

Marketing News

VOLUME 35 NUMBER 19



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Marketing News (ISSN 0025-3790) is published biweekly, except the last issue in December (25 times a year) by the Publishing Group of the American Marketing Association, 311 S. Wacker Drive, Suite 5800, Chicago, Ill. 60606-2266, USA. (800) AMA-1150, (312) 542-9000

Circulation: (800) AMA-1150, (312) 542-9000
Tel: (800) AMA-1150, (312) 542-9000
Internet: http://www.ama.org

POSTMASTER: Send address changes to: Marketing News, 311 S. Wacker Drive, Suite 5800, Chicago, Ill. 60606-2266, USA. Periodicals Postage paid at Chicago, Ill., and additional mailing offices.

Canada Post Agreement Number 1428004. Send Canadian change of address information and blocks of undeliverable copies to P.O. Box 1051, Fort Erie, ON L2A 6C7.

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AMA NEWS

A PAGE OF NEWS ABOUT THE AMERICAN MARKETING ASSOCIATION AND ITS MEMBERS

Retail category strategy varies by the store

The trend toward so-called category management among retailers may, as has been predicted, boost profits, but the strategy has limited applicability, depending on each store's competitive situation. So say Suman Basuroy, Murali K. Mantrala and Rockney G. Walters in their article, "The Impact of Category Management on Retailer Prices and Performance: Theory and Evidence," in *Journal of Marketing's* October issue.

PUBLICATION PREVIEW

Category management seeks to improve the retailer's product category performance through more coordinated buying, merchandising and pricing in the category. Despite retailer and manufacturer interest in category management, its consequences for channel partners and consumers are uncertain.

The authors examined how a supermarket chain's shift to category management for pricing and buying laundry detergent affected the retailer's average prices, sales and profitability in the category when competitors used a traditional brand-centered strategy. Using game-theoretic analysis, they looked at two competing retailers' prices, sales and profits under three scenarios: when both used brand-centered management, when one used category and the other brand-centered management, and when both used category management.

The study finds that adopting category management led to a gradual, permanent increase in the weekly average price of laundry detergents at the focal retailer. Furthermore, the weekly average prices at the retailer using category management were significantly higher than competitors' that did not move to the new strategy. And there was a decline in the retailer's sales volume after adopting a category strategy, although assuming wholesale prices were constant, weekly profits apparently grew.

Category management, then, would seem to benefit retailers when competition among brands is high and competition among stores is low. Retailers that practice the strategy when little brand competition, but much interstore competition, is present should not benefit much.

Suman Basuroy is assistant professor of marketing for the University at Buffalo in New York; Murali K.

Mantrala is a manager at Evanston, Ill.-based sales and marketing consulting firm ZS Associates and an adjunct professor of marketing for Vanderbilt University in Nashville, Tenn.; and Rockney G. Walters is coordinator of the Undergraduate Integrated Core Program and Ford Teaching Faculty Fellow for Indiana University in Bloomington.

Four ways to loyalty

Consumers feel obligated to reciprocate a retailer's investment in the retailer-consumer relationship by being more loyal. Therefore, retailers should not only invest more in consumer relationships to encourage loyal behavior, but also pay equal attention to finding consumers who are receptive to those investments.

These are the findings of a study by Kristof De Wulf, Gaby Odekerken-Schröder and Dawn Iacobucci, described in "Investments in Consumer Relationships: A Cross-Country and Cross-Industry Exploration," also in the October issue of *JM*.

Loyalty programs are common, and developing and sustaining consumer loyalty is increasingly difficult. Yet as retailers more often offer comparable merchandise, copy competitors' price promotions, share common distribution systems and offer customers the same services as their competitors, the chance to use relationship-marketing tactics increases.

The article describes how retailers can guide consumer perceptions of their relationship investment using direct mail, tangible rewards, interpersonal communications and preferential treatment. The authors analyzed loyalty in the United States, the Netherlands and Belgium, and in the food and apparel industries.

With direct mail, for example, the evidence for a positive effect on perceptions of investment was mixed, and no empirical evidence pointed to positive effects of direct mail in the United States. Meanwhile, interpersonal communication was a strong determinant of perceived investment, highlighting the crucial role of employees with direct customer contact.

Kristof De Wulf is assistant professor of marketing for the Vlerick Leuven Gent Management School in Leuven and Gent, Belgium; Gaby Odekerken-Schröder is assistant professor of marketing for Maastricht University in the Netherlands; and Dawn Iacobucci is head of the marketing department for University of Arizona in Tucson. ■

First PCMs announced

The first round of exams offered for AMA's Professional Certified Marketer™ designation have been completed and graded, and nearly 60 people now can describe themselves as certified.

"The American Marketing Association would like to congratulate the newest Professional Certified Marketers™," says Pat

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Goodrich, Senior Director of Professional Development for AMA. "These marketing professionals are distinguished by their commitment to continued excellence and growth in the profession."

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AMA launched the PCM™ program in the spring to officially recognize the knowledge and expertise of marketing professionals. Hundreds of marketing experts provided input to help develop the program, and it meets strict criteria for professional certification programs. The industry is also beginning to recognize the value of the PCM™; several of the newly certified candidates have been considered for raises and promotions because of the certification.

To achieve the PCM™ designation, candidates must fulfill several criteria: have a bachelor's degree and four years of professional experience or a master's degree with two years of professional experience, commit to high standards of ethics in the practice of marketing, and pass a five-hour test of marketing knowledge. Five areas are covered on this exam: Legal, ethical and professional marketing issues; the marketing mix; relationship, information and resource management; assessment and planning of the strategic marketing process; and marketing evaluation.

To maintain their certified status, the newly certified marketers have also made a commitment to stay involved in the marketing profession by attending marketing conferences and seminars, for example, and getting or staying involved in local and national marketing associations. ■