Are co-operation and trust being confused with power? An analysis of food retailing in Australia and the UK

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Keywords

Supplier relations, Relationship marketing, Trust, Retailing, Australia, United Kingdom

Abstract

Category management has been promoted as a mechanism to achieve closer working relations between suppliers and retailers. The premise has been that category management should result in a reduced reliance on the use of power as an element of the relationship and increased levels of cooperation. However, power is an element of any relationship and exists even when not activated. Further, the premise rests on the notion that cooperation is a polar opposite of power. This research confirms that food industry managers perceive the use of power in solely negative terms. Power can be defined operationally as the ability of one channel member to influence the marketing decisions of another channel member and hence must be related to cooperation. This paper reviews the nature of dependence, power and cooperation and explores the role of these constructs in the practice of category management. The results of continuing research in the area of category management relationships are reported.

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Introduction

A shift in the balance of power between suppliers and retailers in favour of the retailers has been observed by a number of authors (Kumar, 1996; Shaw and Gibbs, 1995; Competition Commission, 2000). When one party is perceived to attain a power advantage, the other party will carry out rebalancing activities (Emerson, 1962). This paper suggests that category management is a mechanism being used mainly by retailers to prevent manufacturers from gaining any power balance.

A number of authors suggest that an emerging construct is cooperation, which stands opposed to the concept of power. These authors seem to be viewing power only in a negative sense, in the sense that it must be a bad thing. The suggestion is being made that the two ends of the scale are power, on the one hand, and trust or cooperation, on the other (Kumar, 1996; Barnes *et al.*, 1995; Schroder *et al.*, 1996).

Early research into the nature of power determined that such a narrow interpretation of power was not only incorrect but also restrictive in further development of the construct (Cartwright, 1959).

The exploratory research reported here reviews the nature of dependence, power and cooperation and examines the role of these constructs in the practice of category management in the food industry in the UK and Australia. The paper reports the results of continuing research in the area of category management relationships.

Industry background

Australia's grocery industry is highly concentrated. Two firms, Woolworths and Coles Supermarkets, dominate the market with a combined share of the grocery business of 62.6 per cent. Franklins, the next largest organisation, has a further 13.4 per cent of the market (Retail World, 1999).

With this level of domination it is not surprising to find suppliers of even major national and international brands conforming with the needs of these retailers. The level of concentration is high by world standards (Treadgold, 1996).

Woolworths, which also trades as Safeway in some Australian states, has clearly

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positioned itself as The Fresh Food People, offering high levels of customer service at competitive prices. Coles Supermarkets is a division of the giant retailer Coles Myer which comprises Coles Supermarkets, Bi-Lo discount grocery chain, Myer/Grace Department Stores, Kmart and Target discount stores, the category killer Officeworks, and smaller specialised chains such as Liquorland. Coles Supermarkets is less clearly positioned in consumers' minds (Treadgold, 1996). Independent chains negotiating with suppliers through large wholesalers have a strong presence in individual states.

Woolworths began the process of category management in 1989 with an initial implementation in the state of Queensland in 1990; introduction into the Safeway Division commenced in 1992.

In the UK, the drive toward category management must be seen in the context of a difficult trading time for retailers and suppliers. The environment is one of price wars between retailers, slower growth (particularly in store openings), and a demand by customers for everyday good value. Own brand appears to be less of a margin driver than in the 1980s, and customer loyalty schemes have dominated the UK supermarket scene since the early 1990s. The retailers have an ever increasing mountain of information that ultimately should allow them to target customers selectively. Suppliers will be looking to gain a share of that information.

Throughout the 1990s to the present day the UK food-retailing industry has been characterised by intense competition between the four majors – especially with the recent entry of Wal-Mart via Asda – price wars, growth of own label and a recent move into premium and niche own-label products, streamlining of the supplier base and increased use of information technology by the retailers. Also, recently, there has been a move by the retailers into the convenience format. Online grocery is growing but still only represents a very small market share (Key Note, 2002).

