

**VALUATION, METROLOGIES AND JUDGEMENTS:
A STUDY OF MARKET PRACTICES**

By

Frank AZIMONT

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Abstract

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By Frank AZIMONT

M.Sc. in Management (EM LYON),

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This thesis investigates market practices and builds on the insight that markets are shaped and performed through multiple calculative agencies. It studies how the introduction of category management as part of a socio-technical *agencement* contributes to shaping goods, market place, configuration of buyers and sellers and their encounter in the fuel retail industry.

After offering a critical analysis of four research strands (a practice based approach to markets, the Foucauldian study of governmentality, the sociology of translation and the sociology of socio-technical *agencements*) that take a performative view to the study of the economy and markets, I develop an approach that proposes to study markets rather than marketing through the analyses of bundles of practices. The identification of socio-technical *agencements* (STAs), the exploration of calculative practices and the study of how calculation is linked to agency, frame the way we

understand how particular calculative practices make operable the assemblage of ideas, artefacts, practices, people, etc. that form and shape mundane markets.

The thesis uses empirical data derived from a longitudinal ethnography of the petrol retailing arm of a multinational oil company. My analysis highlights the role of category management, a fuzzy theory, that helps glue market constituents together. It argues that valuation necessarily combines metrological practices and practical judgement resulting from experience, experimentation and equilibration. I identify two types of contexts involved in calculative practices, heuristic and algorithmic situations, and four type of practices involved in creating desirable and intelligible futures: realisation, potentialisation, virtualisation and actualisation practices.

Key Words

Market practices; socio-technical *agencements*; performance; calculation; valuation; metrological practices; practical judgement.

The author hereby declares that,
except where duly acknowledged,
this thesis is entirely his own work
and has not been submitted
in the same form for any degree
to Lancaster University
or to any other university.

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Writing a PhD is a long journey, a kind of intellectual wandering where one meets other travellers. Some of them were companions who shared how thoughts just kept on coming. Others were friends who were confronted with the doubts and the hesitations but also with the outbursts of passion or joy. Some did not even read a single line of this text but somehow felt that I was doing something important for myself and gave me all their encouragement. While I would like to express my gratitude to everyone for their help and support over these last few years, I would like to express a very special thank you to some of them in particular.

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Chapter 1. Markets and calculative practices

1. Introduction

Any attempt to gain knowledge through theoretical lenses is coloured by the researcher's background and trajectory. These features include the researcher's interests, the intellectual and disciplinary traditions he is inclined to follow.

When I started my professional life as an assistant brand manager, I was exposed to a situation I can still remember vividly. It was my first meeting with the marketing director who asked me what the market share of my brand was. With confidence, I answered that it was 56.5%. "Impossible", he replied. I looked at my "facts" and said hesitantly: "Yes, I am positive, it is 56.5% in volume, Nielsen source, based on a mobile, cumulated annual calculation". "Hell!", he answered back, "how can I then ask you to double your market share in 5 years?" His point was that a market has to be defined and shaped to create the sense that one can double market share every five years. This was my first challenge to define and shape what a market is, whereas I had been taught that the market is out there and all you need to do is to discover it.

This short story aims at sharing with the reader how I was first sensitized to the issues which are the subject matter of this thesis, market and calculative practices. In this introduction, I want first to discuss the importance of this study for the scholars of my intellectual and disciplinary tradition, namely marketing and the social studies of markets. Secondly, I will outline the overall structure and format of the thesis.

2. Why is the study important for scholars?

In order to position this study and to explain why market practices remain a subject worthy of interest, I propose to frame the object of this study through five perspectives inspired by a framework suggested by Mattsson (2003). I will first situate this research through a perspective labelled practice based approach to markets. Secondly, I will justify it through the idea that markets are the result of performance effects where market theories play a major role. Thirdly, I will position the study in terms of calculativeness and measurement. Fourthly, I will frame the study from an angle related to managing (in) markets. Finally, I will locate the study in relation to really existing markets.

2.1. Market practices

In marketing, many scholars have offered explanations of how marketing works and prescriptions of how managers should operate in markets (e.g. Kotler, 1976; Aaker, 1991). Such perspectives are based on microeconomic theory of imperfect competition and have generated approaches commonly called marketing mix approaches. These theories are rather normative and are widespread among practitioners. However, this view of marketing has been criticized by scholars originating in Industrial Marketing and Purchasing (IMP) Group and lately, in a subset of these scholars that have formed the Market Studies Group (MSG) following a trajectory suggested by Science and Technology Studies (STS) scholars. These scholars (Araujo, Kjellberg and Spencer, 2008) suggest markets are not given a priori, practitioners can have their own local theories of markets and deploy efforts to shape these markets. In short, they propose a performative perspective, an idiom that directs attention to the emergent and unfolding practices that actors engage in to construct

and problematize markets (Pickering, 1995). They propose to study performances rather than representations, the production of stability rather than the enactment of change (Latour, 2005). As Latour's (1987: 258) first rule of method puts it: "We study science in action and not ready-made science or technology". In short, this perspective proposes a practice approach to the study of markets.

For Reckwitz (2002: 250), a practice is ' . . . a routinized type of behaviour which consists of several elements, interconnected to one another: forms of bodily activities, forms of mental activities, "things" and their use, a background knowledge in the form of understanding, know-how, states of emotion and motivational. Building on this general definition, Araujo et al (2008: 5) specify 'market practices' as the: "...bundles of practices including material arrangements that contribute to perform markets, highlighting a preference to study markets as ever-changing performances, rather than as stabilized entities, shaped by multiple and distributed calculative agencies". This view of market practices considers that material arrangement contribute to a distributed agency of subjects. To highlight the idea of distributed agencies, Callon et al. (2007) propose to use a notion first indicated by Deleuze and Guatari (1972) of socio-technical *agencements* (STAs). The study of STAs is important, as they are seen as the set of devices that hold markets together.

This view of marketing described as the work that economic actors engage in when performing markets has led to various conceptualisations. Kjellberg and Helgesson (2006, 2007a, 2007b) have suggested that markets are constituted through three interlinked classes of practices, namely: i) exchange practices involved in the consummation of individual transactions; ii) normalizing practices concerned with the formulation and reformulation of rules and norms concerning market behaviour; and, iii) representational practices depicting the structure and workings of specific product

markets. A special issue of *Marketing Theory* (Araujo, Kjellberg and Spencer, 2008) illustrated how this approach can be applied to various empirical settings, namely the oil industry (Finch and Acha, 2008), electronic markets (Simakova and Neyland, 2008), and mass retail (Cochoy, 2008).

This thesis adopts the perspective that is more rewarding to study markets rather than marketing. In my study of market practices, I argue for the utility of studying the STAs that make markets hold together and allow a certain degree of stability. My general interest can thus be summarised by the following question: what market practices contribute to the shaping of markets?

2.2. Market theory

The contribution of theory to the performance of markets is not a novel topic in market studies. Over the last ten years, many scholars have used a performance approach to markets following Callon's (1998) proposal that the economy is embedded in economics rather than in society, as Granovetter (1985) suggested. The study of Garcia Parpet (1986) has frequently been cited to illustrate this point (Callon, 1998; MacKenzie, Muniesa and Siu, 2007). In her observation of the formation of a strawberry auction market, Garcia Parpet shows the articulation made between instruments of calculation, material investments and economic theory. The study illustrates how economic theory and the neoclassical market template served as a frame of reference to create each element of this auction market. Callon (1998) remarks that to claim that something is economic, one needs to have a theory of economics. Further studies have developed this notion (MacKenzie, 2003; MacKenzie and Millo, 2003; Muniesa, 2003; MacKenzie, 2004; MacKenzie, Muniesa and Siu, 2007) and have analysed the role of economic and finance theories in shaping markets.

These views have generated important insights on how theories perform markets. But these studies suffer from two limitations. First, they have focused on formal theory, standard economics and mid-range theories such as financial economics. They have hardly addressed the role of other kind of theories on the performance of markets, such as industrial organization for example. Secondly, they have only partially shown how the newly shaped markets are able to renew these theories. MacKenzie (2007) notes the time it takes to see the counter-performance effect of real markets back on theories. In line with this observation, this thesis will strive to address this issue by observing the reciprocal effects of markets on a formalised set of practices and local theories.

Furthermore, if market practitioners help to perform markets, we should also study the various type of theories referred to by these agents themselves. In organizations, practitioners are frequently called marketers and they may refer to more or less formal bodies of knowledge. They can involve other theories, such as industrial organisation-based models, the marketing mix or marketing management models. Indeed, Cochoy (1998) sees the emergence of marketing as providing an alternative discipline of the market economy. Marketers can also refer to their own set of practices, organised as local theories, or methods formalised by consultants, such as category management, even if these have not been proposed or legitimated by scholars.

This thesis sheds light on this type of theories and practices that the literature has glossed over. It argues that less formal theories, such as category management, provide more interesting examples to analyse the mutual performance of markets and the set of ideas that underpin performances. An interesting research question is thus: what theories or set of ideas shape and are shaped by the performance of mundane markets?

2.3. Calculativeness and measurement.

Calculativeness is an essential feature of markets (Callon, 1998). If this is the case, a performative view should lead to asking what are the conditions that make calculativeness possible. In other words, the emergence of calculative agents has to be explained rather than assumed (Callon, 1998).

Calculation, in Callon's (1999) terms, designates the processes, which make possible the assignment of numbers (such as prices or rankings) to entities, an assignment which, in turn, endows these entities with relative stability and makes possible their circulation throughout society. Instead of taking agents as calculative by nature, Callon (1998) observes that calculative agents could not exist without the numbers and tools that produce them. Numerous studies have generated a large body of knowledge that has helped us to understand the performative effect of measures. For example, Rose (1991) has shown how governing can be achieved by numbers or Miller and Rose (1990) explored the interrelations between accounting and the State. Within organisations, accounting scholars have evidenced the importance of metrological displays that include metrics and the physical infrastructure that allows measurement (Vollmer, 2003; Power, 2004; Vollmer, 2006; Vollmer, Mennicken and Preda, 2009).

Beyond performance, further studies have been carried out to understand how numbers seen as inscriptions (Latour and Woolgar, 1986) work. Accountants (e.g. Robson, 1992; Vollmer, 2006) as well as other scholars (Berry, 1983; Moisdon, 1997) have detailed the morphology of metrological instruments made up of material, conceptual and procedural dimensions. Sociologists of quality (Karpik, 1989; Musselin and Paradeise, 2005) have observed the need to qualify whatever is calculated. Cochoy (2008) coined the expression *qualculation* to highlight the

permanent tension that exist between the trial of qualification and quantification in commensuration operations. Before calculation is possible, things must be placed in some kind of order involving classification devices (Bowker and Star, 1999) to allow work to be done on them.

These numerous research streams study convincingly how calculativeness is distributed and embedded in material devices. Together with actor-network (ANT) scholars, they suggest to shift from a general vision of an actor as a calculative entity to that of an actor-network with calculation at the core of agency: “The agent network is by construction calculative, since action is analysed in terms of combinations, associations and strategies of positioning. The agent is calculative because action can only be calculative.”(Callon, 1998: 12).

In this thesis, I argue that the type of studies mentioned above are illuminating but they focus on a limited range of phenomena and shed little light on the broader role of calculation in the shaping of markets. Very few studies investigate the role of metrological devices and their effect on markets. The framing of goods, which is at the core of market exchange, has been largely studied in terms of qualification and the formation of prices (see e.g. Dubuisson-Quellier and Neuville, 2004). However, the interactive shaping of goods, markets, the configuration of buyers and sellers as well as their encounter, remains to be analysed as a network. Largely drawing on the literature that deals with calculation, one of the aims of my study is show how a network of numbers and calculations assemble a range of market constituents. I will argue later that calculations take place interactively and involve all the market constituents mentioned above.

A complementary research question can now be formulated: what calculations are at play in the assemblages of practices that form and shape mundane markets?

2.4. Managing (in) markets

Market practices aim at influencing particular market attributes. To manage is to be able to establish a correspondence between the world “out there” and the techniques of representation (e.g. lists, hierarchies, statistics) that abbreviate and condense the essential features of that world (Cooper, 1992). In a similar vein, Czarniawska & Mouritsen (2009) regard management as essentially a process of turning the complexity embodied in things and people, with the help of managerial technologies such as accounting inscriptions, into simplified quasi-objects that can be treated and acted upon as discrete and separate entities.

The literature on market orientation (Kohli and Jakorwski, 1990; Narver and Slater, 1990) has tried to understand how firms try to manage markets or as Arndt (1979) put it, to domesticate markets. In broad terms, this view has considered the existence of a market structure and behaviours of market players as a constraint. The role of marketers, inspired by the Industrial Organisation approach (Porter, 1980), is to enhance customer value within these constraints. Jaworski et al (2000) have identified manoeuvres designed to keeping the status quo (e.g. existing customer preferences) and to pro-actively shaping customers and / or markets (e.g. shape market structure through deconstruction or construction, shape market behaviour directly or indirectly). They suggested that firms can be market driven and can attempt to drive markets, building on the tension that March (1991) identified between exploration and exploitation.

Our perspective is not market orientation as we propose to analyse markets in-the-making focusing on the analyses of practices, a view that doesn't sit well with the

notion of set market structures. However, a practice approach can accommodate the observation that practitioners may mobilize this type of conceptual notions when for example, they speak of a blue ocean strategy (Kim and Mauborgne, 2004) or when they employ Porter's (1980) five forces with respect to their industry's context.

By adopting a practice approach, this thesis seeks to understand the way market practices are deployed in organizations, a task that most of the functionalist approaches to marketing have eschewed. For instance, if there is an abundance of segmentation taxonomies for consumer and business markets in the academic literature, examples of how segmentation strategies are carried out in practice are scarce. We know relatively little about how classification systems are deployed in market segmentation, how they interact with existing classification systems and how that interaction shapes the way firms relate to markets.

With respect to exploration, the study of experimentation in relation to markets is in its infancy. Millier, for example (1999) studied the ways practitioners of innovation or entrepreneurs investigate the future. Doganova (2010) researched the role of academic spin offs in relation to markets showing that experimentation practices involve action before knowledge. This research topic is promising because it puts at its core the study of on-going valuation processes in uncertain environments, a type of environment where calculation is said to be problematic. In particular, these studies shed light on the type of devices that agents implement to calculate and interpret the result of their calculations in order to act under uncertainty.

This thesis will shed further light on these issues and will argue that exploitation and exploration are managed through a series of devices involved in making current or future perspectives both desirable and intelligible. A further research question can

now be added: how do actors articulate the result of calculation with the actions that have to be put in place in their efforts to shape mundane markets?

2.5. Really existing markets

The perspectives that I have drawn from require a very detailed scrutiny of concrete market practices that allows the study of the calculation of goods, markets, the configuration of suppliers and buyers, and their encounter in really existing markets (Boyer, 1997).

According to Callon and Muniesa (2005: 1245), because of its obsession with the singularization of goods, mass retail provides a privileged site to study the collective work undertaken by market professionals. Fast moving consumer goods markets involve a large number of calculative agencies engaged in activities such as design, production, purchasing and marketing. Barrey et al. (2000) describe the supermarket as a place where supply meets demand, a theatre where a play is choreographed according to the backstage work of a number of market professionals. The designer, the packager, the merchandiser are the back stage players that organize the way consumers and products get together, and thus contribute to performing this market.

Whereas Barrey et al.'s (2000) study evokes multiple processes of interaction within the retail environment, it does not address the upstream interactions between manufacturers and retailers that frame the downstream work of professionals at the store level. And yet, manufacturer and retailer relationships are crucial to understanding how markets for consumer goods are shaped (Mouzas and Araujo, 2000; Holden and O'Toole, 2004; Hingley, 2005). Manufacturer–retailer relationships thus constitute a relevant empirical field to investigate how multiple calculative agencies come together to perform mundane product-markets and how generic performativity works in these cases (Kjellberg and Helgesson, 2006). Our study

further examines the configuration of “the shop” in a retail company that contributes to shaping the consumer when he is travelling, a consumer that progressively will be shaped and labelled “on-the-go consumer”.

The challenge of studying market practices, its socio-technical *agencements* and its calculative devices is a matter of selecting the right field, but also of gaining access to it, with attending methodological consequences. The use of multiple embedded case studies through an ethnographic study that allows the collection a hybrid body of data, in a longitudinal setting is the recommendation of ANT and accounting scholars (Latour, 2005; Ahrens and Chapman, 2006). This thesis will follow these prescriptions and will argue that heterogeneity can be found both in the type of data that can be collected, as well as in the position of the researcher towards his field.

My findings highlight the interactive stabilization of goods, market place, configuration of sellers and buyers and their encounters. They suggest that a fuzzy method, category management, glued and shaped these market constituents. My study shows the usefulness and the details involved in the calculation stages proposed by Callon and Muniesa (2005). Following the proposition of Muniesa (2007) to use the semiotics of Peirce (1984), it also highlights the importance of interpretation once a result is extracted from calculations. It proposes a framework of valuation that articulates metrological practices with interpretation procedures. In terms of managing markets, the dynamic between change and stability, exploitation and exploration, is explained through a series of devices that contribute to making current or future situations both desirable and intelligible.

3. Overview of the remaining chapters

This thesis comprises three main parts. The first, which includes chapters 2, 3 and 4, is entitled “Markets and performance”. The objective of this part is to frame the study of market practices in terms of theoretical positioning.

Chapter 2 explores what a practice based approach to market means. It studies how the performativity concept that originates in literature and rhetoric has progressively been used in political science, in public economics and in organization studies. Foucault and his work on governmentality highlighted the role of commensuration and the performative nature of technologies of government. I argue that government through instruments has disciplined individuals as particular types of agents. Drawing on the ANT literature and its latter focus on markets, I progressively build a framework to account for calculation practices through on-going qualification processes. I argue that these strands of research constitute useful bodies of knowledge to understand market practices.

Chapter 3 draws the consequences of a practice based approach to markets. It presents the ontological and epistemological position implied by the kind of perspective that we have adopted. Interpretive practices and ethnomethodology in terms of methodology and method follow from a theoretical interest in practices. In this chapter, I justify the casing process I adopted, the ways I gained access to the field and the data collection and analysis procedures I employed. The chapter ends with a discussion on the type of analysis that can be carried out with ANT methodological principles and when the production of knowledge is also considered a practice.

Chapter 4 concludes the first part of the thesis with a description of BEST, the focal firm of the study. Its goals, structure and sector of activity are presented to help the reader understand the background of the markets that will be studied.

The second part of the thesis contains the empirical corpus. It comprises chapters 5, 6, 7, 8 and 9 and is entitled “Making up the consumer on-the- go”. The aim of this part is to show how the mutual shaping of various market constituents through calculative practices is accomplished.

Chapter 5 entitled “Organising to manage markets” studies the emergence of a practical methodology, called category management at BEST. I use category management to show how a formalised set of practices shapes one type of agent assigned to the management of markets. I show how the calculations which were made to adopt and implement category management have implications for the grading of category managers, the redesign of the organisation, and the number of managers that will look after product categories. This chapter documents an experiment designed to test whether category management should be implemented at BEST and who should become category managers.

Chapter 6 is entitled “Relations with suppliers”. It addresses two issues: how suppliers were qualified through category management to become preferred suppliers; and how suppliers proved their ability to run a category management project. This case draws on the initiative carried out by one supplier of BEST in the beverages business. It highlights how a so called fast-lane chiller operation was valued both in terms of calculating the reasons why it was appropriate, as well as how the results of the operation were to be interpreted.

Chapter 7 entitled “Yearly negotiations“ continues the study of the relation of BEST with its suppliers. It focuses on the annual negotiation rounds and studies two aspects of these sessions: first, the way suppliers influence the representations of the beverage market by BEST’s category managers; secondly, the way BEST’s managers try to

create value added services to capture additional margin points from suppliers. This case is particularly important because it marks a dramatic shift in terms of roles: BEST managers become progressively more confident in their ability to be demanding towards their suppliers, to negotiate better marketing programs and sales conditions. Through these encounters, the roles of both players as well as the processes that mediate their relationship are continuously being reshaped

Chapter 8 is entitled “Redefining the market place”. It studies how a typology of shops is built up in practice, thus challenging a taken for granted definition of a petrol station which had been stable for years. The process to build this typology draws heavily on a precise representation of how a segmentation should be carried out, putting the consumer at the core of the process. It is challenged by other types of logics that create a controversy on the level of standardization that should prevail in the shop network. The case shows how the enactment of a shop typology enhances the role of category managers and an evolving version of the “consumer-on-the-go”. The exercise of building typologies exemplifies the role of processes of categorisation and classification in the shaping of markets.

Chapter 9, “Measuring business performance” presents three perspectives on performance measurement. It first looks at different types of margins employed in category management. Because of the combination of functions that the category manager role encompasses, the way margins are calculated have to be changed. The hit parade of suppliers and brands based on different definitions of margin, upsets the rankings that prevailed before category management was introduced. This impacts on the selection of brands and products that will be placed on the shelves for consumers to buy, thus shaping the encounter of consumers with products. This chapter also explores how the quality of implementation was assessed in the case of category

management. Through the implementation of a tool that rendered visible what country had implemented what aspect of category management, market practices become progressively disciplined and standardised. Lastly, the case focuses on the importance of speed in implementing novel initiatives. Through an experiment designed to standardize the processes of deployment, the roll out of a second generation of shop concept can be finalised at much greater speed. This case illustrates how suddenly, the network of calculative devices reaches a new dimension, both valorising what category management has achieved, but also naturalising it – i.e. rendering it less visible.

The third part extends the empirical corpus of the thesis and is entitled “Valuations, metrologies and judgements”. It comprises chapters 10 and 11 and analyses the empirical material presented in the second part.

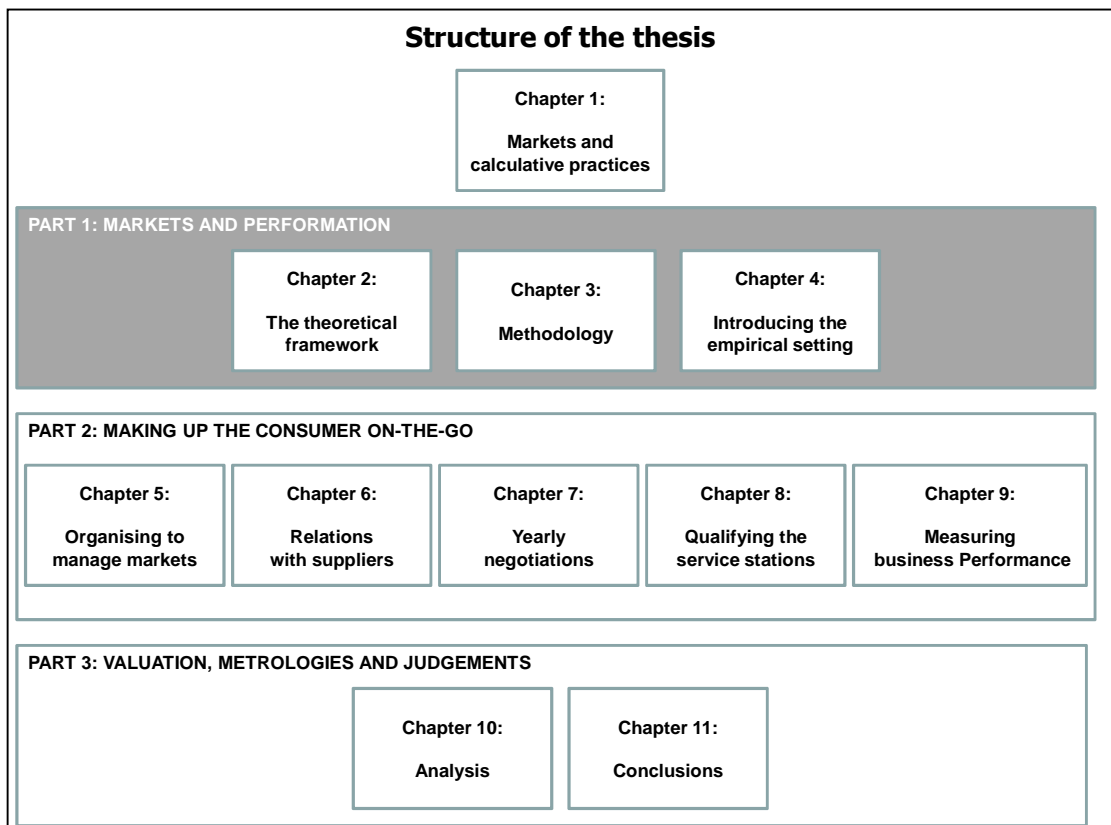
In chapter 10, I detail how the effort to govern economic life have generated a shaping effect on markets through a socio technical *agencement* that contributes to the valuation of goods, markets, the configuration of buyers and sellers, and their encounters. I then detail how ideas are linked to calculation, using the process proposed by Callon and Muniesa (2005) resulting in the framing, disentanglement and extraction of results. I finally present a detailed account of how the results of calculations are interpreted for action.

Chapter 11 revisits the theoretical framework and highlights the permanent effort to value goods, markets, the configuration of buyers and sellers and their encounter through various kind of practices. I elaborate further on my conceptualisation of valuation practices, stressing that practical judgement is an inevitable stage to convert the result of metrological practices into action. In this chapter, I identify three kind of

practical judgement mechanisms: recourse to experience, experimentation and equilibration. I argue that realisation, actualisation, potentialisation and virtualisation practices contribute to maintaining the *status quo* of markets or to induce change, though our research did not allow for a clear articulation between them. A series of devices involved in these practices are eventually identified. In the last section of this chapter, I explore the implications that my framework has for practitioners and for a future research agenda on valuation processes.

PART I:

MARKETS AND PERFORMANCE



Chapter 2. The theoretical framework

2.1. Introduction

This research can be broadly located within the field of economic sociology and seeks to understand markets and in particular, the role of calculative practices in markets. The purpose of this chapter is to explore and discuss four theoretical strands for their possible contributions to the understanding of how markets are performed, as indicated in figure 2.1.1. The chapter is therefore divided into four sections.

The first provides a general overview on what constitutes a practice-based approach in general and how this approach might be applied to markets. We then explore three additional theoretical perspectives with an explicit practice orientation and a special interest in calculation, providing us with a strong vantage point to study market practices. The second section focuses on the Foucauldian approach to governmentality which provides useful insights into the role of instruments and socio-technical arrangements in governing economic life. The third section covers the contributions of the sociology of translation which sets the basis for a fruitful discussion on the combined role of ideas and instruments in science and technology. The fourth section addresses the sociology of socio-technical *agencements* (STAs), that explicitly deals with processes of economization and marketization. The chapter concludes with a discussion of the features of these perspectives that should be incorporated within a framework for understanding market practices.

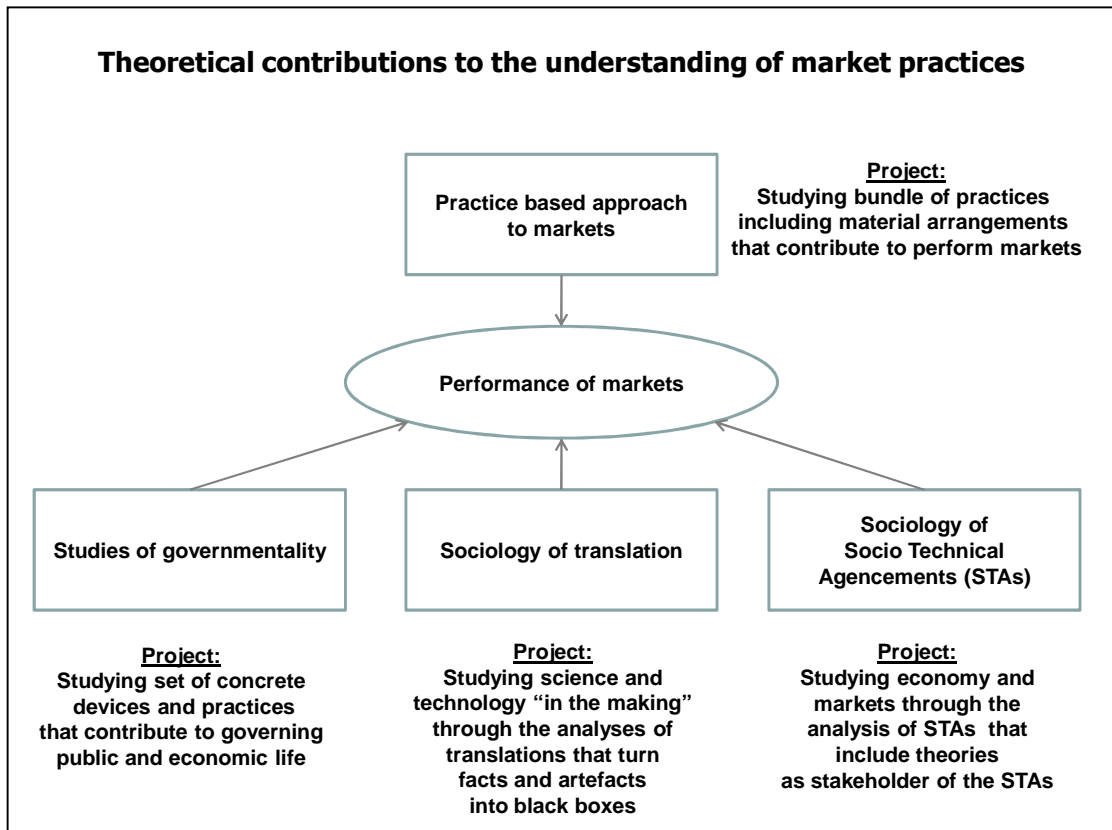


Figure 2.1.1: Theoretical contributions to the understanding of market practices

2.2. Studying ordering from a practice-based perspective

The problem of ordering economic life and markets, is primarily a matter of understanding social order, where order is equated with stable and routine arrangements. The understanding of what accounts for social order is a central question in social science but the answer to this question is varied and contested.

A first possible answer is to say that individuals are rational and that they behave in such a way as to maximize their utility. They are subjects governed by rational calculation. This view is dominant in neo-classical economics. A second possible answer is to locate social order in phenomena which are beyond individuals. Subjects are determined by external forces such as discourse (meaning is structured in language and discursive behaviours produce order), macro institutions seen as underlying

abstract structures (e.g. individuals share internalized norms) or even social entities like the type of society described by Malinowski or Parsons (Schatzki, 2001).

As an alternative to these two answers, the practice approach locates social order in the field of practices (practice nexuses). In this conception, practices are “...embodied, materially mediated arrays of human activity centrally organized around shared practical understanding.” (Schatzki 2001: 2) Consequently, the social can be defined in Schatzki’s words, as “...a field of embodied, materially interwoven practices centrally organized around shared practical understanding.” (ibid: 3)

To open up this definition, we have to clarify the terms that constitute a practice, and then to make more explicit what a field of practice might be. The array of human activities that composes a practice is organized by three phenomena: the understanding of how to do things, rules and prescriptions, and a teleoaffective structure, ends and projects that are shared by participants who engage in a practice. For Schatzki, the field of practices (practice nexuses) constitute the site of the social. Human coexistence, that is social life, is linked to a type of context in which it is observable. This type of context is “a site” (Schatzki, 2005). The term site is chosen to highlight the notion that something happens in a specific place. In the physical world, one can speak of the site of a building to refer to its location. More generally, “...sites are arenas or broader sets of phenomena as part of which something exists or occurs” (Schatzki, 2005: 468). Sites need not be physical spaces. Inspired by Heidegger (1978), Schatzki defines a site as a space of intelligibility. He gives an example of such a space of intelligibility that forms a site with the notion of field developed by Bourdieu (1990). A field is a realm of activity in which people pursue certain stakes drawing on the capital available. What people do is driven by a series of dispositions that Bourdieu called an *habitus*. People acquire an *habitus* by carrying on the practices

of a specific field under the conditions that reign there. Once acquired, an *habitus* generates agency combined with their associated meanings. An *habitus* perpetuates the field's practices.

Practice theorists share a number of views (Reckwitz, 2002). They believe that order is not a matter of regularities but instead of arrangements of people, artefacts and things. They discard sociological views that conceptualise the social as starting from common frames of understanding rather than pragmatic engagement (Thevenot, 2001). The social is not a starting point but a result. Practices govern both the meanings of arranged entities and the actions that create these arrangements. The resulting practices form eventually the social. They also share the idea that practices are materially mediated nexuses of activity, which means that non-human entities help constitute human sociability. In short, they agree on the role of non-humans in forming and stabilizing human worlds. However, practice theories diverge on whether or not to ascribe agency to non-humans in their structuring role for human practices.

Organizations can be seen as a site of practices. Organizations have been defined in various ways by organization theorists. Weick (1969), for example, defines them as ensembles of interrelated actions beginning with dyads. Barnard (Barnard, 1938) saw them as conscious, deliberate and purposeful products of cooperation. Schatzki (2005) sees organizations as bundles of practices that overlap and connect. They overlap when particular actions are part of more than one practice and when practices share material arrangements.

Therefore, a central task in accounting for organization with a practice-based approach is identifying the actions that comprise it. A second task is identifying the practice arrangement bundles of which these actions are part, and discovering whether the bundles cohere or compete. This task includes the study of material arrangements and

the different ways humans, artefacts and things are organised within it. A third task is identifying inter-related nets of practice arrangement bundles to which the net composing the organization is closely tied (Schatzki, 2005).

A practice-based approach has been used by several scholars to account for a variety of phenomena in organizations. Accounting scholars have made an interesting contribution to the understanding of economic life through the analysis of accounting and calculative practices. Accounting research, using an interpretive perspective, studied the power of accounting in relation to organizations and society (Hopwood and Miller, 1994). They have sought to understand how accounting shapes the social through numbers delivered by particular arrangements made to represent the reality of past economic life, as in the case of financial reporting practices, but also for future projects, as in investment appraisal. Hopwood (1987) and Miller (1994) sought to understand the implications of accounting in the operational processes of particular organizations through the unpacking of the historical layers of accounting systems as well as through a detailed observation of organizational settings, that Ahrens & Chapman (2007) called the situated functionality of accounting.

Scholars such as Miller & Rose (1990) and Miller & O'Leary (1987) moved from the study of implications of accounting in organizations to the study of structures of intentionality which is a way to understand how accounting constitutes organizational processes themselves. With a direct reference to Schatzki's practice approach, Ahrens & Chapman (2007) have conducted one of the few studies that deals with management control practices around marketing activities. They show how management control practices are central to organizing since they help coordinate a variety of practice bundles.

Technology scholars have contributed to the understanding of the role of technologies in organization using a practice-based approach. Orlikowski (2000) argued that a practice approach helps to understand people's situated use of dynamic technologies, in particular because it makes no assumption about stability. While studying the engagement of people with technology, she argued that technologies are not there waiting to be appropriated. Rather they emerge from people's repeated and situated interaction with particular technologies: "The practice lens approach recognizes that in both research and practice we often conflate two aspects of technology: the technology as an artefact (the bundle of material and symbol properties packaged in some recognizable form e.g. hardware, software, techniques) and the use of technology, what people actually do with the technological artefact in their recurrent situated practices" (Orlikowski, 2000: 408). She has convincingly shown how technology structures human action through recurrent social practices, routinely enacted as we use technologies in our situated activities (Orlikowski, 1992).

The focus on managerial practice has been explored in relation to topics such as communities of practice (Brown and Duguid, 2001), knowing-in-practice (Cook and Brown, 1999), strategy-as-practice (Johnson, Langley, Melin and Whittington 2007) and learning-as-practice (Gherardi, 2000). Gherardi & Nicolini (2002), for example, identify a range of practices that can be identified within an organizational field: organizational practices which reflect the operating routines that enable the organization to function (e.g. project management); management practices which reflect the strategic routines that link organizational practice and define their purpose; and, promising practices which reflect the connecting routines allowing management and organizational practices to create new possibilities (e.g. innovation).

In marketing, a few scholars have used a practice-based approach. Araujo et al. (2008) argue that the term practice has generally been used to describe what marketing practitioners do (Brodie, Coviello, Brookes and Little, 1997; Coviello, Brodie, Danaher and Johnston, 2002), but the practice turn has yet to make a mark in the discipline, bar a few exceptions (see e.g. Holt, 1995; Warde, 2005; Korkman, 2006). Araujo et al. observe that a practice-based approach to markets moves us away from a representational to a performative idiom, as suggested by Pickering (1995): “A representational idiom is founded on the assumption that we can and should strive for comprehensive and accurate representations and typologies of markets. By contrast, a performative idiom directs attention to the emergent and unfolding practices that actors engage in to construct and problematize markets” (Araujo et al, 2008: 7). They thus define market practices as “the bundles of practices including material arrangements that contribute to perform markets.” (ibid: 8).

Two dimensions of market practices follow from this definition: efforts to shape markets, as well as efforts to operate in markets. Scholars such as Alderson & Cox (1948), but also and more recently Jaworski et al. (2000), established the idea that an organization could be market-driven but could also drive markets, a distinction that helps to understand phenomena such as innovation. However, these scholars have neither studied the type of practices involved in shaping and operating in markets, nor their coordination.

Kjellberg & Helgesson (2006, 2007a, 2007b), by contrast, have researched interlinked classes of practices, namely exchange practices, normalizing practices and representational practices to depict markets. They observe that multiple versions of markets can co-exist or compete and may need to be reconciled in concrete situations (Kjellberg & Helgesson, 2006). For them, marketing is defined as the work that

economic actors engage in when performing markets. This interest in performativity is not new and has been a long concern within the industrial marketing literature which provides many concepts and empirical descriptions that have a performativity orientation (Mattsson, 2003). To discuss issues related to market practices and performativity, Mattsson (2003) takes a different angle and proposes exploring four interrelated aspects: (real) markets, market practices, market theories and measures, and managing in markets. In fact, as Araujo (2007) observes, the study of marketing covers three interconnected phenomena, the study of markets, of market-making, and marketing understood as operating in markets. This endeavour is at the core of the initiatives run by the Market Studies Group (MSG), a group of marketing researcher that has emerged in the mid-2000s from the Industrial Marketing Purchasing (IMP) group and that has recently broadened its scope with the organisation of the 1st multi-disciplinary Market Studies workshop held in Sigtuna in June 2010. It is in this emerging tradition that I wish to position the subject matter and contribution of this thesis.

If the performative idiom (Pickering, 1995) is a key aspect of a practice base approach to markets, the idea of using a performance concept can be detected in various other research strands that deal with the organisation of economic life. I now turn to one of these strands, the Foucauldian studies of governmentality.

2.3. Foucauldian Studies of Governmentality

The very idea of managing organisations, markets and the economy presupposes the existence of individuals acting upon things or others. Michel Foucault's work, though not explicitly concerned with economic life, raises a notion of power as a way of

guiding the possibility of conduct and striving for objectives (Dreyfus and Rabinow, 1982). For Foucault, there is a conduct of events with its dual meaning of leading others as well as a way of behaving within a more or less open field of possibilities. He uses the term *government* to refer to the ways the conduct of individuals can be directed. A characteristic of Foucault's work, which makes it interesting for this study, is the idea that *government* does not only refer to political structures or the management of the state through legitimate forms of political or economic power. Though he does not downgrade these forms of government, Foucault adds a dimension to the verb "to govern" which suggests that the possible field of action of others can be structured within a system of social networks. But the unique contribution of his work relies in the role that he gives to forms of rationalization, including instruments that he calls technologies of government. Because of his conception of agency, Foucault thinks of government as a series of activities, materially mediated by instruments that shape activities but also discipline the minds of free subjects. It is this feature that makes Foucault's work relevant for the development of a practice-based approach to government.

In the next section, I will review some important dimensions of Foucault's work to understand the role he gives to instruments in general, and to commensuration instruments in particular. Secondly, I will explore the way his work has been used when applied to the government of economic life, at the State level or within Weberian bureaucracies. I argue in this section that the type of practices studied by Foucauldian scholars have a performative effect; in other words, they are not meant to merely describe the world but to influence the conduct of individuals.

2.3.1. Foucault and governmentality

Long before scholars started to talk about management, princes were interested in how to govern their kingdoms. The ruler was the emblematic figure and classical philosophers had long debated the nature and legitimacy of rulers. Foucault (1978) suggested that the complex practices of governmentality be placed at the heart of power relations, rather than the character of rulers. While doing this, he left classical political philosophy debates behind and moved the discussion on governmentality towards the study of its devices. His research programme, focusing on the study of concrete devices and practices, showed that power can be analysed through disciplining efforts rather than exerting constraints through force (Foucault, 1977). In his analysis of the seventeenth and eighteenth centuries, Foucault stressed a dramatic shift in the way power was exerted, through a centralized, rationalized and “technicized” authority. This new political rationality was based on a series of specific government apparatus and a system of knowledge. These techniques and knowledge were applied to a new ensemble called “the population”, construed as a set of resources and needs. This way of seeing “the population” as a resource, led to a profound transformation in the conception of power. The challenge was no longer to conquer and assume a powerful position, but to contrive ways through which a population could develop its potential. Power was no longer a matter of domination through war or taxation over territories; it was rather a matter of organizing and valuing resources through activities structured by a political authority.

The central concern for Foucault was not the study of the essence of the state, its ideology or the factors which could confer it legitimacy. Through an inversion of this view, the central question was that of the establishment of state control, or the development of a set of concrete devices and practices through which power could be

materially exerted. Contrary to the tradition that regards power as a top down, authoritarian mechanism, Foucault proposed a disciplinary conception relying on concrete techniques of individual framing, the benefit of which would be to lead action from a distance.

For Foucault, power was both enabling and constraining. It was conceived as a recursive, ubiquitous, and contingent relational effect. Knowledge and power are therefore difficult to distinguish in that they are aspects of the same phenomenon. The concept of power / knowledge (Foucault, 1980) was forged to reflect the idea that power was both relational and positional. It was not conceptualised as capacity or as the possession and control of resources. The study of power and governmentality could be carried out through the study of devices defined as “...the network one can trace between heterogeneous elements including discourse, institutions, architectural arrangements, laws, administrative measures, scientific statements, philosophical and moral statements, in short: explicit as well as tacit elements” (Foucault, 1977: 299).

With this notion of device, Foucault pinpointed the necessary role of heterogeneous networks in the production of knowledge, power relations, subjectivities and objectivities. The study of devices, and in particular of those which are meant to produce knowledge that include measurement instruments, is particularly rich to study mechanism of governance.

2.3.2. Commensuration and the performative nature of instruments

Since Foucault’s seminal work, the study of instruments and the processes through which they are chosen has been pursued by Lascoumes & Le Galès (2004). According to these authors, the operationalisation of instruments, long seen from a functionalist angle, is now problematized. A shift in interest for the political dimension attached to instruments, moving the analysis beyond the distinction between politics and policies,

is now clearly observable. The selection of instruments cannot be regarded as a mere technical choice or marginal to the study of institutions and agency. Numerous types of instruments have been studied including legislation, economic and fiscal, incentives, information and communication devices. Linder & Peters (1989) for instance, studied policy design by analyzing the development of a systematic understanding of the selection of instruments and their evaluative dimension.

Foucauldian scholars believe that to govern is to colonize the mind of the governed through ways of thinking which become naturalized, and serve to coordinate individuals through frames which combine cognitive as well as material dimensions. Processes of commensuration are part of this effort to coordinate social life, as Espeland & Stevens (1998: 315) remind us. They define commensuration as the transformation of different qualities into a common metric. It is "...the expression or measurement of characteristics normally represented by different units according to a common metric." (ibid) Commensuration transforms qualities into quantities, difference into magnitude. It is a way of reducing and simplifying disparate information into numbers that can easily be compared. For example, the idea of net worth allows a comparison across firms (Carruthers and Espeland, 1991). And this type of comparison also enables the understanding of companies as financial portfolios rather than as productive units. Because of the existence of such commensuration processes, managers can buy and sell firms while focusing on their profitability rather than on what they produce (Espeland and Hirsch, 1990). By providing common metrics, commensuration offers standardized ways of creating routines. The categories which are being instrumentalized and gradually enacted become naturalized and taken for granted. The resulting routines form the base of

practices which contribute in holding the social together (Schatzki, 2001; Schatzki, Knorr-Cetina and von Savigny, 2001; Reckwitz, 2002).

All instruments that can help to rule a group, are of paramount importance when in the hands of rulers. As suggested by Foucault (1977, 1978), administrative practices create what they purport to describe. Alain Desrosières (1993) showed how statistics generated about a population create a common language and representations that, in turn, produces truth effects and specific interpretations of the world. Statistics, he suggested, are provisional and fragile conventions that result from a series of equivalences. They are the subject of permanent debate about the definition of specific issues, by all sorts of parties aiming at breaking them. Counting and measuring are at first hotly debated, as long as the similarity and comparability of the units being counted is disputed. The simple fact that something starts to be counted reflects the work of creating similarities. Indeed, it makes no sense to count people if their common features are not perceived as more significant than their differences (Porter, 1986: 24).

The performativity of statistic practices has been addressed in various fields of investigation such as in the study of the effect of census. For example, Porter (1995) explained how bureaucrats turned South and Central Americans into Hispanics. Similarly, Urla (1993) showed how the Basque identity was built through statistic-based processes. Ventresca (1995) further argues that modern census procedures help to create the nation-states or the political object that they quantify through the fact that they render them more comparable. Censuses constitute what they measure, but also what they compare through these measures (Desrosières, 1990). As illustrated with one specific type of instrument, measurement instruments are a key tool in the production of representations pertaining to a certain issue. Instruments, and the

commensuration that they help create, are not neutral and inert, ready to be used for any socio-political purpose. They are innately political and contribute to establishing new interpretive frameworks. They serve and structure public action according to their own logic: as they get used, they tend to produce original effects, sometimes unexpected ones as if they had their own agency. Instruments do more than create new relations. They can also produce new entities and contribute to stabilize them.

But census and the creation of populations are only one of the many practices that have been studied using a performative lens. Public policy scholars have also analysed various types of risks and the effects generated upon the population being informed. The objective of public policies to communicate risks is an incentive to develop easy to understand simplifications which leaves to one side the subtlety inherent in any controversial issue. Bayet & Le Bourhis (2002) studied how maps of severe flooding are negotiated because of the effect they have on the price of land. In their research, the map was seen as a way to problematize and qualify one geographical area with very different effects among the farmers or the real estate agents. The perception of the risk was conceived differently at a local level according to the perspectives of different players. When farmers could see a benefit in a piece of land being qualified as liable to flooding, real estate agents would assess the risk in a very different manner as one can imagine.

Public policy scholars have also studied the role of indexes in the measurement of issues that are to be governed. Desrosières (2003) analysed the way of creating a standard to combine different measures which will be taken to be significant as well as easy to communicate. For example, the creation of an index to measure the level of crime creates major controversies, reflecting specific ways to problematize the issue. This type of index classically observes young people, studies crime on people in

suburban areas stigmatized by immigration. For Desrosières, statistics structure the public space by imposing categories and therefore framing the issues under discussion.

Instruments do not only contribute to the making of the political issues they claim to study. They also create inertia which gives them the ability to resist external pressures. To introduce or to suppress one procedure is not just a matter of public utility. Such actions refer to what Callon (1986) calls actor-network effects. Instruments, when institutionalized, involve a network of devices which are difficult to reverse. Official statistics, for example, become in Latour & Woolgar's terms (1986), black boxes that are hard to discredit or even to open. Once statistical categories become routinized in bureaucracies or integrated into other government instruments such as laws, they become increasingly real and fateful (Espeland and Stevens, 1998). Once the definition of crime, as presented above, has been used by media, political actors, police or judicial officers it acquires an inescapable character. An alternative proposition such as "crime is also what middle-aged entrepreneurs do to evade the tax system" is difficult to establish so long as white collar or managerial crime is not defined, measured and brought into existence through a specific index.

As we have shown, through the study and constitution of phenomenon such as the population through census, of flooding areas through maps, or crime through a measurement index, commensuration practices are studied by public policy scholars who, as Lascoumes & Le Galès, (2004) suggest, share the idea that measurement instruments frame and stabilize the political issues under their magnifying lenses.

2.3.3. Economic policies and public calculation

One specific area of public management where instruments have become a central issue is the domain of economics. Statistical numbers gave a degree of tangibility to the abstract notion of the economy. Leontief's work (1966) on input-output matrices, for example, helped to solidify this idea. The measurement of the national income and the development of an international system of public accounts emerged in parallel, contributing to a better visibility of this area of public policies. The Marshall plan illustrated the links that exists between the measurements of the economy and economic development. The economists and statisticians who designed Gross Domestic Product (GDP) as a measure of the economy have contributed to defining what counts as part of the official economy. In doing so, they have shown that the outline of what constitutes the economy is hard to define or, at least, is problematic. Some questionable choices have been built into the GDP index, as Desrosières (2003) observed - e.g. domestic work was kept outside the measurement of GDP despite intense controversies on the subject.

In their calculative practices, public policy makers are not concerned with the idea of profit. When for entrepreneurs the object of calculation is profit, public bodies try to assess the idea of benefits. For the state, a project is justified if it generates savings or advantages in excess of costs. This is why the concept of benefit, as Porter (2008) argued, is not just a matter of money. The construction of a bridge can be justified by the easier passage from one side of a river to the other, even when no toll is charged. In public policy, a cost / benefit analysis demands the quantification of all sorts of intangibles, including dimensions which are not paid for: savings of time and expense, improved health and safety, better education, and so on. Calculation tools in public

policies are not restricted to the calculation of prices. This idea prompted Porter (2008) to claim that measurement instruments designed to make areas governable were ahead of what private corporations did. There is a profound difference between private entrepreneurship and public calculation because of the need to legitimise public policy interventions: administrative decisions have to be accounted for in a rigorous way. They have to be made objective and routinized and, in that respect, measurement instruments are an efficient way of generating “mechanical” objectivity.

Foucault, as we have shown, played a pioneering role when he gave material technologies of government a distinct role that was contrary to the classical theories of government which were predominantly based on the sovereign and legitimate role of the rulers. He problematized the role of instruments in public action by redefining them as techniques of government. Before Foucault, Weber (1930) highlighted the role of devices in two ways: a) by placing accounting practices at the heart of “rational” capitalistic economic activity and b) by defining accounting practices as central to the spread of the modern calculating attitude within large bureaucracies. Foucauldian devices have also been considered within the field of management, in large organizations.

