

Submission for the degree of
Masters by Research (Marketing)

What's The **Category** Got to Do With It:

Investigation of retailer performance at the category level in the UK
market

by

John **ROBINSON**

BMktg

SUPERVISORS

A/Professor Magda **NENY CZ-THIEL**

A/Professor Rachel **KENNEDY**

A/Professor John **DAWES**

Dr Giang **TRINH**

Dr Justin **COHEN**

EHRENBERG-BASS INSTITUTE FOR MARKETING SCIENCE

School of Marketing / UniSA Business School

University of South Australia

FEBRUARY 2016

ABSTRACT

The retailing landscape has witnessed dramatic change over recent decades, evolving from the once prominent independently owned store selling a limited range of unbranded products to a range of varied outlet types including online shopping and hypermarkets, stocking thousands of brands and variants. This evolution has encouraged academics and practitioners to focus their attention on describing the different aspects of retail competition. Academic research describing competition at store and brand levels has been the dominant focus, with robust knowledge about competition at these levels now established. However, the nature of competition at the category level remains unclear.

Notably, only one study has assessed retailer performance across categories and identified the drivers of exceeded performance. Authors Dhar, Hoch, and Kumar (2001), analysed American retailers to understand how a retailer can capture more than its 'fair share' of category sales by utilising different retailing tactics/factors (assortments, pricing, etc.). It was found that retailers were able to capture a higher than expected share of sales when they offered more choice in a category, priced the category lower than competitors, and had a strong private label program. However, the effects of different variables on performance varied across categories.

This thesis replicates and extends the original research (Dhar et al. 2001) into another developed market, the United Kingdom, for a five-year period. It will assess whether the patterns found in the United States hold, and identify the conditions where they do not, contributing to the development of more robust understandings of category level performance.

This research found that a retailer's performance across categories is relatively consistent with its chain level size (in terms of market share). In 98% of instances category level performance was in line with a retailer's expected fair share of category sales. The deviations (within +/- 3% of the expected fair share) indicate

that a retailer's overall market share is not constructed by doing extremely well in a few categories, rather, it is constructed by performing consistently across all categories. This result is in line with the original findings of Dhar et al., (2001).

Findings indicate that the only variable which has a consistent positive relationship with a higher than expected category performance is assortment size. Across categories, offering larger assortments allows a retailer to consistently capture more than its fair share of sales, with the effects most notable in low penetration categories. This result is also in line with Dhar et al.'s (2001) results and provides robustness to the original findings by extending their work across time periods, markets, and data sets. The remaining variables used in the original study for average category price, price promotions, and private label program demonstrated no clear relationship with a higher than expected performance. Thus, this thesis documents potential boundary conditions for retailer category performance as originally documented by Dhar et al. (2001).

The thesis has important implications for retailers and the way in which they can create benchmarks to assess category performance and allocate their scarce resources. Most importantly, retailers should prioritise category assortment size when attempting to drive category share above its expected level.

Keywords

Retailing, category, performance, competition