A new code of practice was introduced at the end of 2001 to clarify retailers' dealings with their suppliers (Key Note, 2002).

Share of grocery sales for the four majors shows Tesco leading (16.5 per cent) followed by Sainsbury's (11.6 per cent); third and fourth are Asda and Safeway with 9.6 per cent and 7.5 per cent respectively (Key Note, 2002).

It is difficult to determine the impact on retailer-supplier strategies by the entry of Wal-Mart into the UK market through its purchase of Asda. It appears to have driven the UK market to more closely reflect the Australian market detailed in this paper (Competition Commission, 2000). The Competition Commission's report concluded that the UK market was characterised by more adversarial retailer-supplier relationships driven in part by increasing concentration, and that the major retailers are able to exercise power in the marketplace that adversely affects the competitiveness of some of their (dependent) suppliers and distorts competition in the market.

Underlying concepts

Category management

The brand management approach to marketing has been seen as a failure in delivering innovation and growth to organisations in today's complex market environment (George *et al.*, 1994). The future is in the hands of integrators and category management can be seen as one manifestation of an integrative approach to success.

In the literature and in practice category management is defined and interpreted in many ways. Barnes *et al.* (1995), for example, cite up to five different definitions. Hogarth-Scott and Dapiran (1997) found that, in the UK and Australian food industry, practitioners had varying notions of what constituted category management. Respondents in that research seemed to distinguish three broad areas:

(1) the process of categorisation of the product range;
(2) the availability and sharing of information in the channel; and
(3) the formation of partnerships.

Each of these aspects or combinations of them have been used as definitions of category management.

Category management is not too unlike the idea of partnership sourcing promoted in the UK automotive and electronic industries. In partnership sourcing, the customers and suppliers also are expected to integrate processes and activities and to work together

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as partners in a cooperative manner (Burnes and New, 1997). Not surprisingly, partnership sourcing has the same definitional problems as category management.

Indeed, category management has been seen as a mechanism for achieving vertical coordination between manufacturers and retailers so that consumers' preferences are better matched by seller offerings (McLaughlin and Hawkes, 1995). However, there is no uniform practice of category management; rather each retailer develops its own unique approach (Competition Commission, 2000). What is clear is that category management as practised by retailers is a significant step away from the buyer- and product-centred practices of the past. Category management today is focused on total profitability of product categories based on an understanding of end-consumer needs.

Efficient consumer response (ECR) is closely related to category management. ECR focuses on the supply chain, that is, the flows of product and information between suppliers and retailers, and efficiency gains in store assortment, promotions, new product introductions and product replenishment (Kotzab, 1999; Harris *et al.*, 1999). Indeed the success of ECR rests on a well-functioning category management process (Borchert, 2002; Gruen, 2002; Harris *et al.*, 1999). It is claimed that, while ECR links efficient replenishment to category management, there is a missing link to the achievement of total integration between suppliers and retailers. The missing link is collaborative planning forecasting and replenishment (CPFR) (Holmstrom *et al.*, 2002). Through CPFR, supply and demand sides are coordinated by a supplier-retailer joint planning process (Barratt and Oliveira, 2001). The fresh produce category of the supermarket presents unique challenges, and the term category leadership has been coined for the evolved application of category management in that area (O'Keefe and Fearne, 2002).

All the collaborative approaches mentioned – ECR, CPFR, category leadership – have effective category management as an antecedent (O'Keefe and Fearne, 2002; Holmstrom *et al.*, 2002; Harris *et al.*, 1999; Kracklauer *et al.*, 2001). It is therefore appropriate to focus this research on category management. Of interest is that the definitions of category management imply or suggest that category management is also a mechanism for creating cooperation between suppliers and retailers. For example, Barnes *et al.* (1995, p. 8) state, "Category management is also a process by which retailers and their suppliers jointly develop strategic category plans" and "the relationship between the retailer and supplier must be based on mutual benefit". In other words, there is the notion in category management that the two parties are working together in some non-threatening way to achieve common goals using shared information (Nielsen, 1992). Both parties need to take a more analytical, information-based approach to their business (Johnson and Pinnington, 1998; Martenson, 1995).