For example, Berry (1983) studied Weberian bureaucracies and the instruments used to structure the choices and behaviour which can go beyond the actors’ control. Using a similar logic to the one proposed by Foucault, Berry claimed that in most studies of organizations, the focus was on actors, conceived as rational and autonomous beings. The instruments that facilitate their action were seen as secondary objects. He proposed reversing this logic and looking at agency from the point of view of the instruments defined as a type of social institution (e.g. census, cartography, laws,

taxation), of the techniques described as concrete devices that make the instrument operational (e.g. a statistical nomenclature, the type of graphic figuration, the type of law or decree) and of the tools seen as micro devices, that work as a sub-set of a technique (e.g. the statistical category, the scale of the map, the type of obligation embedded in the law, the equation that calculates an index). All together, the combination of these three layers forms something very similar to Foucault's device. For the sake of convenience, I suggest calling a device the combination of these three levels of analysis.

Attached to instruments, techniques and tools (that I will now call a device), Berry observed that one can identify material elements or infrastructure, such as computers, as well as conceptual ones, such as indicators (e.g. a discount rate meant to study the life of an investment), models (e.g. marketing models to facilitate the launch of a product) or procedures (e.g. audit procedures) that form a simplified view of the organization within a certain managerial philosophy.

Devices impose tacit rules regarding their significance in terms of power and diffusion of cognitive models. This political dimension of the use of instruments has been analysed by a series of French scholars creating a tradition within the *École de Mines* and the CRG in Paris from Berry (1983) to Moisdon (1997).

Coming from a different tradition in the UK, at the junction of sociology and management, Nikolas Rose and Peter Miller suggested studying the emergence of calculative instruments, that is to say, the mechanism through which programs of government are articulated and made operable, to see how managerial accounting (cost accounting) shapes social and economic relations. Following the Foucauldian trend in accounting during the 1990s, they studied the ways in which calculative

practices alter the capacities of agents, organizations and the connections, among them (Rose and Miller, 1992; Miller, 2001).

As a technology of government, one of the principal achievements of management accounting is to link responsibility and calculation: to create the responsible and calculating individual, within the context of the firm. Rather than governing individuals through a precise line of actions, their conduct can be affected by economic norms that will guide them, and yet leave them with the feeling that they are acting autonomously. This is the disciplining effect described by Foucault: “Rather than tell individuals which investments to choose, why not specify a percentage of return to be earned and leave the managers ‘free’ to make the decisions as to which investment to choose. Why not produce an individual who comes to act as a self regulating, calculating person” (Miller, 2001: 381). To paraphrase Hirschman (1977), management accounting provides a way of harnessing the interests of individuals and of utilizing their autonomy rather than seeking to suppress it.

This relation between the freedom of individuals and the power which is exercised upon them is a classic concern that has long been researched since Marx during the era of industrialization. Girin (1981) proposed to transfer to the area of management the distinction established by Marx between tools and machines. The characteristic of a tool is its availability and specialization: a craftsman uses a wide variety of tools, each one specialized for a certain task. A machine, on the contrary cannot be easily moved. It needs to be made profitable, and therefore should work on a permanent basis. In order to increase its efficiency, processes need to be simplified, as well as the produced objects. The machine has its own pace and agents have to adjust to its rhythm. A large part of the knowledge needed to produce a certain good is integrated in the machine and individuals are made substitutable. For Marx, the relative roles of

agent and machine are reversed: in craftsmanship, workers produce with tools, in the industrial model, machines produce with workers. In the first case, individuals are at the heart of the system, in the second one, the machine is. Girin used this metaphor to highlight the role of agents in large organizations. They feed the system with standardized data, sometimes with little visibility on the outcome of the process. Computers are the machines of large organizations. Managerial machines are the complex set of indicators and procedures embedded within technologies that constrain actors as much as they enable their decision making.

2.3.4. Instruments, epitomes and decision making

Large organizations make managers face a large number of decisions. Agents are engaged in complex management situations where they have to formulate judgments and choices with limited information and for which liability is uncertain. Since they cannot deliberate on every subject at every moment, they need to be equipped with instruments featuring a complexity reduction that brings them the routines they need (Berry, 1983).

They have to rely on summaries or simplification devices that Berry et al. (1979) call “epitomes”. They distinguish the epitomes of the true and of the good. Epitomes of the true are made of simple numbers. For example, the wealth of a nation is summarized by four numbers (inflation, unemployment, foreign trade balance, and budget surplus/deficit). The wealth of a company can be summed up with a few accounting measures. A company’s activity portfolio can be reduced to a simple matrix based on the growth rate and the relative market share (BCG), etc. The epitomes of the good are typically these indicators that managers integrate within “dashboards” or scorecards (Kaplan and Norton, 1996). Epitomes of the good are short sentences that capture a principle: the budget deficit should not exceed 3%; a good investment should deliver 15% return

on capital employed; a good manager delivers on his targets. All these epitomes are there because they facilitate the task of managers. They help them to get a quick impression about a given situation. And they also help them to justify their choices. Because controllers and the controlled base their analysis on the same principles, the epitomes facilitate coordination and reduce the number of opportunities to diverge. This aspect leads to a general belief that traditional criteria for good management are based on a universal rationality. The effective observation of organizations shows however a multitude of local logics engaged in a permanent confrontation, but since the epitomes are simplifications, they make us easily forget the assumptions behind the models reflecting a process of black boxing (Latour and Woolgar, 1986).

Cost accountancy is a managerial set of practices that generates epitomes of truth. Similar to the ways political scientists observed that census or index give visibility and make the object of their study, Miller (2001) sees in the accounting metrics a way of giving a particular visibility to areas of concern, creating an illusion of objectivity. The manager is “made” as a result of the visibility, calculability, and comparability that metrics provide. His actions can be linked with the calculations of others, inside or outside the organization. Accountancy, as a calculative practice, is therefore a device to produce commensuration in the economic world. It places the agents within a calculative network. Let’s consider Net Present Value (NPV) calculations as an example. They give both visibility and calculability to investment opportunities. They also provide a tool by which the decisions of managers can be made legitimate with simple norms that define what is profitable and what is not, which eventually results in the creation of epitomes of good: “one should not dare present an investment project which has a forecasted return of less than 15%!”

Epitomes, of true and of good, are needed by managers because of the speed at which their decisions have to be made. But this attraction for the simple is done at the cost of loyalty for the observed phenomenon: the urgency of making quick decisions leads to an over simplification of reality. Management instruments link agents within one organization and impose forces upon individuals: material forces, institutional norms, cultural norms and political forces. This is why, management instruments are difficult to change since they work as the cement that maintains a relative coherence in the organization (Miller, 2001).

Because they operate forcefully, as a result of the simplification that they provide, epitomes and their instruments have a strong presence in organizations and are difficult to change. They generate routines that can be solidly kept in place. It follows that agents do not have freedom to choose the schemata they think would be appropriate for a given situation. Every instrument that makes people save time can make them dependent on institutionalized routines. Any managerial innovation consequently calls into question existing ways of thinking.

If instruments empower agents, they also constrain them: they can serve as instruments of control at a distance (Foucault, 1975), rather than through direct inspection as in the Panopticon of Jeremy Bentham (1787). Accounting and its associated instruments such as profit and loss accounts, balanced scorecards, auditing, and other performance measurement reports, gain their constraining effect through the impression that they deliver an administrative objectivity (Power, 2004). As in the natural sciences, management practices have incorporated the idea that measurement should not depend on who does it. The impression of objectivity of administrative measures is combined with the idea of the measure being impersonal which gives it its naturalization (Bowker and Star, 1999).

This social demand for objectivity is at the source of auditing practices that consists of controlling agents' performance through collectively shared procedures and norms. They are a decisive political technology: "Audit is the shadow of hierarchy which saves the appearance of central control" (Power, 1994: 302). Audit practices are far from being neutral as they construct the values and the norms of what has to be interpreted as performance. Accuracy and traceability create the feeling that measures are reliable and objective but the reliability of a measure for management purposes evolves over time. Reliability is a matter of reaching a consensus on what is reliable, and managers' consensus about reliability changes. For audit practices to function, the environment has to be auditable, which means that it has to be structured to conform to the need to be monitored, rather than to the logic of one specific area to be managed. Audit calls for standardization, which largely means it will set a priority on what can be measured. It inscribes the auditee with the material basis upon which it can operate. The making of an auditable object through norms and procedures makes audit likely to fail to recognize those risks which escape the norm of auditability (Power, 2004), as the notion of effectiveness is not necessarily reducible to measurable variables. A device, in the Foucauldian sense of the term, is put in place to fulfil a certain strategic functions, and often to address some urgent matter. One of its features is to survive the intentionality and the visions which were central at the moment of its creation.

One strong input of Foucault's work related to the study of governmentality was to sensitize scholars to the essential role played by complex practices including instruments and material devices. To govern is to establish a set of concrete devices that contribute to framing individual minds in a disciplining way. Commensuration, defined as a way of creating equivalences, is a process that produces categories and

numbers that result in routines which make a certain vision of the world appear as natural. We have argued that commensuration, seen as an administrative practice, generates and enacts the phenomenon that it claims to measure. The sociology of translation that we will discuss next, offers a complementary vocabulary to understand the phenomena Foucauldian scholars are interested in, but at the stage where things are still “in-the-making”. The subject matter of the next section is thus to explore the possible contribution of this literature to the understanding of market practices.

2.4. The Sociology of translation

The sociology of translation refers to a set of ideas and language developed by two leading members of the *Centre de Sociologie de l'Innovation* in the French *École des Mines* in Paris, Bruno Latour and Michel Callon. Also known as Actor Network Theory (ANT), it encompasses related works by other scholars who are broadly sympathetic to the primary authors' ideas, such as John Law, Susan Leigh Star, Bob Cooper, Steve Woolgar, Karin Knorr-Cetina, Andy Pickering and Madeleine Akrich. The abbreviation ANTErs is used to refer to these scholars.

In the next section I describe ANT's background, development and tenets, and next, I discuss its application in various fields of inquiry to explain why it provides a promising theoretical framework for studying the subject matter of my research. I then outline the significant aspects of the theory that I draw on in this study, while in the final section I reflect upon ANT's current state.

2.4.1. The social nature of science

The New Sociology of Science (NSS) argued that science is essentially a social activity. This idea continued a long tradition in the sociology of knowledge: Durkheim

(Durkheim, 1983:105) claimed “...that concepts worked out by the masses and those worked out by scientists are not essentially different in nature”, while Merton (1973:11), asserted that “...not only error or illusion are unauthenticated belief but also the discovery of truth is socially and historically conditioned”. This view of science, called epistemic relativism, asserts that systems of belief, including knowledge, vary and that this variation is relative to the specific circumstances of each group (Knorr Cetina and Mulkey, 1983).

Epistemic relativism set the ground for a principle first developed by Bloor (1991) within NSS, the principle of symmetry. It contends that both true knowledge (facts, science) and false knowledge (fiction, myth and beliefs) require a sociological explanation. Consequently, the sociological study of scientific facts was just as appropriate as the sociological study of myth, religious beliefs and other fictions. “Les faits sont ... faits” (facts are ... constructed) as Latour (1992) would later declare.

The immediate implication for the sociology of science is that it should be centrally concerned with the processes of knowledge construction and willing to open or de-construct the black box of science, in the sense of showing how the insides work. Hence for constructivists, outcomes – scientific facts and knowledge – are the result of interactive and interpretive processes between participants and consequently, this demands that the practices and discourses of the actors be studied in close detail over an extended period of time. This is why, for epistemological and methodological reasons, constructivists subscribed to anthropological approaches for studying the production of scientific knowledge.

In terms of empirical implication, situations where nature and society can be studied in the making were needed. By the mid-1970s a number of sociologists of science, such as Karin Knorr-Cetina, Bruno Latour, Steve Woolgar and John Law had

embraced ethnography as an appropriate methodology to study laboratories. Latour (Latour, Mauguin and Teil, 1990: 287) explains why the study of laboratories was decisive: “The reason why we went to study the laboratories’ active controversies, skills, instrument making, and emerging entities was to encounter unstable states of nature / society and to document what happens in those extreme and novel situations.” Bruno Latour & Steve Woolgar’s (1986) “Laboratory Life” study became famous. Using rich descriptive evidence, they began to answer the question of how scientific knowledge is constructed. After facts are constructed and accepted as true, reference to their construction is redundant and so the origins of truth are dispensed with, forgotten or at least, made difficult to detect (Woolgar, 1988).

2.4.2. The sociology of translation, a semiotics of materiality

As a result of his empirical research, but also influenced by the French general academic interest for semiotics, texts and their deconstruction (e.g. Greimas, Derrida, Foucault) of the 1970s and 1980s, Latour and Woolgar (1986) were struck by the impact of mundane elements in the laboratory that they studied: equipment, devices and apparatus are co-substantive of the phenomena studied by scientists. The existence of reality is dependent on these ordinary devices that he called “inscription devices”. Latour and Woolgar (1986) argued that laboratories and technological systems can best be understood as languages and texts which could be interpreted using available techniques from semiotics. In “Science in Action”, Latour (1987) presented a picture of the scientist as a producer of texts which progressively become difficult to undo. Scientists produce numbers, always more numbers. The laboratory is a centre of calculation that both generates facts and combines them into irrefutable statements as they succeed in going through numerous trials. Scientists are presented as experts of rhetoric who handle texts which are rich in numbers, reflecting the length

of the networks involved. Metrology and calculative devices are thus central elements in the processes of scientific production.

As a result of this work, Latour recognizes that semiotically, humans and non-humans are equally agents in the sense of Greimas' (1983) narrative semiotics: they are defined by the way they act and are acted upon in a networks of practices. ANT takes the semiotics insight that entities are produced in relations. Humans and non-humans are defined relationally, as arguments in a network. For ANT (Law, 1999; Law and Hassard, 1999), agents are the result of relational effects emerging from the endless attempts to order the socio-material world. Entities take their form and acquire their attributes as a result of their relation with other entities: "In this scheme of things, entities have no inherent qualities: essentialist divisions are thrown on the bonfire of the dualisms..." (Law, 1999: 3). ANT is therefore a semiotics of materiality.

It results in nature and society not being causes but outcomes of human scientific and technical work, which is also a key characteristic of the American pragmatic approach (Peirce, 1984). It means it shares something important with Foucault who, with Derrida, suggested unpacking what is considered real at a moment in time, if one wants to understand how things came into existence. Society cannot be used to explain the practice of science, since it is also the result of science and technology in-the-making. Facts and artefacts are transformed into black boxes, once a network of many actors has been stabilized. In short, society and science have to be explained as emergent, relational phenomena.

The consequence of taking entities as performed through relations is that everything is uncertain and reversible, at least in principle. It is never given in the order of things: "... Relational materiality on the one hand, and performativity on the other. The two of course go together." (Law, 1999: 4).

2.4.3. The sociology of translation, from science to socio-technical networks

After several empirical initiatives to study scientific controversies in the making within scientific laboratories, sociologists of science began to seek new fields of inquiry. Latour started a study that led to “The Pasteurisation of France” (Latour, 1988a) where he described a dynamic network of associations between laboratories, on one hand, and also farms, cows, microbes, hygienists, scientists and the army, on the other. This study of the interactions between Pasteur, science, technology and society is a vivid example of science-in-the-making, describing the emergence of a scientific discipline that would later be called micro-biology.

Callon (1986) researched technology and the role of networks, a distinct field from the sociology of science, focusing on empirical settings as different as the making of an electrical vehicle or the domestication of scallops and fishermen in the Bay of St Brieuc. His collaboration with Latour and the subsequent theoretical framework that they jointly developed eventually produced the foundations of ANT.

The conceptual vocabulary of ANT (for a definition of key concepts, see Akrich, Callon and Latour, 2006) constitutes a form of relational materialism committed to the project of understanding the idiosyncratic, material and procedural character of the networks that make up what may provisionally be called the social. Its main interest is to investigate the tactics through which heterogeneous elements, human and non-human, are combined and made durable. These tactics are called “translation”. Inspired by Serre (1974), “...this notion postulates the existence of a single field of significations, concerns and interests; the expression of a shared desire to arrive at the same result ... Translation involves creating convergences and homologies by relating things that were previously different” (Callon, 1980: 211). In other words, translation is the semiotic ordering and organizing of significations, interests and concerns. The

word “translation” conveys both the sense of the original Latin word “translatum” that we can use in physics to denote the idea of physical movement or displacement, and the linguistic one of undertaking a change from one language to another in which betrayal is inevitable (Nicolini, Gherardi and Yanow, 2003).

Unlike epidemiological models such as the ones found in studies of new product adoption and diffusion of innovation (Rogers, 1962, 1976), ANT emphasizes that the propagation in time or space of anything— statements, orders, artefacts, products or goods – depends on what the concerned individual or collective actors do with it. Each of these actors may ignore the thing, alter, or appropriate it.

With its relational characteristic, translation creates a network, the actors and the objects through interaction. ANT, with these ideas regarding relational materiality, dissolves the classical divides of sociology: there is no separate agency and structure, nature and technology, etc. Instead there is an actor-network, understood as an assemblage of materials operating through immutable mobiles (Latour, 1990) which can be entities as diverse as maps, textual descriptions, images, but also heterogeneous artefacts (devices) and have the property of being mobile, stable and combinable (Law, 1986).

Focusing on practices, ANT emerged within the field of social studies of sciences and technology with a particular position about the determining role of the social and technology. As a reaction to technical determinism’s claims that technology develops thanks to its own internal dynamics and outside human control, social determinism points to technology as being social through and through. In reaction to these two extremes, ANT considers social and technological developments all at once (Latour, 2005).

2.4.4. The sociology of translation and the study of organizations

In the 1990s, ANT became increasingly adopted as a conceptual framework outside its original home, SSK or SST. I will now briefly discuss four major areas of research which I believe exemplify how ANT principles have been applied to various settings related to organizations.

With a special interest in information technology, (Orlikowski, 1996) examined how a technology achieves stabilization through processes of negotiation until a rhetorical closure is reached. They focus more specifically on how dominant interests are reflected in the form and functioning of the technology, a process referred to as “inscription”. Users, in this view, can choose to use technologies in ways unanticipated by their designers, thus actively shaping the artefact to fit their particular needs. Technologies are thus never fully stabilized or “complete”. They are never fully commoditized although we may choose to treat them as black boxes for a period of time.

In accounting, Robson (1992) sought to understand the dominance of quantification approaches to managerial objects. Classical theories of scientific knowledge have tended to support the idea that numbers provide “precision”, “rigour”, and “objectivity” beyond our perception (Duncan, 1982). Contrary to such perspectives, Robson claimed that the quantitative orientation of accounting can be understood in relation to the utilisation of inscriptions that allow long distance control (Latour, 1986; Law, 1986). Inscriptions refer to the various techniques of marking an object or event that is to be known – writing, recording, drawing, tabulating. Knowledge is an outcome of the practical procedures of inscription, of the technologies for inscribing the world, and accounting is a technology that manipulates mobile, stable and combinable inscriptions that are continuously refined. The success of the quantitative

orientation in management, that accounting substantiates cannot be attributed to any general epistemological status. Techniques of quantification do not simply measure progress. Rather the increased usage of mathematics is a sign of progress. Statistics has come to be the tool of the social reformer par excellence.

With an interest for organisations and managerial accounting, Miller & O’Leary (1994) argued that science and technology studies need to adopt a much wider view of what counts as a laboratory. In their study of a greenfield Caterpillar manufacturing plant, they claimed that the factory is as much a site of invention and intervention as a laboratory. The remaking of a factory is analysed as an assemblage, a historically specific and temporarily stabilized complex of relations among ways of problematizing the factory in a multiplicity of settings. A diverse and heterogeneous group of consultants, politicians, managers, experts and commentators, expressed their views on the deficiencies of existing ways and called for new beginnings. Miller & O’Leary (1994) wondered how it is that such a fundamental transformation of working practices and principles is made to appear necessary: “It is to the intricacies of practice that we have to turn our attention. Or in Foucault’s words, it is regimes of practices that we have to analyze, with the aim of grasping what it is that makes certain practices acceptable at particular moments” (*ibid*: 472). Their way of addressing the factory as a laboratory is consistent with ANT’s notion of assemblage, concerned with the heterogeneity of the components that come to be linked together. They also emphasized the instability of the relations that form between such components. Miller & O’Leary’s study articulated the relationship between the world of discourse and rhetoric with the material reality on the shop floor. Latour’s inscriptions and in particular, the metrics and calculative devices contribute to the making up of the manager and of the factory, through the construction of a certain

vision of performance. The competitiveness of American industry was instrumentalized, made real and calculable with a single number designating the extent of the restructuring that would be required if Caterpillar was to remain globally competitive.

In the same vein but with an interest in finance, Beunza & Stark (2007) argue that trading rooms are a site of productive analogies with scientific laboratories. Both are heterogeneous assemblages of human beings and technical devices, devoted to the production of knowledge and like scientific laboratories, trading rooms are equipped with high technology. Using Hacking's (1983) notion that scientists intervene as much as they represent the world, these authors suggest that technologies in trading rooms reshape social action rather than simply making existing forms of social action more efficient. They change how participants act in relation to each other and to markets, and also how they think about markets.

ANT conceives of practices as nexuses of activities mediated through materiality, without focusing specifically on the human subject. Through its rich empirical studies, ANT works as a mid range theory. It is close to domains of investigation as varied as natural sciences, technologies and organization. The encounter with the economy, markets and economics as a discipline, was to present specific challenges for ANT. It is to the study of the articulation of STS with economizing practices, that we now turn our attention to.

2.5. The theory of socio technical agencements

After more than two decades of working with the framework developed by the sociology of translation, Callon (2009b) is convinced that the key merit of this

approach is to have re-opened the discussion on the treatment of non-human in social theory. For Callon (2009a: 24), “...so-called non-humans participate in collective action: they influence it, redefine it from the inside and generate changes of direction and trajectories”. But the distinction of human and non-human perpetuates the idea that they are different. This is why, in various ways, scholars of ANT have started to move away from the traditional vocabulary used in the 1980s and 1990s to jettison this distinction. Callon (2009b: 24) , in particular, turned to the classic question of agency “...to explore the infinite nature of its form and modalities”. Building on the concept of socio-technical *arrangement* from Deleuze and Guatarri ([1972] 1988), he wanted to contribute to the rejuvenation of the studies on situated action and cognition (see e.g. Lave, 1988), but from an ANT perspective.

In situated action and cognition perspectives, collective action is better understood through the notion of arrangement, something also found in the work of Foucault. Arrangements include technologies and ideas, where ideas can be discourses, texts, theoretical statements and models. Using an ANT approach, arrangements are operators of translation: “...acting means translating, and translating means influencing the capacities and modalities of action, since it means establishing links, connections, circulations, exchange properties and original distributions” (Callon, 2009b: 24). And because arrangements are operators, they are closely linked to agency. This is why Callon et al. (2007) proposed the notion of socio-technical *agencement* (STA), first introduced by Deleuze and Guatari.

We now have to address two areas of concern for this research project. First, by exploring the performativity program, we focus on the study of the economy and

markets in particular. Secondly, we need to explore the idea of marketization as an on-going process by revisiting the concept of calculation.

2.5.1. Performing the economy and markets

“The market is a considerable challenge for ANT because it introduces a strict separation between what circulates, goods which are inert, passive and classified as non human, and human agents who are active and capable of making complicated decisions. Agents are calculating, know and pursue their own interests, and take informed decisions. In short, the market seems to undermine ANT’s hypotheses. ANT was developed to analyze situations in which it is difficult to separate humans and non-humans, and in which the actors have variable forms and competencies” (Callon, 1999: 182-183).

The study of the market, which can be traced back to the seminal volume “The Laws of the Market” (Callon, 1998) was certainly a major challenge for ANTErs, particularly if one considers neo-classical economics as the benchmark. In the neoclassical approach, the economy is everywhere and individual action, through instrumental rationality, is economizing behaviour per se. The market therefore is an outstanding object of research to check the validity and the robustness of ANT. Instead of taking markets for granted, as one would take nature for granted, one has to understand how it is that we consider it an unproblematic object in the first place. In Latour’s terms, one has to reopen the black box and study markets-in-the-making.

For Williamson (1993: 456), “Calculativeness is the general condition that I associate with the economic approach and with the progressive extension into the related social sciences”. Callon (1999) suggests provisionally accepting Williamson’s hypothesis but instead of taking calculativeness as an innate property of agents, he suggests

looking at it as an outcome and study the conditions under which calculativeness and calculative agents emerge.

Using the insight from linguistics that some statements establish what they claim (Austin, 1962; Chomsky, 1968), Callon (1998) borrowed the term performativity from the pragmatics of language to highlight that social sciences and economics in particular, do not restrict themselves to representing the world. Economics contributes to enacting or performing the economy (Callon, 1998). In his mind, economic sciences should include micro and macro economics, but also more managerial disciplines such as finance, accounting and marketing. In other words, he proposes to include under economics every discipline that has something to say about the economic world.

The attempts to address these questions has kick-started the “performativity program”. Pursuing the anti-essentialist agenda of ANT, Callon recommends one should not take society, technologies, science, and economics, as the natural order of things. One should analyse the processes that constitute these phenomena as objects. This proposal has been followed by numerous studies, (e.g. MacKenzie, 2003; MacKenzie and Millo, 2003; MacKenzie, 2004; Kjellberg and Helgesson, 2007b) that adopt a performative angle on the way markets are created and transformed. The result of using the performativity idea in many disciplines has eventually resulted in a polysemic definition of the term. Within the program initiated by Callon, the idea of performativity is not just a matter of language, as suggested by Austin (1962), or of sociological disposition (Bourdieu, 1982). The notion of performativity highlights the role played by knowledge in the constitution of reality, as a way of investigating phenomena.

The discussions led by a number of scholars (see in particular Kjellberg and Helgesson, 2006; MacKenzie, Muniesa and Siu, 2007; Kjellberg and Helgesson, 2007a) on the polysemic dimension of performativity have helped to clarify two main orientations (MacKenzie, 2003). Austinian performativity is the term used to denote the effect of statement; the linguistic dimension of statements and their effects is the central concern. Generic performativity looks at practices rather than statements only. It uses the term performance rather than performativity to stress the idea that performing requires a certain type of work that includes STAs. This perspective is dominant within the studies carried out by ANT scholars. When applied to the realm of the economy, the performance program initiated by Callon, proposes to study processes of economization and see the economy as a phenomenon which is the results of actions of performance through devices or STAs.

Economization is defined as the process of establishing STAs which are able to do what they claim they do (performativity). The term “economization” was coined to define the “... processes that constitute the behaviours, organizations, institutions and, more generally, the objects in a particular society which are tentatively and often controversially qualified, by scholars and/or lay people, as ‘economic’ (Caliskan and Callon, 2009: 370). The study of processes of economization can include two dimensions: a) the modalities through which these processes contribute towards shaping what is called the human being: his agency, subjectivity, and mode of socialisation. This is anthropology of economization; b) the study of the arrangements that have a collective dimension. This is the social study of economization.

In the process of economization, the role of theory is central as one cannot qualify something as being economic without at some point mobilizing a theory that defines what is meant by economic. Callon (1998) rejects the idea that markets are

spontaneous creations that result from individuals who are calculative by nature. Building on the debate between formalist and substantivist approaches to economic anthropology, Caliskan and Callon (2009) observe that this position is characteristic of a formalist neoclassical economics view which mobilizes two ideas. First, individuals are decision-makers and tend to maximize their utility under conditions of scarce resources using instrumental rationality. Secondly, to account for the diversity of behaviour, the concept of culture is mobilized. From a formalist perspective, economizing is synonymous with instrumental rationality and the economy as a set of activities, is secondary.

But Callon (1998) is equally dismissive of the notion of embeddedness of the economy in society (Granovetter, 1985). This idea, first proposed by Polanyi (1957: 250), puts society and institutions at the core of the economy: "...human economy is embedded and enmeshed in institutions, economic and non-economic." What needs to be studied in the substantivist view described by Caliskan and Callon (2009), are the mechanisms that lead one given society to meet its material needs. The substantivists consider "economic" the processes which cause goods to circulate. Production, distribution and consumption are analysed separately, and institutions ensure reciprocity, trading and redistribution. For the substantivists, the task is not to study cognitive processes of decision making. For them, instrumental rationality is only one possibility in the processes of economization that can play a role in trading, but not in reciprocity or redistribution. The task instead is to understand institutional differences. The two approaches described by Caliskan and Callon (2009) have one thing in common: economization is embedded in economic theory but of a different kind. For the formalists, neoclassical theory is the preferred tradition, while substantivists are inclined towards political economy.

Against these two approaches, Caliskan and Callon (2009) suggest that the economy is constructed through a range of practices where material devices play a crucial role. As mentioned earlier, this concept of device had been introduced within the field of social sciences by Foucault to study in particular, totalitarian social projects (Beuscart and Peerbaye, 2006). It appears as if the concept of device has always been implicit in ANT. We can observe that “...the concept of translation doesn’t mean much without the devices that give it its material existence, without the assemblages of heterogeneous elements, statements, technical arrangements and incorporated competencies that make up chains of translations” (Callon, 1994: 50-51).

Devices are always present in the background of notions such as translation or an actor-network. It is therefore unsurprising that the idea of device is present when the object of enquiry becomes the study of processes of economization which is a new way of labelling the idea that “economy” can be studied in the making. In that sense, “economizing” means constituting *agencements* which are interpreted as economic. With a similar logic that prevailed in the study of science and technology, the economy exists as an *agencement* that combines discursive and material activities. However, and this is the key characteristic that distinguishes the sociology of translation of the 1980s and 1990s from the theory of STAs: “the signification and effectiveness of scientific statements cannot be dissociated from the socio-technical arrangement involved in the production of the facts that those same statements refer to. Statements are entangled with technical devices, incorporated competencies, rules of thumb, rules and procedures. With the fact that they describe, they are embedded in the arrangements in which they are stakeholders.” (Callon, 2009b: 18). It is only through the material elements included in these devices that a particular version of the

economy can gain a degree of longevity and stability (Caliskan and Callon, 2009, 2010).

Within this large process of economization, one particular area of research is the one that studies the establishment of markets, through market STAs, that Caliskan and Callon (2009, 2010) call “marketization”. Callon et al. (2007) introduced the idea that markets are constructed through a range of practices where material devices play a crucial role. In a definition of markets as STAs, Caliskan and Callon (2010) stress furthermore the importance of valuation processes and calculation practices. Below, I quote extensively the three characteristics that form markets as STAs according to Caliskan and Callon (2010: 3):

- “1. Markets organize the conception, production and circulation of goods, as well as the voluntary transfer of some sorts of property rights attached to them. These transfers involve a monetary compensation which seals the goods’ attachment to their new owners.
2. A market is an arrangement of heterogeneous constituents that deploys the following: rules and conventions; technical devices; metrological systems; logistical infrastructures; texts, discourses and narratives (e.g. on the pros and cons of competition); technical and scientific knowledge (including social scientific methods), as well as the competencies and skills embodied in living beings.
3. Markets delimit and construct a space of confrontation and power struggles. Multiple contradictory definitions and valuations of goods as well as agents oppose one another in markets until the terms of the transaction are peacefully determined by pricing mechanisms.

We define the study of marketization as the entirety of efforts aimed at describing, analysing and making intelligible the shape, constitution and dynamics of a market socio-technical arrangement as outlined above.”

These processes of marketization are at the heart of the so-called market studies, such as those developed by the Market Studies Group within IMP (see e.g. Kjellberg, 2001; Mattsson, 2003; Kjellberg and Helgesson, 2006; Araujo, 2007; Kjellberg and Helgesson, 2007a; Finch and Acha, 2008) as mentioned in section 2.2.

Empirically, scholars such as Cochoy (2002) and Barrey et al. (2000) have focused on consumer goods marketing and the supermarket scene to highlight how markets are configured, how distributed practices carried out by market professionals configure the purchasing act, leaving room to understand how consumers’ choices occur within a frame that they have contributed in shaping. These studies have observed within consumer goods markets what other scholars have learned from more specialised settings, namely financial markets (MacKenzie, 2003, 2004; Beunza and Garud, 2007; Muniesa, 2007). According to a practice view of markets, any effort to realize a particular mode of exchange is likely to be entangled both with efforts to configure buyers and sellers and with efforts to stabilize an object of exchange in terms of their relevant properties (Callon, Méadel and Rabeharisoa, 2002; Callon and Muniesa, 2005). From these discussions, a fruitful line of research has been opened on the role played by calculative agencies, qualification trials, quantification and valuation processes in the constitution and operation of markets.

2.5.2. Valuation and calculation

Markets have been defined as collective devices meant to reach an agreement which is necessarily a compromise on the nature of goods, as well as on the value that should

be attributed to them. To discuss this idea that the quality of goods need to be assessed, Vatin (2009) reminds us that to evaluate is a static judgement that consists of attributing a value to something. The idea of valorisation is more dynamic and refers to the process of value creation through notions such as incremental value or value added. Vatin suggests that a market theory cannot be self-sufficient: the price becomes the only variable to be discussed in exchange if, and only if, all the characteristics of the good have been defined. This point made explicit by conventionalists in economics (Eymard-Duvernay, 1986; Dupuy, Eymard-Duvernay, Favereau, Orlean, Salais and Thévenot, 1989), in management and marketing (Gomez, 1994; Marion, 1997, 1999), created a mutual inspiration and dialogue between the economics of conventions and the new economic sociology (Jagd, 2007). These bodies of research suggest that exchange can only occur if there is a pre-existing agreement on the quality of those goods to be exchanged, as well as on the cognitive instruments that allows us to capture it.

This is the reason why Thevenot (2001) defines markets as valuation networks. The idea of valuation is not restricted to economic value. It can be made of rankings or ratios to create equivalence in phenomena others than exchange, as for example in the measurement of risk, of public opinion, etc. This process of creating equivalence between various entities is called, as mentioned earlier, commensuration (Espeland and Stevens, 1998). What is then the specificity of calculation defined for purposes related to economization processes, as proposed by Caliskan & Callon (2009, 2010)?

According to Callon & Muniesa (2005: 1231): “Calculating does not necessarily mean performing mathematical or even numerical operations (Lave, 1988). Calculation starts by establishing distinctions between things or states of the world, and by imagining and estimating courses of action associated with those things or with those

states as well as their consequences.” As argued by Lave (1988) in her seminal essay about cognition and everyday life, one cannot oppose calculation to routines, where calculation would be the result of instrumental rationality and routine, a kind of automated behaviour where there would be no calculation. In fact, as in mathematics, one can observe everyday behaviour where the individual seems to use a continuum of approaches that oscillates between qualitative procedures and quantitative ones. Guyer (2004) for example, studied the network of semantic classes through which objects acquire their singularity. She analyses the repertoire of measurement scales that can be relevant to monetary transactions. In particular, she examines the use of standard scales (nominal, ordinal, interval and ratio scales) and the valuations that take place simultaneously through what she calls a scalar judgement. In her study of commensuration, she looks at equations of words, of words and numbers and the role of tropes that allow navigation between scales.

Calculation starts by establishing distinctions between objects or states of the world. And the result of this first evaluation is then linked with imaginative practices or estimated courses of action associated with those objects or states of the world as their consequences, which is also congruent with the proposals of Miller (1994) and Power (2004) to study the relations between calculability and government with regard to accounting and managerial practices, as indicated in section 2.3.

In terms of process, calculation can be described by three steps according Callon & Muniesa (2005). First, to be calculated, the object of enquiry has to be detached - that is to say, it has to be taken out of its contextual insertion and put within a space that frames a basis for commensuration. The work of defining the categories, to which these objects can be assigned to, is one way to extract them (Bowker and Star, 1999). Secondly, the framed entities can then be compared, and manipulated on a common

basis. Once they have been sorted out, the entities can be combined, associated with one another and subjected to further translations (Latour and Woolgar, 1986) - i.e. manipulations and transformations. This combination is only possible if the entities have been cut off or disentangled from their original context. Disentanglement makes entities mobile and combinable. Inscriptions related to the objects are essential here (Latour, 1987): once studied entity can be subsumed with an epitome that is mobile and combinable on a computer screen, within an Excel spreadsheet, on a board, etc. A third step is necessary to accomplish a calculation: a result has to be extracted. A new entity must be produced. And this result generates a certain effect on the world, which is a performance. Isolating objects from their original context and grouping them in the same frame, establishing original relations between them, classifying them and summing them up before defining actions, are costly activities define the work put into calculation. Callon et al. (2002) and Callon and Muniesa (2005) see calculability as intrinsic to the character of markets, not only as allocation mechanisms, but mainly as collective devices for assigning value.

2.5.3. From quality to quantity

According to the calculability notion, the processes which make possible the assignment of numbers (such as prices) to entities is essential. Once entities are assigned a number, they become relatively stable and can circulate within networks. Commensuration, the process of making things equivalent has been discussed in section 2.3.2. The notion of qualification suggests that to calculate, agents have first to agree on the quality of things.

The notion of qualification in sociology is associated with the idea that collective agreements define attributes to be ranked and weighted. Qualification, in the field of labour sociology (Musselin and Paradeise, 2005) concerns the problem of building the

right fit between a job, a worker, and a salary. Theorizing qualification involves a dialectic movement between constructing a person's qualification and qualifying a job, as Abbott (1988) suggests. It was a French labour economist, Eymard-Duvernay (1986), who first proposed transposing the idea of quality to the study of product markets. Markets of goods may be segmented by differentiating between several qualities of products that break the homogeneity, limit interchangeability and create niches. This idea suggested interdependency between supply and demand. The concept of "economics of quality" coined by Karpik (1989) blurred the borders between sociology and economics by linking together the collective arrangements and social mechanisms of production, intermediation and exchange which standard economy had separated. It provided a theoretical link between qualification and socio-technical networks (Callon, 1989; Cochoy and Dubuisson-Quellier, 2000; Callon, Lascoumes and Barthe, 2001).

Using shopping as the example, Cochoy (2002) analyses in a detailed way the operations carried out by individuals to make their choices within a frame defined by the shop and the product on offer. He convincingly argues that choices are affected by material displays, resulting from the work of market professionals. Cochoy refers to a space of *qualculation*, a neologism coined to suggest the idea that calculations are both qualitative and quantitative and stress the permanent tension between the two. He suggests that no measurement is possible without a classification system.

The study of these classification systems has shown that they help to move beyond and finally to ignore non-essential differences and reduce complexity (Bowker & Star, 1999). Various systems need to be distinguished. A nomenclature, for example, is "an agreed upon naming scheme" (Bowker & Star 1999: 12), which cognitive psychologists have noted is the most elementary cognitive operation (Piaget, 1975;

Piaget, 1977a, 1977b, 1985). Classifications are more structured and linked to action: “A classification is a spatial, temporal or spatial-temporal segmentation of the world. A classification system is a set of boxes into which things can be put, to then do some kind of work” (Bowker & Star, 1999:10). The description is meant for a certain purpose, which is another calculative operation identified by Piaget (1977a). Once classification systems are institutionalized, they generate standards defined as “any set of agreed upon rules for the production of object”: “Like any rule, a standard spans more than one community of practice, it persists over time, and it makes things work together over distance and heterogeneous metrics; legal bodies enforce standards; standards have significant inertia” (Bowker & Star, 1999: 11).

It is only once they are accepted that such systems appear natural and incontestable. (Bowker & Star, 1999). Classification systems are the result of a work of making and maintaining them which appears more clearly when they break down or become objects of contention. To understand the role that classification performs, one should unpack the black boxes of categories, through a process of analytical deconstruction, as explained in section 2.4.2. This is what Bowker & Star’s project seeks to do. They want to understand how these categories are made and kept invisible. They remind us that that each standard and each category values some point of view and silences another, which is precisely what framing operations achieve (Goffman, 1974; Callon, 1998). Changing categories is a difficult process. Classification systems are thus the site of political contestations. In modern bureaucracies, the contestation of existing categories is often used in processes of destabilization of existing practices with significant consequences: “One consequence follows from the canonization of a category: people then socialize themselves to the attributes of the category... The result of the change in category, and its place in social order, is a shifting of balances

of distinctions, a change in the architectural relationships.” (Bowker and Star, 1999: 230-231)

As stressed in section 2.3.4, political scientists have taught us that categories give visibility to certain phenomena, and one should study this agenda with in particular the possibilities of comparability as well as control. Bowker and Star (1999) explore this logic further. They stress that the categorisation is not just about making things visible. It is also making other areas invisible, which is an invitation to study what is made invisible when something is put under the light of the categorical projector.

Classifications systems allow the qualification of things through a process of constructing and shaping differences. Because they also create intra categorical similarities, they enable at the same time the emergence of quantification practices which is noticeable already in the work of Foucault on “governmentality” (Porter, 1994, 1996) when he discussed the rise of statistics as a mode of government (see section 2.3.4).

With regard to markets and the economy, classification devices are central to the orthodox market segmentation concept, for example. More in line with the interactionist view espoused in this thesis, where categories construct and shape the phenomena they classify, Sjögren and Helgesson (2007) analyse the pharmaceutical industry in Sweden from a qualification angle. They state that the quality definition of a good is a central activity in markets because exchange depends on a series of devices including classification tools and standardization bodies. The enactment of tools and devices meant to qualify goods render them calculable and therefore make economic valuations possible. In this sense, classification devices are market devices because they underpin economization.

To account for the reflexive process of qualification of both agents and things, Callon et al. (2002) raise a series of apparently simple questions: how can we describe the process through which a thing is transformed into a good to which an economic agent assigns value? How can we explain the integration into the buyers' world of something that is designed and produced outside that world?

Callon et al. highlight the importance of the processes of mutual adjustment between things and human beings, consisting of multiple iterations and engagements, that also reminds us of the positioning processes which are the result of continuous qualifications between the world of the buyer and the world of the object. This process of co-elaboration leads to a singularization of goods, an idea proposed by Edward Chamberlin as early as 1933. It consists of a gradual definition of the properties of the product, shaped in such a way that it can enter into the consumer's world and become attached to it. Throughout the process of objectification (it has to be a thing) and singularization (it has to be a thing where the properties have been adjusted to the buyer's world), the thing (a product undergoing qualification) is progressively transformed into a good (Callon et al. 2002). The good leaves the world of supply, breaks away from it and slots into another world, that of the buyer, which has been configured to receive it.

The purchase is not the result of an encounter between a subject and an object, both external to each other. It is a process of attachment, which, through successive qualifications, leads to the singularization of its properties. This co-production requires market professionals (Hatchuel, 1995; Barrey, Cochoy and Dubuisson-Quellier, 2000; Cochoy and Dubuisson-Quellier, 2000; Mallard, 2000) that build the cognitive prostheses that will contribute to orchestrating the deployment of consumers choice (Cochoy, 2007), or develop the market devices (Callon, Millo and Muniesa,

2007), explicitly aimed at organizing the market (Kjellberg, 2001). It also implies the existence of metrological networks that will create the chains of equivalence that finally reach a compromise on value. With this interactionist view, where the object is shaped at the same time as the agent, there is no irreducible opposition between the practices that produce entanglement and the market transaction that implies a break (Slater, 2002).

The definition of the quality of things, also called “first order measurement” by accountants (Vollmer, 2006) relates to the institutions of classification that make counting possible. This phase witnesses extensive negotiation over categories of similarity and relevance, which translate qualities into quanta. Once the quality of things is agreed upon, a second order or meta measurement can be undertaken as the further aggregation of numbers and a further creation, via statistical and mathematical operations, via ratios and indices. As second order measures are normalized, they become cut-off from their original imperfect databases, they travel and are mobilized in unqualified form, constituting techniques of long distance control between remote centres of calculation (Law, 1986; Latour, 1987) and the basis for new interventions in organizations (Hacking, 1983).

The naturalization of the quality of categories through their quantification is obviously a matter of politics, as discussed earlier. This may well explain why a practice like accounting is constantly beset by critics about its efficacy and impact. Performance measurement systems function to define performance, direct management attention and induce behavioural change, rather than to represent phenomena faithfully, as mentioned in section 1.2. This leads us to the third dimension of calculability, performance generated by *qualculation* spaces (Cochoy, 2008).

2.5.4. Qualifying and translating for a certain performance.

Greimas (1983) and Serres (1974) brought to ANT the idea of a chain of translations. The interpretation of an object X is translated by a new object “X marked with A”. In networks, this new object will be translated again through a new interpretation, producing a new sign B and a new object [(X marked with A) marked with B] and this chain will continue until a provisional stabilization, which means that the network stops growing. To illustrate this process, Lorino (1995) takes the example of the interpretation of a machining activity through a quality indicator. The object “machining activity tagged with a quality mark” is interpreted as a diagnostic that the tool is worn out. Then the complex object “machining activity / quality mark / worn out tool diagnosis” is interpreted by the project to replace the tool. Such translations progressively enrich the object with explicit representations and move it into an object which will finally hide the initial object “machining activity”.

With the perspective that we have adopted, where materiality plays an important role within social relationship, Peirce semiotics, instead of the Greimasian one, is particularly interesting because of its focus on pragmatism which mobilises a ternary logic that includes materiality. These chains of translations / interpretations reflect what Peirce (1978) calls “semiosis”. The series of translations finally result in a specific interpretation which selects a form of action, a routine if relevant, or a newly created action if needed. Peirce calls this type of interpretation “habit” to designate the reasoned recourse to a well established routine of action, or a change after having established that a new routine is needed. The articulation of framing, inscribing to disentangle and performing proposed by Callon is largely similar, if not inspired by a logical figure in Peircian semiotics which links three elements (Muniesa, 2007). The triadic logic of Peirce is a type of interpretation which translates one object into a

representation via a theoretical judgement. The resulting representation gives way to the application of a certain kind of action towards the object.

To illustrate this idea, I will continue to use the example developed by Lorino (1995). Let's define a particular object, a machined piece qualified as faulty. When I qualify a piece as "faulty", I am interested in it through a specific angle: the piece seen through the angle of quality, which is a process of framing. Its cost, for example, doesn't interest me at this specific moment in time. I am only looking at it through its physical dimensions, within a tolerance frame. The object of the interpretation anchors the thinking process into the real and into the course of action. When one designates a piece as faulty, the object of the judgement is not the piece in general, but its quality. The judgment "this piece is faulty" creates the object "quality of the piece".

To qualify this piece as faulty, the analyst needs an interpreter, a general law or a rule of interpretation that allows linking this object to a general category. The interpreter calls a set of knowledge related to the object. It is a general law, therefore a concept (I have a certain conception of the faulty piece). This law opens up a repertoire of action modes (what should be done with faulty pieces). The interpretant is a law (certain dimensions of the piece should lead one to consider it as faulty), a judgement (behind this law, a certain actor has a certain opinion), and a theory (a general model of correspondence between the dimensional features of a piece and its qualification as faulty or non-faulty).

The interpreter opens up a repertoire of possible actions, but in a general way, without a precise application instance, similar to the epitomes of good. It is a potential for action, the definition of generic action modes. In our example (Lorino, 1995), the law could be "We estimate in the factory that a piece that has these dimensional features should be considered as faulty". As soon as the object is linked to a general category,

all the modes of action applicable to this general category will apply to it: “the procedure for this type of faulty pieces is X”, “this type of fault on a piece is the result of the machine operator”... and finally precise actions will follow such as “this piece will be machined again” or “we need to train the operators”. The triadic interpretation is meant for action. It generates and transforms particular actions, by linking them to general laws, but it also transforms general laws by putting them to the test through particular actions.

The triadic interpretation involves inscriptions or stigma that work as signs. The adjective word “faulty” works like a tag that qualifies the object. It signals a qualification trial. It defines the object within a certain space where the object is seen through a quality prism. The inscription / sign crystallizes the link between the interpretant and the object: the tag placed on the default piece delivers information to people, and by so doing allows for further communication, critiques, improvement, interpretations, etc. The sign is both the image of the interpretant and the image of the object: it represents the object from the point of view of the interpretant, the concept of faultiness which means that the object is reduced to a tagged object or a non-tagged object. It transposes the object into a space of reasoning.

The sign has a double nature. It first has an objective existence: it is a trace, a sound, a visual signal. Peirce calls this dimension the *representamen*. But this objective form constitutes a sign further to its immediate appearance, only in that it is grounded, as a generic representation, outside the particular situation. The *representamen* can be grounded as a representation through vocabulary: the sense of defect in general or in one company in particular, through a social convention: it is commonly agreed to tag default pieces with a red mark. The sign appears to be a concrete action possibility: as soon as a piece is tagged with a red mark, a series of action starts, which otherwise

would not be contemplated. The marked product with the tag “faulty” will be given a further interpretation (“marked products should be destroyed”), the product marked “to be destroyed” should be sent back to the supplier, etc.

Following this chain of interpretation, the object will suffer transformations. It will be enriched with all the signs which are getting crystallized on it, it will be in-formed, and it gets loaded with a history of interpretations that form the process of singularization mentioned by Chamberlin (1933).

In the construction of the triad “object – interpretant – inscription / sign”, each of the three elements benefits from a certain degree of freedom towards the other two. A dyad “interpretant-sign” does not totally determine the object. It allows a certain degree of choice regarding the interpretation of the real environment. A dyad “object-sign” doesn’t determine the interpretant fully either. It allows certain flexibility regarding the relevant laws valid to interpret one situation. The last dyad, “interpretant-object” doesn’t close the representation through signs. It lets a certain choice be possible with regards to the expression register.

Within the tradition of the sociology of STAs, Muniesa (2007) applies Peirce’s vocabulary to interpret what a price is. He discusses the manufacturing of stock prices on the Paris stock exchange, tackling the issue of aggregation and the concept of the quality of a price. He takes prices as signs in a pragmatic way, that is to say considering signification as an action involving several kinds of aspects and materials. Prices are taken as material entities, always tied to concrete arrangements. He considers their material shape and display, the way in which they stand as a trace of something and, finally, their fit into a series of connections to other actions. He concludes by proposing that: “Peirce’s method of semiotic inquiry helps us to be alert to the fact that to signify is always an action, ..., and that to price is, among all

signifying actions, one in which the materiality of designation is most empathetically at stake” (Muniesa, 2007: 390).

