision-making. It can be supposed that the

region experiences shortages of category management staff or that retailers are unwilling to invest in training their employees in this field and are looking for “ready-made” specialists.

From a theoretical point of view, the significance of this article is to highlight the eight category management elements.

The practical significance of this research is that it allows us to identify the regional features of category management in the retail sphere. We believe that the Ural region holds considerable potential for further development of trade in this sphere and that category management will help local and regional companies maximize their profits.

Further empirical research, using both quantitative and qualitative methods, is needed to confirm the effectiveness of this approach. It would be particularly beneficial to analyze retailers’ activities in various Russian regions within the described category management framework.

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