In such an environment of cooperation one should expect to observe a lower use of coercive negotiating practices.

Dependence and power

Power has been defined in various ways but all definitions essentially contain the idea of the control, influence or direction of one party's behaviour by another (Cartwright, 1959). In the context of the relationship between organisations in the supply chain the parties involved are channel members such as suppliers and retailers.

It is important to note that power is a feature of social relationships, both individual and group, and is not an attribute of a social actor (Emerson, 1962). Power of one party over another derives from the latter's dependence on the former. Dependence of party A on party B is related to A's motivational investment in goals mediated by B and on the availability of those goals to A outside the relationship with B. That is, to what extent does one party desire certain goals and to what extent can those goals be achieved without the second party? In contrast with this functional view of power, where A has power over B to the extent that A can get B to do something B would otherwise not do (Dahl, 1957), is the literature that views power as productive and relational, a complex, contradictory and shifting experience (Knights and McCabe, 1999). So power is not monolithic.

Power is a potential influence and exists even when not observable (Emerson, 1962). That is, the perceived power of one party can be sufficient to influence the behaviour of a second party without the actual exercise of that power.

Further, because of the reciprocity of social relations, there exists an interdependency between parties and hence both parties in a relationship have a measure of power. This leads to the notion of a power advantage or a balance of power in a relationship with subsequent attempts by one of the parties to carry out balancing operations by changing the nature of the dependency (Emerson, 1962). Emerson suggests four balancing operations which can occur: motivational withdrawal by the controlled party; the cultivation of alternative sources of gratification by the controlled party; increasing the motivational investment of the controlling party by offering it increased status recognition; and the formation of coalitions. These balancing operations bear a strong resemblance to the earlier concept of countervailing power proposed by Galbraith (1952) as a regulatory mechanism in an economy. The workings of countervailing power in distribution channels was explored further by Etgar (1976). His research suggests that the concept of countervailing power is a useful one in considering control strategies in channel relationships.

Power in the supply chain can be defined operationally as the ability of one entity in the chain to control the decisions of another chain entity. It can be argued that category management is a management practice to achieve precisely that; that is, conformance of supplier behaviour through the initiatives of the retailer who, with the supplier, has implemented category management. It should therefore be possible to explain category management in terms of power.

A supplier's or retailer's power derives from a power base or source. The five power bases (French and Raven, 1959) which have stood the test of time are: reward power, coercive power, expert power, referent power, and legitimate power. Some (Raven, 1993) have added a sixth source, information power, but it is possible to perceive this as a facet of expert power. Expert power is defined as superior knowledge or insight possessed by one of the parties. Clearly this knowledge can be based on sources of information. It has been noted that control of information is a source of power and has the potential to result in dependency on partners for strategically important knowledge (McDonald, 1999).

Cooperation

In the context of the interest in relationship marketing there is a growing interest in the nature of cooperation. Cooperation is "similar or complementary coordinated activities performed by firms in a business relationship to produce superior mutual outcomes or singular outcomes with expected reciprocity over time" (Anderson *et al.*, 1994). Cooperation promises mutual benefit for the cooperating parties (Schroder *et al.*, 1996). It relates to alignment of two parties' policies, strategies, tactics, procedures (Pelton *et al.*, 1997, p. 246). Such collaboration can occur at the operational level, focusing on transactional efficiency, or at the strategic level which implies mutual goals (Burnes and New, 1997). A transaction economics view sees cooperation as a function of the nature of investments in transaction assets (Husted, 1994).

However, agreement about the nature of cooperation as an emerging construct is not complete. Some authors contrast cooperation with power, suggesting that the use of power negates the possibility of cooperation; firms operating in a power-based relationship have few obvious incentives to cooperate (Schroder *et al.*, 1996). One reason for this contrast appears to be the continuing perception of power in a negative light and equating the use of power with "fear or intimidation" (Kumar, 1996).