We can see the similarity of Callon’s work with Peircian semiotics in that cognition or the process of semiosis is situated and is the fruit of long chains of translations within networks. Finally, in the introduction to *Market Devices*, Muniesa, et al. (2007) explicitly refer to the French pragmatist tradition (Deleuze & Guatari, 1980) and to the pragmatic turn in economic sociology. A ternary approach is particularly visible for example in Beunza & Garud (2007) who structure their analyses of the valuation networks on financial markets with categorization, analogies and key metrics.

This discussion of the theory of market STAs proposed by Callon and associates ends this review of theoretical approaches that have strongly contributed to develop a vocabulary for the understanding of market and calculative practices. We can now turn our attention to the limitations of these approaches which will lead us to the research questions of this thesis.

2.6. A framework for the study of market practices

The last section of this chapter summarizes the key ideas that emerge from our theoretical discussion. It proceeds to show why these various theoretical strands are compatible and complementary. It continues by highlighting a few gaps in the literature leading to the formulation of a number of research questions that will be investigated in this thesis.

2.6.1. A summary of the theoretical orientations

Our research is concerned with the government of economic life, and markets in particular. Within the general field of market studies, my broad aim is to research market practices. The key elements of the four theoretical perspectives covered in this chapter are summarized in figure 2.6.1:

Theoretical framework for understanding market practices				
	Practice based approach to markets	Studies of governmentality	Sociology of translation	Sociology of STAs
Projects	Studying bundle of practices including material arrangement that contribute to perform markets	Studying set of concrete devices and practices that contribute to governing public and economic life	Studying science and technology "in the making" through the analyses of translations that turn facts and artefacts into black boxes	Studying economy and markets through the analyses of STAs that include theories as stakeholder of the STA
Key concepts	Market practices Bundle of practices Material arrangements Performative idiom	Technologies of government, Discipline, Epitomes	Translation, Socio technical networks, Actor-network	Performation Socio Technical Agencements(STAs) Market devices Calculativeness Valuation Scalar judgement
Major milestones	<u>Practice based approach:</u> Schatzki, 2001, 2005 Reckwitz, 2002 Pickering, 1995 <u>Practice based approach to markets:</u> Araujo, 2007 Araujo et Al., 2008 Kjellberg & Helgesson, 2006, 2007a, 2007b Cochoy, 1998, 2002, 2008 Ahrens & Chapman, 2007	Foucault, 1977, 1978, 1980 Weber, 1968 Girin, 1981 Berry et Al 1979 Moison, 1997 Miller, 2001, 2008 Bowker & Star, 1999 Espeland & Stevens, 1998 Desrosière, 1993 Porter, 1986, 1995	Latour, 1987, 1992, 2005 Latour & Woolgar, 1986 Law, 1986, 1999 Callon, 1986 Akrich et Al, 2006 Miller & O'Leary, 1994	Callon, 1998, 1999 Callon et Al, 2002, 2007 Caliskan & Callon, 2009, 2010 Callon & Muniesa, 2005 MacKenzie, 2003, 2004, 2007 Guyer, 2004
Key domains of study	Industrial markets, Consumer goods markets	Economic policies and public calculation, Large organisations	Science and technology, Organisations	Markets

Figure 2.6.1: Theoretical framework for understanding market practices

This thesis adopts the view that it is more fruitful and rewarding to study markets-in-the-making rather than marketing, more narrowly defined. It seeks to understand how markets are defined and shaped from the vantage point of a focal organization. It shares the insight of Araujo et al (2008: 5) that markets are made to hold together through ‘market practices’ defined as“...bundles of practices including material arrangements that contribute to perform markets”. This idea has directed our general

interest for market practices towards understanding what market practices contribute to the shaping of markets.

A first, pragmatic approach to study market practices invites us to consider what “market professionals” do when they claim to manage markets. But as Araujo et al (2008) suggested, practices cannot be limited to the study of processes. Market practices should include the study of all arrangement put in place by economic actors when performing markets, including the instruments and devices they use.

A second implication stemming from a pragmatic approach is to study specific practices as Kjellberg and Helgesson (2006, 2007a) have suggested through a model that combines exchange, normalizing and representational practices. Calculativeness is seen as a collective and distributed set of practices which is consistent with Araujo et al’s (2008) view of markets as ever-changing performances rather than stabilized entities.

The Foucauldian studies of governmentality is a research perspective that has compatible with our framework since it adopts a performative view that addresses power and the instruments of government. Foucault proposed the idea that devices are both constraining and enabling. Commensuration processes offer standardized ways of creating routines. They contribute to the making of the political issues they claim to study. Devices made up of instruments, techniques and tools form epitomes, simplified views of the world that serve technologies of government. In this tradition, to govern is to establish a set of concrete devices that contribute to framing individual minds and conducts in a disciplining way. The Foucauldian studies of governmentality generated abundant rich seam of literature that studies the role of calculative devices

in shaping public policy and economic life, including organisations. This literature however, has not addressed markets specifically.

The sociology of translation or actor-network theory (ANT), provides a rich vocabulary to study the emergence of phenomena in-the-making (Latour, 1987). With its relational approach, translations create networks, the actors and objects through interaction. This type of approach aims at de-constructing the black boxes of the phenomena under scrutiny, to de-naturalize them and to recover the social and political work that has gone into their construction. ANT has increasingly been adopted to study a variety of subjects outside science including technology, accounting, finance, and organisational change. Its latest extension have pushed researchers such as Michel Callon to consider economics as a challenging field for the sociology of translation.

The theory of socio technical *agencements* (STAs) is a way to name the evolution of ANT towards the study of the economy and markets. Processes of economization and marketization are explored, putting at the centre of the conceptual framework the idea of *agencement* developed by Deleuze and Guatarri. A theoretical shift occurred when Callon mobilized the concept of STA to stress the idea that theories are stakeholders of these *agencements*. The focus of this research program is the study of the conditions under which calculativeness and calculative agents emerge. Valuation processes involve calculations in a broad sense. Calculations involve establishing distinctions between objects or states of the world, combining entities that have been cut off from their original context, and finally, extracting results. This triadic structure

is reminiscent of the pragmatics of Peirce that links object to inscriptions through a law of interpretation, as used in the work of Muniesa (2007).

The contribution of the sociology of STAs is highly relevant for our research project. First, the view of agency, mediated by instruments as well as the ingredients that take part in government technologies, can be understood through the concept of *agencement*. Secondly, it pushes the tenets of ANT further by closing the gap between theories that describe the world and a theories that perform the world. With the idea of co-performance, the theory and the material devices are part of the same system. Thirdly, it explicitly puts economization and marketization processes at the core of its concerns through the focus on market devices.

2.6.2. Complementary view points

The Foucauldian studies of governmentality, the sociology of translation and the theory of STAs are theoretical perspectives that are highly complementary with the market practices view presented at the outset of this chapter, in three different ways.

First, all these research strands put the idea of performance at the core of their concerns. They stress the performative dimension of theories and they believe that science, and quantification in particular, constitute the world as much as they describe it. These views question the “taken-for-grantedness” of things. They consider commensuration and calculation as central in the organization of social life and they see these processes as highly political. Calculativeness, in all these traditions, is a practice that shapes the world in a performative way.

Secondly, they all adopt a practice orientation in that they consider a nexus of human participants and technologies which, while generating a specific body of knowledge, also generate behaviours. All these theoretical orientations have been influenced by a pragmatic semiotics to a greater or lesser degree. They place devices, socio-technical

networks, arrangements or socio technical *agencements* at the core of their theories. They draw attention to the complex relations that exist between various types of heterogeneous elements, including humans and non-humans. More specifically the sociology of STAs with the idea of *agencement* extended traditional ANT concerns with science and technology to the sphere of the economy, economics and markets. In particular, scholars of market STAs have specified the interaction between a specific body of knowledge, economics broadly understood, and economic behaviours. They have put calculative practices at the core of their research programme and shown that markets are made of sets of knowledge and activities which go beyond mere allocation mechanisms. They have studied individual market devices to understand the material and discursive assemblages that intervene in the construction of markets (Muniesa et al., 2007).

Finally, these theoretical orientations view agency as a result of practices which include activities and processes, but also shared representations through ideas, models and instruments. Agency is thus mediated and distributed.

In other words, the research strands examined in this chapter offer a rich and congruent vocabulary to address our subject matter, markets and calculative practices. The next sections will build on these research streams and will frame the research questions of this thesis.

2.6.3. What remains to be done?

In all the research strands that we have summarized above, research on calculation provided us with rich insights into the nature of markets. However, five areas of concerns create a renewed interest in calculation for the study of market practices.

2.6.3.1. *The deployment of modes of calculation*

Callon & Muniesa (2005) and Kjellberg & Helgesson (2006) amongst others, demonstrate how markets are performed and shaped by multiple calculative agencies. Other contributions (namely Kjellberg (2007) and (Andersson, Aspenberg and Kjellberg, 2008)) illustrate how the emergence of market agencies is closely associated with particular calculative tools. However, the interest in calculation hasn't been matched by an interest in how modes of calculation are deployed in efforts to govern economic life (Miller, 2008). To put it differently, we still need to understand how do modes of calculation link up with, represent and embody particular ideas about how economic life should be governed. To date, few empirical studies have examined this interaction between calculation and ideas through the involvement of particular devices, such as classification systems for example.

2.6.3.2. *Formal and less formal theories*

The notion of performance suggests that there is no economy without economics. If scholars of market STAs have discussed the ways economics as a discipline performs the economy as a field of practice, they have not focussed on other kind of theories or formalised set of practices that practitioners use when involved in the management of markets. For example, category management is a set of practices that may not be approved by scholars as sound. In any case, it is mobilized by marketers who claim to manage markets. This aspect would invite scholars with a practice orientation to study all kind of theories involved in the performance of markets, including those which are less formalised than economics or management. Our assumption is that less formal theories would allow analysing the mutual performance of markets and the set of ideas that underpin performances.

2.6.3.3. *The study of mundane market constituents in interaction*

Callon (1998) invited scholars to explore under which conditions calculativeness is rendered possible and how calculative agents emerge. More specifically, this invitation suggests the need to understand how goods, the configuration of sellers and buyers agencies and their encounters are calculated.

Instead of studying these various market constituents separately, as most studies have done so far, a relational perspective should allow to account for the reflexive process of qualification of both agents, goods and their encounter. Studies that take an interest in these diverse dimensions often take a partial view. They tend to study one aspect or one device in isolation without analysing their combination in concrete practices.

Furthermore, studies of performance have tend to explore specific types of markets such as financial markets (e.g. MacKenzie and Millo, 2003; Lepinay and Callon, 2009), entrepreneurial ventures (Doganova, 2010), or carbon trading markets (MacKenzie, 2009), exploring *agencements* where formal theories about economy are involved. Few studies explore these issues in more mundane markets (with some exceptions such as (Kjellberg, 2001; Cochoy, 2002; Cochoy, 2007))

2.6.3.4. *Disciplining agents, altering their capacities*

The literature on governmentality was found to be particularly relevant to explore the performative role of instruments. The morphology of instruments that embeds technical infrastructures as well as conceptual ones (e.g. indicators, models, procedures) imposes tacit rules and create individuals who come to act as self-regulating, calculating agents. Because instruments have a political dimension and a performative nature, social and political actors have very different agency according to the instruments that they mobilize. This idea is stressed by Miller (2001: 392) who called for the “...examination of the emergence of calculative practices, and the ways

in which new calculative practices alter the capacities of agents, organizations and the connections among them”. If they are countless studies that show how instruments impact human behaviours (Caliskan & Callon, 2009), the disciplining effect of calculative practices in relation to markets still needs exploring.

2.6.3.5. *Calculating and managing (in) markets*

The sociology of STAs was found relevant to understand market and calculative practices in that it gives a definition of the market compatible with a practice perspective. To manage markets or to manage in markets, is not to control in a deterministic way the action of multiple actors, but to influence and shape the various dimensions of STAs through calculations made of three distinct stages (Callon and Muniesa, 2005): framing, disentangling and combining, and extracting a result out of calculations. The variety of calculative practices is an essential aspect to study if one sees multiple and distributed calculative agencies as key elements that shape market practices (Araujo et al., 2008). Whereas framing operations and the assignment of numbers to objects have been addressed in the literature, studies that analyse the ways actions are drawn out of calculation are very scarce. The role of calculative devices involved in making possible futures desirable, or to stabilize existing arrangement has yet to be explored.

2.6.4. Research questions

The discussion of the theoretical framework defined to explore market practices and more specifically calculative practices has brought to light the importance of a series of issues that call for further research. The research questions can now be formulated. They are summarized and articulated in figure 2.6.2.

A practice based approach to markets involves the understanding of bundles of practices that contribute to performing markets. The concerns to explore how modes of calculations are deployed, how less formal theories are involved, and how market constituents shape each other in interaction lead us to raise an overarching research question:

“What particular calculative practices are at play in making operable the assemblages of ideas, artefacts, practices, people etc. that form and shape mundane markets?”

A practice based approach to markets also involves the understanding of particular arrangements. The importance of theories and calculative practices, that apply to various market constituents in combination, leads us to emphasize the role of socio technical *agencements* that need to be identified. The assemblage of ideas, artefacts, practices, people etc. can be encompassed with the concept of STA. We can therefore phrase a first, narrower research question as :

What STAs are put in place to perform mundane markets?

Market practices can be analysed through STAs that include particular sets of practices. Our purpose is to focus on calculative practices. The government of economic life and markets in particular involves calculativeness that disciplines agents and organizations and alters their capacities. To address these issues, a second operational question can be asked:

What calculative practices are involved and how do they alter the capacities of agents, organizations and the connections among them?

Finally, the focus shifts to the issues related to managing (in) markets. To better understand the role of calculative devices involved in performing markets, in making possible futures desirable, or to stabilize existing *agencements*, a third operational question is formulated:

How do actors articulate the result of calculations with the actions that have to be put in place in their efforts to shape mundane markets?

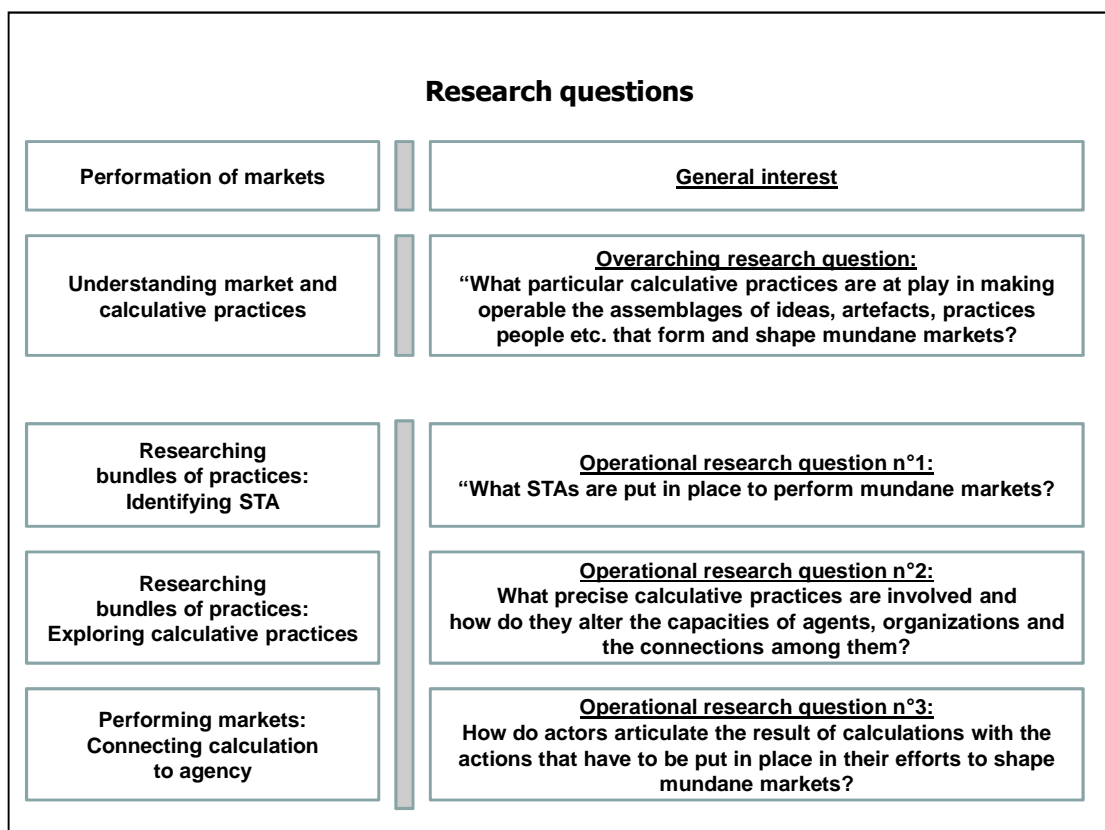


Figure 2.6.2: Research questions

To investigate these questions, the next chapter will explain what it does mean to study markets in practice. It will introduce both the empirical setting of the research as well as the methodological procedures that have been put in place in the development of the thesis.

Chapter 3. Methodology

3.1. Introduction

Human beings are guided by abstract principles. These principles combine beliefs about ontology (what is the nature of reality?), epistemology (what is the relationship between the inquirer and the known?) and methodology (how do we know the world, or gain knowledge of it?). The net that comprises the researcher's epistemological, ontological, and methodological premises may be termed an interpretive framework, a basic set of beliefs that guides the conduct of the researcher.

The objective of this chapter is to make explicit this interpretive framework so that the reader can gain an insight into the process I undertook to carry out this study. The chapter is structured as follows: the first section elaborates on the ontological and epistemological position that derives from a practice based approach. The ontological and epistemological position, together with the theoretical framework that we presented in the first chapter, play a key role in determining the methodology and research methods adopted in this thesis. Section 2 describes and justifies what I consider to be the main strategic research decisions: the choice of the field of enquiry, my position as a researcher and the basic methodological approach that I have adopted. Section 3 addresses the procedures of data collection whereas section 4 discusses data presentation and analysis.

These elements are presented in this chapter in a linear sequence, following the conventions of a PhD dissertation. The practice of the empirical study, however, was much more an iterative process for reasons that will be explained later in the chapter.

3.2. Ontological and epistemological position

The theories mobilized in chapter 2 share a common denominator. They are practice theories. This perspective embodies a strong ontology that this sections seeks to clarify. Practices have been defined as “...embodied, materially mediated arrays of human activity centrally organized around shared practical understanding” (Schatzki, Knorr-Cetina and von Savigny, 2001: 2).

This definition stresses the importance of shared understanding which points to the contextualist view of this approach. In this perspective, what is true is dependent on the context of the truth claim. A scientific statement therefore only makes sense within the context of its enunciation. Cultural, social and material elements explain the role played by tacit knowledge and incorporated skills within the production of scientific knowledge. These are the characteristics of science as a “socio-cultural practice” (Callon, 1994). Pickering (1992) shares this point of view and considers science as a practice, as work. Science is a human activity that owns distinct characteristics but that should be analyzed like any other human practice. Consequently, good research is one that generates consensus. Scientific success or failure should be explained like success and failure in any other human activity (Bloor, 1991). A scientific agreement is a matter of trust and credibility. Because third parties are involved at all the stages of the experimentation, from its conception to the implementation, and because objections are dealt with as they emerge, the result of the experimentation becomes a collective result. The credibility of the results is the fruit of the way confidence is managed (Pinch, 1986). Truth arises through communication and negotiations within a community of practice, as indicated in chapter 2. With this view of science, the consequence for a research like this one is that the researcher must display rigour, relevance, logical consistency, breadth and depth of knowledge. He must be able to

monitor both empirical and theoretical material to support his arguments and, in so doing, convince the reader to take what has been written seriously.

The definition of practice (Schatzki, Knorr-Cetina and von Savigny, 2001) proposed above also highlights a materialist view as the human activities are closely linked to constellations of material devices. “Order should not be conceived of as regularities, but instead as arrangements of people, artefacts, and things. I contend next that social practices govern both meanings of arranged entities and the actions that bring arrangements about, and that this governance is the basis of social order.”(Schatzki, 2001: 6-7). The sociology of translation (Callon, 1986; Latour and Woolgar, 1986; Callon, 1987, 1999; Latour, 2005) and the sociology of socio technical *agencements* (Callon, 1998; Callon, Millo and Muniesa, 2007) share this view. With the idea of translation, statements are particular kind of inscriptions that can travel from the physical world to the other worlds. Mobiles, made of graphical representations, tables, reports, scientific articles, circulate which is the expression of their existence (Latour and Woolgar, 1986; Latour, 1988b). In this perspective, any statement is embedded in a chain of translations. The success of a statement depends on socio technical *agencements* that make them robust and able to resist counter translations. In such networks, the idea of a grand divide between nature and society doesn't mean much anymore, and even the idea of context mentioned above is dissolved. A translation network links heterogeneous elements that form a web of equivalence, in which one can find technical devices, inscriptions, human actors, and organisations that interact (Callon, 1994). Star and Griesemer (1989) have proposed the idea of inter(°)pretation to highlight the idea that a scientific statement can speak in the name of nature after a cascade of representations. In the model of enlarged translation (Callon, 1994), the notion of action disappears to the benefit of translation, because to

act is a matter of circulation, of deviation, and ultimately, of translation. A translation cannot be explained because it is the mode of existence itself. However, the strength of a statement can be described by the network that brought it into existence. Pickering (1990) argues that the convergence through translations of models, experimental procedures and interpretive frames that he calls the “mangle of practice” creates the robustness and the stability of a statement. Therefore, he suggests that the robustness of scientific statement can be explained by the exploration and the description of interactions between heterogeneous elements, including ideas, things and inscriptions.

Within this ontological and epistemological position, a theory can be seen as a network of terms and constructs which together may provide a plausible explanation of a setting. Schatzki (2001) defines theory as a general and abstract account. He admits that “...this definition depart from both the once dominant conception that ties theory to explanation and prediction, and the more colloquial and still prevalent notion that theories are hypotheses” (Schatzki 2001: 4). Consequently, the term theory covers practices as diverse as systems of generalizations, typologies of social phenomena, and also “...description of social life – so long they are couched in general abstract terms” (Schatzki, 2001:4). Because practice theorists largely link their theories to the field of practice, they raise doubts about generic explanations of social life. The theory that can be produced are rather modest sociologies, as Law (1994) stressed. Consequently, the objective of our research is “...to construct reasonable, communicable and disputable statements through the double game of experience (rather than experimentation) and the exercise of logic” (Martinet, David, Hatchuel and Laufer, 2000: 121).

3.3. Research methodology

Methodology is the general approach taken to the study of a research topic. It refers to the choices we make about cases to study, methods of gathering data, and forms of data analysis. The type of object at the centre of our enquiry, market practices, reflects a certain vision of the world and advises a certain kind of methodology.

3.3.1. Interpretive practices and ethno-methodology

This initial point of departure will lead to an inclination for methodologies that respect the complexity of the social, defined as a field of practices which includes individuals in their context, with a certain history (Schatzki, 2002). In this section, I argue that interpretive practices in general, and ethno-methodology in particular offer such features and are highly relevant for the study of calculative practices and markets in-the-making.

Interpretive practices can be broadly described as the procedures, conditions and resources through which reality is apprehended, understood, organized, and conveyed in everyday life. They are concerned with the question of how the social reality is constructed, but also with what is being accomplished, under what conditions and out of what resources. People construct their world but not completely in their own terms (Gubrium and Holstein, 2000).

Among interpretive practices, ethno-methodology focuses on how members “do” social life, aiming in particular to document how they concretely construct and sustain it. In reaction to Parsons, and rejecting a vision of actors as being “cultural dopes the founder of ethnomethodology, Garfinkel (1952), viewed actors as possessing linguistic and interactional skills through which they generate accounts of their everyday life which are meaningful to them. In his approach, actors are deeply

involved in the production of social order. To understand how they make sense of social order and to make visible how social reality becomes taken-for-granted, Garfinkel and Sacks (1970) recommend that the researcher should temporarily put his or her a priori version of the social world on hold. This is why ethno-methodologists take subjects' practical reasoning as an adequate way of interpreting the world at hand. They consider how they account "artfully" for their actions, rendering them orderly. They set aside the idea that actions are externally governed by rules (the classical sociological explanation) or internally motivated (the classical psychological explanation) because they want to observe how subjects themselves establish and sustain social regularities. Social order is not externally imposed. It is locally produced by way of the practices of mundane reason (Pollner, 1987). Social order and its practical realities are reflexive.

In terms of procedure, these studies consider the situated content of talk in relation to local meaning-making. Actions and objects are indexical, which means that their understanding depends upon context. It is through contextualization that practical meaning is derived. In principle, the texts produced from such studies should be highly descriptive of everyday life, with both conversational extracts from the setting and ethnographic accounts of interaction used to convey the methodical production of the subject matter in question.

ANT scholars share a large number of views with ethno-methodologists. However, they refuse to limit their accounts to the regularities of ordinary conversations and do not share the idea of reducing social life to talk and conversational sequencing. Instead they recommend focusing on the rich social fabric made up of heterogeneous actants (Lynch, Livingstone and Garfinkel, 1983). Still, ANT scholars since the very beginning of their studies of science in the making, have applied most of the

principles of ethno-methodology. These researchers share the belief that actors possess a complete vocabulary and theory to understand their behaviour and account for their actions (Garfinkel, 1967; Latour, 2005). They refuse to distinguish between actors that have a common sense language and analysts who own the theoretical language in which the first is embedded. Actors have the ability to create and to express their own theories of action to describe and justify agencies' effects as explained in Latour's (1987) *Science in Action* (appendix 1). To study these interpreting actors, Latour suggests further methodological prescriptions that can be summed up by a number of principles. With the general aim of studying science in action instead of ready-made science, Latour (1987) reminds us that we should look at how things get transformed instead of looking at the intrinsic qualities of claims. We should look at the angle and the direction of the observer's displacement and at the length of the network that is being built. The inscriptions and the translations that they generate, he insists, play a crucial role: by analysing how inscriptions are generated, put together and combined, we can follow the actants and the associated translations that they inevitably generate, during their controversies, until they are settled. In terms of analysis, Latour recommended operating a de-scription of the existing black boxes of those things taken for granted. The analysis should add to description and not seek to reduce a phenomenon to a finite set of linked constructs. The specific explication will always be a one-shot account exclusively tailored for the problem at hand (Latour, 1997). Generalization is thus a matter of further translations.

ANT scholars have been able to maintain the tradition of generating detailed accounts thanks to the study of networks of relationships between heterogeneous actants using a longitudinal and processual perspective, as in the case of the laboratory life (Latour and Woolgar, 1979). Scholars influenced by this tradition have also produced very

rich empirical descriptions of market devices (e.g. Callon et al, 2007). This is the approach that I intend to follow.

3.3.2. Selecting a field and the casing process

Doing qualitative field research is not simply empirical but a profoundly theoretical activity (Walton, 1992). The field in itself is not just part of the empirical world but is shaped by the theoretical interests of the researcher: “The practice of doing qualitative field studies involves an on-going reflection on data and its positioning against different theories such as the data can contribute to and further develop the chosen research questions. Data are not untainted slices of objective reality but aspects of recorded activity that a study finds significant for theoretical reasons.” (Ahrens and Chapman, 2006: 820).

I now want to explain why the selection of my field of study, the phenomena and the cases are relevant for answering the research questions. I argue that the choice of the fuel retail sector, of BEST as a focal company, as well as the observation of category managers in this company are an appropriate setting for studying market practices.

3.3.2.1. Justifying the field selection

Our interest in market practices and in particular, calculative practices presupposes that we can access a field where the various components of a socio-technical *agencements* that form a market can be observed in a longitudinal way. The retail sector is such a field. Because retailers manage shops, they offer an ideal vantage point to observe and analyse the framing of the encounters between consumers and products (Dubuisson-Quellier, 1999; Cochoy, 2002). Retailers depend on and negotiate with suppliers which in turn allows for observation of meetings between these types of market actors. Retailers have dedicated managers concerned with

managing markets and they are exposed to various institutional constraints, such as legislation on prices, margins, etc. Finally, and provided the retailer has an international presence, such a site offers the possibility of comparing and making sense of actions against various country-specific backgrounds.

Within this sector, the fuel retail sector is most unusual in that it has been transformed profoundly over the last two decades. This means that it is a field undergoing transformations, where one will inevitably meet open controversies. As Latour (2005) puts it, the study of things in the making suggests that one observes entities when the black boxes are still not closed or when they are being reopened, through networks that are changing their length and configuration.

Finally, the choice of BEST as a company that operates in the fuel retail sector is a relevant one because this company belongs to the world leading fuel corporations with a presence in most of the European countries and a leadership position among the four largest countries of the European Union. The size of BEST makes it an inevitable partner for the suppliers, a banner brand with a significant level of awareness for the consumers and finally, a company that can initiate major changes and make a difference to the markets it operates in.

3.3.2.2. Why is category management an interesting phenomenon?

The intention of this research project is to understand market practices and the way they evolve; the introduction of a new business method is a moment that destabilizes existing practices, that channels them through an alternative process. In other words, the introduction of a new business method creates controversies about ways of doing things, which is the story that I want to follow.

Category management is a staged method designed to manage suppliers, their offers and the in-store marketing activities proposed conjointly by the manufacturers and

their clients. Category management was initiated by large retailers such as Walmart, Tesco and Carrefour together with large manufacturers such as Procter & Gamble, Colgate and Henkel in the early 1990s. For reasons that will be described later, BEST senior managers had the feeling that category management could help improve the competitiveness of their company within the fuel retail sector. The study of how BEST implemented category management is relevant for the research project because it is a methodology designed to be put in the hands of market managers to develop the business through the management of categories: consumer categories, product categories. In addition, category managers are accountable for the negotiation with the suppliers which provides the researcher with a privileged access to the discussions and negotiations that occur with the manufacturers and suppliers of goods.

Studying the implementation of category management enables the researcher to compare ways of doing both before and after the introduction of category management, to record perceptions of performance, and assess the transformation needed within the organization and its relationship with suppliers and consumers.

3.3.2.3. A longitudinal case made up of four embedded cases

Because practices include material devices, the understanding of specific practices necessarily involves capturing material configurations. Consequently an ethno-methodological approach will be needed to understand the material setting within which activities propagate. Because practices are also made up of daily conversations, of decisions and concrete actions, studying the implementation of category management at BEST in Europe is a process that occurs in real time. This makes possible the elimination of two types of bias: the weakness of the researcher's memory and the ex-post rationalisation of the informants (Van de Ven, 1992). Procedural research should multiply the points of data collection, which requests that

the researcher be emerged in the field for prolonged periods (Girin, 1990). These three reasons advocate for the use of a longitudinal case, a research protocol entirely suited to the understanding of practices within organisations (Ahrens and Chapman, 2006; Ahrens and Chapman, 2007).

The use of this type of case implies a series of consequences for the researcher that Latour (2005) highlighted. First, translation networks imply a broad set of heterogeneous elements, which involves a broad data collection method operating at multiple levels. Secondly, it is necessary to inscribe processes in history to understand the length of these networks, which means that I will need to give an account of the history of the company and the genesis of category management within it. Thirdly, following controversies hardly leads to linear stories. Thus issues that appear in one case in the foreground, may reappear in another case, but be in the background.

To make sure that the case at hand is rich enough for the purposes of this research, it is imperative that the focal company is involved in shaping the key constituents of Callon's (1999) socio-technical *agencements* that form markets, namely the configuration of buyer and seller, and their encounter, as well as the configuration of the goods, as described in chapter 2. Thus our longitudinal case is broken down into five embedded cases that emerged as I followed the controversies around these key constituents. The choice of a case is persuasive only if it is properly selected for the sake of a research question. Oriented cases (Miles and Huberman, 2003) should be justified according to the way they constitute useful instances of particular phenomena and this is the reason why we have split the broader case into five embedded sub-cases.

The first embedded case focuses on the emergence of category managers. The second sub-case follows the controversies that occurred between category managers and

BEST's suppliers. A third sub-case studies yearly negotiations and shows how market categories are progressively shaped in negotiations between BEST and its suppliers. A fourth embedded case elucidates the processes through which the definitions of what constitutes a petrol station and the on-the-go consumer mutually shaped and influenced each other. Finally, a fifth sub-case follows the shift that occurred within BEST on how performance was measured.

Processual research also demands that the researcher can have an immediate access to the discussions and the material that constitute the field. This raises the issue of the access conditions to the field. I had to be able to follow, in real time, the process of formulation and implementation of category management from the very beginning of the initiative. This requirement is demanding but essential for it conditions the relevance and the originality of this study.

3.3.3. Gaining access to the field

Atkinson & Hammersley (1994: 249) suggested that the positioning of the researcher within the field of research can be clarified by addressing the following questions: is the researcher known to be a researcher by all of those being studied, by some of them, or by none? How much, and what, is known about the research and by whom? What sort of activities are or are not engaged in by the researcher in the field, and how does this locate him or her in relation to the various conceptions of category and group membership used by participants? What is the orientation of the researcher and how completely does he or she consciously adopt the orientation of insider or outsider? To address these questions, the next section details the various roles that I completed under a variety of status in the 5 years that I spent in the field, between the end of 2001 and 2006.

3.3.3.1. Doing conferences and training

I first got in touch with BEST in December 2001. BEST is a fuel company that operates a network of petrol stations across Europe with shops attached to each station. My employer, EMLYON, was contacted to provide someone who could give a series of talks on category management in the retail industry.

As a specialist of management methods within the retail sector, I was proposed by EMLYON to give a series of talks on the subject in front of BEST's European retail managers on three occasions during February 2002. At this time, I knew that I was planning to undertake a PhD project broadly concerned with managerial innovations. In relation to BEST, I was first a business school faculty member, talking to them about the state-of-the-art in category management in the retail industry. Through my CV, I was identified as a marketing expert, specialised in consumer goods and interested in retailing, supplier-retailer cooperation as well as innovation, in terms of product development as well as managerial methods. While giving these three talks, I was perceived by the participants as an academic, speaking as a teacher giving a lecture, but also as someone who would be interested in writing papers about what managers do in companies. This status and assignment provided me with access to documents about the fuel retail sector. It also helped me to understand the history of the company, the various mergers it has gone through, and the dynamics of the sector. This type of data is used in my research to understand the background against which the controversies I studied occurred.

The status of an academic was clearly differentiated from the status of a consultant. The perception of a consultant, as I was to discover later on in the field work, is that of a business man, trying to push certain methodologies with little adaptation to the context, and in a repetitive fashion. An academic, the participants believed, can feel

free to express open positions which are not necessarily “politically correct” within the company. And if he doesn’t speak much, this is because he is involved in his research, a type of activity that demands a certain distance from the discussion. In contrast, a consultant is less free in that he has been hired by the senior management for a very specific task with a political agenda, seen positively or negatively by the various participants. Being identified as an academic within a business school, potentially gave me the status of someone who is interested in knowledge, and less interested in securing revenues for his consultancy company, which granted me a presumption of neutrality.

3.3.3.2. Doing participant observation

After the three sessions in February 2002, it was decided that category management would be implemented within BEST. I then declared my interest for further collaboration in my capacity as a scholar interested in management innovation. My position as a researcher became overt within the circle of the retail managers in Europe, and at the core of it, within the European Marketing Development Department (EMD), a department in charge of consolidating the marketing activity at a European level. This position led the managers to perceive me as someone who was interested in advanced managerial methodologies, sometimes seen as fancy or fashionable such as quality control or customer relationship management (CRM).

I was warned that category management should not be seen as a fad or a fashion and this forced me to clarify my theoretical positioning and broadly explain my approach: I wanted to research the process of implementation of a certain type of methodology, category management in this case, because it was largely to do with managing markets and managing supplier / retailer relationships. My interest was not specifically in category management as such, but rather in the interaction between a set of

recommended practices and the company in which such a staged initiative is implemented. A short research proposal was written and approved by the Head of the EMD in March 2002. I was then directed to someone who would be my “Single Point of Contact” (SPOC) within the company. In the following chapters, I name my SPOC “Mike”. He was a member of the European Marketing Development (EMD) department, and he was assigned to the management of the suppliers at the European level. As such, the subject “category management” fell inside his remit. Mike had been given the broad mission of helping BEST to become a retail focused company and in this context, he was asked to trigger the implementation of category management throughout Europe after he had organized the initial sessions I had delivered.

This contact was a great opportunity since Mike was to grant me access to all the projects that would be related to the implementation of category management. As a *quid pro quo*, he asked me to assist him in the writing of the minutes of the meetings. This shift in terms of role slightly changed the status of my research and made it become more of a participant-observation method.

Because of this position, I gained access to a lot of documentation, meetings and privileged contacts with a lot of managers within the company. But, by the same token, I also became a member of a particular team, the EMD Department, that I realised forms an internal coalition that I would not be able to describe at the beginning of my work. I was not a full insider of EMD but still, I was someone associated with the head of EMD. In the meetings that I attended, I was declared as someone helping Mike write the minutes of the meetings, and an academic in a business school with a strong interest in methods for managing markets, and doing occasional training sessions on category management for various companies. When

asked further by the participants, at coffee breaks for example, what my precise research subject was, I explained that my interest was in the implementation processes of new methods of market management.

As part of my collaboration agreement, I had to sign a confidentiality agreement that specified that I had to protect the identity of the company through a code name and conceal any information that could lead a specialist of the sector to recognize the company. This led me to hide the name of the focal fuel company, the names of the participants in the project and to disguise some aspects of the business figures that I would have to display. My strategy in this regard was to show real figures, but at a level of aggregation that would not be problematic for managers as far as confidentiality was concerned.

3.3.3.3. *Doing action research*

After several years of collaboration, I became known for maintaining a neutral attitude in the meetings, because I would not take part in the discussions. From time to time however, I was asked to facilitate some European meetings by interviewing managers on some topics related to the meeting to be prepared and by facilitating the dialogue during the meetings themselves. This extra assignment modified the status of my research and made it more of an action research project. Writing minutes was still a concern and, on these occasions, between 2003 and 2006, I was able to conduct structured interviews and gather more private opinions about the views of managers on specific issues.

3.3.4. Data collection

I would now like to detail the methods that made it possible to produce the data to understand market practices and in particular, calculative practices. Since I had chosen

to adopt an ethno-methodological approach, I had to focus my attention on the location of the controversies, meaning to a large extent the meetings where the strategic discussions were made public. I also had to make explicit the modes of calculation, the justifications for using this or that instrument, which involved collecting material elements, such as documents, reports, pictures, etc.

Throughout my collaboration with Mike, I had access to all the documents, people contacts, databases, etc. that were useful to follow the controversies that occurred during my presence in the field. I worked as a traditional ethnographer and in the process, did what participant-observers usually do. I took voluminous field notes that I expanded after each encounter. I collected archival material from the sites. I took pictures from the shops. I printed computer screen views when needed to register templates, databases or videos. I carried out individual interviews, socialized with informants at coffee breaks, but also off-duty when the meetings took place in foreign countries and participants stayed in the same hotel.

3.3.4.1. Attending project meetings

At the core of the data collection process, I had privileged access to discourse produced during meetings. These occasions were particularly appropriate to capture the controversies and to understand what the state of the coalitions were. Meetings make things visible as the actors are asked to express openly their position on the subject matter. My role, as a researcher, helping Mike to write the minutes of the meetings was in this respect, a very favourable vantage point.

The organization of my data by project and by meeting was a key organizing factor. Meetings had a date, a location, a list of attendees, and a list of attached documents, mostly in the form of PowerPoint presentations and Excel spreadsheets. These elements constitute the framework of most of my cases.

To give the reader an impression of the time line of each of the cases, I have created a number of tables (Figure 3.3.1 to 3.3.4) which highlight the key events, usually meetings.

Case 1 follows the debates that occurred in 2002 and 2003 to discuss the emergence of the category manager within BEST. The case is framed by a starting point, the request to explore category management, and a closing point, the recognition by the CEO that category managers are operational and that they have achieved a notable feat with the launch of a new type of store concept.

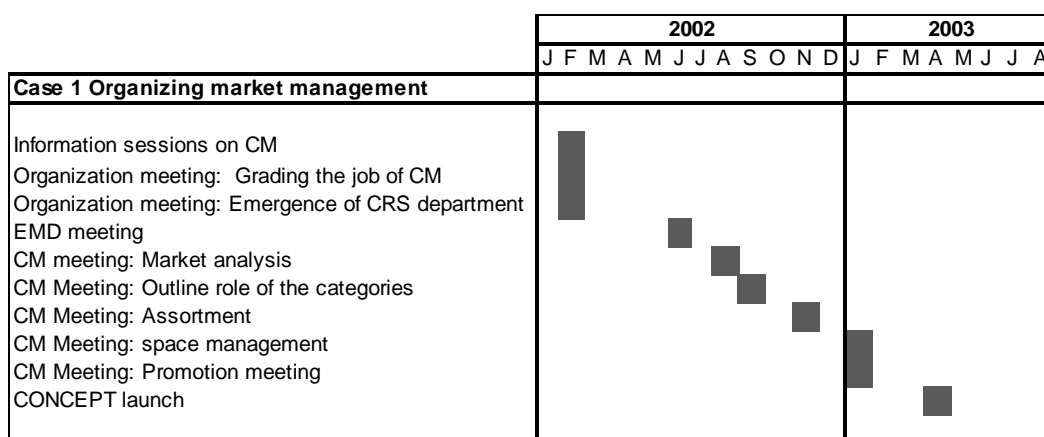


Figure 3.3.1: Case 1 key events

Case 2 reflects the evolution of the relationship between category managers and their suppliers through five stories that took place between 2003 and 2004. Meetings are central to structure these stories but PowerPoint presentations are even more crucial, particularly when the stakeholders discussed test results of marketing initiatives.

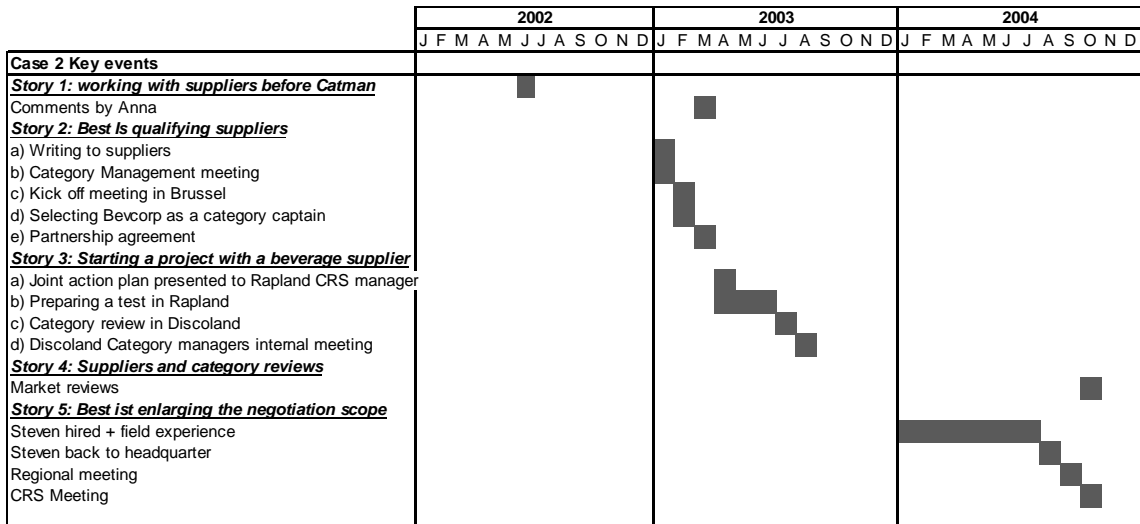


Figure 3.3.2: Case 2 key events

In case 3, the discussion informs the evolution of performance assessment. Reports and Excel spreadsheets play a major role in the analysis, often commented on by the actors themselves.

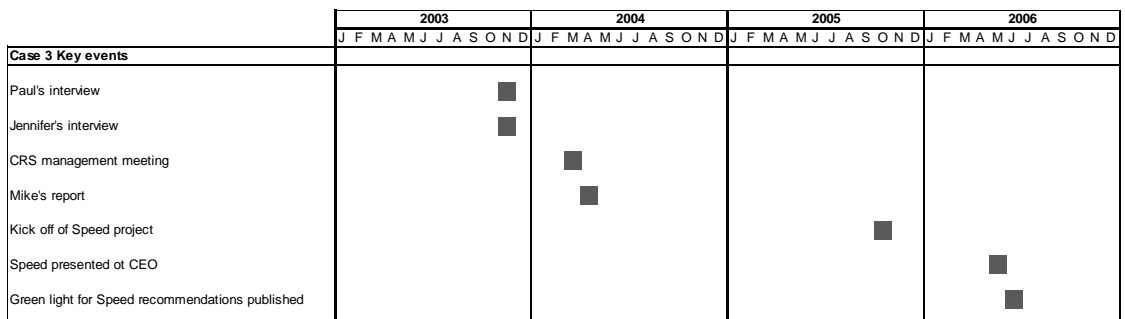


Figure 3.3.3: Case 3 key events

And finally, in case 4 where the definition of a store is discussed and challenged, plenary sessions in meetings combined with face to face meetings were crucial to understand the ways a network was described.

Case 4 Key events	2003												2004												2005											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Concept Launch assessment meeting						■																														
Focus group Rapland										■																										
Rockland typology meeting										■																										
Focus group Discoland										■																										
Rapland typology meeting										■																										
CRS Meeting Groveland			■																																	
Face to face meeting Peter and Mike									■													■														
Car Wash country visit										■																										
Car wash market review and opportunities for growth											■																									
Regional directors meeting																																				
CEO commenting annual results																																			■	

Figure 3.3.4: Case 4 key events

3.3.4.2. Interviewing managers

The data collected during the meetings was often enriched with individual interviews, either in the context of my own initiative when I felt that a specific subject would deserve consideration for a better understanding of the situation at hand, or because the agenda of one given meeting would request it. The following tables (figures 3.3.5. to 3.3.9.) give an overview of the key informants that I met either in the context of formal interviews or in informal conversations. Some of these informants are members of the executive committee of the European Marketing Development department (EMD).

BEST COMPANY	Function	Category	Education	Age	Years with the company	Previous functions
Exec Committee						
CEO	CEO	nr	Master degree		>15	
Andrew	Head of refinery and Marketing	nr	Master degree		> 15	Head of refinery
EMD						
Howard	MD Director	nr	Master degree		10	Country retail director
Mike	Cat Mgt & suppliers relations	nr	Master degree		15	Country regional director
Bill	Food Service	nr	Master degree		2	Food service marketer
Peter	Car Wash & logistic	nr	Self made man		10	Technical manager car wash
Lawrence	Concept	nr	Master degree		2	?

Figure 3.3.5: Exec committee and EMD key informants

More informants were members of the teams in the four countries that have been integrated in the scope of the research. For confidentiality reasons, code names were given to each of these four countries that I call Rockland, Groveland, Rapland and Discoland.

BEST COMPANY	Function	Category	Education	Age	Years with company	Previous functions
Rockland						
Christopher	Retail Director					
Paul	CRS Director	CRS		42	?	
Chris		Fresh Food	Self made man	38	18	PM, District Manager
Jeniffer		Beverages	Master Degree	26	2	PM
Kate		Dry food	Master Degree	27	3	PM
Geof		Non Food	Master Degree	26	2	PM
Peter		Tobacco	Self made man	30	12	Sales, PM, District Manager
Frank	Regional director					

Figure 3.3.6: Key informants in Rockland

BEST COMPANY	Function	Category	Education	Age	Years with company	Previous functions
Groveland						
Gordon	Retail Director					
Alan	CRS Director	CRS		36	?	
Jef	Category Manager	Fresh Food	Master Degree	25	1	PM
Steven	Category Manager	Beverages	Master Degree	27	3	PM
Annelise	Category Manager	Dry food	Master Degree	28	0,5	PM
Frank	Category Manager	Non Food	Self made man	30	10	Shop Assist., Shop Director, PM
Anneke	Regional director					

Figure 3.3.7: Key informants in Groveland

BEST COMPANY	Function	Category	Education	Age	Years with company	Previous functions
Rapland						
Bill	Retail Director					
Nick	CRS Director	CRS		38	?	
Uwe	Category Manager	Fresh Food	Self made man	28	8	PM, District Manager
Anna	Category Manager	Beverages	Master Degree	30	6	PM
Andre	Category Manager	Dry food	Master Degree	26	3	PM
Barbara	Category Manager	Non Food	Bachelor Degree	32	12	Sales, PM
Jörg	Category Manager	Tobacco	Self made man	30	5	PM
Sven	Regional Director					

Figure 3.3.8: Key informants in Rapland

BEST COMPANY	Function	Category	Education	Age	Years with company	Previous functions
Discoland						
Phil	Retail Director					
Stan	CRS Director	CRS		48	?	Retail Sector, Marketing Director
Susie	Category Manager	Fresh Food	Self made woman	36	16	PM
Joe	Category Manager	Beverages	High School	32	14	PM
Ben	Category Manager	Dry food	Master Degree	28	4	PM
Maurice	Category Manager	Non Food	Master Degree	25	1	PM
Jose	Regional director					

Figure 3.3.9: Key informants in Discoland

Descriptors such as the education, the age, the years with the company and the previous functions have been collected to give the analyst a better understanding of the profile of the informants and therefore, help to understand some of the group dynamic or opinions that were expressed in meetings.

3.3.4.3. Collecting documents

Next to attending meetings and interviewing key informants, I collected a large number of corporate documents, to inform or to question more precisely the subject of the discussions. These documents included PowerPoint presentations, corporate reports, Excel documents, etc.

In fact, because most of the documents needed to be presented to third parties, in meetings or sent via email, they usually took the form of a PowerPoint file. For example, snapshots taken on the occasion of shop visits were usually integrated in a slide report as the sample shows.



Figure 3.3.10: Sample of a PowerPoint slide with picture

Excel spreadsheet could also be extracted and integrated in a slide as in the following example.