Kumar (1996) suggests that trust is the antithesis of power and that it is trust in a manufacturer-retailer relationship that leads to cooperation. This is supported by Brunard and Kleiner (1994). However, trust is a complex concept and can be seen either as an outcome of a relationship or as the explanation of certain behaviour in a relationship (Cowles, 1996). Yet another perspective sees trust as a descriptor of the type of cooperation being observed so that we can have high-trust and low-trust cooperation (Husted, 1994). A feature of low-trust cooperation is the tendency of the parties to appeal to contractual remedies to resolve conflict. That is, in the language of power, a resort to a legitimate power base. It is surprising then that this author should exclude any discussion of power in his analysis. The idea that trust is a feature of a relationship rather than an outcome is inherent in the statement that "trust supports

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cooperation" through its impact on two main threats to cooperation, namely fear and greed (Hwang and Burgers, 1997).

Cooperation has been in part explained as resulting from trust between parties and relationship commitment (Morgan and Hunt, 1994). This causal relationship is also implied in the definition of trust as "beliefs that other participants of an interaction share common goals and will participate in actions toward these goals" (Wekselberger, 1996). This is in stark contrast with Anderson *et al.* (1994) who suggest that relationship commitment is an outcome of cooperation between parties as is trust (Anderson and Narus, 1990).

A degree of trust is essential for all longer-term organizational relations, but there are risks attached. It is not necessarily a solution for stability and efficiency. There always exists the risk of opportunistic exploitation by a partner (Williamson, 1975, 1985), which can lead to attempts to control. Trust can be seen as a substitute for control and is one medium for governing transactions (Walgenbach, 2001). A critical realist perspective conceptualises trust/control mechanisms as highly complex forms that are constantly recombining and jointly reflect total risk (Reed, 2001; Das and Teng, 2001).

Trust has become the focus of much research from the late 1990s, and a predictable outcome is both a greater understanding and a multiplicity of approaches. It is clear that trust is multi-dimensional (Knights *et al.*, 2001; Kramer and Tyler, 1996; Lane and Bachman, 1998).

Trust is conventionally perceived to represent a co-ordinating mechanism based on shared norms and collaboration within uncertain environments; but trust also contains elements of calculation and dependency (Reed, 2001). Trust may also be based on lack of viable alternatives, imbuing it with elements of power dependence (Layder, 1997).

Numerous attempts have been made in the literature to disaggregate trust into distinct dimensions, a reflection of its multidimensionality. Das and Teng (2001) identify goodwill trust, which is about fair dealing with one's partner, good faith and intentions, thus reducing opportunistic behaviour, and resultant low transaction costs; and competence trust based on resources and capabilities of a firm. The former is to do with intentions and does not necessarily reduce performance risk nor necessarily relate to ability.

Ring (1996) proposes that two distinct forms of trust can be observed in economic exchanges: fragile trust and resilient trust. Fragile trust is related to the concept of risk, or the probability that future outcomes associated with the transaction will be consistent with current expectations of the parties. Resilient trust derives not from the predictability of outcomes, but from a belief in the goodwill of others. The researchers above could be observing two different types of trust.

It is misleading to view power/control and trust as polarised rather than interdependent (Knights *et al.*, 2001). Morgan and Hunt (1994) dismiss the role of power, and power was specifically excluded as a variable from their model. They perpetuate the myth that power can only be conceived in a negative, coercive light. This ignores the extensive body of research that has explored the variety of power bases both coercive and non-coercive.

The key concerns with these studies in cooperation is that cooperation is discussed as if it were spontaneous; as if it appeared simultaneously between two parties. Cooperation can only arise when one party initiates a transaction which leads to the behaviour which can be described as cooperative. The social interactions which lead to behaviour modification are similar to the processes which "arise whenever a group attempts to reach a decision as to what its goals will be or which means it will employ in pursuing them" (Cartwright and Zander, 1968, p. 215). That is, cooperation is brought about by the processes of influence and power. It is in this context that power as a construct still has a strong role to play.