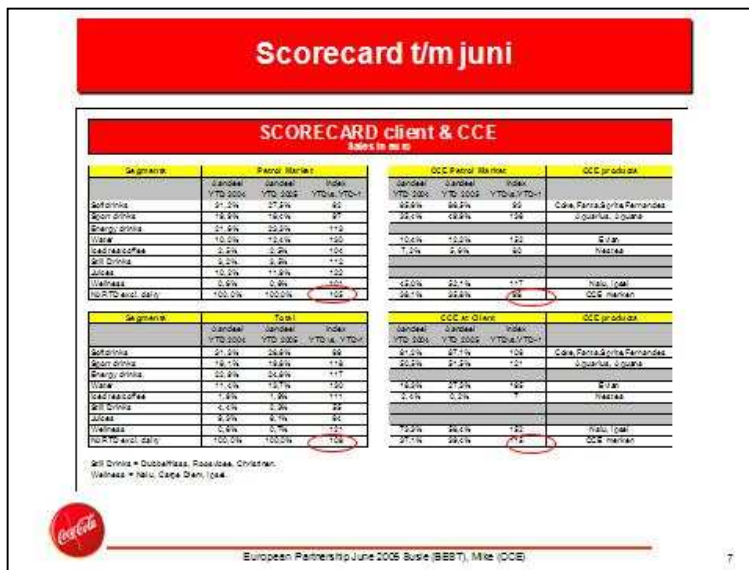


Figure 3.3.11: Sample of a PowerPoint slide with Excel table

Therefore, a list of the documents that have been used for our research would very much give the impression that PowerPoint is the raw material when sometimes it is only the presentation form of another text that would give a more interesting view of the subject at hand.

The following samples show the type of information that can be accessed through Excel. In such a document, formulas can be seen and the way a margin is calculated, for example, can be explored.

Scorecard t/m juni

	A	B	C	D	E	F	G	H
1	Scorecard t/m juni							
2	meet in euro (x1.000)	Petrol totaal				Absoluut Volume		
3		P04006	P05006	YTD 2004	YTD 2005	P04006		
4	Softdrinks	3057,81	2714,81	12350,8	12005	Softdrinks		3013
5	Sport drinks	2061,44	1842,34	8153,71	7876,31	Sport drinks		2061
6	Energy drinks	2027,86	2209,9	9298,8	9996,01	Energy drinks		2010
7	Water	1125,76	1661,97	4077,97	5291,09	Water		1126
8	Iced tea/coffee	291,564	303,826	1015,77	1055,48	Iced tea/coffee		292
9	Still Drinks	391,564	340,177	1314,23	1476,23	Still Drinks		392
10	Juices ambient	715,503	773,536	3387,43	3940	Juices		934
11	Juices chilled	218,865	248,536	784,353	1150,41	Dairy		1328
12	Dairy ambient	786,254	792,929	4223,05	4510,83	Wellness		63
13	Dairy chilled	541,898	680,719	3061,09	3475,32	NARTD excl. dairy		9874
14	Wellness	62,79	44,282	254,304	257,45	Sum (controle)		9890
15	NARTD (incl. dairy)	11202,6	11567,3	48186,7	50768,1			
16								
17								
18	mzet in euro (x1.000)	Petrol totaal				Aandeel CCE		
19		P04006	P05006	YTD 2004	YTD 2005	P04006		
20	CCE in softdrinks	2587,07	2309,88	10940,6	10292,9	CCE in softdrinks		2587
21	CCE in sport drinks	1035,3	1088,02	3897,74	4196,8	CCE in sport drinks		912
22	CCE in water	132,134	194,727	424,382	644,337	CCE in water		132
23	CCE in iced tea/coffee	19,254	22,066	73,155	58,735	CCE in iced tea/cofi		19
24	CCE in still drinks	36,825	1,747	136,932	8,298	CCE in still drinks		37
25	CCE in wellness	17,9	17,707	114,529	134,138	CCE in wellness		18
26	CCE in NARTD	3828,49	3634,15	15587,3	15335,6	CCE in NARTD		3828
27						Sum (controle)		3705
28								
29								
30								
31								
32								
33	MZET IN EURO X 1000	Petrol totaal						
34								

Figure 3.3.12: Sample of a Power Point slide with Excel spreadsheet

3.3.4.4. Creating a corpus within a database

To keep track of this voluminous documentation, I started a diary from the very first day to index all the sources that I could access. Next to this diary, I also created an Excel database. The first sheet was designed to register the timely events such as meetings, moments of interviews or conference calls. The subsequent sheets were organized by projects. On each sheet, I listed the name of the contributors present at the meetings and the names of the files that were used during these meetings for the presentations, the index of my field notes and also the minutes' document.

Finally, the set of data has been indexed within a database that constitutes my reference corpus.

3.3.4.5. Data presentation and analysis

As in any ethnographical research, the author writes a narrative that he expects to be true to the actors' understanding of the event. To ensure this result, I sent a copy of

my write-ups to some of the key informants. This narrative is structured in the form of linked vignettes, globally grouped in the five cases mentioned above. The final narrative was shared and discussed with Mike, who in the meantime has changed positions within the BEST organization. Many of the other informants and in particular the ones that were the key players of EMD have left the company. Mike's approbation of the way the story is told relies on his own memory, and today's feeling of what the past was. In fact his recollection of the events is as subjective as the researcher's one. This is the reason why, I believe that the systematic inspection of the minutes at the moment of the events constitutes the most objective validation device. For the rest of the elements, including observations, it is the quality of the way I report the data that will build the perception of authenticity and plausibility. For instance the clarification of how the data was built is of paramount importance. One particular aspect deserves for example, further clarification. The language in use in all these meetings was English, and it was not the mother tongue for a number of project contributors, including myself. In my notes, I wrote down, in my best English, precise quotations. When I used these quotations, and for the requirements of this thesis, I rephrased some of these quotations to make them more intelligible. As I am a native French speaker who is also fluent in German, it happened that some of the conversations took place in those two languages. In these cases, the verbatim has been translated by me, trying to stick to the essence of the exchange. As conversation analysis was not the aim of my work, I found these procedures unproblematic.

As stressed by Latour's conception of description, the analysis should add to description and not seek to reduce a phenomenon to a finite set of linked constructs. Since the objective of a piece of research is to understand how a system works, the researcher uses his position to co-produce knowledge. The production of knowledge

happens in interaction with the field. The methodological consequence is that the place where knowledge is produced and the place of its validation are not separable. We are therefore moving away from the principle where the data is collected in the field and later analysed by the researcher. However, a powerful explanation provides explanation in multiple settings, which is why chapter 10 will seek to present an explanation that connects and transcends the five empirical cases. As suggested by a practice-based approach (David, 2000; Reckwitz, 2002), the production of knowledge and its integration in the processes of change happen with a specific rational mode that we can call interactive rationality. Research being a practice in itself, we are not just in the business of interpreting but also of changing the world.

3.4. Conclusions

This chapter has clarified the methodological issues associated with this research in terms of ontological and epistemological position. It has stressed the importance of ethnomethodological procedures to research practices as evidenced by the scholars of SST. It has explained how the researcher gained access to the field of observation (a retail firm in the fuel sector at the moment it introduces category management) to collect heterogeneous material, including narratives, Powerpoint slides, Excel spreadsheets, pictures, etc. that this study will use to explore market practices. The next chapter that will conclude this part of the thesis will set the stage of the empirical field.

Chapter 4. Introducing the empirical setting

4.1. Introduction

The empirical part of the thesis takes place inside a leading European company, that I will call BEST, located in the Western Europe fuel retail sector. It all started at the end of December 2001 when Mike, a manager from BEST, gave me a briefing:

“I would like you to explain to our senior managers what category management is and what it has done for large retailers. When I attended the DELTA training in the US, my first impression was that this method had great potential if we get it right. However, it was mainly applied to large retailers. I would therefore like you to address what Category Management has done for major suppliers and retailers, but you need to be prepared to answer questions from managers with different backgrounds. To do so, you need to understand the fuel retail sector, as well as the profile of our company”. (Mike, Marketing director at BEST European Marketing Development department called EMD, Dec. 2001)

The objective of this chapter is to share with the reader some aspects of the preparatory work I did before sharing my understanding of category management for the senior managers of BEST. This is the point where I become involved in the story. Sharing the genesis of this project is a way for me to set the stage where the five embedded cases of my research are located. In doing so, I will attempt to introduce the reader to three interrelated dimensions: the sector where our empirical field took place, the company’s operations and structure, and the scenario that led the company to consider introducing category management.

4.2. The service station sector in Europe and its development

Right after my first meeting with Mike whose role will be clearer to the reader soon, I asked him to provide me with existing industry reports that could help me understand the structure and dynamics of the sector in order to be able to challenge what my informants would consider specific to their company. A Euromonitor series had just been published (Euromonitor, 2002) and in particular, one issue summed up rather nicely the key dimensions of the sector: “European Forecourt to 2007”. The first section of this chapter is made up of the notes I took from my reading prior to attending my first set of interviews.

Our research focuses on the first tier of international players in the oil industry. All these players are market leaders in their home countries, and belong to the world's largest petroleum and petrochemical groups. These groups' activities span every aspect of the oil and gas industry from exploration and production (the upstream sector) to refining and marketing (the downstream sector). They all operate across the globe, though our research will focus on the Western European activities only. Geographically, the top 4 markets covered in this study accounted for more than 75 % of the region's fuel sales. For confidentiality reasons, the name of the companies as well as the name of the countries have been disguised. BEST is the name of the focal company on which our empirical material is predominantly based. BETTOL, SRD and PESSAL are the three major competitors of BEST that all together operate in the countries that will be called Groveland, Discoland, Rockland and Rapland. The sector, as the Euromonitor reports (2002) outlined, is characterized by high concentration in terms of players. Oil companies have, for some time, sought ways of boosting the efficiency and profitability of their networks. Several mergers and acquisitions have consolidated the sector where players are becoming fewer and stronger. Consolidation

and concentration across the European region has increased the control of the dominant companies. However, this has been eroded by the expansion of hypermarket retailers into the service station market leading to pressure on fuel margins. As a result, this move has had a considerable impact on the offer of service stations. Indeed, the expansion of hypermarket retailers into the sector has undermined oil companies' efforts to protect their business and has led the service stations to position themselves regarding the benefits they want to offer their clients. Aggressive competition has led to a shift in emphasis from the retailing of fuels, where there is little room for differentiation, to the provision of complementary services and an ever more diverse range of non-fuel offers.

The growing importance of non-fuel offers has resulted in a general increase in shop size and a significant expansion in terms of the range of goods on offer. The range is no longer limited to motor accessories, cigarettes and a small selection of confectionery as before. Today, motorists can expect to find a car wash, a mini supermarket, a restaurant and a whole host of additional facilities on the petrol station forecourt. Meanwhile, with the expansion of unmanned chains, a second set of operators can be identified in terms of forecourt development. Increasingly, unmanned site operators are targeting the price-sensitive motorist, who is attracted primarily by cost rather than additional services. Slowly, the oil majors have developed a portfolio of petrol retail concepts encompassing the various ideas mentioned above.

To understand the dynamic of the sector, below I provide a short description of these four oil majors that compete in a background of acquisitions and within a market that was in 2002 already a European one. In 2002, BEST operated service stations in 10 Western European markets. With the largest service station network in Discoland, the group dominated the market. With its sites representing 36% of the Discoland service

station network, sales through the company sites accounted for only 27% of retail fuel sales in the country. Rationalization of the BEST network has seen the group lose sites in Discoland in recent years affecting the group's share of the market, which decreased from 28.3% to 27.0% in the 1995-2000 period. As BEST is the result of the merger of two big operators, FUEL 1 and FUEL 2, it was under a legal obligation to sell some of its motorway service stations in order to increase competition on Discoland's roads. The company's main competition in the Discoland market came from the supermarket retailers who, between them, accounted for 55.5% of fuel sales. In all other markets in Western Europe, BEST' share was under 10% and was strongest in Rockland, where it maintained its position as fourth largest retailer with a market share of close to 9%.

SRD is the most serious competitor of BEST. With forecourts in 17 countries, it had more service stations in Western European countries than any of its competitors operating in the region and it was among the top 3 service station operators in all but four of these markets. In Groveland, SRD was the second-largest retailer as a result of acquisitions and this despite the request of Groveland antitrust authority that the company should sell off some of its service stations. In Rockland, SRD's position has been weakened over the years by a severe network rationalization programme that saw its number of stations fall by 19% in the period 1995-2000. The company's position fell from that of second largest retailer to third largest, with a drop in market share from 17% to 14.7%. In addition to car washes and other traditional offers, facilities available at SRD service stations included car, roof rack and trailer hire. The company operated its own SRD-branded shops at many of its forecourts across Europe. In addition to the normal range of convenience goods, SRD shops had patisseries and delicatessen counters and other fresh produce. However, not all SRD shops were to be

found on the petrol forecourts. The company had also formed alliances with local retailers in various markets in order to broaden the range of groceries on sale in its forecourt shops.

Another, though less serious, competitor of BEST is BETTOL. Among the top three in seven markets, BETTOL had a fuel retailing presence in 10 Western European countries. Its largest network was in the Rockland market, where the company's chain accounted for 16.2% of retail fuel sales, despite a decline in the number of sites. Rationalization of the company's networks in Discoland, Groveland and Rapland impacted negatively on the company's share of these countries' markets. As a result of acquisitions, BETTOL tripled the company's share of the Groveland market, up to 21%, even after the sale of a range of outlets. In 2002, BETTOL launched its new retail concept, designed to meet the needs of customers' increasingly busy lives. The sites, which included convenience stores with fresh food and drinks and additional Internet access, were to be opened at selected BETTOL sites. The international launch of BETTOL also included newly designed fuel dispensers and, on some sites the new pumps incorporated high-speed payment options and video screens. It was estimated that over 300 BETTOL new concept service stations were to be opened during the year of 2002.

As a final rival of BEST, PESSAL operated service stations in 11 Western European markets. While the company was leader in only one of these markets, Rockland, it enjoyed a significant presence in almost all of the markets where it operated service stations, featuring among the top four retailers in every market. In 2000, in the Discoland service station market, PESSAL's fuel sales outstripped those of both BETTOL and SRD, who had previously held second and third places. The company's market share in Discoland was only one-fifth of that of the market leader, BEST.

Based on this background knowledge, I started to interview BEST managers to explore its structure, the way it managed its different networks in Europe, and in particular, the way its marketing departments were organized.

4.3. Introducing BEST

BEST is an oil company that is the result of several successive mergers. Its headquarters are located in Discoland. Both upstream and downstream activities are managed from this location. In our research, we focused on the management of the forecourt networks belonging to the downstream division called “Refinery and Marketing”. The key organizing principle for this company was the geography. Europe was one major region in the world alongside Asia and the Americas. Fuel was refined and marketed for each region in one or several countries. In the case of Western Europe, three out of the four countries studied had refineries.

4.3.1. How was BEST organized to manage markets in 2002?

Discoland, Rockland, Rapland and Groveland were all organized according to the same model, as shown in the following organizational chart (Figure 4.3.1). At a local subsidiary level, the organization consolidated a series of departments which dealt with the management of refineries, the transformation businesses of fuel into chemical specialities (glues, plastic products, chemicals, etc.), the distribution of fuel to large key accounts and finally the distribution networks towards motorists. The head of the distribution network covered departments in charge of the development of new sites, their maintenance, the setting of fuel prices and operations. In order to optimize the distribution of fuel to the stations, operations were organized by regions and were supported by a marketing department.

In the description of the cases that follow, I call “senior management” of BEST the managers that lead the distribution networks as well as the managers above them that are mainly country general managers, right up to the CEO of the company.

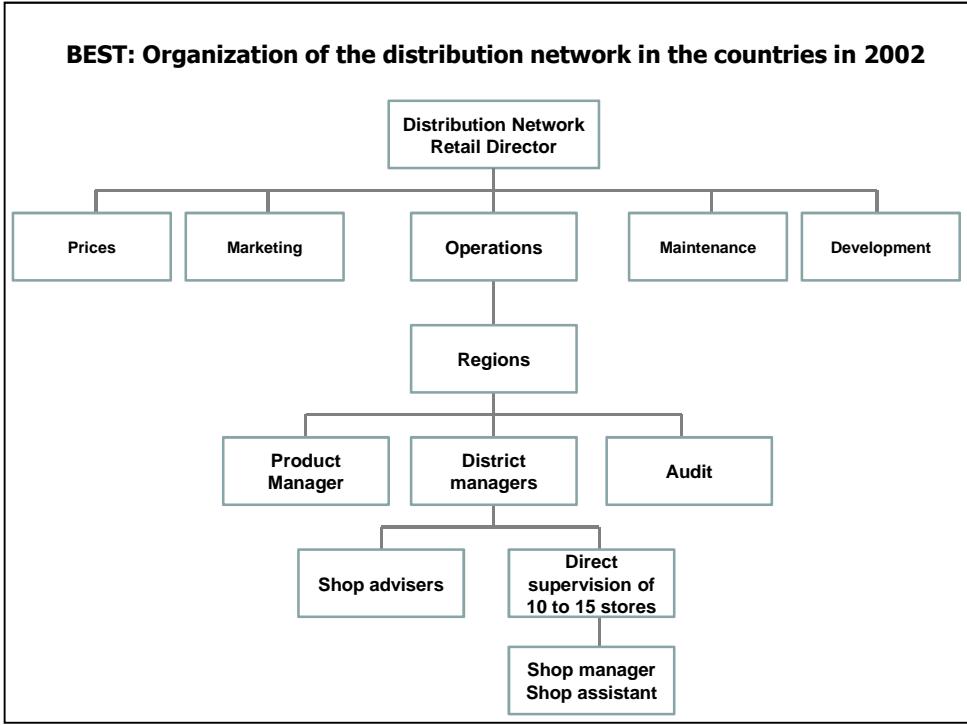


Figure 4.3.1: BEST - Organization of the distribution network in the countries in 2002

4.3.1.1. The regional organization in the countries

Regional managers were staffed with district managers (DM), who themselves supervised the shop managers (SM) and their assistants. At the very start of our research, fuel was the dominant activity which explained why fuel sales were at the core of every meeting: at the regional level with all the district managers, or at the outlet level when the DM met the shop managers. However, as mentioned earlier, the question of margin required diversification activities to be pushed. To assist the regional manager, a product manager (PM) defined what products should be displayed

in the stores and at district level, a shop adviser helped to implement the marketing programmes, usually with a shop assistant.

In the early 1990s, the competition in the sector became fiercer, under the pressure of large retailing companies, and the increasing concentration of the fuel retailing players. Cost reduction became the mantra to maintain margins whilst, at the same time, sales from diversification activities became more important. This had an impact on the role of the product managers as Phil, a network director, explained to me:

“Product managers were put under the spotlight because their task was to identify products that would sell in the stores. Regional directors would then negotiate the best prices with the suppliers”.
(Phil, Discoland, 2002)

However, it was becoming obvious that these negotiations could be carried out at a national level, should the product managers be able to coordinate their effort.

“After all, a Coke bottle in the North region is the same as a Coke bottle in the South. Joint negotiation should allow BEST to get much better conditions with greater volume. ..“ (Mike, EMD, 2002)

Also, a dream of pan-European negotiations could be entertained at some point in the future. This logic sounded right, particularly for ubiquitous product families such as soft drinks.

“But as soon as one thinks of beer, a product family where the consumption is very regional, one imagines how difficult such a dialogue can be”. (Bill, retail director, Rapland, 2002)

The problem becomes even more obvious when it comes to product families such as food, music or even clothing.

4.3.1.2. The marketing departments in the countries

At a country level, marketing departments took care of fuel marketing. First, the department managed the loyalty card scheme. For consumers, points were awarded each time a motorist stopped at BEST to refuel, and promotional prizes were offered when a consumer reached a pre-determined number of points. For professionals, the loyalty card gave drivers all sorts of benefits including a system to recap and manage travel expenses, bonuses and also delayed payment terms.

TV advertising was a new responsibility of marketing departments. With the objective of promoting BEST's advantages, a series of TV commercials were developed. The quality of the fuel was an important benefit which needed to be communicated. But an important issue discussed in the early 2000s was: should the TV copy be based on product attributes such as the reduced quantity of lead? Or, instead, should it give additional reasons to the drivers to stop at BEST? For example, messages about the quality of the coffee, or the cleanliness of the shop and toilets could be communicated instead.

“These are dimensions which are secondary to the senior management of the company, predominantly engineers who are very proud of BEST's upstream exploration, and hydrocarbon research” (Lawrence, EMD, 2002).

Market research, which was the third key activity of marketing departments, could certainly provide arguments for this debate, should surveys be directed at asking drivers why they stopped at BEST's stations. Unfortunately, the focus of regular surveys, carried out every 6 months, was primarily the measurement of satisfaction factors directly linked to the filling and the payment of fuel. The key dimensions of this satisfaction measurement tool were items such as the friendliness of the staff, the cleanliness of the forecourt surface, store and toilets, etc.

“When the issue about global differentiation started to be a hot issue, competitors were integrated in the survey, and surprising questions were added, such as: “do you know what petrol station you are in?” (Lawrence, EMD, 2002)

BEST managers discovered that many consumers, when asked, were unable to correctly identify the banner where they had just stopped to refuel. Consequently, a major marketing program was developed to raise awareness of differences between petrol station banners, and above all,

“...to make sure that consumers have a preference for ... BEST fuel and BEST petrol stations”.(Lawrence, EMD, 2002)

Until 2002, the marketing department was only marginally interested in the diversification activities, apart from a car wash that could easily be added to the loyalty schemes.

“Confectionary, food, beverages, and in some countries, tobacco and newspapers, were product families which were managed at a local level. This is the reason why the product managers were located in regional offices and were working directly with the Region Director and the District Managers”. (Mike, EMD, 2002)

Because he thought that promotions could be consolidated at a national level, the ROCKLAND network director decided to locate a promotion manager for the diversification activities at headquarters. He commented on the effect of this new organization:

“We can clearly see improvements in the relation with suppliers when promotions are negotiated globally for all regions. We discuss larger volumes which is beneficial for both sides. To justify the creation of a full-time position, the guy who was earmarked for this position was given a special project: to create a range of sandwiches under the BEST brand” (Christopher, Retail director Rockland, 2002)

Since the promotion manager could coordinate the sales activation activities of every supplier, he soon became very important in supplier negotiations which was seen positively by everyone, as he added:

“Needless to say, the regional directors were not really happy to lose responsibility for negotiation with suppliers, for good official reasons, and bad unofficial reasons! While solving the coordination with the suppliers, we created problems with the field”; (Christopher, Retail director, Rockland, 2002)

4.3.2. The European Marketing Development department

The European level of BEST organization was created right after the merger of FUEL 1 and FUEL 2 in 2000. The specific initiatives which were crucial to the strategy were coordinated in a centralised way: pricing, communications, marketing development (EMD), and security. EMD is an entity that was created in order to coordinate the downstream marketing initiatives of the various countries, and homogenise the network. For this specific task, a very limited team of managers was formed. Its first assignment was the management of a project called Big Bang, which consisted in the alignment of the two networks throughout Europe. It included elements such as creating the homogeneity of the banner, the totems where the company's name and the fuel prices are displayed to motorists, as well as in-store elements such as signage, lighting, in-store information and furniture. In other words, the Big Bang project for EMD was primarily a matter of visual identity. This project was led by previous fuel managers.

However, this entity, which was at the crossroads of Europe, soon became the department to which all sorts of reports were sent. Not only were the fuel sales figures analysed there, but also the business figures for the diversification activities.

“This focal point enabled the team to clearly identify that fuel margins were decreasing throughout Europe. But they were compensated by the diversification businesses (Howard, EMD, 2002).

To research the forecourt market on a cross country basis, EMD decided to run focus groups in each country and quantify the key findings. The core objective of this survey (internally called Sonica, 2002) was to identify potential growth avenues. To the team’s surprise, fuel was not the main driver for visiting stores. As the diversification activities were at the core of the research, the various dimensions of diversification were explored in depth. They included hot and cold beverages, tobacco, newspapers, food and more precisely, various formats of food service ranging from sandwiches to restaurants, electronic items, guides and maps, cosmetics, clothing, etc. Suddenly, the potential of these different businesses became thrilling, as Ulrich commented:

“I remember the day we discovered that motorists could stop at BEST for all sorts of reasons but refuelling; we thought that these businesses could have great potential, but that they would need to be managed, and not marginally, as a “non-something” activity. Managers were needed to develop these businesses and they could no longer be called “non-fuel managers” (Gordon, Retail director, Groveland, 2002)

The consolidation of the various BEST businesses in Europe made the company a potential European leader. But BETTOL, SRD or PESSAL could have claimed the same according to different indicators, for instance fuel sales, the number of outlets, shop sales, etc. (Euromonitor, 2002). In order to be the motorists’ preferred petrol station in Europe, BEST developed a program called CONCEPT: the best in class shops in each country would combine the best of the company’s know-how under one single shop banner. CONCEPT would then be rolled out to the best shops in each country. The assortment would include fuel but also a large range of items for car

passengers in the shops, as well as car wash facilities. Next to the BEST name that would stand for fuel, the name CONCEPT would be placed on the roof of the shop to signal a distinct entity.

“Behind this strategy was the idea that one day the activities could be separated. The shop brand could be sold and the shops could be operated, potentially through alliances, by a pure retail operator. (Lawrence, EMD, 2002)

While the BIG BANG project was awarded to the fuel managers of the marketing department, the CONCEPT project was to be managed by the non-fuel managers at EMD level, in cooperation with the country affiliates. Within the EMD structure, one senior manager would be in charge of the overall concept, one would lead the relationship with international suppliers, another would supervise the logistic issues and the information system, and finally, the last one would take care of the food activity.

This department worked as a functional entity. It advised subsidiaries, providing them with help and support to carry out their operations. Its *modus operandi* would be based on influence because there would be no hierarchical links over and above the country managers. Thus legitimacy and credibility were their key assets.

“A legitimate EMD manager is someone who can say he knows about petrol stations because he was in the field before. But he can also have a strong sense of leadership and have been exposed to important projects in the past. It is also good if he has had international experience, if he knows the most advance management methods, and of course he needs to speak good English.” (Howard, EMD, 2002)

When EMD managers work on projects with the country subsidiaries, two different attitudes can be noticed. The dominant one is very positive and welcoming. When EMD managers are experienced, affiliates see the opportunity of learning with and

from them. For instance, they see the benefits of sharing views on the European strategy. This is usually the case in the smaller subsidiaries which have limited resources and enjoy extra help from the central office. But an attitude of distrust can also be noticed. This is the case when EMD is interacting with the large countries whose local expertise is strong. These “big businesses” do not like any initiative which could augur any centralisation. In particular:

“They don’t see favourably the creation of a global CONCEPT or the idea that someone else could manage a central relationship with the suppliers. They feel that they would lose their autonomy. Somehow, they always see what is specific to their network, but I admit that they can also see what they have in common with the other countries. The “Not Invented Here syndrome”, you know ... Negotiations are a very sensitive matter. Our local suppliers do not like their international counterparts. Nor do we” (Phil, Retail director, Discoland, 2002)

4.3.3. BEST to be the recognized European leader

After a positive 2001 financial year, the CEO of the company addressed all the employees and gave them the key orientations for 2002 and the forthcoming years. The upstream director presented the new fuel field prospects which looked very exciting, as did the head of the industrial division with the presentation of new technologies and processes. The head of refinery and marketing started his address with one wish:

“...to make BEST the recognized leader in Europe” (transcript of the address to the employees, Jan 2002)

After the merger of two oil businesses which resulted in the creation of BEST, the combined networks made the company the European leader, in terms of number of stations in the network. Nonetheless, consumers did not perceive it that way. The

challenge for the company was to make this fact notable, under a unified brand, which it thought was the way consumers would become aware of this leadership. Initiatives directed at motorists were seen as central:

“The customer is the core of our process. The company has 1 million customers everyday in its stores. These customers have cars and their attitude towards their vehicles has changed : the design of cars is continuously evolving (e.g. coupes, cabriolets, replicas), the comfort of the cars has evolved (e.g. air conditioning, wood panelling), the 4- wheel drive car segment has had a huge increase (400% in ten years – 1990-2000), the number of people carriers has multiplied by 20, and these are just a few examples of major changes.” (Andrew, Head of Refinery and Marketing, Address to employees, Jan 2002)

But the diversification activities were also mentioned as an integral part of the challenge:

“... Apart from this analysis, many other factors are identified which require an evolution in the way petrol stations are run ... For the customers who drive short distances, proximity is important. Opening hours need to be long: from early in the morning to late at night including weekends. A top-up purchasing offer should be available in food (e.g. readymade dishes, pizzas) beverages (e.g. beer, wine, water, sodas.), impulse products (e.g. confectionery, snacks), and car security spare parts (e.g. bulbs, windscreen wipers, brake pads , tyres).” (Andrew, Head of Refinery and Marketing, Address to employees, Jan 2002)

And the contribution of non-fuel activities was no longer seen as a marginal business:

“... The margin of the shops compensates for the decline in the fuel margin . Its contribution within the business is becoming increasingly stronger. It was 27% this year and we anticipate it will be 34% in 2010 ... In 2001, the average share value of these activities was broken down as follows: shop 60%, restaurant 14%, carwash 19%, car maintenance 7%.” (Andrew, Head of Refinery and Marketing, Address to employees, Jan 2002)

As a result, the mission of the refinery and fuel division had partly changed :

“Because of this, we are now becoming retailers and therefore need to develop this culture and expertise within our teams.” (Andrew, Head of Refinery and Marketing, Address to employees, Jan 2002)

4.4. Enhancing a retail culture through category management

This last section of the introductory chapter to the empirical setting introduces the reasons why BEST became interested in category management. Following the address of the Head of refinery and marketing, Mike, who was in charge of relations with suppliers at a European level, volunteered to explore the potential of category management, a method presented as an advanced management technology within the retail sector. Through talks and reading professional reports, Mike got the idea that he should attend a training course given by one of the major consulting firms in the area called DELTA. Together with three other colleagues, he decided to attend one of these training seminars in the USA. On his way back, his feedback to the EMD team was both enthusiastic and rather puzzling:

“The method makes sense to us but it will need to be presented in a systematic way to all the network directors if we want to get the benefits from it” (Lawrence quoting Mike, EMD, 2002)

When I asked Mike to tell me more about what he learned about category management, he gave me a recent IGD report called “Category Management, the road well travelled”, as well as a short Powerpoint presentation of a Coca Cola study which integrates data he had loaded on to an Excel spreadsheet. The material he handed me was fairly standard. It was very much like the material I had seen previously from other FMCG manufacturers or from large supermarket retailers.

In the words of the IGD institute (2002), category management is the “...strategic management of product groups through trade partnerships, which aims at maximising sales and profits by satisfying consumer needs.” In a nutshell, category management is about writing and implementing business plans applied to a whole category of product rather than to a brand, as a brand manager would do.

Some assumptions are essential to this approach. It seeks to integrate both consumers and shoppers’ expectations to justify a marketing programme. It defines product categories as strategic business units, which include the idea that the management of a business is not just the business of marketing people but rather of a multi-functional team. It takes a supply chain perspective and therefore recommends that suppliers and retailers should collaborate to develop joint business plans. Finally, it suggests that projects can be a powerful springboard to enhance trading partnerships. Like any business plan, category management seeks to define business goals. They form the basis for a shared, collaborative partnership programme.

The term category management, IGD (2002) suggests, was first coined by Marketing Insight in Australia in the early 1990s. But the process became famous with the 8-step formulation of the Partnering Group. Companies such as Procter & Gamble and Walmart, certainly contributed to its expansion when showcasing their outstanding business results which were attributed to the implementation of this so called “management innovation”.

The institutionalisation of category management is also notable. In the wake of interest in supply chains and process-based organizations, category management carved itself a high profile within the Efficient Consumer Response (ECR) movement. In Europe, ECR was established in 1994 and initiatives are reported, again involving Procter & Gamble, as well as large retailers such as Tesco and Carrefour.

As a way of proving their managerial innovativeness, both manufacturers and retailers entered into a race claiming to be first in implementing this approach, being first to implement it in one specific market or channel, and finally being first in one specific kind of technique such as a joint merchandising plan or assortment optimization. The issue, it seems, was to prove some sort of innovation leadership on top of market leadership.

“We need be the first to claim the use of Category Management in the fuel retail sector. This will prove to our senior management that we are developing a retail culture. It then will be a must to show them the big numbers” (Mike, EMD, 2002)

Arguing for the benefits of category management, Mike stressed that the method was expected to result in valuable recommendations for action. Projects should be run, based on superior expertise of consumers and shoppers. They should deliver a contribution to profitable growth in a category at BEST, higher than that of other players. Category management should lead to the establishment of a privileged relationship with a counterpart team at a supplier’s operation to deliver incremental sales and profit.

4.5. Conclusions

This chapter has focused on how BEST, within a competitive fuel retail market, grew in the late 1990s through acquisition to achieve a European leadership position in terms of number of shops. Its organization was largely designed to manage the fuel distribution in the regions of every country where it was present. The need to align the network from the newly acquired company with that of BEST led to the creation of a European entity called EMD. Being in charge of uniting the networks, this entity

carried out market research and discovered that motorists would possibly stop at stations for reasons independent of fuel refill. The shop has therefore gained importance to the point that the CEO of the company wished to drive the retail culture of the company further. Category management was perceived as a method that could help develop the retail culture of BEST. Mike, from the European Marketing Development department (EMD) is the marketing manager in charge of exploring the potential of category management. The idea of implementing category management at BEST inevitably raised a lot of criticism. From January 2002 to June 2006, marketing departments at BEST were in constant turmoil and the scene of many controversies. This chapter ends the part I of this research.

I now would like to follow the way five controversies impacted on a number of markets, as defined by the managers. Each of these controversies constitutes an attempt to shape a particular market constituent, and form an embedded case within a larger case. They will be introduced to the reader in the following empirical chapters that build up the part II of this study.

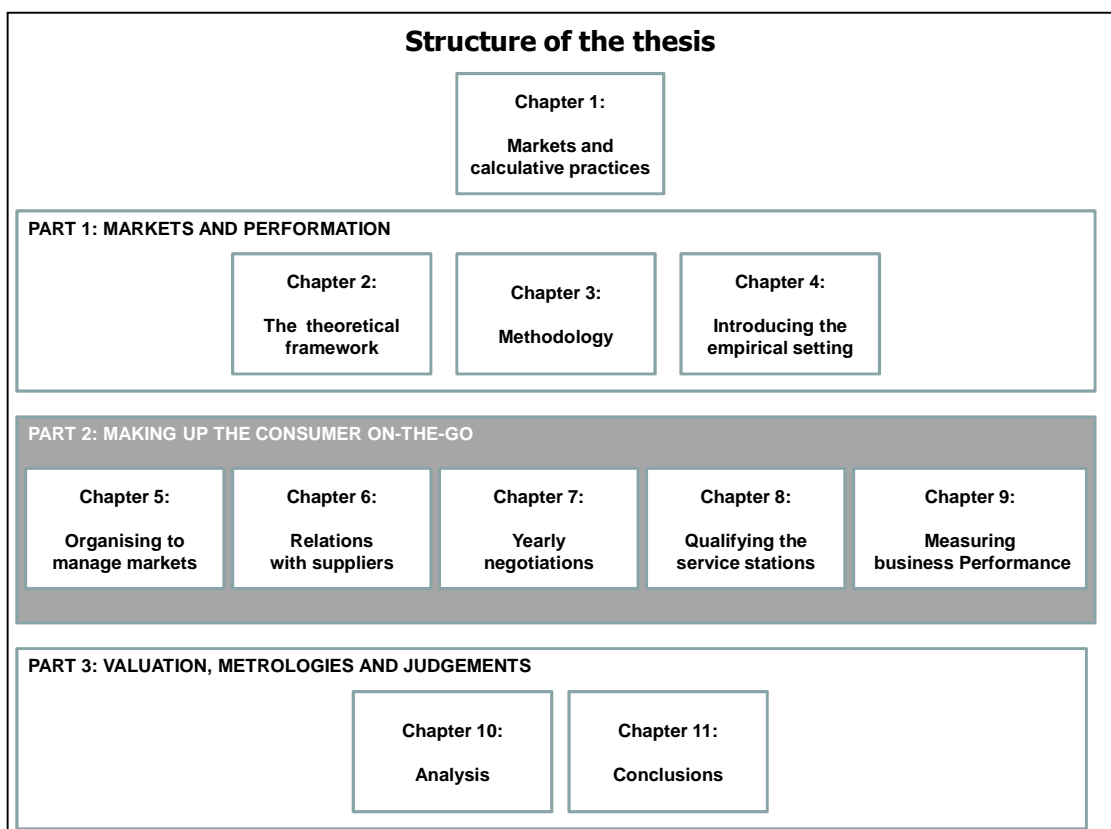
Our first case (chapter 5) follows the discussion around the appropriateness of category management as a managerial tool within a population of marketing managers. It focuses on how BEST was organised to address its markets and how the job of category managers emerged within the focal retailer. Case 2 (chapter 6) reports the changes that occurred in the relationship between BEST and its suppliers. It follows the ways some suppliers were progressively qualified to become preferred suppliers. Case 3 (chapter 7) is about yearly negotiations. It studies category reviews, this specific moment where product markets are shaped through the many attempts of suppliers to favour one particular version of the market outline and what needs to be

done to boost category sales. It deals specifically with the Non-Alcoholic Beverages (NABs) business. It also explores the ways marketing budgets are requested by BEST to improve its margin.

Case 4 (chapter 8) is centred on issues related to the ways the shop network was clustered to ease the deployment of new concepts, but also the standardization of category managers' operations. It revisits the issue of defining what a service station is. Finally, case 5 (chapter 9) focuses on performance management and judgments on what is performing well and what is not. Needless to say, all these questions are interlinked and form a larger case about the shaping of market constituents, which will be analysed in detail in the third part of this research in chapter 10.

PART II:

MAKING UP THE CONSUMER-ON-THE-GO



Chapter 5. Organizing to manage markets

5.1. Introduction

After Andrew's address to the employees requesting them to help make BEST the preferred petrol station of European motorists, and after stressing the importance of developing a retail culture, Mike was able to convince the board that category management was an option to explore. By the end of January 2002, the decision was made that two sessions would be organized to inform the affiliates' retail and operations directors on the potential of category management. It was decided that another meeting would be held after the two sessions planned in February to officially decide whether or not category management would be implemented.

This chapter explores how the assimilation of a method, category management, impacted on the job of product managers as well as the organizational chart of the company. It describes the mutual accommodation needed to make category management and product managers adjust to each other. The chapter first explains how the idea of category management was introduced at BEST. Secondly, it shows how the role of category managers was assessed with respect to the existing organization. And finally, it explains how category management was put into practice and how it worked on a specific project.

5.2. Discussing the opportunity of Category Management

As planned, two one-day sessions were organized under the leadership of the BEST training manager, together with Mike. I had the opportunity of meeting a number of managers in the preparation stage, and also to be informed on the state of the fuel industry. The objectives of the information sessions were clear: a) to present the typical structure of category management with its 8 steps; b) to illustrate this process with one case from the retail industry; c) to open the discussion to identify the pros and cons of the method. These elements of discussion were written on a board, concluded by Mike and sent as minutes to the 24 delegates who had taken part in the 2 meetings.

At the first session, the interest in the method was immediate because

"It nicely packages many of the existing ways of doing which so far had not been integrated in a formal way." (Paul C, Rockland, minutes of the Information sessions on CM, Feb. 2002)

The heads of the two networks confirmed this point of view. In fact, they wondered if the approach should not be relabelled marketing.

"This is marketing, this is simply marketing applied to retail, and this is what we've all done so far" (Nick, Groveland, minutes of the Information sessions on CM, Feb. 2002)

One possible answer came from Uwe, opening the idea that employability was an important dimension:

"...it seems that the job is called like this in many companies. If we want to be able to recruit, we need to have jobs aligned with the way they are labelled by the leaders" (Uwe, Rapland, minutes of the Information sessions on CM, Feb. 2002)

The discussion on the employment issues soon became very intense. In some countries, the managers were looking to recruit good people with a retail profile and

the denomination of the job was important for them. But in other countries, and because BEST was in the throes of merging two fuel businesses, the requirement was rather to reduce the headcount, as Stan reminded the audience:

"We will have to rationalize our networks. It could be important in some countries to train the people that we are going to lay off, so that they can find a job in a different distribution network, with a job which is "readable" by the market" (Stan, Discoland, minutes of the Information sessions on CM, Feb. 2002)

The discussion continued by trying to define which denomination was the most appropriate to describe the job of those who manage the retail activity. Should they be called “product managers”, “marketing managers”, or “category managers:

"...if the idea is to facilitate the employment of our people, there are more transfers to expect towards traditional marketing departments, so let's keep the name "product manager" (Stan, Discoland, minutes of the Information sessions on CM, Feb. 2002

It became clearer that the job of a product manager within BEST was more related to the stores and the merchandising of goods than it was with product development or the kind of activities performed by marketing people within the supplier teams. So, even if the process described during the informative training sessions was "just marketing", it was a specific kind of marketing that one could only envisage within the retailer structures because it included a downstream dimension, selling the goods at the point of purchase and an upstream dimension, procuring the products from suppliers.

"So what do we call a job that combines selling and purchasing?" (Alan, Groveland, minutes of the Information sessions on CM, Feb. 2002)

In this population of network directors, the discussions were not so much triggered by the processes of category management. Instead, the organizational issues were

paramount in their minds with different overlapping points of interest. Stan or Paul, for example, were concerned by the practical aspects: Who should do the job?

"Who do you see in that job? I personally think of my product managers, but I don't see how the future category managers will have the time to trade with suppliers, and also to be in the field with the store advisers." (Stan, Groveland, minutes of the Information sessions on CM, Feb. 2002)

"We already have some guys working at the head office. They coordinate the discussions with the suppliers, they are developing the promotions, why not give them one more hat, the design of the planograms, and it will do the trick." (Paul, Rockland, minutes of the Information sessions on CM, Feb. 2002)

The outline of the activities combined under one occupation, as the minutes showed, was a central question. Category management, it seemed, reshuffles existing activities but it relocates them, under one role, and also in one site:

"All category managers will have to be moved to the head office" (Nick, Rapland, minutes of the Information sessions on CM, Feb. 2002)

"For me, they will have to stay for sometime in the regions, because I don't want trouble with the regional directors, we have enough to do merging the networks of FUEL I and FUEL 2" (Stan, Groveland, - and in a similar vein, Nick, Rapland-, minutes of the Information sessions on CM, Feb. 2002)

The following diagram (figure 5.2.1) illustrates these two subsequent movements. The job content of the purchasing and product managers were grouped prior (indicated as

1 in the diagram) to being moved to the headquarters under the denomination “category manager” (indicated as 2 in the diagram).

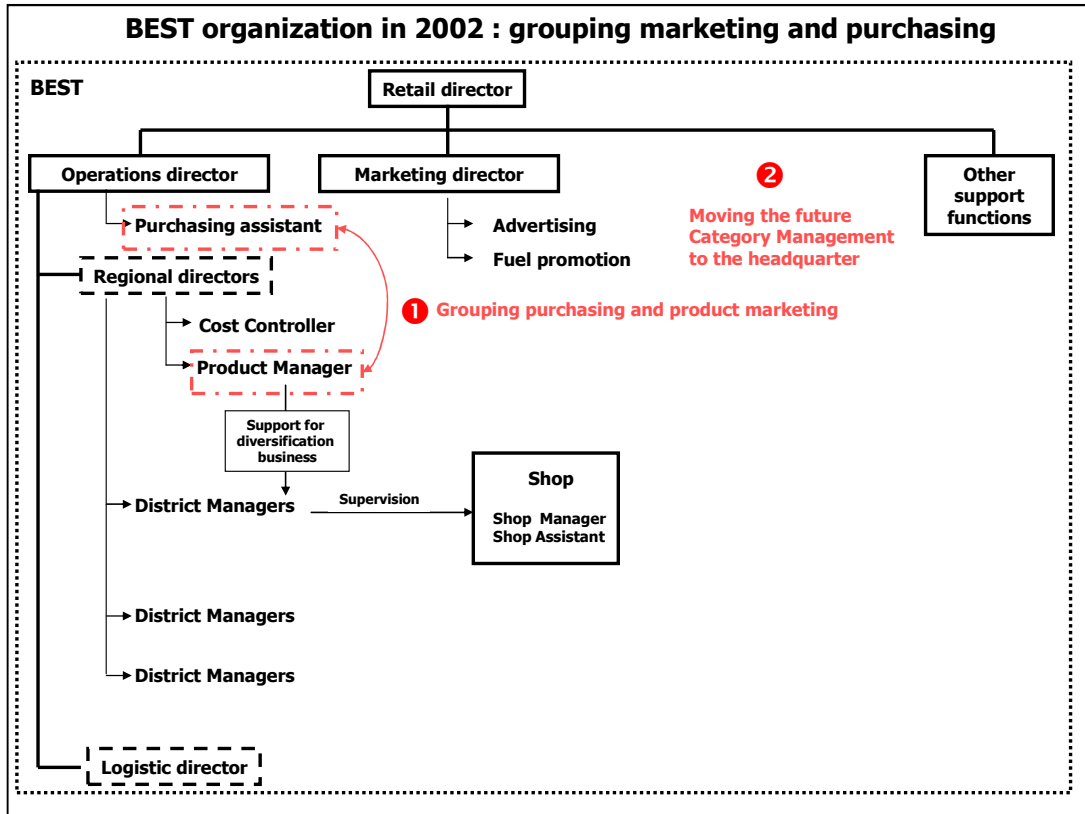


Figure 5.2.1: BEST retail organization in 2002

The kind of questions raised during these discussions showed that the management agreed with the ideas in principle. The cases which were presented during the information / training sessions (see IGD and ECR Europe) made it clear that retailing organizations were converging on the idea that there is more to gain by creating proximity between purchasing and marketing, rather than between marketing and field operations. The presentation also reinforced the conclusions in the articles they had had previously been exposed to in professional magazines. It was also:

"...in line with discussions they could have had with competitors like BETTOL, particularly in ROCKLAND, where this kind of organization had just been implemented" (Personal field notes Feb 2002)

But one striking dimension was the absence of a discussion on how category management can contribute to profitable growth. Instead, the discussions that were taking place were centred on structural rationalization; After all, this was also consistent with the concerns of a post-merger phase and with the Euromonitor reports. A few, more junior managers and more involved in operations, stressed this point:

"Category Management is a way marketers have found of being more directive over stores. We are in a phase of centralisation and integration. Power is now in the hands of the up-stream managers"
"(Nick, Discoland, minutes of the Information sessions on CM, Feb. 2002)

The reaction of two delegates was immediate, pulling the discussion back to business strategy:

"If the shops have to be central in our strategy, as I understand they should be, we have to act as retailers, and we will implement those methods that help us to be more professional" (Mike, EMD, minutes of the Information sessions on CM, Feb. 2002)

And those delegates who were up against BETTOL in Rockland knew that category management was not just a new way of packaging the existing marketing activities

"Category Management is not a gimmick, it has to be implemented in its purest form. We have to stick to real CM otherwise we will just implement merchandising and work out assortments just a bit differently, but we will never get the full benefit of the approach"
"(Paul, Rockland, minutes of the Information sessions on CM, Feb. 2002)

When the delegates left the one-day sessions, the question was no longer "should we or should we not implement category management?". It was rather: "how are we going to do it?". The issue had much more to do with organization, with changes in work

contracts, including the outline of the mission, the location of the job, and the salary. It was anticipated that product managers, for example, would probably agree to change roles but would be unsure on how the job would be graded.

5.3. Creating the role of Category Manager

As initially planned, a restricted committee, consisting of retail directors, met at the headquarters at the end of February 2002 to make a final decision on the implementation of category management. This meeting was called an “organizing meeting”. It is referred to in the various quotes as “organizing meeting Feb 2002”. Two weeks after the information / training sessions, it was clear that category management would be an interesting way to go. It was seen as a combination of many tasks factors known to everyone. And it was now stated openly that the implementation of this approach would help two countries rationalize their organizations, namely Discoland and Rapland. For Rockland, the employability argument was dominant. And, for Groveland, the need to professionalize the team of product managers was key.

5.3.1. Who will be a Category Manager and for what reason?

The idea that the future Category Managers (CM) would be the previous Product Managers (PM) was obvious to everyone until it was tested with the PMs themselves. In this meeting, the retail directors shared with their counterparts the comments *verbatim* of the PMs they could interview about the idea of becoming a CM. PMs had no clear vision of what the evolution would mean in Discoland or Rapland.

"My career prospect within BEST is to move to a Cost Controller position because this is the surest way to become a district manager" (Ben, Product Manager interviewed by the retail director of Discoland, Organizing Meeting Feb. 2002)

But the change made sense for the target population in Rockland and Groveland. The denomination Category Manager was known to everyone. The representations attached to it were that of a purchaser with an enriched mission.

"This job is a big job. It is much more interesting to become Category Manager than Cost Controller, the future is in the offices at headquarters, and it is probably much better paid" (Jennifer, Product Manager interviewed by the retail director of Rockland, Organizing Meeting Feb. 2002).

The terms of reference in these two situations were very different. One was based on the classic career track, and it suggested that the new position would need to be presented in a favourable way to attract product managers. The other stressed that a job title could be strongly connoted with an existing position in other retailing firms, the prototype being large retailers.

"If our future CMs compare their job with Tesco or Carrefour, and if we want to give them a similar mission, we will need to define a very different profile for that kind of job". (Paul, Rockland, Interview, Organizing Meeting Feb. 2002)

It was left to the European coordinator to conclude the discussion, using a diagram exposed in figure 5.3.1.

"We will have to grade the job in our BEST system. We have two options. Either we appoint rather junior managers and we can be consistent with our current situation. Or we appoint managers with a degree of seniority, because they will have to talk directly to the Key Account Managers of suppliers, they will have to be able to impose their views on the regional directors and field managers, and we want them to succeed in their mission" (Mike, EMD, interview 2002)

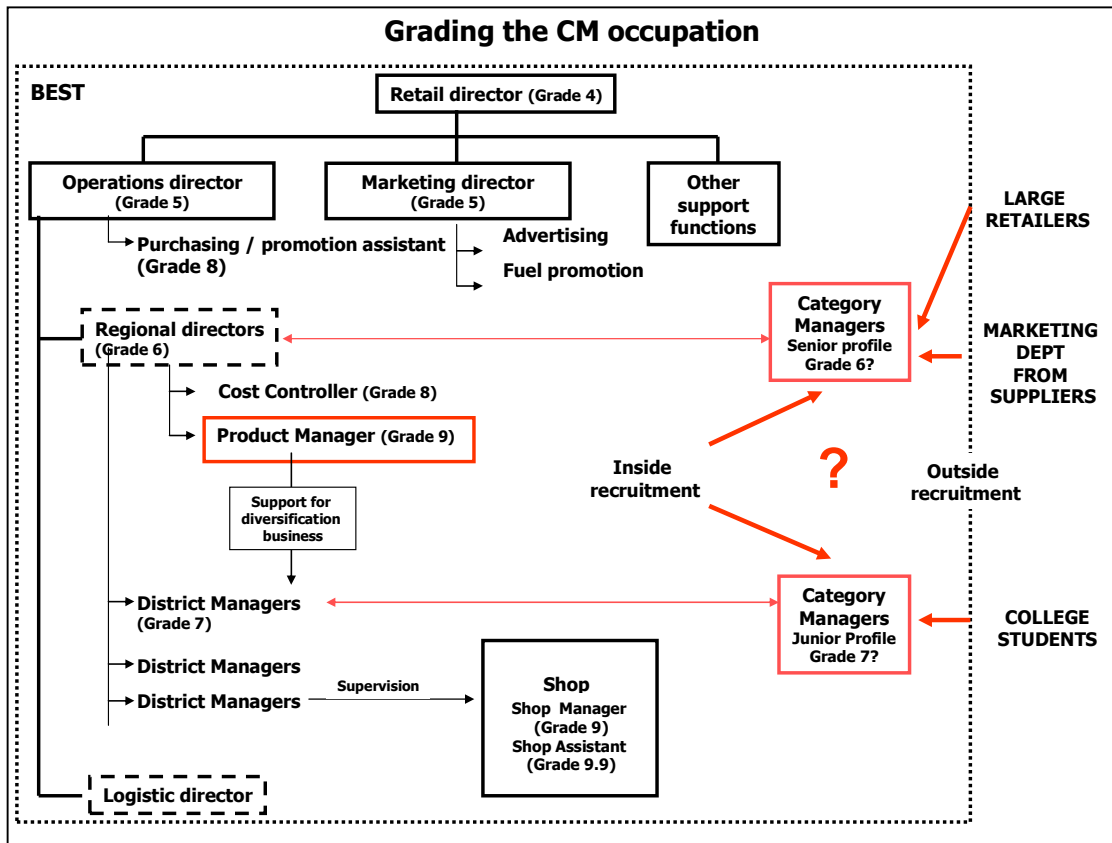


Figure 5.3.1: Two options when grading the job of category management

Inevitably, the consequence was to be a financial one. So long as the post merger rationalization was raging, the payroll wouldn't be increased.

"How many Category Managers do our competitors (BETTOL) have in their organization? How many categories do they manage? How are they structured?" (Paul, Rockland, Interview 2002)

What appeared at first to be the implementation of a managerial methodology to improve business performance was in fact, a major organizational change that the network directors suddenly were not prepared to face.

"If we take the same people and get them to work differently, this is fine. We also need efficient organisations in the management of the shop operations. But don't create a mess, we have enough to do with the standardization of security procedures, not to speak about BIG BANG and other projects coming from our big bosses. And don't forget the legal issues with collective agreements. (Phil, Retail Director, Discoland, Interview 2002)

The implicit logic was becoming clearer. If we can promote some of the PMs, in a limited number though, we would cap the salary costs. We could possibly increase the salaries of those being promoted, and this would allow to group various jobs under one role, with more consistency, and probably more efficiency.

Once this organizational move could be accepted from a rationalization perspective, another dimension needed to be included in the discussion. This was the human resources (HR) dimension.

5.3.2. Grading the job of Category Managers

BEST, as a multinational company, uses a grading system to classify jobs, based on Hay's international grading system, though different in the denomination of the grades. An occupation requires the implementation of know-how (competence), to solve problems (creative initiative) in order to reach final results (goals). Whatever the function, all jobs are rated on a point system using these three dimensions (competence, creative initiative and goals) by an evaluation committee that consists of an HR expert in the evaluation method, together with managers who belong to the same division but from different countries. After discussions, a job is given a number of points which result in a grade for the occupation. For management positions, the scale starts at 9.9 for a junior role and rises to 1 for a very senior executive. For marketing jobs, the classification is indicated in figure 5.3.2. below.

To decide which grade should be given to the CMs, a series of comparisons were discussed. Figure 5.3.1 highlight the various options. If the CMs do the same job as PMs, with the addition of a merchandising function and an extra responsibility for purchasing, the job should be rated above Product Manager (graded 9 in figure 5.3.2), and at the same level as the Purchasing / promotion assistant (graded 8 in figure 5.3.2) in the motorway network in Discoland.

In Rockland, the staff envisaged to take on this position have an age /experience ratio which makes it impossible to grade the job below District Manager (graded 7 in figure 5.3.2). If, finally we consider how this job is graded on the labour market at say, Tesco or Carrefour or even BETTOL, one should place it on a par with regional director (graded 6 in figure 5.3.2) and this was inconceivable at BEST. Product managers had long been working under the supervision of the regional directors, they could therefore not be graded above them. Mike's position on this issue was clear enough:

“Those people who take on a new job in a role that is new to us, and with the responsibility of managing a margin that should compensate the decline of the fuel margin, have to be senior managers. (Mike, EMD, Organization meeting, Feb 2002)

BEST internal classification scheme

BEST COMPANY: JOB CLASSIFICATION

Grade	Description of the position	
	Operational field	Marketing activities
9.9	Assistant Shop Manager	
9	Shop Manager	Product Manager
	Shop Adviser	
8	Cost Controller in regions	Promotion assistant
7	District Manager	Category Manager? Junior Option
6	Regional director	Category Manager? Senior Option
5	Network operational director	Head of marketing (fuel activities)
	Diversification activities director	Head of CRS (shop activities)
4	Country director with no production	
	Retail director in a large country	
3	Country Director of a large country with production (refinery)	
2	Worldwide head of a division	
1	CEO	

Figure 5.3.2: BEST Internal classification scheme

Obviously, to weigh this job, managers had to discuss the magnitude of the responsibilities to be given to category managers. This question bore a direct relationship to the grouping of product families and their weight in the business. Using the Profit & Loss Account of a petrol station that he had in his fact book, Nick (Rapland, organization meeting, Feb 2002) suggested:

“Let's use the current product nomenclature to size the businesses. Apart from fuel, we track the Food business, the Non-Food, the Food Service and the Car Wash. So we need 5 to 6 category managers.”

But on closer inspection, the food category included confectionery, sandwiches, beverages, fresh products and a small offer of dry food. The Non-Food included items as diverse as tobacco, telephone cards, newspapers and magazines, maps and a small offer of hygiene and cosmetic products. In principle, it could also include car spare parts. Food service is the management of small restaurant units, and it may not work with the management rules for packaged items. And lastly, car wash is a very distinct activity with a major investment component.

The existing nomenclature was certainly a classification that needed to be taken into account because the reporting system was based on it. Therefore, the breakdown of the products into accountable categories was not as simple as it appeared. After long discussion about the organizing factors and principles, a brief list of factors was finally agreed upon: the size of the business in terms of turnover, the number of suppliers and their maturity - an international firm such as Procter & Gamble, it was assumed, would be easier to work with than a small regional firm - and the number of items in the assortment.

Food service and car wash were defined as different businesses, and were assigned one manager each - Restaurant and Car Wash manager respectively. This apparently

obvious idea to most of the retail directors attending the organization meeting, was disputed by Chris who was looking for more consistency in the global job description. For him, all businesses deserved a similar consideration and therefore should be labelled category manager irrespective of the type of product or service family:

"I don't understand why we couldn't have a fuel category manager, a food service category manager, a car wash category manager and finally a series of category managers for the other businesses. At least the system would be consistent across the board!" (Chris, Discoland, Organizing Meeting Feb 2002)

The term category manager was finally discarded for the Restaurant and Car Wash businesses. Patrick's intervention argued for this final decision:

"The technical dimension is very important. When these people think about the development of their entity, the investment dimension is key and their relations with the technical department are very intense. We need people with a different profile and more field seniority." (Christopher, Rockland, Retail director and previous district manager, Organizing Meeting Feb 2002)

The label "category manager" was eventually kept to describe those who worked with packaged goods. After analysing the various product families with the help of the above mentioned dimensions, it seemed that there would be the need for managers to cover a) in the food sector: beverages, confectionery, sandwiches and fresh food, other grocery items; b) in the non food sector, tobacco in those countries where it applied, and the rest of non food including car spare parts and magazines.

In other words, there would be the need for seven category managers, given the intention of carving out roles with equivalent levels of responsibility. Based on this idea, the grade of the job was provisionally assessed to be 7, the equivalent of a cost controller or a promotions assistant.

At the end of the meeting, everyone was apparently happy with this conclusion though not without acknowledging some limitations. First, PMs would read the new job as a promotion, but future CMs would be on a lower grade than the regional directors with whom they would have to work directly. Secondly, their level in the grading system would create a huge salary gap with people who did the same job in other companies but were much better paid. Thirdly, the job which should prove attractive for young graduates would be slightly underpaid, in two out of four countries, in comparison to the average salary these graduates could get in a marketing position in other companies. And the chair concluded:

“Let's put the whole thing on hold and sit on it for a while . We will put the subject on the agenda again for our next monthly meeting” (Mike, EMD, Organization meeting, Feb 2002)

5.3.3. Defining who category managers should report to

At the end of March 2002, a further organizing meeting was set up to finalize the discussions about the grading of category managers. The global impression was that the idea raised in February could be made concrete. A few aspects still deserved some attention, “...if we are to meet a final decision on the implementation of category managers within our organization,” - one of the contributors stressed - “we have to define who the category managers will report to.”

The head of the networks in one country had to supervise an operation manager as well as the technical services including price, expansion and maintenance. Though the shop business was essential to the achievement of his margin, it was not properly delineated either in the business statistics or in the organizational chart. So far, this business was aggregated in the sales figures of the regional directors. All network directors very quickly felt that they would need a specific entity to manage the shop business under their direct control. An initial organization was sketched on a paper

board during the Organizing meeting of March 2002. They agreed that one department would need to be created to supervise all the store activities that included Car wash, Restaurant and Shop (CRS). This would mean that the operation managers would become responsible of the execution of strategies defined in the CRS department. The retail directors present at the meeting quickly understood that the fuel business would always be separate from the rest of the activities and this would justify keeping a separate marketing department for the fuel business. However, car wash, restaurants and packaged goods could be managed within the CRS entity.

Although the idea generated enthusiasm from the network directors it was too early, the delegates discovered, to finalize the new organization. The future category managers would need to be approached as well as potential CRS directors. At least a model of the new organization was now becoming clearer. Figure 5.3.3 shows the organizational chart that was designed in this March 2002 organizing meeting.

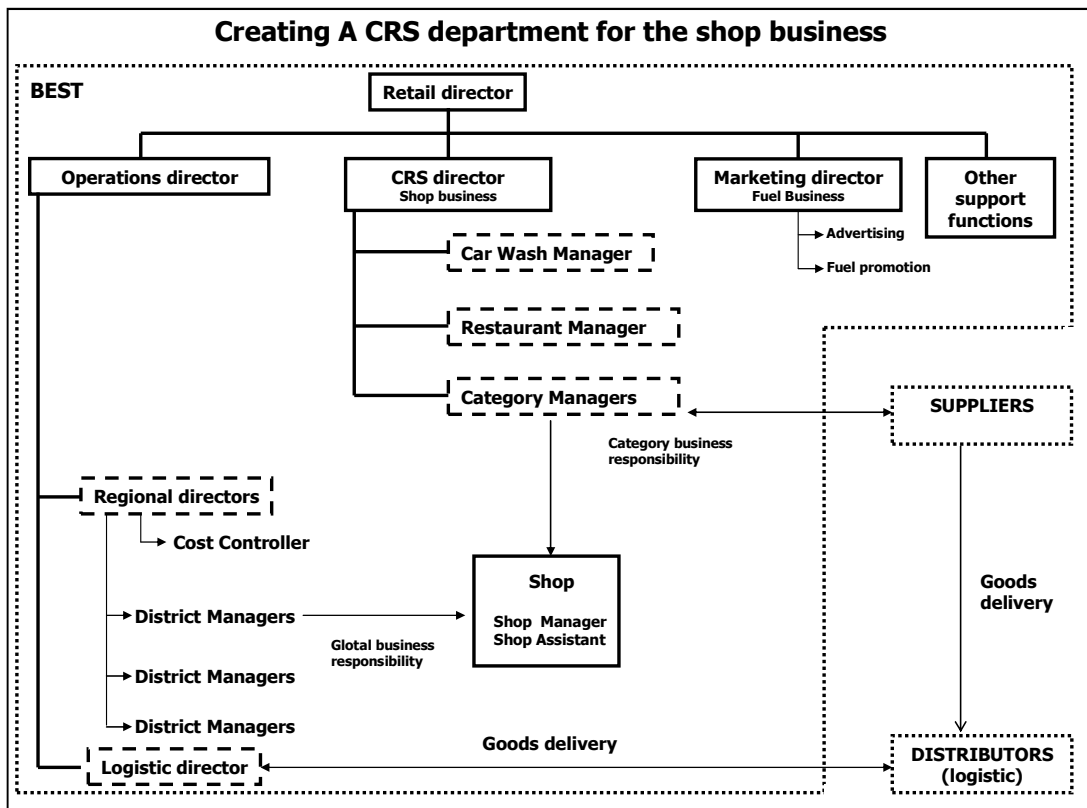


Figure 5.3.3: Creation of a CRS department

The future managers would have to be identified by September, be involved in projects to expose them to their new functions, and placed within a new organizational structure by January 2003. In the meantime, the budget exercise would confirm whether or not the new structure could be implemented.

5.4. Experimenting with Category Management

The European marketing department that is responsible for developing new store concepts had in mind that a new generation of stores would be needed to unify the networks resulting from the merger of FUEL 1 and FUEL 2. An international project, called CONCEPT, was about to start later in the spring. It was recommended that the Product Managers were sounded about how the move to category management could demonstrate what could be achieved within this context. While the marketers were working together with a design agency and the technical department, it was decided that the product managers would work on the products to be offered in the stores. In each network, throughout Europe, the Product Managers (PM) / future Category Managers were offered to work on the project on a part time basis, under the leadership of Mike from the European Marketing Development department (EMD). The team of product managers that were identified to become category managers were selected across the countries and product categories and were immediately called category managers (CM) by Mike. As an addition to their everyday tasks, the contribution to this project would give them a springboard for future promotion to the job of category manager. In the data presented above, I also call them category

managers (CM), though they were still not officially labelled as such at that moment in time. The team that was designed to work with Mike was the following:

Category Managers	Category	Countries			
		Rockland	Groveland	Rapland	Discoland
1	Fresh Food	Chris	Steven	Uwe	Susie
2	Beverages	Jeniffer	Jef	Anna	Joe
3	Dry food	Kate	Annelise	Andre	Ben
4	Non Food	Geof	Frank	Barbara	Maurice
5	Tobacco	Peter	-	Jörg	-

Figure 5.4.1: Concept Category managers' team

The CMs were very enthusiastic and were invited to an international meeting organized by Mike in June 2002. During this meeting, Mike presented them with the potential store concepts - at this stage, two concepts were still envisaged - and the objectives assigned to the CMs.

"We have to contribute to the 15% expected Return on Capital Employed for the new concept thanks to our assortment and superior in-store marketing. We will use this opportunity to demonstrate what category management can do" (Mike, EMD, Category management meeting, June 2002)

The category management method was then presented as a step by step process. An Excel spreadsheet was distributed as a template to collect all the relevant information in a standardized way. Mike had in mind that he would like to consolidate the data at European level. A timetable was established and category management meetings were scheduled on a monthly basis, as shown in figure 5.4.2. The agenda for each work session included a review of the work achieved in the analysis of each category.

		CONCEPT PROJECT											
		2002-2003											
		JUN	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
DIAGNOSIS PHASE		MKT ANALYSIS CAT OUTLINE ASSORTMENT PROMO											
RECOMMENDATION PHASE		DIAG & RECO TEST STORE RESULTS											

Figure 5.4.2: Concept Project Work plan for the Category Managers

Mike planned to gather the CMs at headquarters to organize the CONCEPT project meetings. Most of them had learned English at school but language was still an issue for some of them. Their lack of fluency in English created some difficulties for those who were being exposed to meetings with foreign managers for the first time. They felt that their ability to interact and express themselves assertively was greatly reduced. The dimension given to the project they were involved in was certainly generating positive - the exposure to professionals from other countries - as well as negative effects - difficulty of interacting and participating in the process.

The first prototype store was expected to be fully refurbished by March 2003 with an official opening to be attended by senior management. The results were expected to be analysed two months later, with the decision to roll out the concept to 20% of the network scheduled for the second semester of 2003. Should the results still be positive, the full roll out would be scheduled for 2004.

5.4.1. Market analysis

Before the following meeting, at the end of August 2002, Mike visited the various entities throughout Europe to make sure that the process was clear to everyone. His intention was to help managers analyse the data they had collected. When touring the countries, Mike was astonished to see how little had been accomplished. Jef, Maurice and Barbara’s comments illustrate what the reasons for this were:

"We are in the field all the time and we have business to achieve. The summer season is a peak time on all the motorways in Europe, and the beverage category can't miss sales in this period. If a tenant calls us, we rush to assist him" (Jef, category manager, Groveland, Category management meeting, Aug 2002)

"It takes hours to download the data from our system. You have to send a request to the database manager, wait for a day or two, and then, there is always something wrong: this product is still in the listing but was discontinued months ago, etc. We have to purify the database; otherwise, we will have no consistent basis for our analysis. The system is OK for a limited number of requests, on a monthly basis. But now we are reaching the limit." (Maurice, category manager, Discoland, Category management meeting, Aug 2002)

"The only relevant market information that I can find is based on professional magazines. There is no way that I can cross check this information with any supplier data. I don't understand how we can make a gap analysis." (Barbara, Category Manager, Rapland, Category management meeting, Aug 2002)

Most of the CMs had not been exposed to the need to analyse markets because in their existing job as product managers, the core of their mission was to help stores with space management. In principle they should help to identify which products were the best suited for one specific shop but in reality, within the existing organization, products were selected by the shop managers from the wholesaler catalogue, who also decided what promotions were required. If the PM was close to them at the moment of their selection, they would seek advice. For many different though good reasons, it was clear that the next meeting with all the CMs was going to be a disaster, if the agenda stuck solely to the analysis of categories. Mike therefore decided to focus on the identification of the key issues.

The very first area of concern was time management. As PMs, they were so involved in their operational missions such as defining product codes, checking the level of stock or sending promotion material to the stores, that they hardly got a chance to stop and try to analyse their category. In principle, they could have taken one day in a week to stay at the office. Sharing this concern with a CRS director, Mike discovered that:

"...the job of a Product Manager is a job where you move from one store to the other, where you talk to shop managers and stock shelves with them, it is a very physical type of work. I can understand it is difficult for them to sit at a desk and work in front of a computer, crunching data with Excel Spreadsheets. This is simply not their thing." (Stan, CRS director, Discoland, August 2002)

Another difficulty, which had been envisaged by Mike, was the issue of data access. For some categories, such as tobacco, and newspapers, the company received indications of the market size and dynamics, share of each player, etc. from syndicated sources every month. But for most of the businesses, the company was unable to position itself in the market. For example, in the Non-Alcoholic Beverage business, market data from a retailers' panel was available, but the company did not subscribe to this service. Another striking example was the case of confectionery where panel data for large supermarkets was available but there was no coverage of proximity stores. Andre's comment is an example of the product managers' reaction to market analysis:

"You can imagine what it means! Confectionery is very much an impulse market, petrol stations are certainly peculiar in that respect. Either we have panel data through our suppliers at a supermarket level, and it is useless, or we get data from Lekkerland (wholesaler) but we get no specific extraction for the petrol stations. The only reliable information source would be that of Master Food, because this company has structured data for all the impulse markets. Now can you imagine that we need to beg for this data from one of our suppliers!" (Andre, Category manager, Rapland, Category management meeting, August 2002)

In the case of Discoland, this story rang a different bell. One CM argued:

“BEST is the leader on motorways, or so we believe. We have no market information at a category level, and I am not sure that the company is ready to share its data with other players, because everyone would take advantage of our leadership. I am better off considering that we set the trend ! So to me, there is no difference between the market and my company, and what category management calls gap analysis is nonsense. What I trust are my own sales figures”. (Ben, Category manager, Discoland, Category management meeting, August 2002)

The common denominator to all subsidiaries, Mike thought, would be the analysis of the internal sales. At least, this would be available, he thought. But Jef quickly contradicted him:

In fact, we do have something, some sort of data. But as soon as we dig into it, we discover weird things to the extent that we do not trust the results. For example the nomenclature is not clean. Since the codification is not centralized and limited to only one person, you can have, in one region, one code for one specific chocolate bar, in the chocolate segment, and in another region, another code in the biscuit segment! Of course, when the product is listed, there is officially one single code for every region, but there are loads of examples where shop managers or even Product Managers decide to classify it in a different way. (Jef, Category manager, Groveland, Catman, Category management meeting, August 2002)

The situation at the end of August 2002 was a nightmare. No one knew what the current market status was, and not even what the company's figures looked like. Figures were not reliable at a national level. Mike who had battled for fact-based decision making, started to realize the difficulties inherent in this approach:

“I remember that day precisely, because I started to understand that the use of internal statistics would be as judgmental as the comments of the tenants trying to explain that this or that campaign was selling well”. (Mike, EMD, Category management meeting, August 2002)

Because he had to start somewhere, Mike decided that the goal of the next meeting would be to define with the affiliates a format of a maximum of ten templates that could serve as an initial springboard for a fact-based analysis. At the end of the August meeting, all agreed that the dimensions indicated in figure 5.4.3 could be documented at a category level. With this kind of analysis, he thought, one could start to write the beginning of a category strategy. The 10 steps should be applied to all categories of the existing product nomenclature:

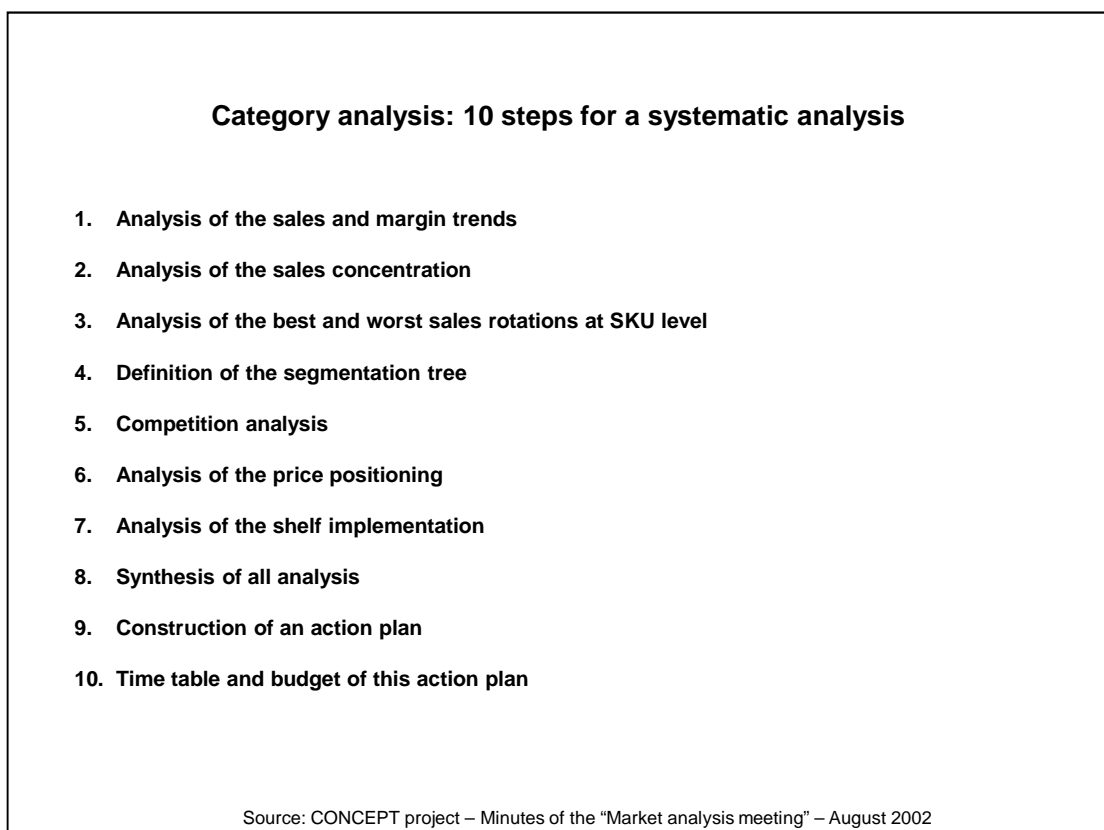


Figure 5.4.3: Category analysis in 10 steps

The next meeting was planned for October. The agenda would be to review the analysis carried out and to start discussing the role of the categories.

5.4.2. Outline and role of the category

In October 2002, Mike opened the meeting. Under the heading "review of the previous minutes" of the agenda, the discussion started again on the need to develop systems to purify the data. The coding of the listed products should be done at a centralized level and only one manager, the database manager, should be allowed to modify something in the system. This was achieved technically, through a limitation in the system that prevents store managers from accessing the core of the product nomenclature. Only the purchasing assistant could now get into the database and any new product creation had to go through her hands.

But now that this single point of entry was defined and controlled, the most difficult task was still to be achieved. How do we define categories and the products which belong to each category? A first segmentation, based on the suppliers' segmentation was available and served as a starting point. This segmentation tree presented in Figure 5.4.4 served to create the product nomenclature:

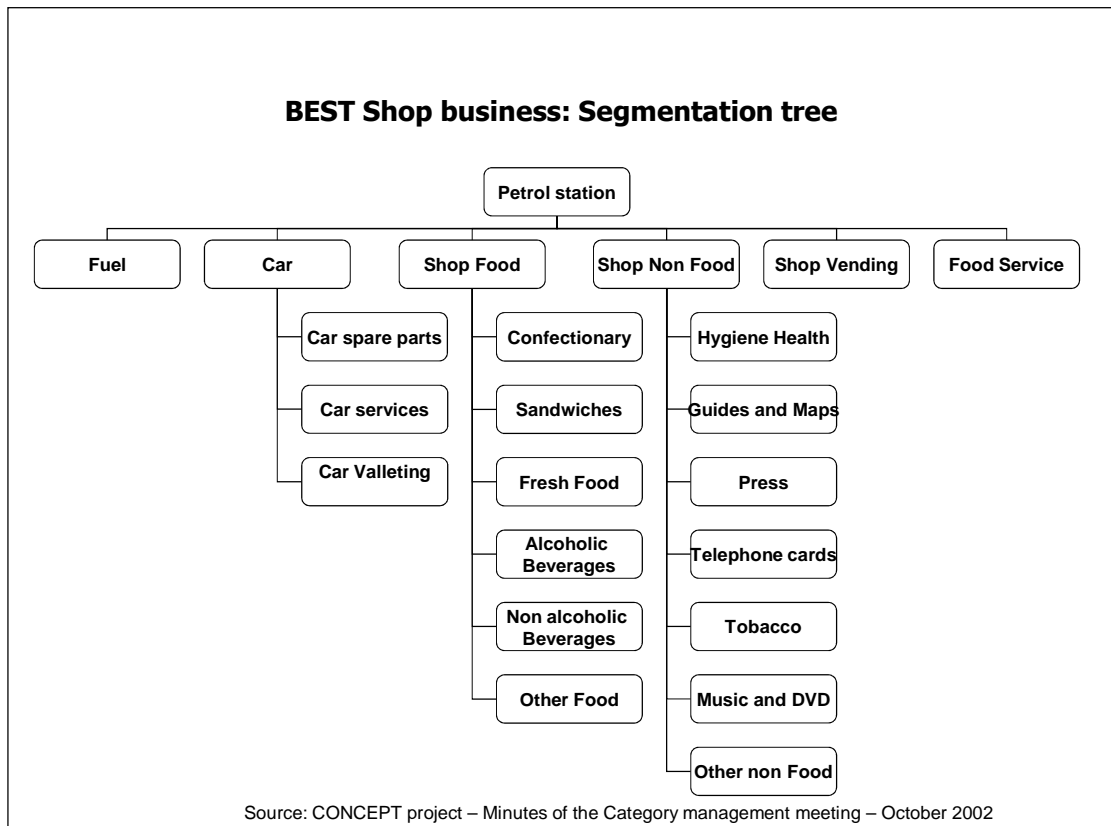


Figure 5.4.4: Segmentation tree - Product Nomenclature

The review of all the existing categories was to be done systematically. But the CONCEPT project gave managers an opportunity to think creatively about potential new categories that could get into the assortment.

“In a petrol station, consumers want to find their cigarettes, or newspapers, they like to drink something, and probably also want a bite to eat, get a mug of coffee. They may also want to go to the loo. This is what we always considered doing, but why not serve them with all sorts of other services, an internet connection, an ATM, etc.? We could revolutionize the petrol station by offering new product families. Why don't we use the opportunity of the new CONCEPT to seek new businesses?”
(Chris, Category Manager, Rockland, Category management meeting, October 2002)

Chris's suggestion opened up new avenues for thought. His point of view was highly respected within the task force because it was backed by many years of experience,

initially in the field, and then at the head office in Groveland, where category management was well understood. He was one of the few Product Managers / Category Managers who were "graded 6", because of his proven success in the business. His seniority could explain why he was envisaging the future in a more adventurous way. Coming from a small affiliate country, where the network had grown progressively to a much larger size, Chris was behaving more like a member of a country steering committee, the delegates commented at the break. Now that he had moved to Rockland, he was on a job graded 7 with a lot of seniority and know-how in managing the relationship with the networks.

Coming back to the question, what categories should be included in a petrol station, Chris's intervention reformulated it in terms of: what needs do we want to address? The answer to this question prompted further debate with the managers from the marketing department who were in charge of the CONCEPT definition. In any event, the combination of product categories had to be linked to some rationale, and the definition of the CONCEPT positioning appeared to be the important determinant that everyone was willing to consider. The following two quotes stress extreme points of view. The first is rather conservative whereas the second is more progressive:

"Unless a clear positioning is defined, there is no way we can finalize our offer. We can only be conservative and we will not create the petrol station of the next century. CONCEPT will not be a breakthrough value proposition." (Steven, Category manager, Groveland, Category management meeting, September 2002)

"The problem with our way of formulating positioning is that everyone thinks fuel, quality and premium price. Look at our totem. We give the price of the different kind of fuel but there is no icon with a sandwich or a cup of coffee. Our marketing people should relook at their ways of addressing

positioning issues”. (Andre, Category manager Rapland, Category management meeting, September 2002)

To address the positioning issue, Steven used the video projector and projected a few slides from the brief given to his team in Groveland by the retail director.

CONCEPT positioning formulation

- CONCEPT is positioned across Europe as a provider of “solutions”
 - In GROVELAND, zoning is identified as the differentiating element of CONCEPT – this has now been adopted across Europe
- CONCEPT in GROVELAND will satisfy local needs for top-up shopping whilst retaining the traditional forecourt customer, the product range will be driven by the local customer.
- Focus categories throughout CONCEPT will be
 - alcohol,
 - fresh food (fruits & vegetables, bakery, ready meals, sandwiches),
 - food on the go
 - and media.
- The stores promotional package will be in line with the rest of the company owned stores, in addition CONCEPT stores will have tailored local promotions.

Source: CONCEPT project – Minutes of the Category management meeting – September 2002

Figure 5.4.5: CONCEPT Positioning Formulation

From this slide (figure 5.4.5), one could identify that the people who wrote the positioning had in mind moving CONCEPT from a fuel station towards a proximity store. This was substantiated by the top up shopping. However, the marketing team did not want to lose current customers and immediately stressed that the traditional product families, including alcohol and food on-the-go, should be displayed prominently.

It was also obvious that the brief had been written with architectural constraints in mind. As a matter of fact, the marketing team had worked closely with the technical

department who were going to be in charge of the building and fitting out of the store. The dominant logic of the fuel business was inevitably present. The author of the brief was certainly aware that any internal communication should refer to the outstanding service level, which meant in BEST language, security, service at the pump, cleaning of the windscreens, etc.

In the second column of the second slide (figure 5.4.6), some indications on a broader product offer were given to the CMs.

How is CONCEPT different?	
<u>The store design</u>	<u>The offer</u>
<ul style="list-style-type: none"> • Floor (different types of flooring throughout the store) • Lighting (bold/ increased, utilised to feature product areas) • Gondolas (style, height) <p>CONCEPT utilises zones to simplify shopping & communicate the offer internally</p> <ul style="list-style-type: none"> • Customer Care • Excellent levels of customer service, • 100% compliance with all BEST Service initiatives, • Regular service monitoring 	<ul style="list-style-type: none"> • Alcohol <ul style="list-style-type: none"> – chilled, central location in store, major space allocation • Focus on Fresh <ul style="list-style-type: none"> – Sandwiches - factory made std and own label & store made – Ready meals – expansion of space & range to ready meals – Milk/bread and dairy - convenience range, freshly baked bread – Fruit & Veg - pre-pack • Grocery/Household/ Top-Up Shopping • Retain focus <ul style="list-style-type: none"> – Impulse (Snacks, confectionery, and soft drinks) – Tobacco – Phone-Cards – News/Magazines
<p>Source: CONCEPT project – Minutes of the Category management meeting – September 2002</p>	

Figure 5.4.6: Definition of CONCEPT positioning

The important product families were given in a particular order which was meant to be respected. Alcohol was an important margin contributor and was positioned as number one. Fresh food was stressed for a healthy image dimension, but also because freshness is a standard which is difficult to reach. Differentiation, it was thought, could be achieved with product families that competitors could hardly manage.

Because of the wish of the company to differentiate strongly on these product families, they were labelled "destination families".

The grocery / household / top up shopping, was seen as another strong point of CONCEPT. The internal belief, however, was that it would be impossible to compete price-wise with the large retailers. Therefore, the role of these products in the assortment was labelled "important", to stress that they were essential for consumers though the marketing people thought the company could not reach a satisfactory level of differentiation. Lastly, the "retail focus" bullet point highlighted the traditional product families that were available at any petrol station in Groveland.

The participants in the meeting thought that such a brief should have been presented to every country, and Mike recorded a wave of criticism towards the local management. In fact, briefs had been presented in the centralized networks, namely in the small countries, and in one large one, in the motorway networks. But apart from some antagonistic comments, the discussion moved back to the issue of which product families should be displayed in the stores, as Anna's comment suggested:

"We all know that cigarettes and alcohol are at risk in most of the European countries. We all agree that they will be banned from our stores. These two product families represent a major margin contribution, we all agree. But how the hell do we anticipate the earthquake that is going to shake our business, sooner or later?" (Anna, Category Manager, Rapland, Category management meeting, September 2002)

Furthermore, it appeared that the formulation of the positioning statement was perceived as too generic. Any competitor on the market could claim an orientation towards food. The general perception was that the company would need to set up alliances with large retailers, should CONCEPT have a strong impact on fresh food. The physical distribution of the goods would be a major difficulty to overcome.

Sandwiches and yoghurt were one thing, fresh salad, fruits and vegetable were quite another.

A relevant dimension was touched on by a CM with experience of the motorway network:

“This is all very nice and I understand that we want to have a grocery store within a petrol station shop. How does it work on motorways? How does it work with clients who drive long distances and are looking for a quiet rest area to make a pleasant and peaceful stop? This CONCEPT, which our bosses want to be an international one, needs to be adjusted to the variety of business situations we face”. (Maurice, Category manager, Discoland, Category management meeting, September 2002)

The discussion was taking a new direction. So far, the positioning was described as being wrong, or too limited in terms of product categories. Now, Maurice was suggesting, it was irrelevant to some parts of the network. To close the debate, Mike insisted:

“The questions you all raise are very much in line with what category management is about. We want to satisfy customers in the wide varieties of their needs. Yes indeed, we have to question the business we are in today, as well as the businesses we will be in tomorrow”. (Mike, EMD, Category management meeting, September 2002)

The impression that stood out in the discussion was that the managers were trying to identify how far they could go with creative proposals. Should they be conservative or were they allowed to think of truly new product categories? “Let's start with the existing business”, was one conclusion. It was the easiest thing to do, at least in the short term, without engaging in endless discussion with the managers from the marketing department. “Let's formulate what is not given to us”, was a second conclusion proposed by Maurice:

“In the absence of any positioning statement, we will write one and force the organization to rectify it, if needed“. (Maurice, Category manager, Discoland, Category management meeting, September 2002)

The CMs coming from Rockland and Groveland were not captured by this idea; they had been managing product families in a central organization for some years and were expecting to contribute to the renewal of the store concept in a more meaningful way. Their classification within their own organizations made it possible and legitimate for them to talk to the technical department and envisage very different kinds of stores with the perspective of creating a real competitive edge. They felt confident about convincing the head of the local subsidiary. Their attitude in Mike's meeting was now to follow the trend on the common denominator to all countries, but to part on the issues where they thought they could achieve a better result following their own strategy. The idea of a unique European concept was getting a hard time.

Conversely, for the delegates from Rapland and Discoland, the belief was rather that one could achieve outstanding results within the existing businesses, thanks to common methodologies, and through a concerted effort towards suppliers. For the contributors of these countries, the focus of the meetings should be very much on the definition of these common processes.

The October meeting raised a number of issues that Mike reported to the network directors who were sent copies of the minutes. These issues had not been anticipated by them. Their conception of the CMs' job was limited to operational matters.

5.4.3. Defining the assortment

At the start of the November 2002 meeting, Mike made it clear that the focus of the following encounters would be to optimize the existing businesses much more than to think about new opportunities.

“We have to work within our circle of influence. Let's first prove what we can do without changing the equation”. (Mike, EMD, Category management meeting, November 2002)

Within the frame of the categories as defined so far, but with assortment and layout optimizations, CONCEPT should be able to deliver much better results than the current BEST stores.

“Big numbers are needed to demonstrate to the senior managers what product/ category managers can do”. (Mike, EMD, Category management meeting, November 2002)

Because the focus was now on the existing business and products that were going to be sold in the stores, Mike decided to take a case which spoke to everyone regardless of country and network. The Non-alcoholic Beverages (NABs) category was selected to explore the potential of the planned optimizations. Following this example, the product / category managers could apply the process to their own category. Actually, Mike observed on this occasion that the NABs were the only one category that could be studied in a cross-border fashion. All the other businesses were very specific to each domestic market, and no substantial lessons from any one country could be transferred to another. Processes and methods, however, could be shared.

Asking how the CMs were managing their assortment, a very pragmatic method was described.

“We start by establishing a hit parade where the best selling items stand out. And we also list the worst selling items. We systematically eliminate the products that don't sell, and we negotiate the

listing of new products with the suppliers. (Kate, Category manager, Rockland, Category management meeting, November 2002)

At first sight, the method looked simple and easy to implement. “And how do you know that a product doesn't sell?” was Mike's provocative next question:

“That is an easy one. If you don't sell one outer per week for a given SKU, the product should be discontinued. This is for one store”. (Kate, Category manager, Rockland, Category management meeting, November 2002)

The answers were given automatically, as if they were obvious and proof of field experience. Without commenting during the meeting but off the record, Mike mentioned that it could not be a method because, as seen from headquarters, the average sales per shop for one given week was difficult to establish. Of course, the field managers could observe at the level of a single store what the situation was like. But despite the data being aggregated at national level, it was impossible to calculate accurate average sales at store level, for one particular SKU.

“Too much information is lost with inappropriate coding. Some stores display the product and others, not. We have no idea of the implantation rate of the recommended planograms. We can find out, thanks to our distributors, the sales level of one SKU in the total network, but not at a shop level in a routinized way. To get that information, it would take a considerable effort!” (Mike, EMD, Category management meeting, Nov 2002)

Therefore, the judgement that a particular SKU is not selling well, was an impression gained from observations as well as comments of tenants and store managers. Mike had been able to check some figures with one prominent wholesaler in Rapland, and he could confirm that the perception of field managers could be at odds when confronted with sales figures.

“Some tenants have more authority than others. If they claim that one product is not selling well, people tend to believe them. But the same product can be a fair seller somewhere else where the tenant has less natural authority and no one will pay attention“.(Mike, EMD, Category management meeting, Nov 2002)

Mike had to fight with one commonly agreed upon opinion: “somebody in the field knows what is happening in the stores“. But, so far, Mike could not demonstrate that distant, data-driven knowledge could be more accurate than field perceptions.

In the same workshop, Annelise (Groveland) had a different point of view. She advocated the idea that the “worst performers elimination” was a method of discontinuing what is not selling well. But it was not a method to identify what would sell well. The problem, she suggested, was to try to sell more, not avoid selling less. And she started to explain a method in use within a large supermarket chain where she used to work.

The delegates reacted in unison saying that petrol retailers were not large retailers. Therefore, sophisticated methods could not be applied so easily. Product / category managers were but a few and had to supervise a large number of stores. They had no time to carry out the analysis required for the method described by Annelise. At this point, the discussion reverted back to time management.

“We have to rely on our suppliers and get more from them. Today, we work first and foremost with the wholesalers, who give us too little information, most of the time in a format which is inappropriate. Suppliers know their product categories better than we will ever do. If we can set up a good relationship with them, they can save us a lot of time, give us the market data and what we need to finalize our assortment“. (Susie, category manager, Discoland, Category management meeting, Nov. 2002)

The method to build an assortment at this stage could be summed up in a simple way:

“Focus on the best sellers, balance the number of suppliers, build a complementary range around with a variation of flavours and formats, and eliminate the poor sellers in an aggressive way”.
(Susie, category manager, Discoland, Category management meeting, Nov. 2002)

But a closer look at the available internal training material showed that in fact, the method was far more structured than it seemed at first sight. The suggested process starts with a description of an assortment tree, which means that a particular categorisation scheme has to be defined (Figure 5.4.7).

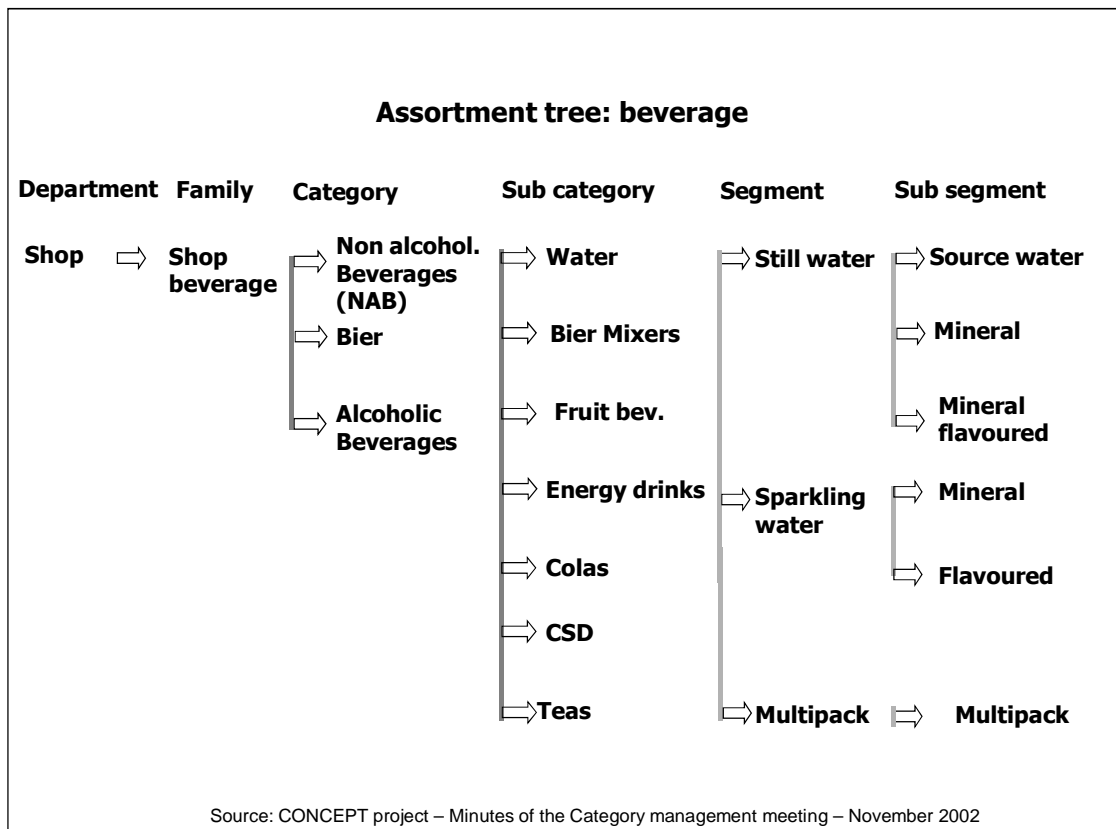


Figure 5.4.7: Assortment tree ROCKLAND

Some thoughts were then given to the depth and width of this assortment, which normally requires some idea of the importance that one wants to assign to each segment. In fact, it appeared that the weight and dynamic of the various segments was not assessed against market data, hence the earlier comments on the impossibility of

defining market gaps. In the NAB category, in principle, it was possible to buy panel data and carry out the analysis of market performance as opposed to relying solely on internal sales. But for all the other categories, it was impossible to access syndicated data because it simply did not exist. One would have to create panel data from scratch and the cost of doing that would be prohibitive.

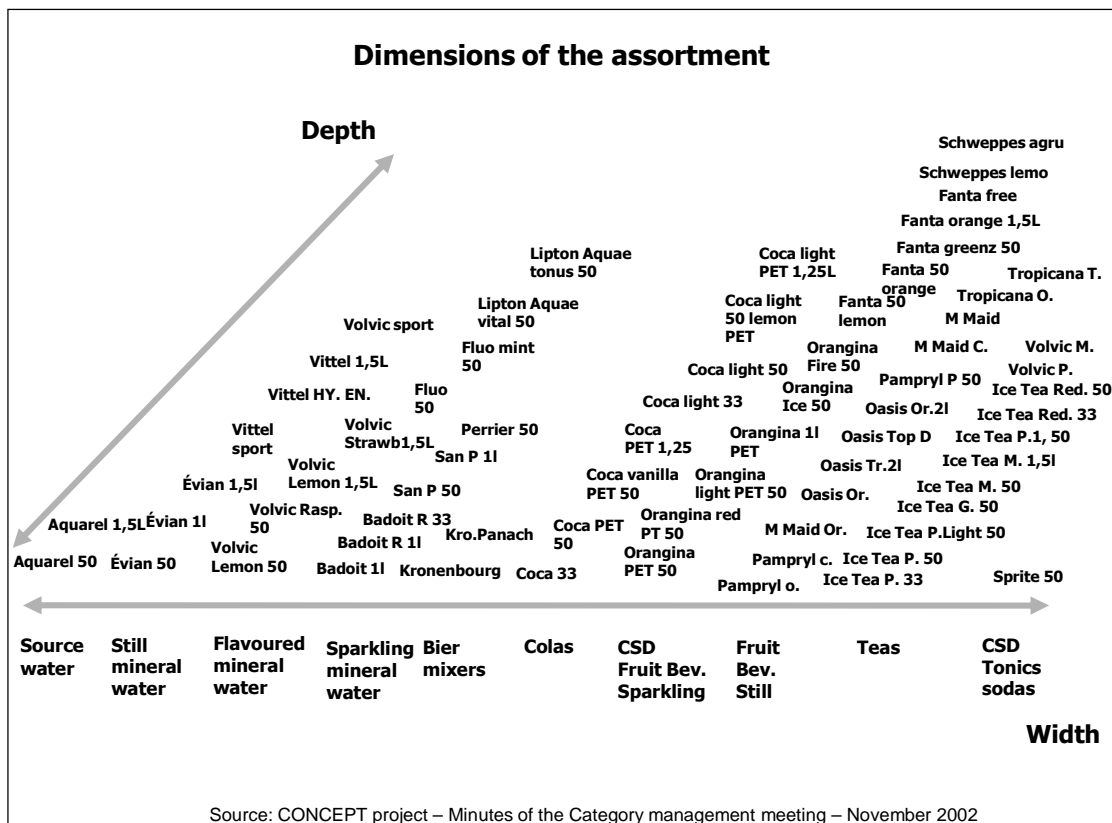


Figure 5.4.8: Assortment dimensions in ROCKLAND

“So how does one manager know that an assortment is appropriate or well balanced? We have to check that the offer is consistent and that the product families are complementary. And then for the weight of the families, you have to compare the share of margin with the share of assortment”.
(Kate, Category manager, Rockland, Category management meeting, November 2002)

Mike reacted promptly to this suggestion:

“Right, can you tell me what defines the basis of consistency and the principle of complementarities? You have got to have an action standard! When you, guys, decided to list the energy drinks, you thought this would be interesting because Red Bull is drunk by young clubbers and these people buy alcohol in our stores at night. Therefore your logic was to attract young male customers at night. Some might say this is not consistent with the road safety policy that we have and I couldn’t agree more with that. Tell me then what idea the listing of alcohol, energy drinks and vodka mixers is consistent with!” (Mike, EMD, Category management meeting, Nov 2002)

Mike was expecting to push the method further relying on category management’s prescriptions: a) segment the market, b) define the level of coverage you want to achieve for a given category role, in relation to a positioning, c) anticipate the market trends, d) express a view and give a weight to the assortment within each segment, e) avoid having two brands for the same need unit, etc. But he felt he had no allies in the room apart from Annelise who was still very new to the company. The resistance to carry out a systematic structured approach was felt strongly. A large set of the assembled audience was not at ease with the structured analysis proposed by Annelise. Mike suggested closing the meeting at this point and requested that all the product / category managers come up with their best optimised range for the following meeting.