The research

A qualitative approach incorporating face-to-face interviews was felt to be most appropriate for understanding the exchanges occurring in these category management relationships for two reasons. First, the wide interpretation of what constitutes category management would leave the results of survey data collection somewhat ambiguous. Second, respondents tend to reflect the generally held notion that the use of power is somehow unsavoury and hence are reluctant to admit to its existence.

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Semi-structured interviews allow for the in-depth exploration of behaviour so that one can deduce the nature of the power bases being used in the relationships. The approach taken also facilitates the collection of data on dyads; research based on aggregate survey results often misses this vital perspective of relationships. Qualitative data collection is often recommended when the key objective of the research is exploratory, as in this case (Yin, 1989).

The semi-structured interviews were conducted in the UK and Australia. All of the retail interviewees were responsible for the management of various product categories within their organisation. Each retailer was asked for referral to a number of suppliers with varying commitment to and joint involvement in category management. Two interview guidelines were prepared – one for the retailer and a mirror one for the supplier. Issues explored included the nature of the relationship, implementation difficulties, the impact of category management on the firm and the consumer, instances of perceived exercise of power, examples of conflict situations and their resolution, the position of category management in the firm's overall strategy, benefits derived and costs incurred, and demographic details about the firm. A summary of the organisations and respondents involved in the interviews is shown in Table I.

Each interview lasted up to two hours and was taped with permission. Transcripts of all the interviews were analysed with the help of text analysis software called NU*DIST (QSR, 1995). This software allows users to manage non-numerical unstructured data and assists the qualitative researcher to index, search and theorise about the data.

Findings and discussion

Research findings show that there appears to be a difference in the practice of category management between Australia and the UK. Australian retailers appear to be more ready (as perceived by their suppliers) to rely on a coercive power base to influence supplier behaviour. This is believed to be the result of the higher level of retailer concentration in Australia. However, there appears to be less reliance on the activation of coercive power since the introduction of category management in Australia:

> Setting objectives together; I think category management does probably provide a better opportunity to do that than in the past (Australian Supplier).

Tables II and III show a range of perceptions of dependence and power of UK and Australian retailers and suppliers.

UK retailer perceptions include the importance of the supplier to the retailer, levels of expertise, need of each other, and understanding of the consumer. Some supplier perceptions overlap with those of the retailers – understanding consumers and need of each other – but also include the value to the retailer of supplier information and analysis.

Australian retailers acknowledge the importance of suppliers (brands) and interdependence. Retailers need the brands and suppliers need distribution by the stores. A corollary of this is the note of mutual

Table I Summary of interviews

Organisation	Interviewee(s)
UK	
Major food retailer 1	Separate interviews with Trading Director and Business Unit Director
Major food retailer 2	Trading Director
Major food retailer 3	Joint interview with Category Controller and Category Manager
Four suppliers – major national brands	Service Brand Manager; Joint interview with Business Account Manager and Sales Director; Joint interview with Trade Marketing Manager and National Account Manager; Trade Marketing Manager
Australia	
Major food retailer 1	Category Manager
Major food retailer 2	Category Manager
Three suppliers – major national brands	Account Manager; Account Executive; State Account Manager
One supplier – small, fast moving consumer goods, no dominant brand	State Sales Manager

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Table II Power and dependence in the food distribution channel in the UK

Retailer	Supplier
Depends how much notice they take of us ... some can afford not to take notice. CM doesn't change the relative power ... it will reflect the level of expertise that each brings to the party ... there is nothing about CM that should change it one way or the other ... each can resort to the old ways. Doesn't come to power ... we have a need and so do they. Before CM retailer had more power. If you don't have a level of consumer understanding and the supplier brings that to the party, that will generally shift the power in their favour.	Power in the marketplace is through understanding, and through us all spending time to really maximise the understanding of the consumer, the appreciation of one another, and the opportunities that exist. We have a need, and so do they ... we all want to get to the point where we are driving the business as far as we possibly can, as quickly, as effectively. It doesn't come to power. Respect our ability to analyse situations and agree the right way forward.

Table III Power and dependence in the food distribution channel in Australia

Retailer	Supplier
If you're talking about power you're not talking about CM ... you can't have one person in a position of power when you're trying to develop a relationship. See suppliers having significant strength and influence over a retailer and (vice versa) ... we have such big multinational companies that we're dealing with now, that it has seen I think a fairly equally balanced position. Don't see any retailer having such influence over a multinational supplier that he can make or break that supplier. They (suppliers) want to sell in our stores as much as we want to have them sell in our stores because they have the product that the consumers want. If they don't sell in our stores – well they'll be losing a lot of money. Mutual respect between both parties ... don't see a huge shift in the power base. We would never do anything that is simply a power play ... or because we're the market leaders. Information has created a shift (in the way we do business). We relied on (the suppliers') information ... we think we've got the leading edge capacity now to understand the business.	Category management is structured on a retail point of view ... at the end of the day, you've still got to do business with them ... nothing really changes ... they have more power in the sense – they have the information base. They can say no. Have never thought about it in the terms of the balance of power. They've got to go with us because we're the market leader. We virtually drive the (category). They'd have to (perceive us as the expert in the sector). ... Obviously we're not market leader for no reason, so they've got to have some respect for us. It's fairly evenly balanced. They need us, basically. They can't (delete our range) because they'd go bust. They're still probably looking after 2,000 lines, so people like us still have invaluable information ... and are perceived experts in our category ... if it's of benefit to share with them, we do it. (Retailer X) wants more and most of the time they'll get it (because) they're just one of the biggest accounts and they're just virtually given whatever they want ... have really got us over a barrel.

respect based, for the retailer, on supplier products and information, and the absence of simple power-play within the relationship. Retailer information is seen as shifting the balance in their favour.

The importance of retailer information is recognised as a power base by the suppliers. However, some suppliers also see their expertise within the relationship as a source of respect from the retailers. There is at least one claim for balanced dependence but also evidence of a supplier feeling that they have to give whatever the retailer asks for – "they have really got us over a barrel".

Ultimately, however, a reliance on potential coercive power always lies beneath the surface of the relationship:

> Invariably you can get 100 per cent of the result by kicking them [suppliers] in the goolies, and if you go down the category management route with lots of meetings you end up getting less ... We achieved more by a beat-up session than we would ever have achieved in a very long time by pushing a different route (UK Retailer).

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> One end of the spectrum you'll have those suppliers who are not particularly important to us, who we just kick the seven bells of proverbial out of (UK Retailer).

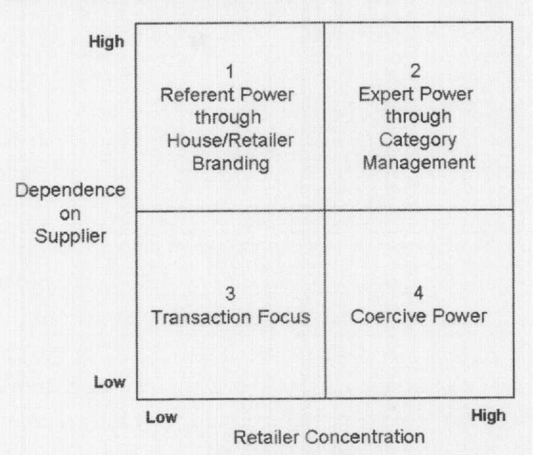
> We have had a struggle with them [a large multinational supplier] for a long time, and we have actively not promoted [one of their major brands] for 18 months, and what we have actively done in that particular mature market we have grown our own brands (UK Retailer).

> (Major Retailer) have very strict new line review dates. If you don't submit all your products by a given time, you won't get them in the relay. Which means you could be off-shelf for six months (Australian Supplier).