5.4.4. Space planning

It was now January 2003 and there were still two months to go before the opening of the CONCEPT prototypes. The product / category managers went through their assortment and indeed, found that a lot of optimization could be achieved. In many cases, there were two products from two suppliers for the same need and this duplication could not be justified by a clear brand preference. It was then recommended to order this item from only one supplier to maximize volumes and achieve better purchasing prices resulting in a higher margin or a more competitive

price. In many other cases, the managers could identify SKUs with a very low level of turnover. Some carbonated soft drinks (CSD) beverages, for example, were turning so seldom that the stores were holding three months stock on their shelves. So far, the managers were aware of the important products because they, together with the shop managers, had to do the replenishment:

“When you have to replenish all the time, you know physically that the product is turning”. (Steven, Category manager, GROVELAND, Category management meeting, November 2002)

Using the Pareto rule, and with a strong focus on those SKUs which represented the essence of the margin instead of the sales, all the product / category managers came along with significantly reduced assortments, which potentially meant clearer planograms. Mike was very happy to see that something was happening, at last.

“We were no longer in a phase of complaints and "yes but". We were now achieving something and we could move into the space management phase.” (Mike, EMD, Category management meeting, Nov 2002)

Most of the delegates had been exposed to merchandising software. But the company was not homogeneous in that respect either. In just four countries, there were four distinct software programmes in use with different terminologies. Fortunately, all of them were based on the same principles: number of facings, ground metres, linear metres, turns, etc. all of these were familiar concepts to everyone. One could feel that this area was the strong point of the product managers present at the meeting so long as they discussed scenarios at the store level. As soon as the discussion moved up to the national level, the case was a more difficult one: each store is very specific in term of surface area and type of furniture. Mike knew that some adaptation was needed to adjust one planogram to the reality of each store. For example, the planogram is designed for a vertical gondola with two elements and they needed to expand it to a

gondola with three elements for one particular store. This situation was the case in Rockland and Groveland, two countries where BEST had recently arrived, and where the format of stores as well as the type of equipment was pretty homogeneous. But in Rapland and Discoland, most of the stores were created on a unique architectural plan, with equipment which was purchased over a period of 15 years. For these two countries:

“It was impossible to define by pressing on a computer button what furniture is in what store”. (Uwe, Category Manager, Rapland, Category management meeting, November 2002)

The delegates wondered how many planograms would need to be developed for one particular assortment. The answer was now clear. In two countries, one could afford to develop one planogram for each individual store. This would be very repetitive work but it was feasible. For the two other countries, a cluster analysis would need to be carried out to determine types based on the surface area of the store and the localization as well as on customer profiles.

For the sake of CONCEPT, only one store had to be redesigned by March 2003, which meant that the managers could still afford to work like craftsmen. Soon, when the CM's job was better established, these operations would have to be routinized.

5.4.5. Sales promotions

In the same month of January 2003, a meeting was set to finalize the promotional plan for the launch of CONCEPT. For timing and budget issues, it was decided that the suppliers would be invited to suggest their best offers for the reopening. The suggested scheme (see situation 1 in figure 5.4.9.) was the usual one. Based on the selection of the suppliers, BEST managers would select the type of operation with its

benefits, would then advise the wholesalers and the shop managers, before everything could be implemented in the test store.

“We all know that this procedure is wrong. We should give a very clear brief to the suppliers about what we expect from a sales promotion campaign. Instead, it is always the same story: we take what they want us to take because of their overrides and brand marketing plans. This is all wrong!”
(Frank, Category manager, Groveland, Category management meeting , Jan 2003)

Indeed, Mike agreed, picking up a pen to sketch a few processes on the paperboard:

“A category management procedure would suggest setting up a diagnosis of our business situation and making sure that the type of promotion we select meets our objectives”. (Mike, EMD, Category management meeting , Jan 2003)

And his drawing on the board served as an opportunity to sketch the three situations that summed up the promotion processes (Figure 5.4.9).

Lekkerland, in Rapland, is so powerful that this wholesaler is the dominant actor in the distribution system. There is no way we can impose a policy that they have not agreed upon. In fact, they are the ones who collect the overrides from the suppliers because of their dominant position on the proximity market.

Once again, it was felt that:

“We are far from the original category management concept. We are managing very diverse situations, sometimes with good results, sometimes with poor ones”. (Andre, Category manager, Rapland, Category management meeting , Jan 2003)

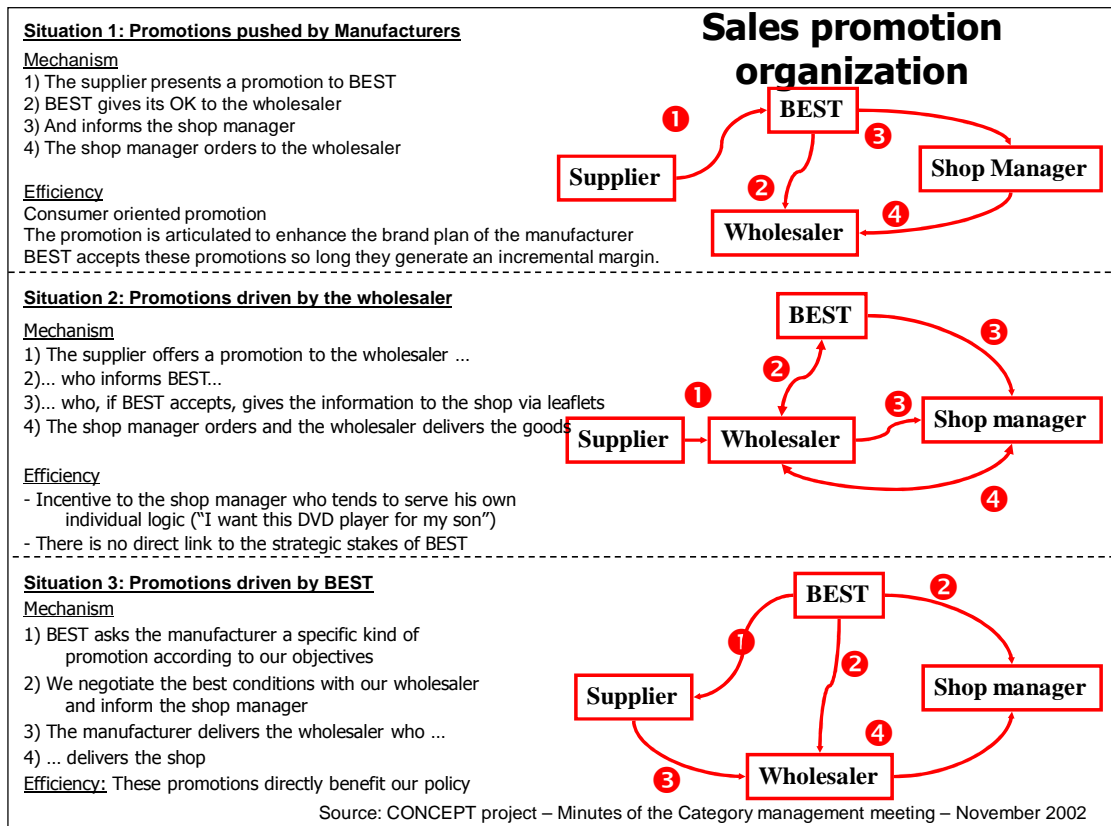


Figure 5.4.9: Promotion processes

The senior management of the various retail entities in Europe attended the opening day of the first CONCEPT store. The new concept which had been presented on slide shows in a boardroom had now been brought to life. The technical department, the operations teams and the marketing director with his team members were congratulated officially by the retail director.

A few weeks later, in an address to financial analysts, the CEO of the company, together with the director of downstream activities presented the results and forecasts for the division. On this occasion, it was highlighted how optimistic the company was regarding its future operations thanks to innovation in the fuel sector, but also:

“...thanks to a new store concept which was positioned as an on-the-go grocery store. BEST, with its team, has been able to deliver this concept because of its outstanding standard in the management of

retail marketing and the particular know-how of its category managers". (Extract from the CEO's address, Internal magazine, April 2003).

This address was the first official recognition of the category managers' work within the organization. A new type of store, as well as a new type of manager had been born at BEST.

5.5. Conclusion

Category management was defined as a means of enhancing the retail culture of the company at the beginning of this chapter. The interest in this method was enhanced through conferences and reference to the good practices of the so-called, "best in class" retailers. Category management progressively transformed the organization. Product managers turned into category managers (CMs) after a process of job descriptions involving a classification device, the Hay grading system. The calculation of how many category managers were needed was performed together with a product nomenclature and sales statistics. This triggered a reorganization that set up the emergence of a Car Wash Restaurant & Shop department (CRS department). A new categorization of the activities has thus materialised. The decision to deploy category management in the countries was linked to an experiment on a concrete project, CONCEPT, meant to address the needs of the consumer on- the-go. Product managers started to use category management prescriptions but not without difficulties. Category management was difficult to assimilate. It had to be accommodated to existing practices. For example, the market description was so difficult to achieve that the CMs decided to base their analysis on the internal sales of BEST. The shop

concept, category management methods as well as the CMs' job have mutually shaped themselves through an iterative process.

The next chapter will describe how category management changed the relation of BEST to its suppliers. There again, the protagonists and the method generated mutually shaping effects.

Chapter 6. Relations with suppliers

6.1. Introduction

In this chapter, I explore how the relationship of BEST with its suppliers evolved with the introduction of category management. I try to understand how the ways of working of both players was shaped by the introduction of this methodology. This topic is important to our understanding of market practices, as the relation with suppliers has a strong impact on the selection of offers which will be available in the stores for consumers to buy. I will describe how this relationship moved from a fairly passive attitude from the retailer in 2002 to a more activist position in 2003, where BEST category managers voiced their expectations to suppliers, sometimes in a collaborative mode, sometimes in a more forceful fashion.

In the first section, through the testimony of Anna from Rapland, I will learn about the kind of relationship and the methods in use before the implementation of category management. In the second section, I describe the process through which Mike was able to qualify suppliers at a European level to get them to work with BEST according to some principles of category management. The third section relates the first experiment with this method, carried out in Rapland through a test project between BEST and one of its beverage suppliers, that I refer to here as BEVCORP. This project delivered very promising results but the efforts developed by both sides to impose category management as a collaborative way of working, might well have been ruined by alternative initiatives.

6.2. Working with suppliers before category management:

The year is 2003 and category management is slowly penetrating the structures of BEST subsidiaries. Before putting category management at the core of the relationship with its suppliers, BEST product managers were exposed to marketing and sales activation plans presented to them by the suppliers. In reality, product managers operating at a regional level had little power vis-a-vis their suppliers. They were equipped with poorly structured data, they had limited time to devise strategies to face each supplier, they dealt with all product families, which resulted in their inability to have a working knowledge of each individual product category.

When discussing the presence of a brand on the shelves, the product managers focused their limited resources on listening to the leading companies and implementing their proposals. Of course, a negotiation would take place to maximize the sales rotation and the margin of the business, but product managers had little room to manoeuvre since the performance of the brands was poorly documented and not based on business figures; no analysis of the performance was run after a promotional operation, the lack of clear data made it impossible to compile sales supplier by supplier, or by brand. Only a global margin figure per shop, region and shop cluster (based on the fuel volume) was available. Sometimes, Excel spreadsheets with figures were collected by the wholesalers who delivered goods to the shops. Apart from this kind of information, shop managers shared their impression about the success of one or the other type of sales promotion on a very anecdotal basis -“oh, this promo went well!”

To illustrate how manufacturers interacted with their clients, I have used some of the Powerpoint presentations by the manufacturers to previous retail product managers in 2002. I engaged the help of Anna, who was category manager (CM) at the time, and

asked her to reflect on the processes used by the suppliers. I did this exercise with five different CMs, but to be consistent with the rest of the chapter, where the example of the beverage category is studied, I have chosen to document Anna’s reflections. She was in charge of the beverages and had close contact with one of the water suppliers. The plan detailed in the Powerpoint document is called “Business Activation Plan”. It wraps up the initiatives proposed to BEST during the year 2002 and it is commented on by Anna:

“The presentation by Danone is typical of the kind of presentation used by suppliers. It is built around 6 blocks; it is a kind of marketing activity catalogue. They call it a trade marketing tool kit. According to the needs of their business, according to our expectations, the sales people have a series of initiatives ready to be presented to their clients including us, in their laptop.” (Anna, beverage category manager, Rapland, March 2003)

The following diagram highlights the 6 building blocks

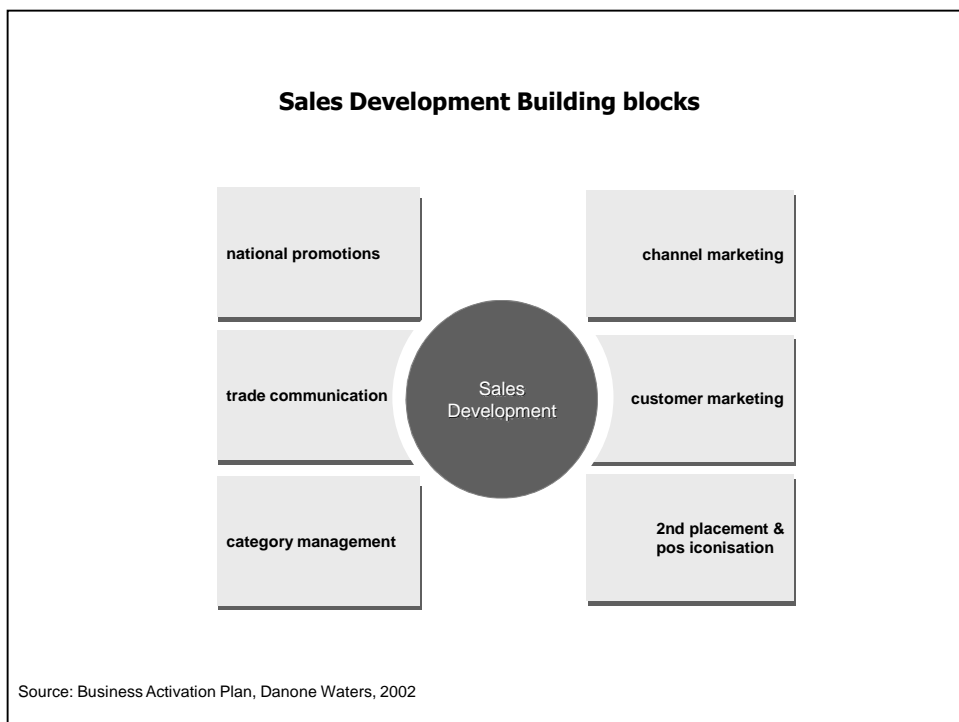


Figure 6.2.1: Sales development building blocks

National promotions were systematically proposed to the retailer, to ensure that branding and consumer oriented activities were always present at the point of purchase. For each business or sales cycle, usually 6 weeks, and for each of their brands, the sales representatives of Danone had to detail the promotions that were available. It could be a trial offer to test a new flavour for Volvic Fruit, or a lottery “Fly to Paris with Evian” if you collected 12 tokens on Evian multipacks.

Channel marketing exploits the channel specificities, based on shopper insights to optimize the impact of marketing promotions. In the presentation analysed by Anna, the activity was a promotion whereby the consumer who ordered a bottle of water with his meal at one of the BEST petrol station cafeterias, would be offered a free coffee.

Customer marketing is what Danone does when BEST and other clients request the adaptation of a promotional mechanism and present it in the “colours” of the chain. These are usually customized national promotions.

“I can ask Danone to adapt an existing promotion for me such as a trial offer. Instead, let us say, of getting a promotion designed for a 33cl bottle, I can ask for the same offer on a 50cl bottle and get my BEST logo printed on the display and maybe, I can also get exclusivity.” (Anna, beverage category manager, Rapland, March 2003)

Point of sales iconisation refers to the tools designed to improve the presence and visibility of the brand in the shop.

“The sales people try to get us hang their advertising and all sorts of displays from the shop ceiling. What they also like to do is to get us to stick their ads on the chillers.” (Anna, beverage category manager, Rapland, March 2003)

Two extra types of initiatives were mentioned on the building block presentation but Anna never had the opportunity of using them: the trade communication tools and category management.

“If we applied their marketing policy extensively, we were called aligned dealers! And we could get access to a website to find all the material needed for an operation: the brand logo, the bar code, the promotion mechanism etc. were all there. I didn’t care so much about that because BEST employees were not allowed to access the Internet. We can only access our Intranet.” (Anna, beverage category manager, Rapland, March 2003)

“Category management? At the time, I didn’t really know what it was about but I understood from their sales people that we were not really organised for this type of thing”. (Anna, beverage category manager, Rapland, March 2003)

As a matter of fact, as Anna explained to me, she was confronted by very similar types of promotional plans from the wholesalers who delivered products to the petrol stations. In the early 2000s, the shop owner was allowed to accept these offers and Anna spent most of her time fighting with salesmen from the wholesalers to get them to talk to her instead of using their direct access to the store managers.

Anna’s degree of freedom was pretty limited. It was largely a world of binary choices: she could choose one of the activities proposed in the catalogue or she could refuse it. Her reasons for selecting the offers from Danone, she added, were first, the fact that Danone was the leader for the waters and also:

“Because the presentations made by Danone Waters are always very well designed and inspirational, you become very impressed. But after a while, you notice that their proposals are not so different from the ones made by the wholesalers”. (Anna, beverage category manager, Rapland, March 2003)

This passive behaviour was precisely what Mike, in charge of category management, wanted to change.

6.3. Qualifying suppliers with category management

In order to change the atmosphere that prevailed between BEST and its suppliers, Mike decided to organize a European Category Management meeting with some of the leading manufacturers that had operations in all the countries where BEST was present, in early 2003. The idea was to qualify the suppliers and award a special status to some of them.

6.3.1. Writing to the suppliers

Category management is defined as a business process that has been utilized across many different industries for a number of years. After having evaluated the concept, Mike commented that when calling the suppliers, BEST had determined that this was a process that should be adopted by both BEST and its suppliers. It was a critical strategic initiative for the retailer to increase its sales and profits. This process would allow BEST to gain a better insight into the consumers' shopping behaviour and needs for the category as well as improve its understanding of the category dynamics.

However, it was clear that the internal analysis would not be complete without the insight and support of selected key vendor partners. Therefore, a selection process was to be conducted to determine within each category, which manufacturers would be pre-selected as possible category partners.

When working with large retailers, many manufacturers covet the role of "category captain" as this position can offer special benefits for the chosen organization. In each category, there are usually two or three equally qualified candidates for the "category

captain” role but only one can be chosen. Inspired by this existing practice within large retailing firms, Mike decided to import this practice to the petrol station channel, and BEST. In 2003, in order to organize a European meeting with pre selected suppliers, he decided to send a letter (Figure 6.3.1) to the manufacturers who had operations in more than one country, thereby restricting it to the large multinational players:

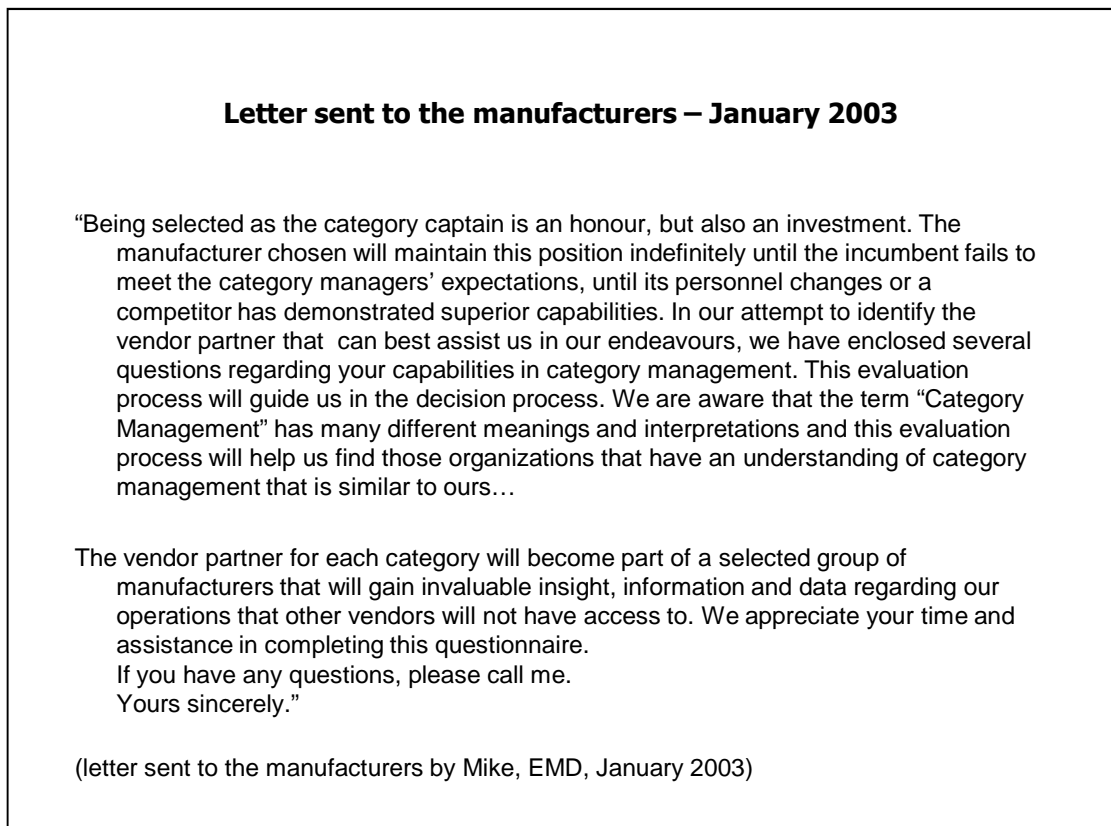


Figure 6.3.1: Letter sent to the manufacturers

Mike appended to the letter a document called “Category Captain Selection Assessment”. This document comprised three sections. The first one was based on general organisational capabilities: What is your philosophy regarding category management? How is your organisation structured to support this effort? What are the internal procedures that exist in order to protect the confidentiality of the shared data for this project and relationship? What other retailers have selected you to act as

Category Captain? What is your definition of the category? What role do your products represent in the category?

With this set of questions, it was hoped that BEST managers could get a clear idea of the business philosophy of their suppliers. The second section aimed at identifying the available resources: the personnel that would be involved in terms of head count, experience and time dedicated to the retailer's operations, in terms of methodologies and tools (e.g. space management software, assortment optimisation tools) that would be used to assess the business performance and finally the, data sources that the organisation subscribed to, such as panel data (e.g. Nielsen, IRI).

When building this assessment grid together with the CMs from the affiliates, Mike made his intention clear:

“In the past, our suppliers used to call us partners if we accepted 100% of their marketing programmes. In other words, if we were fully aligned with their business initiatives, we were called partners! We should not be passive in front of them anymore. We are not here to accept their marketing initiatives against a promise of sales rotations and margins. We want to get the best out of them and they have a tremendous expertise at the category level that we will not be able to match. Since our suppliers are hardly growing in supermarkets, and their growth comes from the “away from home” channels including us, they are now willing to really cooperate with us instead of just aligning with us, as they say. We have to be partners, but we should also o be very demanding of them.” (Mike, EMD, Category management meeting, January 2003)

6.3.2. Inviting suppliers to a category management kick-off meeting

A few weeks later, Mike received answers from the major European players who were willing to contribute to cooperation initiatives. Mike invited them to a one day meeting held in Brussels in February 2003. The objective of this meeting was first, to express what was expected of partners in a plenary session with all of them and

secondly, to get the affiliates' category managers to formulate further expectations regarding each category development in one to one meetings.

At the opening of the meeting, Mike revisited his expectations regarding future category captains. First, partners should engage in collaborative work and base their analysis on fact-based, objective judgments. The category recommendations should be written in terms of improving the consumer value proposition and enhancing BEST's corporate strategy. To protect both BEST and the partners, an agreement should be signed to ensure confidentiality of the business data as the business projects had yet to be disclosed. Because the relationship was to be built on trust, data sharing would be possible and would create the conditions for quality and value in data analysis. Regarding the teams, it was expected that the people involved in the projects would have the skills and capabilities to complete the recommendations in a professional way, including a disciplined attendance at the meetings with all assignments completed and prepared for the objectives of those meetings.

Mike then re-iterated BEST's vision of category management. For instance, he clarified the Key Performance Indicators that would be used, insisting on two dimensions:

“First, we want to ensure that the categories will grow. Too often, you, the suppliers, are happy because of the increase in your own sales figures. But on our side, we are not because when looking at the global category sales, we can just observe a compensation effect: too often your growth is at the expense of your key competitor but the sales of the whole category remain flat.

Secondly, we want to calculate a return on the operations that we initiate. We don't want to limit ourselves to the calculation of incremental sales and margin. On both sides, we invest time and money. We would like to consider the investments made to install specific chillers, displays or other promotional materials”.(Mike, EMD, Suppliers meeting, Brussels February 2003)

In order to create a common framework, he then presented an Excel file in which a global category analysis using a wide range of household and distribution panel data, was broken down. This spreadsheet was very comprehensive including more than 20 worksheets. The reaction to this spreadsheet was intense because the tables made the document appear very complex. In fact, upon closer inspection, the document used templates which were very similar to the ones suppliers used internally in their own marketing plans or budget presentations. Unless panel data existed (and for some segments they didn't) and the suppliers subscribed to it, those tables were impossible to fill. Moreover, the data may not have been available at the fuel station channel level. The following table (figure 6.3.2) gives an idea of the type of table that the suppliers were supposed to fill in:

		Category: Soft Drinks									
A. Consumer Needs		Needs to be Met									
		Primary		Secondary				Tertiary			
Category:	Soft Drinks										
Sub-Categories:	Fizzy Drinks										
	Water										
	Juices										
	Sport & Energy										
	Adult & New Age										
	Milk & Yoghurt										
	Mixers										
	Squash										
	0										
	0										
0											
0											
B. Consumer Demographics:		Consumption by Race & Sex									
		Demo. Group		HH Size		Gender		Age			
		ABC1	C2DE	1+2 HH	3+ HH	M	F	6-15yrs	16-24yrs	25-34yrs	35+ yrs
Category:	Soft Drinks	43.9%	56.1%	20.3%	79.7%	79.6%	20.4%	6.1%	32.3%	32.0%	29.6%
Sub-Categories:	Fizzy Drinks	38.1%	61.9%	22.5%	77.5%	86.7%	13.3%	5.5%	35.0%	27.1%	32.5%
	Water										
	Juices	39.4%	60.6%	18.4%	81.6%	75.3%	24.7%	33.9%	16.7%	27.5%	22.0%
	Sport & Energy	85.8%	14.2%	9.0%	91.0%	34.1%	65.9%	30.0%	23.1%	67.2%	9.5%
	Adult & New Age										
	Milk & Yoghurt	5.8%	94.2%	5.0%	95.0%	96.6%	3.4%	1.8%	10.8%	10.8%	82.8%
	Mixers										
	Squash										
	0										
	0										
0											
0											
Segments:	Colas	24.0%	76.0%	17.9%	82.1%	86.1%	13.9%	4.6%	49.8%	26.0%	19.6%
	Flavours	55.2%	44.8%	27.7%	72.3%	87.4%	12.6%	6.8%	16.3%	28.8%	48.2%
	Lemonades	79.1%	20.9%	56.5%	43.5%	90.1%	9.9%	0.0%	27.0%	10.5%	62.5%
	Sparkling Water										
	Flavoured Water										
	Still Water										
	Pure Juices	39.4%	60.6%	18.4%	81.6%	75.3%	24.7%	33.9%	16.7%	27.5%	22.0%
	Juice Drinks	39.8%	60.2%	18.7%	81.3%	74.5%	25.5%	34.9%	17.1%	26.2%	21.8%
	Sports										
	Energy										
Milk Drinks											
Yoghurt Drinks											
0											
Buyer Type	Heavy User	39.5%	60.5%	16.9%	83.1%	80.7%	19.3%	2.4%	37.1%	35.1%	25.4%
	Medium User	60.6%	39.4%	19.2%	80.8%	74.7%	25.3%	14.1%	45.9%	15.2%	24.8%
	Light User	41.7%	58.3%	24.6%	75.4%	56.7%	43.3%	18.6%	16.2%	18.6%	46.6%

Figure 6.3.2: Category data, Brussels meeting

Having made his presentation, Mike suggested that the plenary session should be closed and that discussions should continue individually with each supplier. Obviously, the suppliers were not willing to share their projects in front of their competitors. This is the reason why in the afternoon, groups of two to three CMs from different countries, met their European suppliers' counterparts in individual meetings. Peter and Jörg, both in charge of tobacco, met the representatives of British American Tobacco. Kate, Annelise, Andre and Ben, category managers for Dry Food, met the representatives of the savoury snacks (Lorentz, Pepsi Co and Procter and Gamble), manufacturers of biscuits (Danone, United Biscuits and Masterfoods), and confectionery (Nestlé, Masterfoods). Jennifer, Jef, Anna and Joe met four beverage makers (Coca Cola , Pepsico, Nestlé and Danone). Chris, Steven, Uwe and Susie, met Danone as a representative of dairy products, one of the very few international fresh food players.

To illustrate the outcome of one of these meetings, we will follow the proposition made by one beverage producer competing to become category captain. As some of the information involved sensitive business data, I have made the name of the supplier anonymous, as well as the location where the experiments were performed. In the following section, I call this water supplier, BEVCORP, one of the 4 major water suppliers on the market.

6.3.3. Becoming a category captain

When attending the Brussels meeting Stef, the BEVCORP key account manager, , was fully prepared with a professional PowerPoint presentation that he handed out to Anna (Rapland) and Joe (Discoland) at the start of the meeting. As Anna and Joe would later point out, the document was interesting because it showed a good

understanding of the global beverage market. The analysis started at the multi-channel level, contrary to most of the suppliers' presentations which usually started at the petrol station level. With a very detailed channel assessment, Stef reiterated Mike's petrol station level. With a very detailed channel assessment, Stef reiterated Mike's earlier propositions and explained how important the petrol stations were to the trade landscape in Rapland. This channel was one of the very few that had not declined in the past few years. However, in the last 12 months, it had started to decline although far less than most of the other channels. Petrol stations would represent a major growth potential for the coming years, commented Stef, and it was clear that he was expecting to capitalise on this trend to ensure the growth of his own business. The following chart (figure 6.3.3) is extracted from Stef's presentation to support the comments made above:

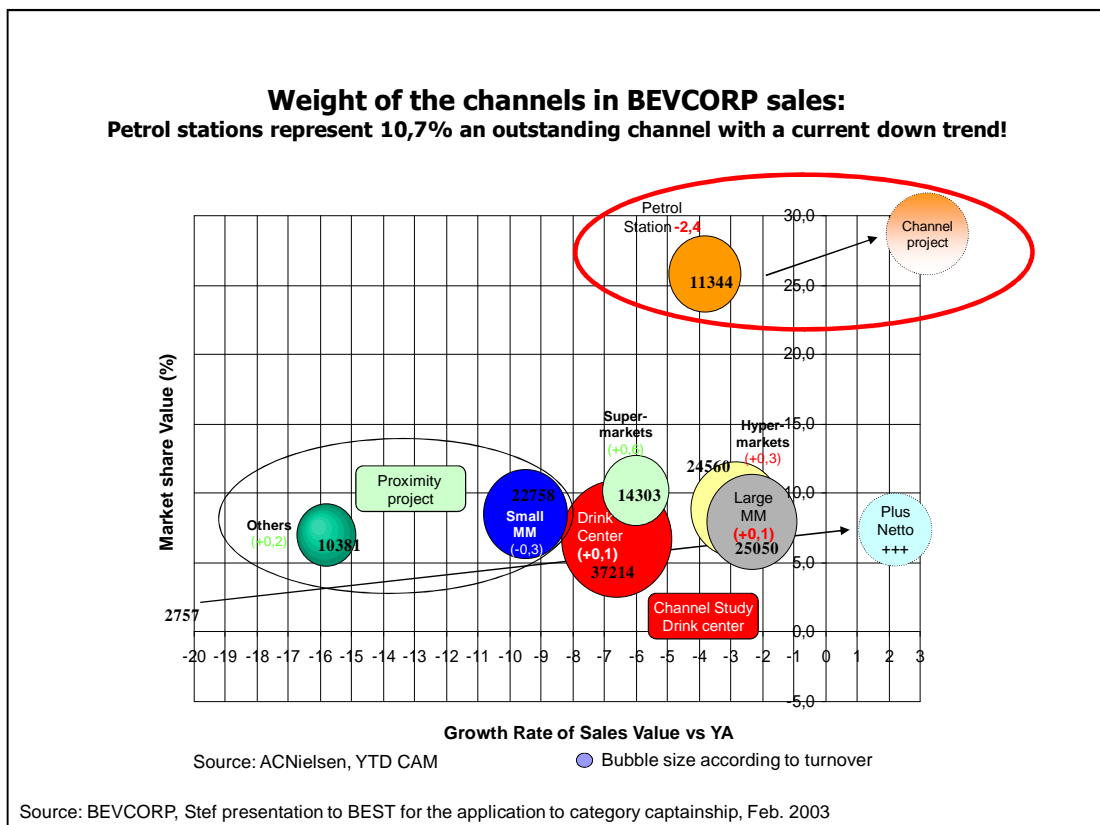


Figure 6.3.3: Channel analysis of BEVCORP sales

Stef added that petrol stations had the lowest market share in the water category, which was interpreted as a good potential:

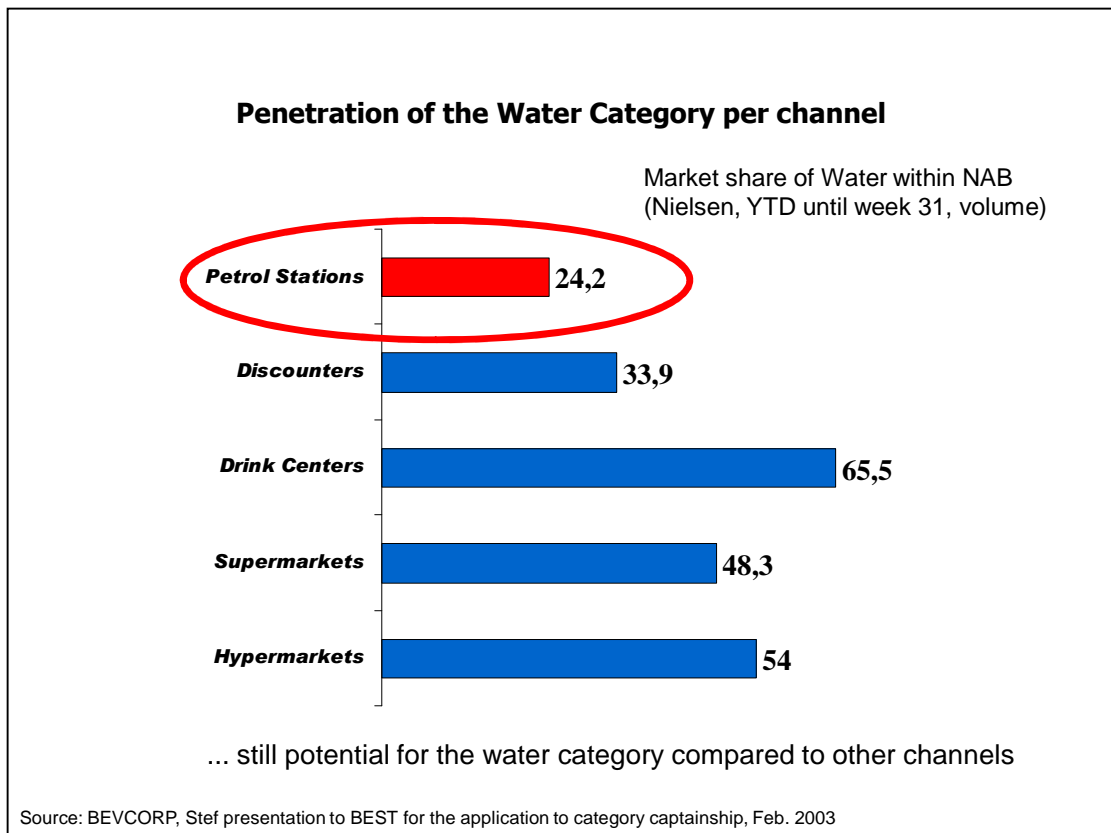


Figure 6.3.4: Weight of the water category in the channels

Next to the presentation of secondary data coming from syndicated panels, Stef developed the research framework that had been thought through by the category management team of BEVCORP and that they would be ready to put in place, should they be selected as category captain. Four petrol retail chains would be included in the observation sample, one region would be explored with four elements and various data collection devices including interviews, SKU counting, pictures and mapping of the stores, as depicted on the following chart extracted from the presentation:

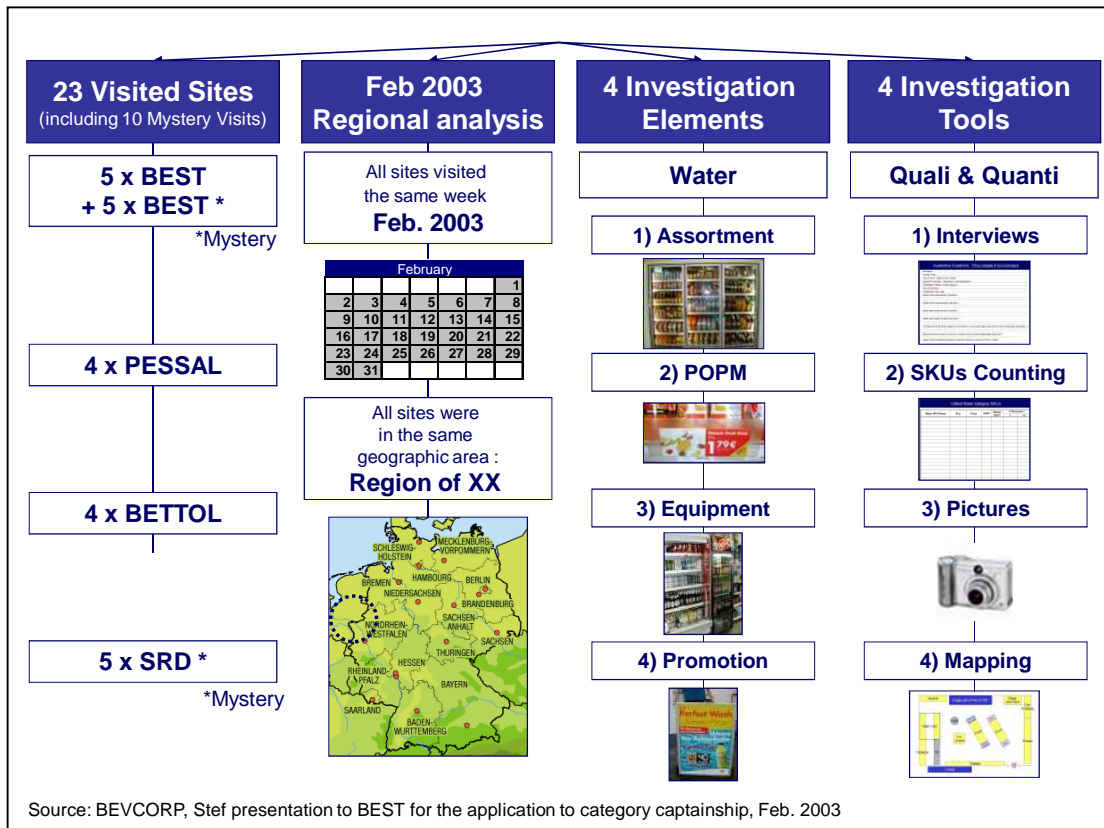


Figure 6.3.5: Test methodology for BEST water category

Should the project start immediately, the observations would be done in the low season, which would partly invalidate any lessons emerging from the project. Therefore, another set of observations would need to be carried out during the peak season to counterbalance the initial results. Finally, the team planned to carry out a survey to capture insights into the behaviour of petrol station shoppers, as depicted in the diagram 6.3.6.

At this stage, Stef ended his presentation and suggested that BEVCORP would go ahead as soon as BEST had selected them as category partner. In order to complete the diagnosis phase, he would expect to be given extracts from the BEST Information database, and integrate all the data in Mike's suggested Excel template. The tone he used to comment on this last item was somehow ironic. He suggested he would

accomplish this task, unless other ways of presenting the data proved more appropriate.

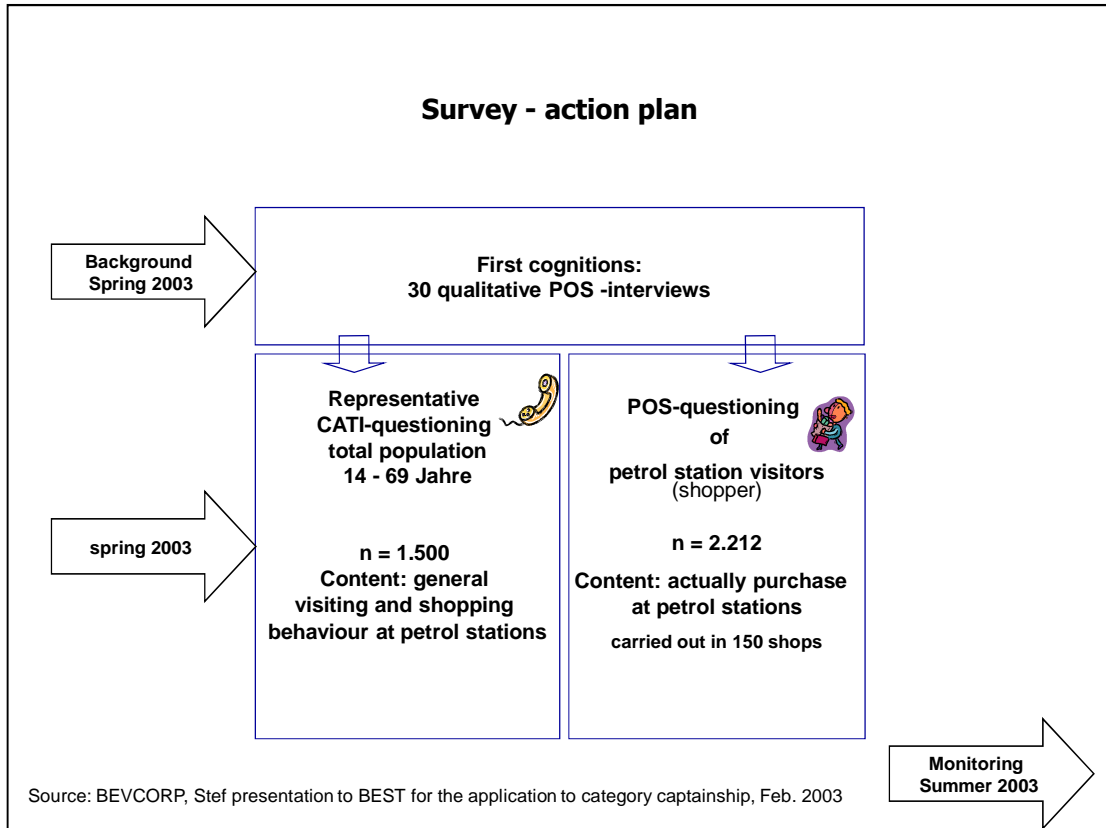


Figure 6.3.6: Survey action plan

Clearly, the work that had been done proved the willingness of BEVCORP to investigate the business opportunities of the channel in depth and become a category partner for the water category. Stef had not used any of the recommended templates but the resources that he was ready to deploy were obviously impressive, and the suggested methodologies demonstrated that BEVCORP had good “know how” in this area. It was also clear that access to BEST’s internal data would add value for both parties.

The discussion carried out with the key competitor of BEVCORP was not so fruitful. First, the competitor presented general information about the market rather than

anything specific to the petrol station channel. Secondly, it had not shown a method for exploring, experimenting and finally, rolling out the key lessons of category management. In other words, the competitor was perceived as less experienced and less rigorous than BEVCORP. Finally, it had not signalled an ability to dedicate enough people to work with BEST in a close enough relationship. As a consequence, this competitor was not considered for the role of category captain. The consequence was that this supplier had to conform to the propositions of BEVCORP as the selected category captain.

6.4. Starting a project with a beverage supplier

Following the Brussels meeting in February 2003, the principle of a partnership agreement was signed between BEVCORP and BEST in March with one aim in mind: to develop incremental business on the BEVCORP categories across Europe. Before finalizing the agreement, it was decided that a test run should be done with one beverage category in one country. This test would have to prove that the BEVCORP method would lead to outstanding growth for the category. Waters was the category and RAPLAND the country selected to carry out the test.

6.4.1. Building a joint action plan

A local meeting was therefore organised with Anna, beverage CM at BEST and Stef, key account manager of BEVCORP in Rapland, in March 2003. In order to establish the diagnosis of the situation and define an action plan, a process and a toolkit were presented to Anna. BEVCORP would implement the observation phase presented in Brussels, it would carry out the survey with shoppers to gain insight into their motivations to buy at BEST, and finally the internal sales data would be analysed. A

review of the following areas of information would then be explored in a joint way: the market situation, the operator's situation on the petrol station market, BEVCORP's situation on this market, the consumer/shopper expectations and the category diagnosis.

Following this process a comprehensive presentation had been developed to document all the dimensions mentioned above and a meeting was set, a month later, to present the results to Nick, the CRS manager of Rapland. A one slide synthesis had been done to wrap up the key findings of this initial research. To respect the request of Mike at the Brussels meeting, this wrap up slide featured quantified indicators, considered essential to understand the stakes of BEST and BEVCORP on the beverage market in Rapland. These key indicators were used again and again to stress a dimensions of the action plan. For example, the fact that 56% of the visitors to BEST stations bought fuel only, showed up as "great potential". By finding ways to sell waters to these active drivers, BEST would increase its sales in a dramatic way. The following (Figure 6.4.1) chart illustrates this wrap up slide:

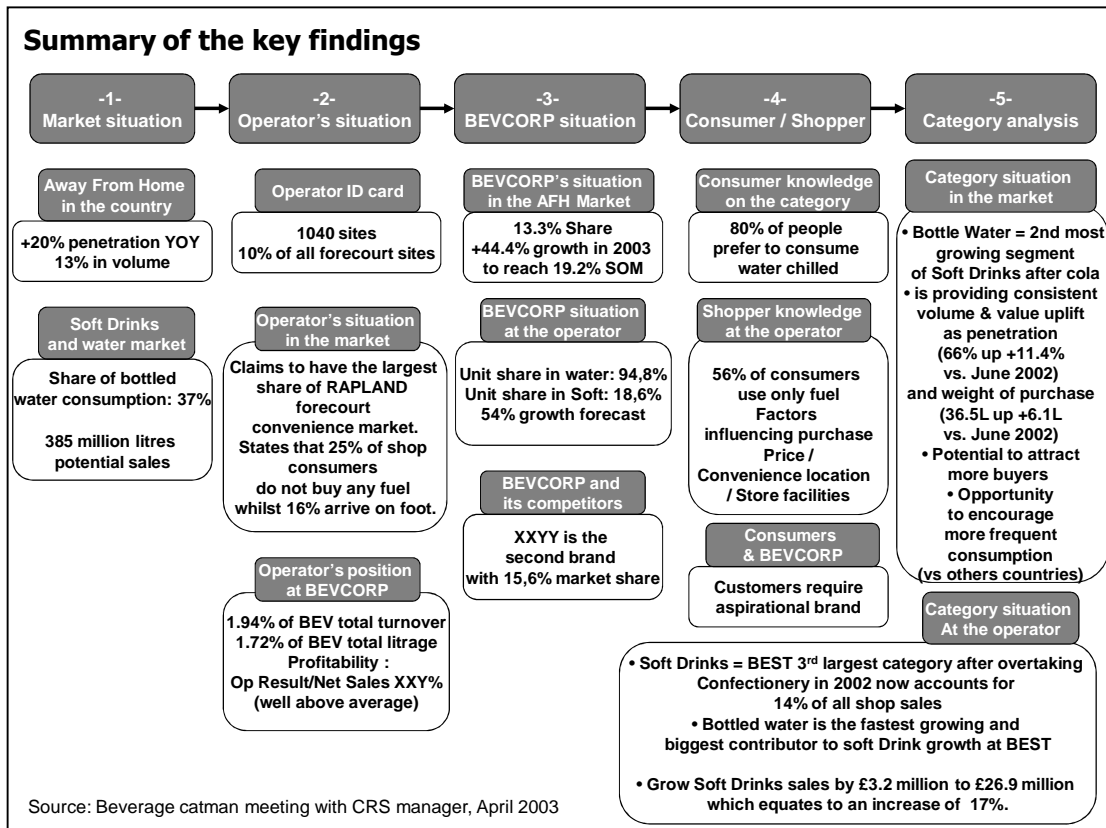


Figure 6.4.1: Summary of the key findings – BEST water category

Finally, a recommendation was proposed in a very detailed way, and nicely articulated with the analytical part of the work. There again, the presentation was closed with a summary (Figure 6.4.2):

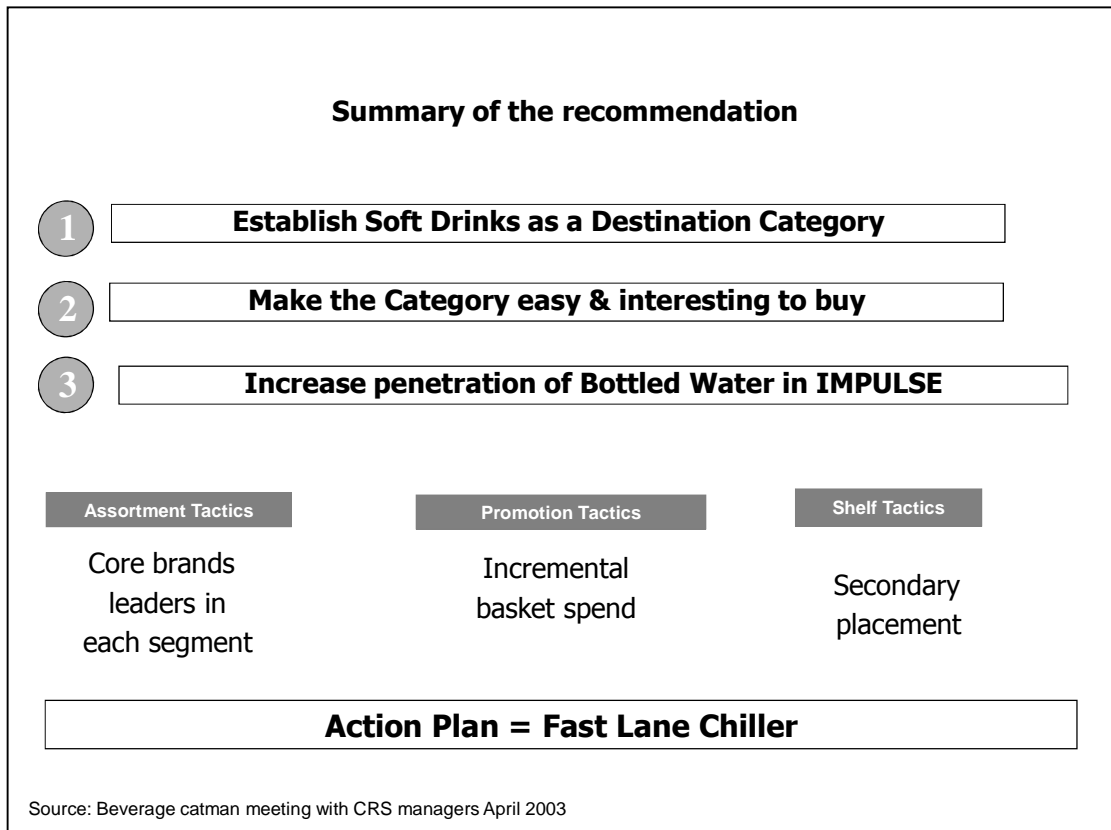


Figure 6.4.2: Summary of the recommendation – BEST Beverage category

At the end of this presentation, Nick was positive towards the proposal but, above all, he was pleased with the collaboration under way.

“BEVCORP had proved at the Brussels meeting their willingness to help develop BEST, these guys now are continuing to deliver an outstanding job with a precise and simple methodology, shared with Anna in a good, collaborative way.” (Nick, CRS manager, beverage catman meeting, Rapland, April 2003)

The next steps in the process were eventually defined to clarify an action plan with the objective of being in the stores, ready for the Summer season.

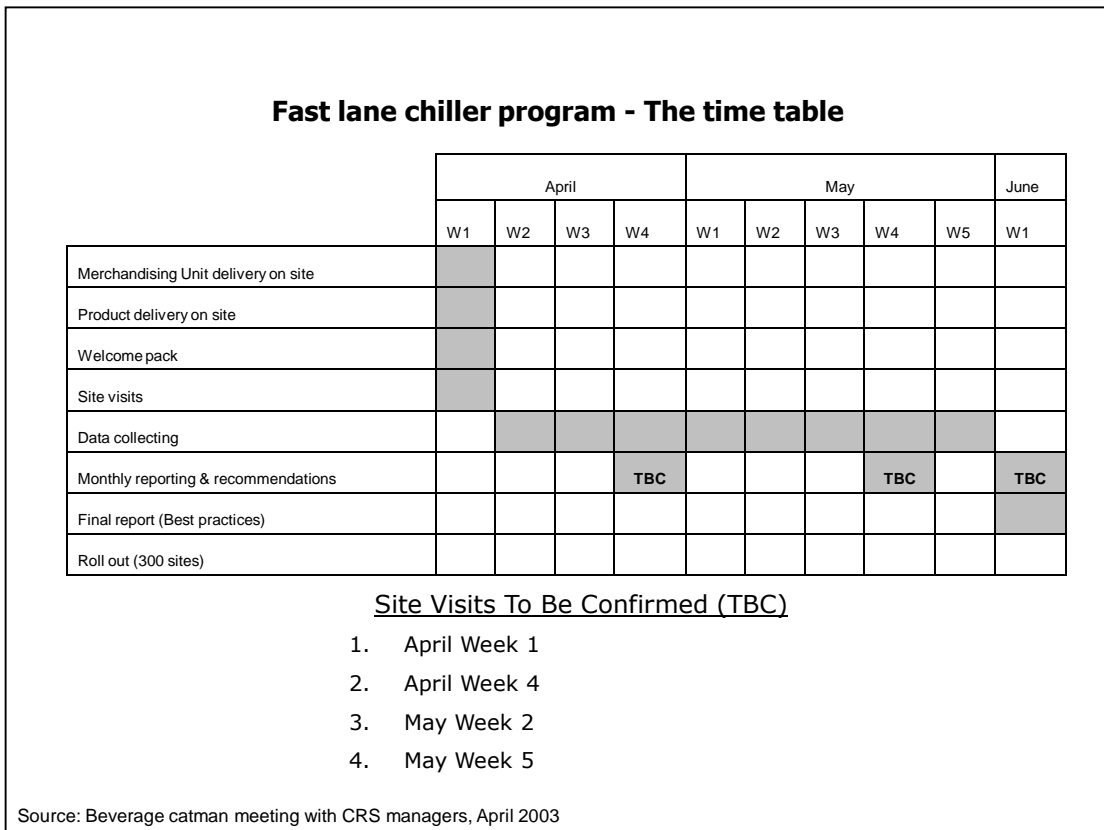


Figure 6.4.3: Fast Lane Chiller (FLC) programme – BEST Beverage category


6.4.2. Preparing a test in one site

A first test shop had to be selected and a series of indicators had to be measured prior to starting the operations. A milestone, called “status 0” would serve to benchmark the performance at the end of the operation. A second step would include all the activities related to the development of the chillers. A third step included the ROI calculation. In a fourth step, the involvement of the site manager had to be carefully handled. And lastly, the results of the operation had to be assessed both in an economic as well as a qualitative way. The experiment, if successful, would be deemed an example of a “best practice” and it would need to be codified in the form of a process before being rolled out to the other stores.

Together with the regional managers, in May 2003, a site plan was identified, primarily because the location had great potential, the management team was stable, and the shop was perceived by the other shop managers as one every manager would want to imitate. A site audit was carried out, including a) general information: the location, the number of customers (and their split between those who only buy from the shop only, those who only buy fuel, and those who buy fuel and from the shop), the turnover, the peak hours, a map of the store, b) beverage category information, % of shelving space dedicated to beverages, type of fridges.

Anna, in the meantime, selected the type of fridge that would be appropriate for the fast lane of the shop. She briefed a communication agency in order to “dress up” the open chiller unit. Several creative ideas were proposed which finally were selected in a collective way: operational managers, the CRS manager, Anna and her counterpart at BEVCORP had their say in the selection of the design.

The tool



Open MultiDeck Fridge

	External	Internal
Height	1740mm	1219mm
Length	890mm	830mm
Depth	659mm	480mm

Temperature
Between 5°C and 12°C

Warranty
12 months except light bulbs, smashed doors etc.

In case of any problems contact:
H. Products Service Number:
(XXYY) 2642XXYY

Source: Anna's file, beverage catman project, May 2003

Figure 6.4.4: Open multi deck fridge – FLC – BEST beverage category

As requested by Mike at the Brussels meeting, all the initiative should include a return on investment calculation and should highlight the incremental sales added to the category. A simulation tool of the Return on Investment (ROI) had been developed by Anna and Stef. Before and after sales figures were forecasted. It was at first agreed that BEVCORP would contribute to paying 1/3 of the chiller investment and BEST, the remaining 2/3. But, after discussions and taking into account that the chiller would most probably be shared with other suppliers, BEVCORP suggested that the investment of the chiller should be syndicated, which was agreed by Anna. Consequently, BEST agreed to pay 70% of the chiller and the remaining 3 suppliers would pay for the rest. With this combination, BEVCORP and BEST had a return on investment equal for both parties. The following figure (figure 6.4.5) shows the scenarios considered to simulate the ROI. It stresses that the third scenario, where 3

manufacturers share the chiller together, delivers a level of ROI similar for all the actors.

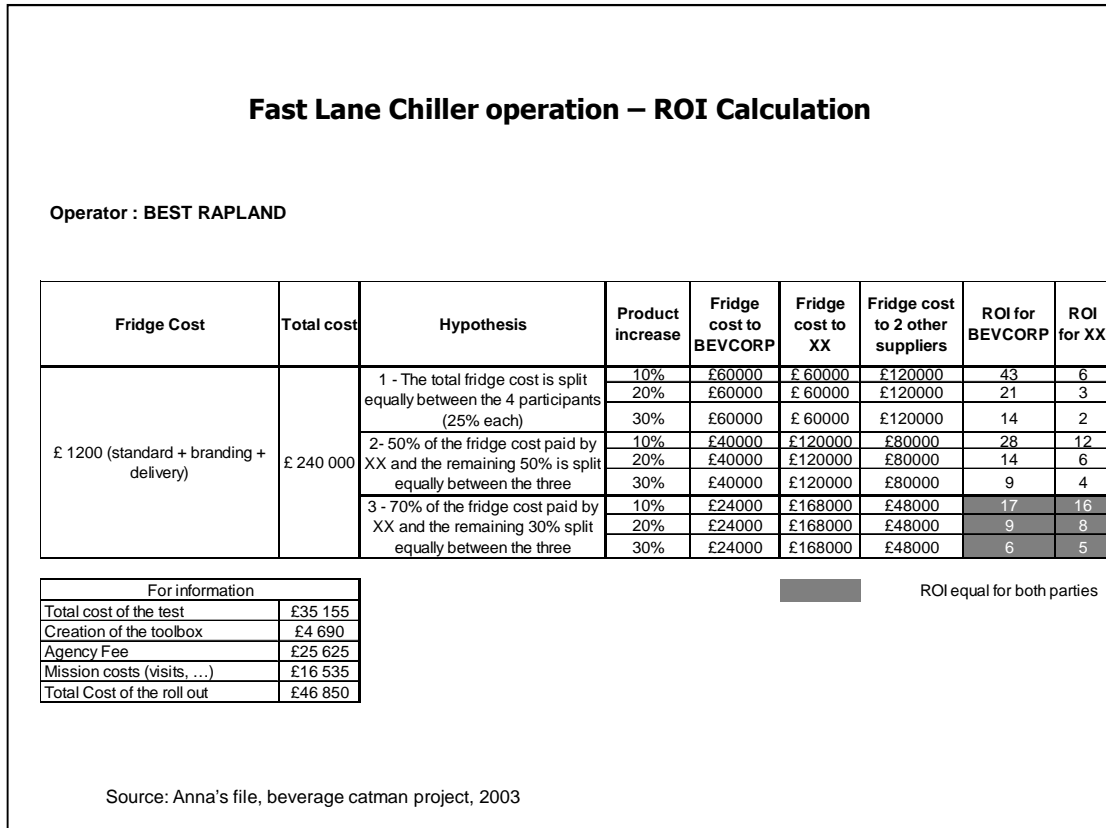


Figure 6.4.5: Fast Lane Chiller (FLC) operations – ROI calculation

After having agreed the site selection, the type of chiller that would be used and the syndication principle that would serve as a basis for the return calculation, a presentation kit was finally developed to ensure the site owner's full involvement. In particular, this kit detailed precisely the project objectives, the key facts of the products and brands that would be displayed in the chiller, the planogram that had been agreed upon with suppliers of the major beverage segments. The number of facings had been split equally between the three suppliers using vertical blocking. Two management and reporting documents were also distributed: the stock follow up sheet to make sure that there will be no out-of-stock, and the data analysis format, that

will serve to prove the efficiency of the fast lane chiller initiative. The marketing program was then ready for implementation. Everything was put in place at the right time and two months later, the management team was ready to assess the results.

6.4.3. Analysing the business results

After 2 months of implementation, a debrief was organised with Stef, Anna, the retail and CRS managers of BEST in Rapland, and Mike from the European Marketing Development department, who had been specifically invited to review the first project to deliver results after the Brussels meeting. The results proved spectacular; the weather had not particularly been favourable, it was not the summer season, and yet the water category had grown 78% in turnover.

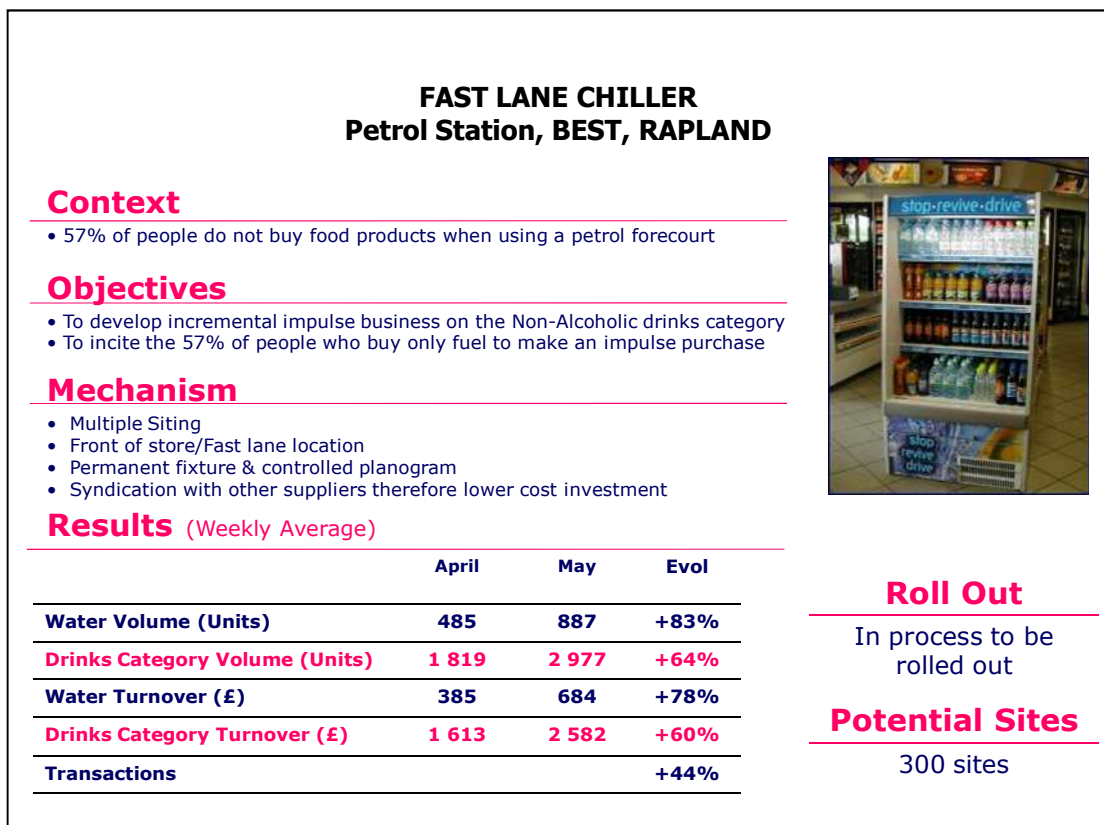


Figure 6.4.6: FLC operation summary – BEST – Beverage category

After an initial congratulatory phase, the senior management of Rapland immediately asked to see more details. Stef and Anna, who felt as two members of the same team, had prepared detailed arguments to show that the global category had grown (figures 6.4.7 to 6.4.11), which was one of the key points highlighted by Mike in Brussels. The following charts show how the arguments were built to address issues that Stef and Anna had anticipated, based on the comments Mike had made previously: since BEVCORP is the partner who has built this initiative with us, have they gained more than their syndicated partners?

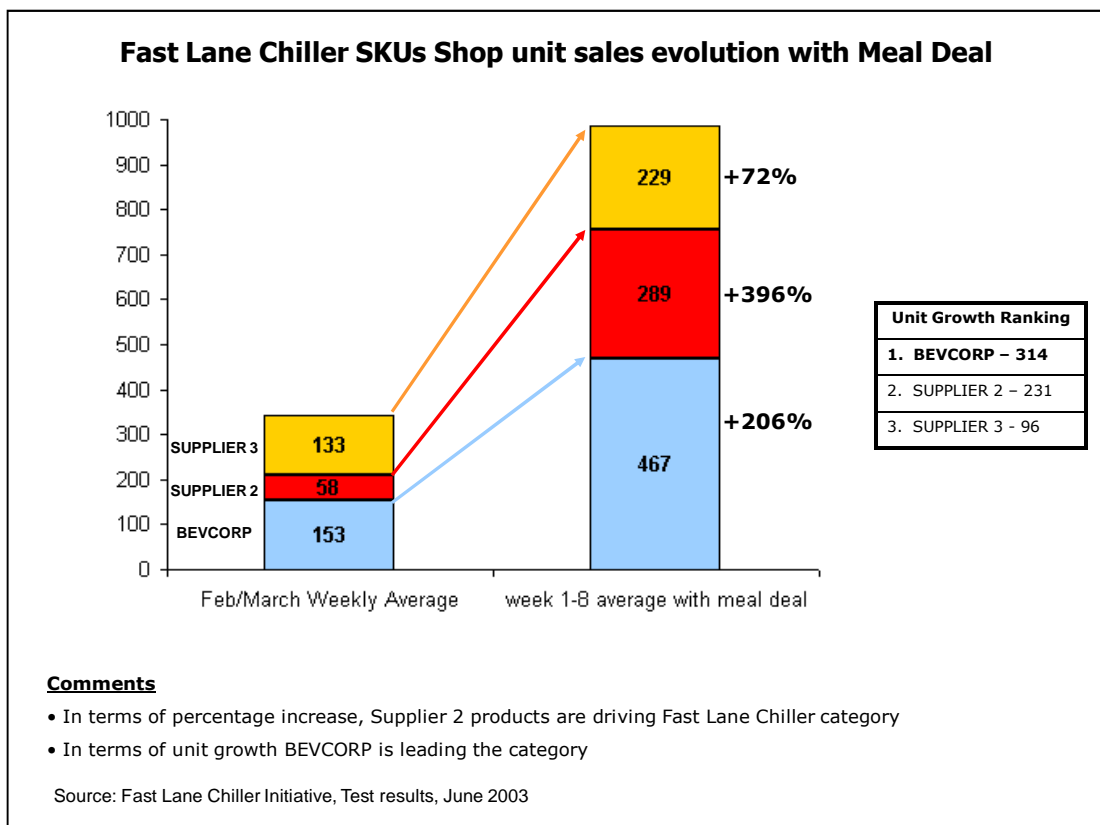


Figure 6.4.7: FLC Test results analysis 1 – BEST – Beverage category

Have they achieved this growth at the expense of the back fridge?

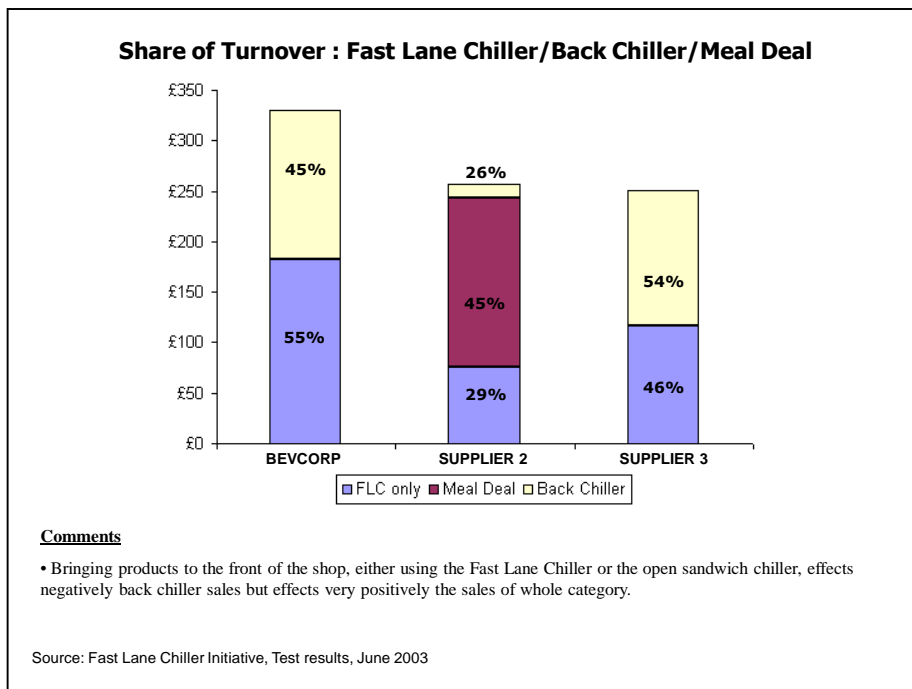


Figure 6.4.8: FLC Test results analysis 2 – BEST – Beverage category

Is there going to be a decline in the popularity and the efficiency of the fast lane chiller over time?

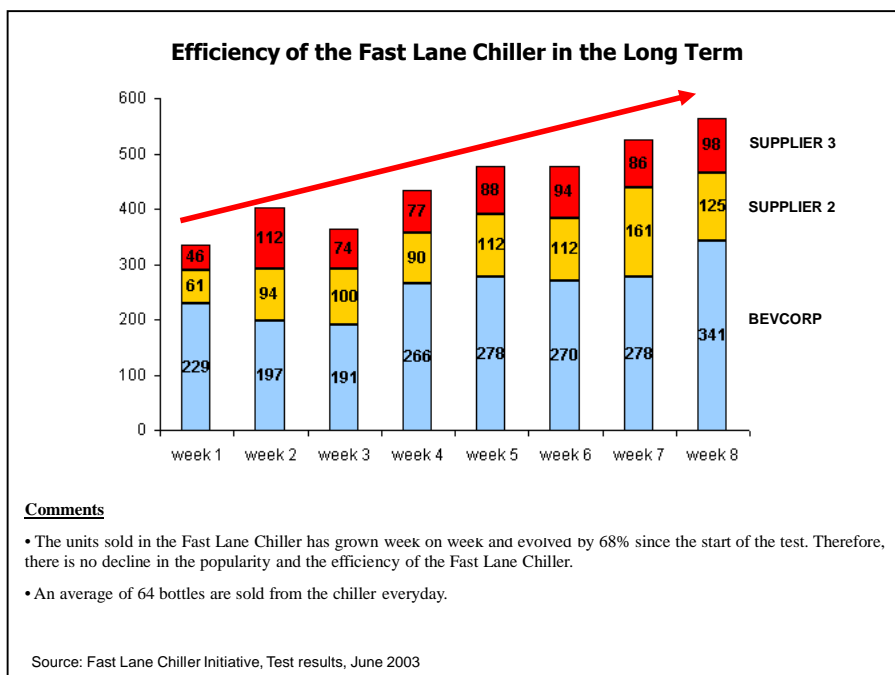


Figure 6.4.9: FLC Test results analysis 3 – BEST – Beverage category

What are the top ranking SKU's?

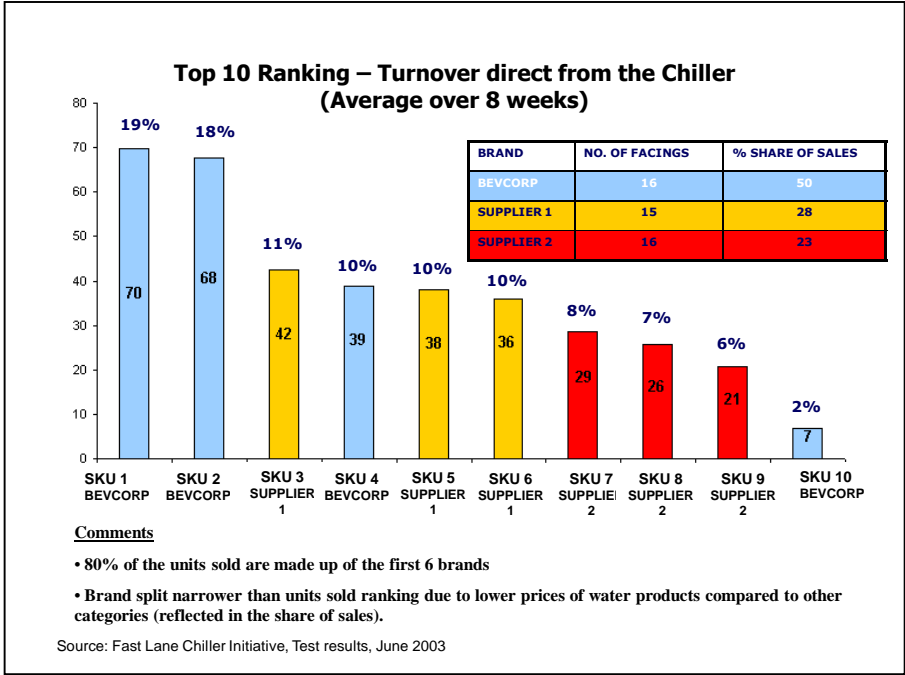


Figure 6.4.10: FLC Test results analysis 4 – BEST – Beverage category

Had the fast lane initiative had any impact on the adjacent categories?

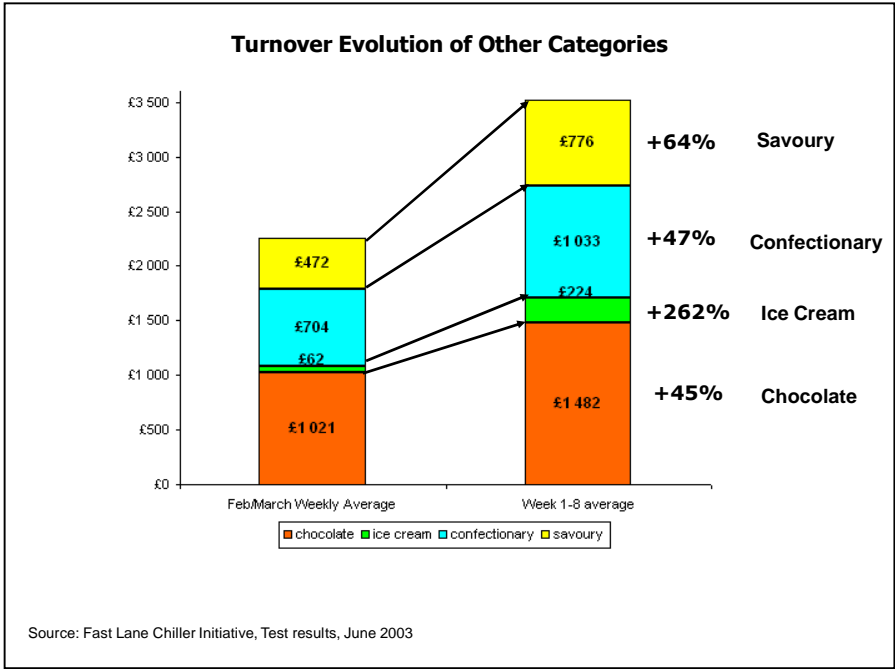


Figure 6.4.11: FLC Test results analysis 5 – BEST – Beverage category

Commenting on the results, Mike had to recognise:

“This is a success! First, the methodology is so rigorous that the results cannot be debated on judgemental grounds only. This is a major change; if we think of the time where the only valid argument was “believe me, it works. I have been in the field 15 years”. Secondly, business is there. Thirdly, we have big numbers and a business case to show to all the affiliates. Fourthly, it shows that we have a lot to gain from a positive collaboration with suppliers.” (Mike, EMD, Fast lane chiller initiative, test results debrief meeting, Rapland, June 2003)

The CRS manager of Rapland commented on the results in a quite different way. In fact, he was not interested in the way the results had been achieved. He was rather pragmatic and only looked at the outcome:

“With the resources we have put into this operation, we can be happy that the operation is a success. What counts is that we have found a way to boost sales, and therefore to deliver our budget.” (Nick, CRS director of Rapland, Fast lane chiller initiative, test results debrief meeting, Rapland, June 2003)

The retail director spotted one important aspect:

“Sure, we have a good result even in terms of return. I like the idea that we measure our performance against the means that have been engaged and this has been closely managed. We have to build on the resources that can be dedicated by the suppliers and I suggest that this should be the one important criterion to use when listing the products of the manufacturers. I give my go ahead for the roll out of this initiative.” (Bill, retail director of Rapland, Fast lane chiller initiative, test results debrief meeting, Rapland, June 2003)

Mike, who was in charge of spreading category management initiatives across Europe, was very excited:

“We have to find ways of replicating this experience in as many countries as possible. The idea of implementing fast lane chillers is interesting, but it only applies to the beverage category. What is even more interesting is the way the project was run, and this can be applied to all businesses with all

major suppliers”. (Mike, EMD, Fast lane chiller initiative, test results debrief meeting, Rapland, June 2003)

The roll out of the project to nearly 80 stores out of 300 potential ones was decided at the end of the test results debriefing meeting. The implementation occurred with a high level of involvement of the regional directors, district managers and store managers. The operation was a real success throughout the Summer. Anna became a fan of collaborative processes, and in particular, of the work with BEVCORP. Globally, she became convinced that this process should be extended to all suppliers:

“We learned a lot from their expertise. Not only do they know the category better than we do, but what is more, they bring us well-tested methodologies as well as great ways of presenting things. It helped us to get the go ahead from the management.” (Anna, Beverage category manager, Rapland, internal meeting, later in the season 2003)

6.4.4. Deploying fast lane chillers in Discoland

Early in the summer 2003, a meeting with suppliers was held in Discoland to prepare the categories reviews planned for October. The purpose of these reviews was to share visions of the markets amongst BEST and its suppliers. At a preliminary stage, in July, the category managers wanted to agree with their partners on the information that would be shared to carry a comprehensive analysis of the markets: market tendencies, internal sales at BEST, the share of the various competitors, etc.

Contrary to the general claim that category management involves working in a collaborative way and open books, managers in Discoland were not in favour of disclosing their sales statistics to suppliers who inevitably would use them with their other petrol station clients. Confidentiality was an issue, but power games were another. As the negotiations were to start in October, Discoland managers were not so

keen to share information that would give arguments to the manufacturers. They thought that if the suppliers had a clear view of their business position, of their competitiveness, in the BEST network, they would use it to their benefit. Conversely, if the information was kept secret and was supplied in bits and pieces, BEST could turn the negotiations to its advantage. As no panel existed for the petrol station channel, sales information was deemed to be sensitive information. So long as a certain degree of information asymmetry was in place, the negotiation game could be played, so BEST's Discoland senior managers thought. At the opening of the category review preparation meeting, the atmosphere was tense on the supplier's side because the key account was extremely unhappy:

“We were present at the meeting in Brussels where you claimed your intention to implement category management. We were invited there, and your senior management said that BEST would build a real partnership with the organisation it had selected through a stringent qualification process. You now call us category captain, we are about to prepare category reviews, which we are supposed to develop in a collaborative way, and you don't want to share your internal data. This is nonsense!”
(BEVCORP KAM, Category reviews preparation meeting, Discoland, July 2003)

Changing the subject, but reacting in the same tone, Joe, beverage category manager at Discoland, expressed his feelings:

“We are here to share experiences of category management, which is the way all of us would like to work. Could you tell me more about these fast-lane chillers we were asked to implement?” (Joe, beverage category manager, Category reviews preparation meeting, Discoland, July 2003)

BEVCORP's key account manager was as surprised as Joe was upset. He discovered, during this meeting, that BEVCORP's CEO, played golf with Howard, the head of Refinery and Retail at BEST. These meetings were called internally “SAMs”: “Sunday Afternoon Meetings”. BEVCORP's CEO, who had heard of the initiative

carried out in Discoland had suggested to Howard that their companies would be able to take great advantage of the very hot Summer season, should they implement fast lane chillers in every major petrol station in Europe. It was agreed between them that chillers would be installed on the way to the till in 50 major highway petrol stations and in numerous sites on the major roads to holiday resorts, in Discoland. The two senior managers had given instructions to their teams to implement this program straight away.

Technically, the implementation of such chillers required some work on the sites. The electricity and water supplies, needed for their installation, were not available at the place designated for their operation next to the tills. The consequence of this decision was very significant: store managers would have to deal with equipment work during the peak season, and this was difficult to carry out with the many Summer holiday clients on the shop floor.

To the local CM in Discoland, this request was an insult, a tricky power game that flew in the face of the collaborative climate that was being fostered with every supplier. Of course, great results were promised by BEVCORP which no one doubted, given the exceptionally hot season. But the speed at which everything had to be executed was worrying. For example, and referring to the process that had been used in Rapland, the preliminary work needed to enunciate the status 0 against which the performance of the operation would be measured - flash survey, situation analysis and so on - was necessarily going to be slapdash work. The performance culture that was being encouraged included the request to measure ROI. This last condition was no longer respected.

Joe was keen to define precisely what the cause was for a given success or failure. He felt that the current situation was embarrassing. He also felt that the fast lane chiller

operation was being imposed on everyone. He didn't want to be part of such a project because he would have to deal personally with the technicians, the district managers and the shop managers. He knew that everyone would be furious, particularly because he had insisted these last few months with all the other CMs, on the importance of building a positive, collaborative atmosphere with suppliers. The category management team felt this initiative was treachery and were not sure whether Mike had been taken advantage of, or whether he was the initiator of this diktat. As a reaction, no one wanted to hear about partnerships anymore.

The recommendation from Howard was more of an order than an option. BEST managers had no choice but to implement Howard's request. BEVCORP sales force visited the stores, technical work started, product implementation was in motion and a picture was sent through mobile phones to certify that the point of sale conformed to the agreed contract. Using every possible trick to resist this imposition, the fast lane chillers were installed in a few stores, enough to prove that the order had been carried out. The operation seemed to be a success from a business point of view, so the BEVCORP KAM commented at the end of the season. But no real measures could be benchmarked against a "status 0" situation. On the one hand, it was clear that the secondary placement generated in front of the tills would help to sell more, but it was uncertain whether this was achieved at the expense of the back chillers, or if the results were due to the high temperatures during that Summer. The only certainty was that everyone had reluctantly complied with the instructions from top management.

Later that Summer, the senior management of BEST Europe asked the network managers officially to share their figures with the suppliers, qualified as category partners. In return, it was expected that the suppliers would provide BEST with

market data. Reluctantly, Joe, from Discoland, surrendered his sales figures for the beverage category. In fact, the data was aggregated in such a way that the beverage suppliers, including BEVCORP, could not work out any data at an SKU level. After Joe had given his data, the supplier on its side was equally reluctant to share its panel data, claiming that many colleagues were on holiday. Joe got the impression that this was a false excuse. As he told some colleagues:

“The Summer holiday story is not the point. I have the impression that BEVCORP has no appropriate market data for the petrol stations.” (Joe, Beverage category manager, Discoland,, internal meeting, August 2003)

And he concluded

“This Summer has ruined a year’ work to build trust and confidence between us and the manufacturers.” (Joe, Beverage category manager, Discoland, internal meeting, August 2003)

6.5. Conclusions

Within two years, BEST had changed its ways of working with the suppliers in a dramatic way. In 2004, it was no longer passive when facing suppliers’ proposals. They were anymore in a situation where they could only say “yes” or “no” to suppliers’ proposals without being able to link them to precise objectives. Thanks to the implementation of category management’s principles, the company was now able to challenge their views, to qualify their role, to expect additional margin points for services rendered, etc. Category management served as an instrument to qualify suppliers. Not every supplier could keep pace with this change. Some became progressively disqualified from being category captains and sometimes, it was felt, they were no longer compatible with the ways of working at BEST and therefore

should be deprioritized, if not delisted. The products that found their way to the stores were now selected according to a series of filters which impacted upon the buyer selection and thus the product markets. A system of experimentation was proposed with rather complex calculations designed to test the result of any marketing initiative, the FLC operation being one of them. Before taking any decision, a precise measurement system was implemented to ensure that the results could be properly analysed. In other words, an experimentation protocol was proposed that included a scenario with precise results calculated to speak to all the questions that could be raised. However, as the case has shown, various interpretations were made to draw the action implications that should follow from these calculations.

From this standpoint, the existence of category managers was no longer questioned. They were an integral part of the structure, they took part in European meetings, they ran the negotiations with the suppliers where they generated new initiatives which were often innovative, such as in the case of the FLC programme. Whether they used the principles of category management to the letter or not was open to question. For example, cooperation with suppliers was sometimes kept to a minimum because of confidentiality arguments as in the case of Discoland. The market reviews were still difficult to establish in a number of product categories. However CMs had found an alternative to define the status analysis based on a precise internal sales analysis. Opportunities could nevertheless be identified. In any case, they had integrated the idea of building arguments based on facts, of testing before rolling out and of building new data factories through the collection of detailed results, carefully analysed to check what cause generated what effect. In most countries, clear objectives were defined and measured before and after each initiative in the stores. One generic idea

was now established: performance could not just be a matter of a judgement based on impressions from the field.

The introduction of category management has had an effect on the managers of BEST in charge of markets. It has impacted the relations with suppliers and consequently their brands and products made (or not) available for consumers to buy in the shops. And category management itself has also been strongly modified in terms of its procedures though not its principles.

The next chapter will continue this discussion and explain how the now well-established category managers, changed their ways of negotiating with Non-Alcoholic Beverages (NABs) suppliers, in the context of the yearly negotiation rounds.

Chapter 7. Yearly negotiations

7.1. Introduction

In this chapter, I will document the work of category managers (CMs) in their relationship to suppliers after the implementation of category management. This topic is important to our understanding of market shaping, as it has a strong impact on the offers which will be available for consumers to buy. Manufacturers and retailers have a lot of opportunities to meet and share their views about the on-going business. Short on the spot meetings can be organized at any time to solve operational issues, such as out-of-stocks or delivery matters. The implementation of sales activation devices is another one, such as in the case of the fast lane chiller operation. However, yearly negotiations are planned in a much more structured way. A three month process, starting in October and finishing at the end of December, is needed for a retailer to finalize contracts with manufacturers which will provide a frame to the relationship for the forthcoming year.

This process usually comprises three rounds. The first, called “market review”, takes place in October. This type of meeting is prepared earlier in July as exemplified in the previous chapter. The size and the dynamics of the market, the performance of the major players and prospects for the future are analyzed. At the second round in November, the analysis of the market trends is summarized, innovations are proposed and the assortment that the retailer will want to carry is finalized. This round is called “assortment review”. Finally, in December, sales conditions are defined, as well as contingent incentives to implement marketing actions (overrides). This is the

“conditions and overrides round”. In the case of Non-Alcoholic Beverages, which is a highly seasonal market, a fourth meeting can take place to adjust marketing strategies in May, before the peak of the Summer season.

In the account presented in the first section, I will describe how suppliers tried to impose their views of the market on the retailer. I thus review the arguments presented by the manufacturers during these three rounds but I give more emphasis to the first meeting, as it is the one where suppliers try the most to influence the shape of the markets they are dealing with.

In the second section, I will share with the reader internal discussions that occurred within BEST about the services the company could offer to its suppliers in order to gain extra margin points. We will see how BEST significantly tried to change the aims of its negotiations with suppliers. Instead of building its business results through commercial margins (i.e. difference between the purchase and selling price), BEST managers in Groveland looked at systems to capture cooperative budgets from their suppliers. The purchase of products, beverages in this case, is but one of the ingredients of these more complex negotiations between BEST and its suppliers.

7.2. Category reviews

Category reviews form the first step of the yearly negotiations. The focal retailer representatives listen to the presentations made by the key account managers of the manufacturers and detailed discussions are postponed until the second and third rounds. The communication at this stage is largely unidirectional, except for requests for clarification to better understand figures and trends. The October market reviews last three days. Three manufacturers are invited for a two hour meeting every day.

As far as the NAB category is concerned, it is important to stress at the outset that the category covers many different products. Manufacturers include in this category a variety of different products (e.g. colas, juices, waters) and their offer may address only a few or many subcategories. Manufacturers have thus different stakes in the overall NAB market and take different views on the structure and likely evolution of the market as well as on how the category should be segmented and product offers qualified. In this section, I will review the key arguments presented by six suppliers of the NAB category to understand their attempts to shape the outline and structure of their respective product markets. My field notes as well as PowerPoint presentations delivered by each of the suppliers served as a basis for this narrative.

7.2.1. Coca Cola

The Coca-Cola presentation started with a review of the background elements with a strong emphasis on the poor weather in the summer of 2004 and the number of days with a maximum temperature above 25°C. As a result, all the NAB subcategories declined. Soft drinks shrank by 7.4% in value, juices by 3.8%, and water by 8.2%. Bottled water was the least performing product. The weather together with inflation negatively affected consumption and holiday spending. When compared with other FMCG categories, it appears as if soft drinks and juices did well in turnover terms, whereas other beverages within the NAB category declined sharply.

In a category that grew by 34% between 1997 and 2004, Coca Cola's turnover grew by 47.2% and accounted for 71% of the category growth. The analysis continued, excluding bottled water, in a review of the sodas, sparkling fruit beverages, teas, tonics, lemonades, limes, sport and energy drinks. It appeared as if colas have had a favourable evolution whilst all other drinks are in decline. Coca Cola featured as the

most dynamic NAB player together with Fralib, a Unilever subsidiary. Cadbury-Schweppes, PepsiCo and the private labels are in decline.

The light subcategory is seen as very dynamic throughout Europe. It accounts for one third of the category growth and Coca Cola captured two thirds of this growth. For the forthcoming year, the forecast is of a return to growth. Coca Cola wants to be regarded as a socially responsible corporate actor. It offers a wide choice of products to consumers such as colas, sodas, teas, fruit juices and light products. It provides clear information about nutrition in its product labels (e.g. energy, proteins, carbohydrates, fat). It promotes responsible marketing by not addressing children younger than twelve. It encourages an active way of life through the heavy sponsorship of sport.

A proposal explaining how each brand will contribute to category growth followed. In relation to the light category, the cola offer was positioned as light and intense. A strong media plan supports the activities which will be developed based on the platform “Enjoy Light”. In the fruit segment, Fanta Free targets teenagers, and a Sprite Free will be launched. Minute Maid, is positioned as a breakfast, fresh fruit beverage with low calorie content (<20 Kcal). Powerade is a recharger, a rehydration beverage for endurance. Burn, an energy drink, doesn’t make any mention of sugar in its communication.

7.2.2. Karlsbraü

The beer company started with an explanation of the origin and the content of energy drinks. Created in Asia, but made popular in Europe by an Austrian company called Red Bull, energy drinks foster “physical and intellectual endurance”. The mix of fast and slow sugar acts like fuel to the body whilst guaraná and caffeine stimulate the heart. Because taurine, a common ingredient in high-caffeine energy drinks, is

forbidden and caffeine content is limited in the some markets, Red Bull was unable to launch its products in the early 1990s. Only recently, has Karlsbraü, launched an energy drink that conforms to local legal norms.

Dark Dog is now leading the energy drink market. This beverage targets young adults, namely the large cohort of clubbers who consume energy drinks with alcohol. The success of Dark Dog has attracted other players to launch their own brands- e.g. Burn from Coca-Cola, X from Pepsi. The presenter then focused on all the events Dark Dog is organizing to stimulate demand – e.g. night club demos, sports events. The recommendation of the manufacturer is that the product should be displayed next to Coca Cola, which has proved to be the shelf position that generates the best turnover. The presentation of figures focused exclusively on distribution channels and weekly average sales per channel.

7.2.3. Lipton

As in most other presentations, Lipton started with a reference to the 2004 summer weather. A weather index showed 88.8 in July 2004 as opposed to 131.8 in July 2003. Bad weather appears to explain the poor sales figures for the soft drinks subcategory, a 2 % drop in value. Among the soft drink segments, teas did well - a lesser growth than the colas or sparkling fruit beverages but a much higher growth than the still fruit, the lime and limos or tonics. Considering the whole category, Lipton is the second best performing brand far behind Coca Cola, and leading a group of challengers, namely Orangina, Oasis, Fanta, Pepsi. Lipton is the leader of the chilled teas subcategory.

The second part of the presentation focused on brand strategies (Lipton Ice Tea and Lipton Aquae) which underlie a move towards natural, healthier products. Tea is seen as an exemplar of this trend. It is authentic, it doesn't contain colorants or

preservatives, it is flavoured with fruits and the light range contains 20% less sugar than the average soft drink. The first brand, Lipton Ice Tea, is positioned in between two poles: the indulgence pole with fruity flavours (peach, mango, lemon and raspberry) and the well-being pole with a natural green tea and light products.

The Lipton team highlighted a new market opportunity, a vitality drink belonging to the well-being pole. This product is a red tea enriched with guaraná and spices. The second brand, Lipton Aquae, is qualified as a “functional” flavoured water by the market research company A. C. Nielsen. Taillefine, Contrex and Aquae belong to this small sub-category. Aquae plays on obesity concerns and reminds consumers that flavoured waters usually contain added sugar. Though sweet, Aquae only contains sugar from fruit juice. One litre of Aquae has the same sugar content as one apple, proclaims the advertising. The benefit “No added Sugar” is stressed on the packaging.

7.2.4. Orangina Schweppes (OS)

Orangina’s presentation advances a novel explanation for the sales decline: the hard discounters were becoming stronger and pulling the market towards cheaper products. Despite successful innovations, the decline of the standard brands could not be arrested. A market analysis was performed for soft drinks, ambient juices and waters. The light market warranted a focused analysis. The penetration rate of the category moved up from 35.9% in 2002 to 41.5% in 2003. Surprisingly, the total light market didn’t include flavoured waters. Only four manufacturers were included in the analysis: Coca Cola, Fralib (Unilever), Pepsi Co and Orangina Schweppes. OS was presented as the leader of the non-cola soft drinks and diet market, although distributor own brands were growing fast. The good performance of OS was explained by the strength of innovations and the quality of the advertising. Millward Brown

Link™ test results were used to support this claim. Awareness and persuasion indices were mentioned and claimed to outperform the industry average.

OS suggested that the current category segmentation is too technically-minded. Consumers do not understand conventional terminologies; they do not buy a “non sparkling fruit beverage” “a concentrate based fruit juice” or a “fizzy flavoured water”. This segmentation, the manufacturer argued, doesn’t reflect how consumers choose and buy their products. Therefore, further research should be carried out to better understand how consumers behave at the point of sale. This research should help identify latent needs, category growth areas and, help manufacturers “optimize” their product range. Mineral waters, however, should be excluded from the research.

The proposed segmentation suggests six clusters: fizzy flavoured beverages, light fizzy beverages / fun indulgence, still beverages / fun indulgence, still beverages / healthy indulgence, natural fruit juices, and flavoured waters. The weight of the different clusters, in turnover terms, is displayed and flavoured waters appear to be insignificant. With this new segmentation, OS covers 95 % of the universe, is leader in two segments, number two in two others, and a challenger in the last two. The brand portfolio is evenly spread across the different segments and each brand is positioned as central in each cluster. The action plan that follows uses this structure and proposes that merchandising strategies should make use of this new, more meaningful categorization logic.

7.2.5. The Sunny Delight Beverage Company

This company, which used to belong to Procter & Gamble, is now part of the portfolio of the private equity firm J.W. Childs Associates. The market is described as declining. The justification for this decline is based on poor weather and the lack of innovation in the fruit-based chilled beverages. Competition from the non-chilled

beverages (e.g. flavoured waters, tea based beverages) was also cited as a factor for this decline. Sunny Delight is an important player in its segment, behind Tropicana but ahead of Danao.

Sunny Delight analyzed its re-launch. With a better recipe, the fruit juice content was increased from 5% to 11% allowing a vitamin C nutritional claim, according to local legislation. The re-launch included additional stock-keeping units (SKUs): one with no added sugar to address the obesity concern, and one with seasonal fruit variants to ensure taste variety. The justification for this re-positioning is presented on a matrix plotting healthy against “cool” benefits. Whereas the juices, Danao, and flavoured waters are in the “healthy / non-cool” quadrant, the sodas, Orangina and Sunny Delight belong to the “cool / non-healthy” quadrant.

The intention of Sunny Delight’s repositioning is to move towards the “cool / healthy” quadrant. The aim is to become subcategory leader within three years backed up by the high impact of the new packaging as well as heavy media and promotional support.

7.2.6. Nestlé Waters

The presentation started with a reminder of Nestlé brands and continued with a synthesis of key market trends. In the context of a poor summer, the results show variations in volume and value as well as the different evolution for each subcategory. The flavoured waters are the most dynamic subcategory with a growth trend of 1.9% in a declining (– 8.2%) market.

The trend is explained by the offer at the intersection of two needs: the sodas and juices which reflect indulgence and fun but are seen as unhealthy, and the still waters which are seen as thirst- quenching and healthy but dull. The flavoured waters are positioned as more fun than water and healthier than sodas. Nestlé recognizes that the

flavoured waters are getting closer to the sodas and soft drinks in terms of market positioning. They now form a full subcategory and should not be seen submerged within the waters category.

The drivers for growth were reviewed with a focus on assortment, advertising support and innovation. The key performance indicators were the number of SKUs, the turnover per SKU, the share of assortment, the share of shelf space and the ranking of the SKUs. The implicit logic is that all the SKUs of a brand should be top sellers, delivering a high turnover per unit and per square metre of sales floor. The usual logic is that one new SKU in, should generate one SKU out, within any one subcategory. These measures help to compare Nestlé brands with other water brands, but also with sodas, fruit beverages and colas.

Regarding the action plan for the forthcoming year, Nestlé proposed a range of innovation in the flavoured waters subcategory. The key arguments were based on health concerns. Soft drinks were strongly criticized by the medical profession that recommends a much lower intake of sugar for children and adults. Perrier Fluo was the answer for adults, Vittel strawberry, peach and apple, for the family, and Vitalos was the proposal for children. A new measure was proposed, a scale of sugar content. It didn't come as a surprise to see flavoured waters appear as the best performing items on this scale, especially when pitted against colas, sodas and fruit beverages.

The sugar content should be measured in grams per litre, the presence of preservatives should be identified and the sweetener, if present, named. In short, further chances should be given to flavoured waters because they offer more fun and indulgence than still water and are healthier than sodas or colas. The corollary is that SKUs from colas and sodas subcategories should be reduced if the retailer wants to align itself with the

market. These items should be replaced with flavoured waters, and preferably with ones from the world leader, Nestlé.

7.2.7. Danone Waters

This presentation started with an overview of the factors that have affected the market in the past year. A climate of crisis is described, based on research contained in a report, Trend Observer, from the market research company Ipsos. The poor weather is just one of the factors that accounts for the downward consumption trends. Fears of bird flu, the Iraq war, the unfavourable economic climate in Europe, the dangers of overconsumption of alcohol and tobacco and concerns with obesity, are identified as trends.

In this context, water is presented as a subcategory based on traditional values and seen as safe. The message is reassuring: the good performance of the main SKUs in the mineral water range comes as no surprise. The flavoured waters prop up this particularly dynamic subcategory. The good performance of the range is described with panel and weekly sales rotation figures. Even a naive observer would be able to immediately spot which SKUs should be eliminated from the retailer's assortment. A financial logic underpinned this appeal to the retailer: focus your scarce resources (shelf space and promotional support) on the products that perform best and your return on assets will improve. The assortment recommendation is supported by the outputs of a software package that compares the performance of different types of stores. The outstanding shops are those that have optimized their assortment. A simulation tool using this database, calculates the turnover, margin and return that would result if the retailer implements these recommendations.