In a high retailer concentration environment and with low dependence on suppliers, retailers are more likely to rely on coercive power such as the threat of product de-listing (Quadrant 4 in Figure 1, adapted from Blenkhorn and MacKenzie (1996)). This is a low cost option with limited outcomes. Retailers will only move to a high cost strategy (implementation of a comprehensive category management approach) where they are forced to do so; that is, where there is a high retailer concentration and high dependence on suppliers (Quadrant 2). In a situation where there are high supplier dependence and low retailer concentration, retailers are more likely to move to house/retailer branding as a source of power (Quadrant 1).

The above model is suggested by an analysis of the interviews from the UK and Australian food industry. Grocery retailers in the relatively higher concentration Australian market have relied more on category management than on product house branding compared with the UK market, which is less concentrated. This finding is tentative and further research would need to be done.

Figure 1 Power strategies of retailers



What appears to be the case is that category management has been adopted by retailers as a type of countervailing power to the power derived by suppliers from their brand. Category management certainly is information-rich and, in a power-analytical framework, is clearly a mechanism for increasing the information/expert power of the retailer:

> But they have more power in the sense – they have the information base. They can say no. That's the difference. Then they can back up because they've got the facts. In the past they didn't have that information. Technology has brought them right ahead in the last four or five years (Australian Supplier).

> The information and technology we have available to us ... we have seen opportunities within categories before a lot of suppliers and manufacturers have ... And there are a number of examples where we've actively gone out into the marketplace and chased product range that we've seen either overseas or elsewhere that we've felt would enhance category growth and that's really quite a fundamental but subtle change that has taken place over time (Australian Retailer).

The interview data suggest a more interesting and fundamental finding, namely, that there appears to be what could be called a power mutation or transformation from coercive power to expert power. This needs some explanation. In the more traditional/adversarial pre-category management environment the use of coercive power by retailers was more prominent with a tendency towards the exercise of that coercive power, especially, say, in situations where products were de-listed. The information garnered through the category management mechanism allows retailers to achieve this same de-listing effect simply by sharing the poor product performance with their suppliers and expecting the suppliers to see that the obviously good decision is to withdraw a product themselves:

> If category management is being done properly by us and the supplier, the supplier has to face up to the odd line that isn't doing well and has to come out. The old view would be that they would do anything to stop the line coming out. If category management is done properly then it's done objectively and we both have to face up to failures (UK Retailer).

The above quote suggests that coercive power has been mutated into expert/information power with a concomitant reduction in the negative sentiments that usually lead to conflict. Therein lies one of the strengths of category management as an influence technique.

In fact, it is so successful that suppliers do not perceive it as an exercise in power:

> I don't know whether I'd really call it power as much as just working together (Australian Supplier).

What of cooperation? Does it stand up as an independent construct distinct from power? The answer seems to be "no". The definition of power sounds remarkably close to a definition of cooperation. It seems more fruitful, and more parsimonious, to jettison cooperation as an independent construct and to talk about compliant behaviour brought about by the application of power. The traditional mediated power bases (reward and coercive) can cause this compliant behaviour to be accompanied by negative sentiments which could lead to conflict between supplier and retailer, that is, a hostage situation for the supplier. In situations with high levels of conflict, suppliers will capitulate and ultimately desire to exit the relationship if this is possible.

On the other hand, compliant behaviour with positive sentiments could be labelled cooperation, if such a label were necessary. This type of compliant behaviour, as has been explained above, is brought about by the use of non-mediated power sources. The outcome of this positive compliant behaviour is trust.

But what is trust? Trust can be seen simply as a means of generating referent or expert power which can be used to influence behaviour in a way that will continue the relationship:

> Once you've developed that level of trust that goes beyond the much more basic selling/buying relationship your advice and support are valued across other categories as well (UK Supplier).

Our findings are borne out by the (later) UK Competition Commission report (Competition Commission, 2000) that found that, although retailers spoke the language of "partnerships" and "mutual respect", a less rosy picture is painted by many suppliers including increasing pressure on suppliers, the arbitrary changing of historical terms, dependence of suppliers on retailers, even though many of the suppliers are large global companies, and the danger of de-listing – all as a result of the retailers' purchasing power and control of distribution channels.

A new power/trust model is suggested; the linkages are shown in Figure 2.

This exploratory study summarised by Figures 1 and 2 suggests the following propositions for further testing:

P1. Where retailer concentration is high and there is low retailer dependence on the supplier, retailers are more likely to rely on coercive power (Quadrant 4, Figure 1).

P2. Where there is high supplier dependence and high retailer concentration, retailers are more likely to rely on expert power through the implementation of (high cost) category management (Quadrant 2).

P3. Where retailer concentration is low and retailer dependence on supplier is high, the retailer is more likely to rely on referent power derived from house/retailer branding (Quadrant 1).

P4. The use of expert/information power (non-mediated power bases within the relationship) is likely to lead to cooperative behaviour (Figure 2).

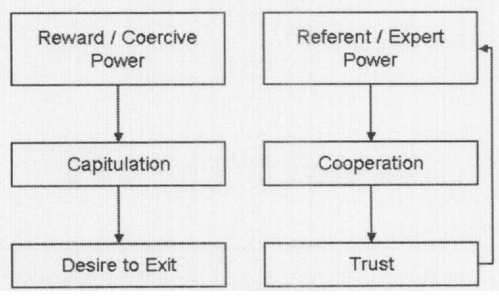
P5. Trust can be seen as an outcome of cooperative behaviour arising from expert/information power and reinforcing expert/information power within the relationship (Figure 2).

P6. Expert/information power, within the context of category management, can be used as a substitute for coercive power.

P7. Use of reward/coercive power bases is more likely to lead to capitulation and a desire to exit the relationship.

All power is system-specific and the above propositions relate to the study of retailer/supplier relationships in the UK and Australian grocery industries. The propositions should be empirically tested in these markets, but it is also anticipated that they will apply generally to the consideration of power in other relationship contexts.

Figure 2 Model of trust and power



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Conclusions

In the context of the UK and Australian food industries this paper concludes that a separate explanatory construct called cooperation may be counter-productive. Power is the base "atomic particle" of relationships, and power sources and the balance of power between parties are adequate to explain behaviour. Stretching the atomic analogy further, the question needs to be asked "What explanatory benefit arises from postulating a higher construct such as cooperation when a more "fundamental particle" – power – exists which can explain the behaviour of parties in a relationship?"

A model has been suggested that shows the linkages between power, cooperation, capitulation, and trust. The use of mediated power bases of reward and coercion is likely to lead in the immediate term to capitulation. The non-mediated bases of power – expert/information, referent, legitimate – are likely to lead to the state of existence called cooperation.

Category management is directly concerned with increasing knowledge of the customer base and joint planning with suppliers. This, as was explained above, is a direct effort to increase the expert/information power base of the retailer. It should be noted that it is the retailers in this research who initiate behaviour change in the suppliers. That is, it is the retailers who are drawing on their power base to modify the behaviour of the suppliers. This certainly seems to induce cooperative behaviour in the suppliers. However, it is also obvious that the suppliers are still very much aware of the reward/coercive power resources of the retailers. And it is also obvious that the retailers are conscious of these power bases that could be used in the event that the suppliers decide not to cooperate.

This is intensified in those environments where the concentration of the retailers is higher, namely, Australia.

It is relevant to note that, although category management was introduced by manufacturers as a technique to manage retailers, it has been the retailers who have seen in it the potential for increasing their own power base *vis-à-vis* the suppliers. Hence the rise of category management can be seen as the development of countervailing power by the retailers in the light of the strong reward and referent power bases generated by supplier brands.

If category management achieves closer working relationships which minimise conflict, then certainly category management is to be encouraged as a management practice. Essentially, though, the suppliers are not being fooled into believing that power is no longer a factor in their relationships with their retail customers.

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