When leaving the two days of market reviews, the CMs were very impressed:

“We have at last received presentations from the suppliers with a serious marketing content. There is a clear diagnosis, the recommendations are mostly aligned with the analysis and we have a good basis to start the formulation of our strategy.” (Jennifer, category manager Beverages, Rockland, October 2004)

But some were confused too:

“There is no unified view of any market. I cannot take the data of Nestle and compare it to that of Danone Waters. I can’t do it either with Coca Cola or Pepsico. There are no two companies that view the market the same way. How can we get anything started?” (Chris, category manager Fresh Food, Rockland, October 2004)

In fact, it appeared to the BEST participants in these meetings that the category stories were not consistent across suppliers. No two manufacturers referred to the same set of data, making it very difficult to compare figures. A table could be drawn to identify what brand is playing on what segment (see figure 7.2.1) but in any case, a further analysis would be needed for the CMs to gain insight into their product categories and build their own convictions about the trends.

Manufacturer	Carbonated Soft drinks			Energy Drinks		Teas	Juices	Waters Still		Waters Sparkling	
	Colas	Sparkling Fruit Bev.	Sodas	Sports drinks	Energy Drinks	Ice Teas	From concentrate	Plain	Flav.*	Plain	Flav.*
Coca Cola	Coca Cola	Fanta	Sprite	Powerade	Burn		Minute maid				
Unilever						Lipton Ice Tea		Aquae			
Cadbury Schweppes		Orangina									
Karlsbraü					Dark Dog						
The Sunny Delight Company							Sunny Delight				
Nestlé Waters								Contrex	Vittel Fruit	Perrier	Perrier Fluo
									Vitalos		
Danone Waters							Danao	Evian			
								Volvic	Volvic Fruit		
								Taillefine			T. Fizz

* Flavoured

Figure 7.2.1: Market segments, suppliers and their brands

7.3. Negotiating services: cooperative budget

In the same year 2004, an interesting initiative took place in Groveland which showed a significant evolution in the ways of working with suppliers and generating extra revenues. This story is indicative of the ways BEST’s managers prepared themselves to request better sales conditions from their suppliers. The idea developed by one of the category managers, Steven, was used in the third round of the yearly negotiation process. To understand how this initiative emerged, we need to understand some of the key characteristics of the network in Groveland. This network can be characterized by its high level of standardization. It is one of the few countries where a large number of stations have been built in green field sites with an in-depth understanding of the location, the architecture of the building, the selection of the furniture and so

on. It is also a country with a limited number of stations (seventy four) all belonging to the same generation of stores.

The description of the network was easy to perform and some features were stored in a database at headquarters. The descriptors that one could find were until now, rather limited. Only simple items such as the address, the phone number, the manager's name, and a technical plan of the site were available. Because the network was standardized, category managers had an easy job regarding the implementation of the product assortment on the shelves. They knew precisely what furniture was available in what store and what their size was. Consequently, a planogram could be implemented exactly as drawn on the plan.

7.3.1. Creating a centralized reporting system

Steven was hired by BEST Groveland in January 2004. After a technical university education, he was recruited to be a CM fresh from college. When joining the company, Steven first spent a few months in the field, as the assistant of a district manager. Thanks to the time he spent in the stations, he managed to become a close colleague of most of the station managers and all the district managers. While working in the field, Steven had drawn a plan of all the stations on an Excel spreadsheet with the location of all the shelves and had collected an extensive series of pictures representing all the areas of each station. To organize his data, he had created a simple database. The user interface that he had designed was a very convenient one; a map of the country was drawn up with all the 74 petrol stations. A simple click on one of the petrol station spots would give access to all the details of the store drawn from the central database. But his original contribution was to have built a similar system for in-store: a simple click on one of the store map areas would open a window with the

picture of the shelf, the list of the products, and the sales performance of the previous month.

When he came back to headquarters, he sketched a plan based on his competences in computer modelling, something he enjoyed. He was convinced that a network could easily be managed at a distance if a database could be set up with marketing information such as that which he had crafted, connected to a product and suppliers' data bank. This would allow access to a physical and business picture of each of the stores. With 74 stores only, he thought it should be possible to get an updated plan for each station very quickly.

In his daily work as a CM for fresh food, Steven had to develop promotional activities. In the process of implementation, he had to explain to the field managers what product should be displayed where and how. At his first regional meeting, he presented and handed out to the field managers the traditional paper material with all the instructions of what needed to be done in all the stores. Steven handed the field managers a digital camera and a CD containing several electronic reports and explained:

“Once the promotional display is in place and the shelf reorganized, please take a picture of the result, place it in this file, type in this box the name of the store and the date when you performed this job, and send the file to my email address every evening together with your daily report. (Steven, fresh food category manager, regional meeting, Rapland, September 2004)

The reaction of the district managers was very positive. All of them knew Steven well from the time he had been in the field, and they liked his courteous, direct style. The reaction of the regional manager however, was not so positive because he perceived Steven's initiative as an intrusion in his management and reporting system. Though not expressing it directly, he gave the impression that he was asking himself: “How

can a young guy, new to the company, allocate reporting tasks without the full consent of his senior management?”

Steven explained why he would need this information. He had set up an agreement with a cheese manufacturer that the promotion which he had negotiated would be implemented in the stores in record time. In other words, he had been able to capture an additional promotional margin point with the argument that the promotion planned for his stores would be implemented one week sooner than in any other petrol station company. The benefit for the manufacturer was obvious. In the same commercial cycle, his supplier would have an additional week of effective promotional sales.

Steven was not sure how he could demonstrate the advantages of speed of execution, until he decided to implement the system he had thought of when he moved to headquarters, after his period in the field. He was convinced that this type of system would create a competitive advantage versus the other petrol station companies in the country. Despite not having validated the reporting process with the regional manager, the team decided to put it into action. The field managers did it more for the sake of their friendship with Steven rather than a conviction that it would change the performance of the promotion. In fact, such a reporting system would have been rejected had it been introduced by the hierarchical management, as Steven commented during the coffee break.

The week later, Steven started to receive the daily reports with pictures and the qualitative information he had requested from the district managers. On day 1, he could say that 20 % of the stores had been equipped with the promotional material. And because he kept an eye on sales performance, he could even say that he had equipped 20% of the stores that usually make 65% of the sales of the category. On day 3, the reports helped him measure a 45% equipment deployment rate in the network

covering the stores which usually made up 75% of the turnover. And on day 5, he could measure what panellists call a numerical / weighted distribution of 85/95. Steven had not totally won his challenge but he could call his supplier saying that the promotion had been implemented in 85% of the shops representing 95% of the regular sales.

Thanks to the results of this experiment, Steven had been able to suggest that the speed of the implementation was an important metric. And he could prove with pictures received from the field managers what the result of the implementation looked like.

The result of this initiative became known immediately by everyone in the subsidiary. CMs, but also the regional directors wanted to have access to the tool, each one for his own reasons. The CMs wanted to be able to deliver similar diffusion curves for their own initiatives. The regional directors found the tool useful to control the activity of their district managers. A picture, they said, speaks louder than any tabled report claiming that this or that task had been completed. The cheese supplier also thought this system was great. For the first time, the key account of the supplier could confirm that BEST was able to have control over what happened in its network in real time. And during the discussion, Steven observed that one could not claim any longer that the results of a promotion were not good because the execution was poor:

“One could measure the impact of the promotion on sales without endless discussions to debate the argument that ‘the result are not as good as they should be because the promo has not been fully implemented’”. (Steven, fresh food category manager, internal meeting, Rapland, September 2004)

7.3.2. Building a service for the suppliers

Gordon, the retail director of Groveland and Alan, the CRS director, soon reached the conclusion that Steven's hand-crafted system could be pushed to another level. The two of them knew from their involvement in European projects that a new integrated Information System, OSIRIS, was being developed. The IT manager from Groveland was not part of it because the country was too small and had not been included in the project team. Gordon and Alan decided that the experiment should be reported at the next CRS European meeting and certainly at one of the OSIRIS meetings.

In October 2004, Steven was invited to present his initiative at the request of Alan at the European CRS meeting. The presentation had been prepared with a full integration of the process, the organizational conditions, the market dynamic and finally, the outstanding result of his category, fresh food. Mike, from EMD, was very happy to see that Steven, a CM new to the company and hired with a University degree, could challenge the ways of working of the organization. When commenting on Steven's presentation, Mike stressed the business dimension of this initiative:

“We can now have a dialogue with a major supplier and get their full support. Our contribution in the relationship is far more active than it was in the past. We are not being aligned with their marketing programmes anymore. If we bring to suppliers a service level such as the one Steven has shown, we can become the preferred partner of the cheese makers, and should charge them higher cooperation budgets. (Mike, EMD, CRS meeting, October 2004)

Mike was in fact insisting that Steven's work should not be passed on to the suppliers for just a single point of promotional margin. And Steven who already had this idea in mind, commented straight away:

“If we are one of the very few in the market to be able to give suppliers such precise data about their activities in our stores, the added value they get from us is higher than the one they get from the other petrol retailers. The presence of a bottle of Coke in one of our shops is worth a million pounds

more when compared to that of the same bottle in one of our competitor's stores.” (Steven, fresh Food category manager, CRS meeting October 2004)

This logic was alien to most of the people around the table who were not used to negotiating extra budgets for services delivered to the suppliers. This practice consisting of charging suppliers for all the extra services they get from a retailer was classic at large retailing firms. But most of the retail directors at BEST thought that petrol station companies were not powerful enough to negotiate such budgets.

Steven, who had been a trainee on the brand Tropicana in the marketing department of Pepsico, knew that the growth of the beverage market in Western Europe was to be made on away from home channels, including petrol stations. From the presentations he had been exposed to during his training period, he had extracted for the CRS meeting one slide showing the weight and the evolution of the various distribution channels in Groveland. One could read very clearly how important the petrol station channel was to the beverage manufacturer.

Surely, some marketing investment would have to be carried out to capture this growth. Steven was convinced that he could grow his category from a partnership with a supplier. But he also knew he could not improve his margin dramatically because the total volume of the channel and BEST's share of it, was too small. He understood that extra services had to be charged to suppliers to capture the bulk of their marketing budget. In other words, the operating margin he would generate would come largely from the commercial margin he would gain through selling cheese to consumers but also, probably in a significant way, through the services he would charge his supplier.

“We are not only selling pieces of cheese to the consumers, we are also information providers to the suppliers, a media when they place their displays next to the chillers, and we could be so many other

things. If we include all these dimensions, what is the outline of my category?" (Steven, fresh Food category manager, CRS meeting October 2004)

The business logic that he presented to the CRS directors was astonishing for a junior manager. The directors were really puzzled because Steven had limited knowledge of the petrol station world. But the business sense he had developed from his education and training at PepsiCo was worth a lot of money. One retail director in the room referred to a previous discussion about the grading of CMs:

"Are you now convinced that we should get people from business schools to do this job? Do you now understand why the job of a category manager should be graded in a better way? As a company, we have to become more attractive to these young graduates and offer them attractive jobs such as category manager. With such brilliant people, I am sure that we will grow very quickly! (Christopher, Retail Director, CRS meeting, October 2004)

7.4. Conclusions

In 2004, CMs had installed a negotiation process made of three rounds. With the first one, they were now able to analyse the market trends themselves instead of trusting suppliers without any possibility of challenging their views. They could understand the manoeuvres of the manufacturers to push their products by generating a vision of the market that was favourable to their initiatives. In the argumentation processes, a fierce battle took place to define the category outline, the market dynamic, the reasons of the poor performance, and the reasons why one specific marketing program was highly attractive. To back all these kinds of arguments, numbers displayed in PowerPoint presentations played an essential role. Many indicators were involved including scales designed to denaturalize taken-for-granted categories. The example of

the sugar definition showed that a qualification is needed before a sugar content can be measured. CMs could now clearly identify those suppliers who had a comprehensive analysis of the businesses, a clear vision of where to move them, and a real wish to grow categories globally, rather than just boosting their own brand sales. The most advanced suppliers were equipped with simulation tools, well connected to panel data, valid at the petrol station channel level. It became clear to the CMs that some suppliers had insufficient reasons to justify the presence of their products on the shops' shelves. These qualifications would have an impact on the selection of products displayed in the shops.

With Seven's initiatives, a simple idea has helped to follow the implementation speed of promotional operations, an idea which was highly valuable to the suppliers. It has first been experimented with an Excel spreadsheet, soon deployed at the country level in Groveland. The spreadsheet worked as prototype before it was proposed for a further deployment through the European IT project, OSIRIS.

Thanks to this initiative, CMs became confident that they could propose services to their suppliers and charge them cooperation budgets. This procedure impacted on the third rounds of negotiations. CMs tried to argue for the benefits of working with BEST as opposed to other fuel retailers. They built information systems designed to manage a clearer view over the shop network and convert this data into a valuable offer for the suppliers, thus allowing for a stronger compensation through cooperation budgets. They did not consider themselves as buyers only, but as service providers to their suppliers.

In 2004, the existence of CMs was pretty much stabilized, though the grading of the job was sometimes challenged anew. With a profile of young educated managers, some thought, the team of CMs would be more dynamic and contribute to getting the

categories to grow faster. It was clear to everyone, including the regional directors, that more expertise was needed to run the retail business than just a fuel station background.

Because they were involved in the deployment of CONCEPT as well as in the management of the goods displayed on the shelves, CMs needed to have a precise overview of the shop network. The following chapter will have a closer look at one of their initiatives to cluster the shop network, hence framing the encounter of on-the-go consumers with the products on offer.

Chapter 8. Qualifying the service stations

8.1. Introduction

Chapter 5 documented how the idea of petrol station has evolved with the creation of a new concept that offers fresh food to consumers who visit the stations. A first prototype of CONCEPT was implemented in March 2003 in Discoland. In this chapter, we will examine the attempt to deploy CONCEPT in the shop networks in Europe.

In the first section, we will follow how a typology of stores was developed to facilitate the roll out of CONCEPT. The second section takes a different angle, the restaurant business, and shows how this activity challenged the idea of CONCEPT that was being deployed. The third section focuses on the work of the car wash manager at the European Marketing Development Department (EMD). It discusses, from the perspective of another activity, the role of a grocery store attached to the petrol station. Finally, we report on how a competitor's initiative led to a discussion that challenged the need to sell fuel in stations.

8.2. Building a typology of stores

After the successful launch of CONCEPT in Discoland and the opening of two more stores in other European sites, a launch assessment meeting was organized in June 2003 by the retail directors. At this meeting, Mike was given a new mission which he thought to be very challenging. He was assigned to manage the roll out of CONCEPT

throughout Europe in the most efficient way. Although, in every country, the first three sites to be refurbished had already been determined during the generation of CONCEPT, further locations had yet to be defined. For this purpose, the head of retail in Europe requested that Mike should generate a detailed description of the European network. In other words, he should set up a database of every European site with a comprehensive report on their level of equipment. Though this mission was presented as closely linked to the roll out of CONCEPT, Mike was aware, in 2003, that the merger of FUEL 1 and FUEL 2 was still a work in progress. As explained in chapter 5, the European antitrust authorities were bound to ask BEST to sell some of its locations to preserve competition in Western Europe, including Rockland, Discoland, Rapland and Groveland. It was clear that a precise description of the sites would accelerate decisions on which stores should be kept, and which ones should be sold. The networks in Europe were very disparate: there were indeed no two stores with the same size, with the same equipment in terms of shelves or chillers. That's why, Mike believed, this big picture would be very useful for his own projects starting with the roll out of CONCEPT, but it would also help the deployment of category management in each country. He welcomed the new assignment in the following terms:

“We should find a way to classify these stores. If we want to enhance our leadership in Europe, we have to be consumer-oriented and understand what consumers expect from a station when they stop. From an efficiency perspective, once clusters have been identified, we will simplify the work of our category managers who will not have to define an assortment or a planogram for each station but rather for each type”. (Mike, EMD, CONCEPT launch assessment meeting, June 2003)

The category managers (CMs) had discussed the relevance of CONCEPT's positioning in 2002, and the debate had been closed at the request of Mike, by

focusing on the procedures needed for its launch, in one test store – e.g. “here is the store that we want to refit”, “please define the range of products that you want for this sales area”, “the collection should fit into three elements”, “execute your planogram”, “this needs to be OK by March”, etc. These were the types of instructions given by Mike to the CMs of the task force.

They were seen as easy tasks because they were to be implemented in one location only. But as soon as they were scaled up to a much larger shop population, Mike anticipated all sorts of difficulties. The variety of sites could cause problems to the CMs because, he thought, they might have to replicate their work across as many stores as you can get in one country unless quick agreement on a typology of stores could be reached. If this preliminary work could be carried out, the job of CMs could be made significantly easier with added benefits for anyone else who needed to roll out a project across the network:

“If we want to be able to set priorities easily, we need an accurate picture of the network. We will then be able to decide which station should be positioned with CONCEPT first. And by the way, the same applies to the selection of a site for a restaurant concept, to car wash investments, or to any prioritisation which may be needed. In relation to the job of the category managers, we need to understand what surface area to dedicate to one product family. If we develop a typology based on consumer insight, this will give us a rationale to decide and explain why any product family is given this much amount of space.” (Mike, MD, CONCEPT launch assessment meeting, June 2003)

To begin his new mission, Mike had in mind the key aims of the company: achieving a market share of 22% in Europe and generating an operating margin of 13 % with a large network and a strong brand presence in some countries. Mike could have defined his role in a minimalist way by creating a database with the physical attributes of the stations, such as the selling area, the fuel volume, the number of parking places, the turnover made by the key product families, which were the usual criteria used to

depict a network at BEST. But he wanted to push the description further by integrating a consumer perspective, as he explained to me:

“If we want to do a serious job, we have to put consumers at the core of our processes. We certainly need to understand how our customers perceive our stores. Our recommendations, consequently, will be stronger because of a real marketing perspective.” (Mike, EMD, CONCEPT launch assessment meeting, June 2003)

8.2.1. Generating shop clusters

After having selected a marketing research institute to help Mike create a qualitative and quantitative typology, several focus groups with consumers were organized throughout Europe. To determine the sample, a simple description of the customer structure was given to the institute. Basically, customers could be classified into two main categories: those for whom transportation was a daily activity but not a job (e.g. daily trips to school or to the office, weekend trips, holiday trips) and those who are professionals (e.g. truck drivers, travelling sales representatives). The time spent by passengers in their car every day was also a factor to be taken into account. This idea covered the point that some people spend several hours a day in their car, even if they are not professionals of the road. For most of us, the vehicle was becoming a space of daily life and, Mike wrote in his brief to the institute, this might well have an impact on the way passengers experience the stations.

The institute recommended the setting up of focus groups with private passengers and carrying out interviews with truck drivers or travelling sales reps at petrol stations. At the focus groups, set up in September 2003, the selected subjects were invited to articulate the reasons why they usually stop at a petrol station. Based on these comments, a list of reasons was written down on a flipchart by the focus group moderators. In the meantime, the institute’s assistant was looking for ways to visualize

the motivations of the drivers on the Internet. The visualisation of the products or the function that had to be delivered by a petrol station were then fed into the discussion. Cards, on which the functions were pictured, had to be grouped on larger boards and a label had to be attached to the type that had been created. Figure 8.2.1 illustrates how the information was summarized on boards (with the exception of the store descriptors and the number of stores which were added by BEST managers).

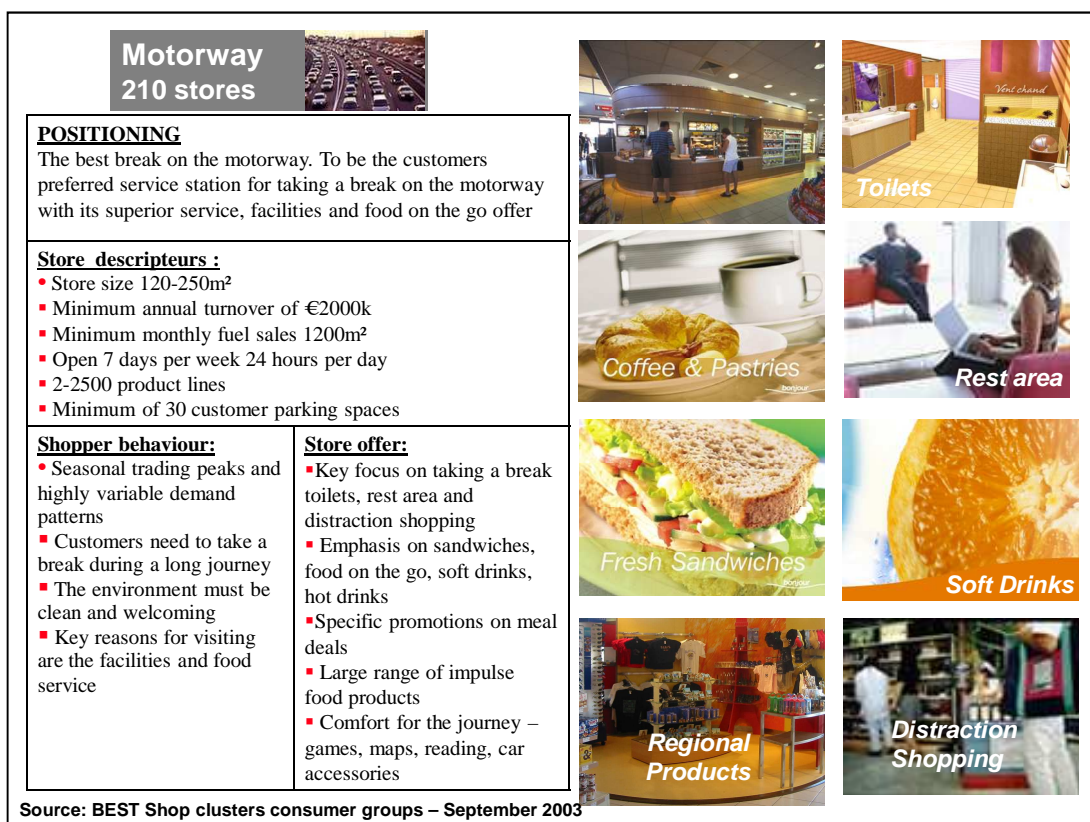


Figure 8.2.1: Shop cluster boards

Using this method, six types were created. In October 2003, a separate meeting was organised in Rockland to present the results from the drivers' focus groups to the category managers who had contributed to the development of CONCEPT. The objective was to confront the typology created by the focus groups with the physical attributes in use to describe the stations. At this stage, the CMs added on the board the

descriptors mentioned in Figure 8.2.1. The dovetailing of the two approaches would make the typology more robust. I will now describe the various types and report on the comments of the CMs.

8.2.1.1. Motorway stations

Motorways stations, consumers suggested, have to deliver the best environment for customers who want to take a break and have some rest. The facilities (toilets and rest areas), the services (ATM, telephone, TV, a WIFI environment) and food on-the-go (sandwiches, hot and cold beverages) are the essential features. The consumers also suggested that an offer with regional products could be an interesting idea. What about non-food products, the moderator asked? They are interesting because a shopping trip through the store is a kind of distraction from the monotony of travel:

“While having a coffee or a hot soup, I like to circulate through the shop and look at what is displayed”. (A consumer, Focus group in Rapland, Sept 2003)

When this first type was presented to the CMs, a month later, they could easily translate it into technical features. They saw a store with a size of 120 to 250 m², an annual turnover of € 2 million and minimum fuel sales of 1,200 cubic meters. The traditional motorway station had a minimum of 30 customer parking spaces, was open 7 days per week, 24 hours per day and the assortment was in the range of 2,000 to 2,500 products.

“In Rapland, this type of store could well include 160 units. In the other countries, one would need to measure the size of the type, but this should be an easy task”.(Uwe, Category manager in Rapland, Rockland meeting, Oct 2003)

A very similar variant was described by the consumers that they called “main road stations”. Located on major axes linking large cities, these stations played the same role as their cousins on the motorways: a place to take a break.

“When I take a break, on average, I stop for 15 minutes, I refill, go to the loo, get a coffee and get a breath of fresh air”. (consumer, Focus group, Rapland, Sept. 2003)

In Rapland, there were probably another 160 stores that would fit this description, which meant that this cluster would represent a type as large as the network of motorway stations.

“The logistic delivery patterns however are completely different from the motorway stations. Since the cluster is large enough, let’s make it a different group”. (Uwe, Category manager, Rockland typology meeting, Oct 2003)

8.2.1.2. Truck Meeting points

When discussing the barriers for accessing or staying in a station, some consumers mentioned that they didn’t like stations where there were too many truckers. These vehicles occupy a lot of parking places and, they thought, could be dangerous for the kids. In the store, truck drivers gather together to eat and drink and they can easily be noisy, which seemed to bother some consumers. Using these insights as a starting point, the moderator pushed forward the idea of creating a pattern of a truck stop station. The proposed ideas would need to be confronted and reworked with truck drivers themselves. The interviews carried out at the point of purchase showed that professional truck drivers primarily stop at a station because the shower facilities are convenient and clean, but also because they know that they can park easily, they can meet other truckers around an informal sit down, have a reasonably-priced meal, and watch TV for a while particularly when important football matches are on.

CM added to this description, items which are useful for a comfortable journey: ATM, money change facilities, telephone, but also maps, truck and car accessories, and apparel. The technical and financial profile of this type of station is very similar to the motorway type. The key differentiating factor appeared to be the showers, which can hardly be profitable, and a restaurant. In some countries, because of specific agreements to get a license to open a store on the motorways, the petrol stations are not allowed to serve sit down meals, but a bar option could be considered.

“The custom base of the truck stops is simply different from the rest of the motorway stations and seems to have little compatibility with the profile of other travellers. Why not create, a specific type which could well be appropriate for 30 to 50 units in each country?” (Geoff, category manager, Rockland typology meeting, Oct. 2003)

This type was already in existence in three countries, but not in Rapland. The locations which could serve as trucker meeting points needed to be identified. The factors to consider would include for example the selection of industrial regions, the identification of the main truck routes, as well as the ideal distance between two stations. But, all in all, this type of station made sense to the CMs.

8.2.1.3. The commuters' stop

The main axes in and out of major cities, the consumers wondered, should play a specific role. In the morning, fresh coffee and pastries together with newspaper and magazine stands should be on display. The primary reason why people stop at this specific time of the day is, for the early birds, to have breakfast before rushing off to work. In practical terms, this meant that a cosy coffee corner and fast lanes should be organized. For the evening commuters, a similar idea would apply with an offer of wine, flowers, gifts or even ready-to-eat meals.

The category managers could easily see how this would work. However:

“The question to consider is whether we should have two types, a morning station and an evening station? Can we get the two ideas in the same store? Inward stations will have a nice breakfast business but exit stations will need to focus on the other strong offer points”. (Susie, category manager, Rockland typology meeting, Oct. 2003)

In terms of size, these stores have a 40-75 m² sales area, deliver a minimum fuel sale of 600 cubic meters, are open 7 days per week, 16 hours per day and have a minimum of 3 customer parking spaces.

“Yes indeed, we could imagine positioning these stores to help time pressured people to start or end the day better with a specific focus on breakfast or take-away food and drink solutions. In Rapland we could probably get 35 stores of each. Now, are we not creating too many clusters, meaning a multiplication of the product ranges, the planograms, and certainly difficulties in implementing our marketing programmes through the district managers?” (Anna, category manager, Rockland typology meeting, Oct. 2003)

8.2.1.4. Workplaces

The first three proposals were not contentious because they corresponded to concepts which already existed to a greater or lesser degree. The distinction between entry and exit axes, was not articulated spontaneously by consumers. The workplace idea came from a consumer who commented on the absence of a restaurant in her company. She explained that she went out to escape from the office. She would, for example, go to the bank or do some shopping at the lunchtime break. She liked to stop at the local station where the owner’s wife prepared something fresh every day. Fresh, not machine coffee was also available.

This idea was at first, puzzling to the category managers. The number one role of a workplace station, as described by this consumer, was in fact a restaurant. She did not

mention the need to refill at any time. What was of interest to her was the great location of the shop, on the way from or to the office, with a few parking spaces to stop for no more than 15 minutes. With a monthly limited fuel volume, the kind of store that she was describing was classified at BEST, as a problematic store. In fact, in the post merger context, the company had to sell off some of these stores. And managers, at Rapland for example, were thinking of getting rid of them altogether.

Category managers had no clear idea about the relevance of this type because they were not really involved in the food service business and felt that the company was not particularly good at running restaurants. In comparison a company like Auto Grill, the European leader, was a real expert. Still, a quick calculation was made based on the number of stations with a small restaurant serving daily meals. The calculation showed that workplaces stations could represent a very significant share of a network's profits.

“We can currently identify 40 stores with such a potential which, with the profile we know from the restaurant stations located on the main roads, could easily deliver 30% of our domestic profit”.
(Andre, category manager, Rockland typology meeting, Oct. 2003)

“This is true but we are not restaurant specialists. Can you seriously imagine developing this know-how without a partnership?” (Joe, category manager, Rockland typology meeting, Oct. 2003)

This option of a partnership was suddenly taken very seriously.

“We are specialists of consumption on-the-go. To get to our places, drivers take their car, and we know their needs better than anyone else in the country. Why not conceive our stores as a combination of modules? I wouldn't see a major issue in having a McDonald restaurant in our stores. After all, young people meet up at our stations and buy Red Bull and cigarettes, before they

move on to a night club. In many cities, they show up to buy beer and sit in a park next to the station, for the whole night". (Jennifer, category manager, Rockland typology meeting, Oct. 2003)

A simple consumer story had triggered the imagination of the category managers who were now thinking that a petrol station could be profiled in a much sharper way than had hitherto been the case. The next type described by consumers generated a similar level of excitement.

8.2.1.5. Convenience stores

In recent years, city petrol stations have been sold by the major fuel operators because they were too difficult to operate, until someone noticed that they were systematically acquired by entrepreneurs in the bakery or food businesses. Thus, some of the players decided to make a convenient store out of these stations. After a lot of tests at BEST, it was shown that with a minimum of 5 customer parking spaces, these stations could accept stores of more than 100 m² with a range of 2,500 product lines and an average turnover of €61 k per year (83% being food sales). Consumers were using these outlets as proximity stores for top-up purchases on their way home.

For the CMs and for Mike, this cluster was precisely the one where CONCEPT would need to be rolled out. But, in BEST Rapland, recent research carried out with a sample of stations had proved that 40% of the custom base came to the store on foot and bought an average of 7 items per basket, of which 2 were fresh food items. In other words:

"We play the role of a local grocery store. The size we are talking about is smaller than that of Aldi but our range is double Aldi's. Our prices are far more expensive but we stock fruit and vegetables and we have an offer of dairy products. I doubt if we can be a serious player on the discount side but if we choose our location carefully, we sure have a reason to be. And we could do good business, for example within large cities. Our opening hours give us a real advantage". (Barbara, category manager, Rockland typology meeting, Oct. 2003)

Discussing how far BEST could go with the convenience store idea, the category managers mentioned the organization of Rockland that had set up a partnership with a multi-format retailing company, TESCOUR. This partner had expertise in delivering fresh food to local proximity stores at low cost because of a dense network of TESCOUR Express shops. The deal was working well, everyone round the table agreed, because the local category managers were following the procedures given to them by the partner, an expert in retail. But the comments mixed admiration about the partner's expertise and a number of concerns:

“It is as if our category managers were the employees of this partner. They have the same computer interface, the same procedures, the same referential of products and suppliers, etc. We even wonder if this deal is not set in anticipation of a future transaction with TESCOUR Express. A kind of merger before the acquisition!” (Geoff, category manager, Rockland typology meeting, Oct. 2003)

On the one hand, it was clear that the “convenient store” cluster was the ideal one to roll out CONCEPT, but the discussion which had just emerged was stressing that a partner may be needed to compete with hard discounters in a serious way. A price premium of 15% was the maximum consumers would be prepared to pay, commented the category managers.

“And to reach this price, not only do we need to have efficient logistics, which most of our wholesalers do not have in the fresh food category, but we also need to have a volume which will enable us to get good prices. In that sense, we cannot afford to have too many clusters because this process creates too much diversity within a distribution channel which in itself is very small compared to the supermarket channel”. (Ben, category manager, Rockland typology meeting, Oct. 2003).

8.2.1.6. Mom and Pop's petrol station

Finally, after having created various groups, consumers reminded us that we should not forget the Mom and Pop's petrol stations, the tradition fuel stations attached to a garage or to a local car dealership. These stations, consumers commented:

"...are an essential part of the local life, particularly in rural areas. This is the place where you can order fuel for the central heating in your home, this is where you like to go to service your car, but also get your lawn mower repaired, and this is where you fill up as well. Of course prices are not the lowest, but you want to contribute to the community and maintain a local activity in the village."
(consumer, Focus group, Discoland, Sept. 2003)

A CM reacted:

"And these are the stations where we lose all the money! We don't want to spend time on this cluster because we will never roll out CONCEPT there. We'd better put these stations on the write-off list".
(Susie, category manager, Rockland typology meeting, Oct. 2003).

These stations, the CMs observed, should not be operated by BEST anymore but they did fill a consumer need. With the help of consumers (focus groups) and category managers (internal meetings), Mike arrived at a provisional description of the seven original groups.

8.2.2. Defining the number of clusters to operate

After this first qualitative research, the institute ran a cluster analysis in November 2003. The method consisted of grouping, step by step, the type which had been defined qualitatively. Consumers were asked to merge the two groups they thought were the closest. From 7 groups, we now had 6. In the following run, they were asked to do the same until they put the last two groups together. This laddering methodology resulted in the cluster structure depicted in figure 8.2.2. Finally, consumers were asked to name each of the groupings:

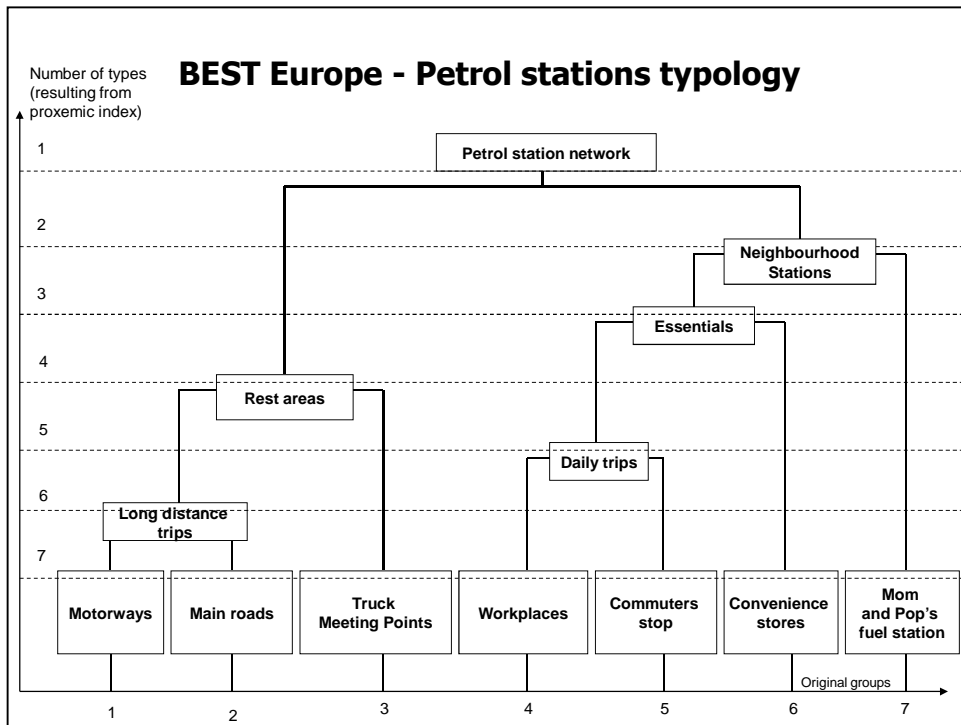


Figure 8.2.2: BEST Europe, Petrol stations typology

At this stage, in December 2003, Mike and his task force thought they had achieved something in a rigorous fashion. The outcome, they thought, would be seen as legitimate because it had been constructed in collaboration with consumers. An important issue was now to determine at what level to cut the typology tree (see figure 8.2.3). Different kinds of logic could be considered. From an operational perspective, the more junior the CMs are, the less the complexity they can manage, which would argue for a high level of standardisation - the category managers were graded 7 in the BEST occupational grading system. Furthermore, the low level of seniority would have a strong impact on the level of influence and potential leadership of the category managers vis-à-vis the field managers. Everything was pointing towards a simple system with few types, and a cut at the “three types” level, including the “rest areas”, the “essentials” and the “Mom and Po’s petrol stations”.

From a strategic perspective, and given the ambitions of BEST in terms of European market share, a finer system was required. A cut at just 3 types would suggest the implementation of CONCEPT among the “daily trips” kind of stores, and this would not be really appropriate.

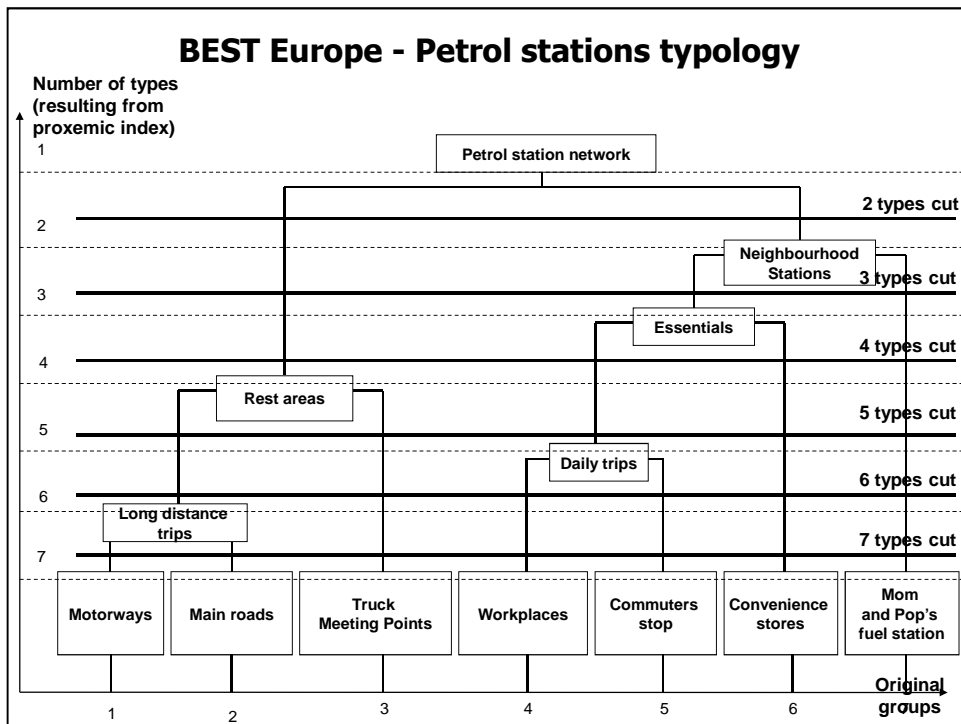


Figure 8.2.3 : Segmentation tree with cuts

The operational consequences of these debates were obviously significant.

“If we just consider assortment issues, a “7 types cut” means 7 assortment structures with a very fine way to address the consumer needs but a tremendous amount of work. A “2 types cut” similarly means 2 assortment structures with much more standardisation for the consumers but a very simplified process and a lighter work load. These considerations cannot be answered without taking into account the number of category managers, the type of information system, and of course, the impact on the organization of the networks and the organization of the field managers, etc, etc. All this is complex. You touch one subject and it impacts on so many others”. (Mike, MD, Rapland typology meeting, Dec. 2003)

In this process of defining a typology, it became clear that the discussions would oscillate between pure descriptions of the existing networks, slotting stores into categories, and a creative process whereby potential concepts could be created.

“In fact we could operate our locations with BEST, as the specialist of fuel distribution, with a partner in the restaurant area, as well as a partner in the grocery business. Why not add a carwash specialist then? In this configuration, I don’t see what the job of a category manager will be! We’d better go and get a job at Tescour!” (Geoff, category manager, Rockland typology meeting, Oct. 2003)

From a mission designed to classify stores with the wish to decide where CONCEPT would be rolled out, Mike was repeatedly faced with the need to clarify what CONCEPT was about as well as what a station would stand for. The more BEST developed a retailer culture, as expected with the implementation of category management, the more it would get closer to a pure retail player in terms of methods and processes, and the more managers would notice the expertise of real retail operators. As a consequence they would tend to react in two ways: a) why not go into a partnership with them as they have real retail know-how, a “delegation” reaction?; or, b) why should they be CMs at BEST rather than at Tescour, an “employability” reaction?

Mike remembered the meetings where the CMs could not implement their methods to the fullest because the positioning statement of the BEST as a banner was unclear, but in effect the issue was a deeper one. A lot of questions were raised again and again: should we or should we not operate the activities ourselves, what are we after with CONCEPT, what is a petrol station for after all?

8.3. Restaurants challenge the definition of CONCEPT

Next to the category managers' mission to classify the stores, the Restaurant managers of the CRS (Car Wash, Restaurant and Shop) departments at BEST affiliates in the countries were also working on their businesses. This activity had not been at the core of the preoccupations of either the retail directors or the regional directors thus far. The restaurant managers were working quite independently and the emergence of a CRS department did not change their way of working. Once a type of restaurant was opened, their key tasks were to make sure that standard menus were available everywhere with prices that would be consistent throughout the network, and a quality level which was under control, because of food safety rules. Homogeneity was the norm.

In January 2003, Bill was hired by the European Marketing Development (EMD) department of BEST Europe to take care of the restaurant business and to coordinate the formulation of a European strategy. Before being employed by BEST, Bill had worked in various marketing departments of food service companies, such as Elicor, one of the European leaders alongside Autogrill. When introduced to his colleagues of the CRS departments and as the head of the business, Bill was invited to present his diagnosis and recommendations for a European strategy at the next quarterly CRS meeting that would take place in Groveland in March 2003.

Bill knew of the existence of a 2001 review of the fast food restoration market in Europe. This research had showed three distinct segments. The sandwich business, the most dynamic segment, was driven by famous concepts such as "Marks & Spencer Simply Food", "Upper Crust", "Subway" or "Prêt à Manger". The coffee shop segment was represented by companies who run the "Starbucks", "Aroma", "Café Select" or "Caffé Ritazza". The growth of this segment could not really be measured

but it was believed to have a reasonable growth. The Fast Food and Cafeteria segment, which included “Burger King”, “McDonald’s” or “Delimonto” was generally seen as a declining segment. Globally, the restaurant market was growing at 5.5%.

The research of the Goetlib Institute, which was partly published in specialized magazines, stressed a few key success factors for the forthcoming years. Fast service was no longer seen as a desirable benefit but a must. However, consumers were looking for concepts which reinterpreted traditional food habits, instead of the US-based fast food (McDonald’s and Burger King). The quality standards which had been specific to the fast food restaurants had now become the rule: the quality of the products (in terms of freshness, short shelf life or traceability), the quality of the interaction with consumers (in terms of a welcoming but cool attitude) had now become mandatory. In addition, the research stressed, internationally recognised brands played a very important role. This was a particularly sensitive issue in the coffee business, but also in the fresh food segments where the companies developed their own private labels, with a very specific packaging design. The “Prêt” range was a good example of this trend.

“Consider for instance the “miracle Mayo” sandwich, the “salt and vinegar crisps” the “smoothies” or the “Tomato Mozzarella salad”, the design of these products is very modern, very trendy and delivers a promise of quality and freshness” (Bill, EMD, Restaurant manager, CRS Meeting Groveland, March 2003)

When analysing the food facilities in BEST’s European forecourts, Bill came to the conclusion that the company was partly aligned with these trends and certainly had been a precursor of this business in the forecourt business five years earlier. A sandwich range under the Best private label and a Best fast food restaurant were already in existence, and a cafeteria business had been created. Despite this, BEST

was not performing well. The awareness of the brand, he thought, was very low and this was partly due to the low penetration of the food service on the European network:

“Only 4.5% of the forecourts have a food service facility available, out of 13,000 stations in Europe. They are mostly located in DISCOLAND. If you think that the margins are very high in this business, 52% in the sandwiches, 77% in the fast food restaurant and 72% in the cafeteria business, we can tell we have a profitable growth route ahead of us. I want the restaurant business to represent 45 % of the shop business in terms of margin in 5 years time as against 28% today. In sales value terms, it should represent 34% of our turnover instead of 17% today” (Bill, EMD, Restaurant manager, CRS Meeting Groveland, March 2003)

All these elements were presented to the CRS quarterly meeting in Groveland. The announced vision was followed by a precise and comprehensive analysis of the concepts in the market, with their current offerings, average prices and spending, merchandising modules, moments of consumption, type of service and finally, a grand synthesis of this market.

BETTOL had developed its restaurant expertise through a unique international coffee brand, an offer with self service (fresh products) and assisted service (fresh products and hot meals) and a shop that covered 30% of the selling area. SRD was less systematic and had developed various offers throughout Europe. It seemed that SRD was trying to push the “on-the-go” coffee corners and a chilled display with fresh fruit, salads and sandwiches. On the motorways and next to the petrol stations, ELIOR was aggressively developing a range of services such as nurseries and kids’ programmes. In Rockland, a local player had set a range of partnerships with McDonald’s, Burger King, Segafredo and Joey’s Burger.

The presentation demonstrated that BEST had lost its leadership in terms of initiatives, at least. Most of the competitors’ movements were highly interesting, but

pretty unknown to many of the managers who attended the meeting. With a close focus on their own domestic markets, regional organizations and a high level of autonomy, the network managers could not get the helicopter view required to sense weak signals and anticipate competitors' moves. With the help of a great slide show picturing the newest restaurants in Europe, they could notice how many of the competitors' concepts, which had been newly launched or rejuvenated, looked very modern and trendy. On the opposite side, BEST restaurants looked old-fashioned and like any other facility on petrol stations. Bill completed his presentation with the promise of creating three new food service concepts which would be tested by September and rolled out in the following year on sites which would need to be determined. His phasing was perfectly timed to get into the 2004 budget projections. With this presentation, Bill gained a strong legitimacy and was very quickly recognized as a good professional in a business in which BEST did not perform very well, as recognised by his colleagues.

“Restaurant managers are not called category managers, but I have to say that Bill’s presentation expressed perfectly the type of work that we expect from the category managers: a clear market analysis, with a focus on both consumers and competitors, the proposal of a clear point of difference, an offer, an operational action plan, and finally, a clear business plan. He achieved this with limited information, with lots of field observation and a strong argumentation pattern. Not only is his strategy very clear but he also has a clear vision down to the execution at the point of sale. I believe there should be little resistance from the field managers. These processes do not oppose any previous ways of doing things, and the field managers are not really interested in this business. I am sure that he will be successful very quickly”. (Mike, EMD, Category Management, CRS Meeting Groveland, March 2003)

In a conversation with Mike at the coffee break, he admitted that Bill's level of seniority, when writing his strategy, was the reason why he could easily overcome many of the difficulties met by his category managers while developing CONCEPT. He knew how to build a rationale with only partial information, he had enough authority in front of the CRS managers to reach a positive consensus. Bill was so much at ease that it didn't seem he was applying a method. His recommendations flowed logically and smoothly. He was successful in this meeting despite working against the decentralisation tradition of BEST and pushing a very top down agenda.

At the end of his presentation, everyone in the audience was convinced that BEST was not currently capturing the bulk of the growth in the restaurant business. The company was just tackling the cafeteria segment at best. The existence of coffee corners and a sandwich offer were so far, not powerful enough to create a real competitive advantage. Partnerships could be a solution and it was an option that had gained visibility through the analysis of some of the best performing players of the market. What was uncertain, some managers commented, was whether BEST could make it with its own stores. Should it do so, a very significant part of the sales area should be allocated to restaurants. Significant investments would need to be made, though they would still need to be estimated. A move in the restaurant business would have a strong impact on the shop, and consequently on all the product families that could be displayed. The development of restaurants and coffee corners would clearly be at the expense of the rest of the shops' business.

So far, CMs and restaurant managers were working in two different worlds. The restaurant managers were operating their business within a perimeter which was well defined in terms of locations. But now that a strategy was emerging for food service, it definitively had an impact on the global business model of a station, and consequently

on the role of the rest of the store. Whereas Mike was trying to get everyone agree on the idea that a station was a shop, a grocery store, a new strategic option was raising a lot of interest and competing with the vision he had been working hard for. Mike had thought that the construction of a consumer-based typology to define the role of the station would have aligned all the affiliates. He had to revise this judgement because one of his colleague, with a totally different approach, had proposed a serious alternative. Within a limited time frame, and with a good level of local managers' involvement, Bill had created a consensus around the food service idea. On paper, his plan was not an alternative to the grocery shop concept but a very complementary business. But in reality, the two were competing for resources, particularly capital investment, but also for the limited time of the field managers. They could not be rolled out simultaneously and at the same pace: a prioritisation would surely be required.

Bill was still not ready to implement any new restaurant concept, but he was already thinking of the roll out. Where should he go first to become successful quickly?

“I have to find the quick wins. I probably need to go to these stations where we already have a restaurant or a coffee corner and I should use the refit investment budget which is already allocated in our Long Term Plan. In this way, I will not create any political problems. I will show two options, one with the current existing OPEX(operational expenditures) and CAPEX (capital expenditures), and one where I will propose a more ambitious target with extra investments. But we are not there yet”. (Bill, MD, Restaurant manager, CRS Meeting Groveland, March 2003)

When presented with the preliminary results of the store typology led by Mike in October 2003, Bill felt that the number of clusters had no direct impact on the work of the restaurant managers. In fact, given the number of refits that could be budgeted, he could still work on a case by case basis and at any rate, standardisation was possible.

He even dared to say that standardisation was an advantage. If he got 15 m² to express a concept, he would build a coffee corner; if he had 50m², he could recommend a restaurant. In fact, Bill was in favour of maximum standardization at the point of sale. Regarding the role of a petrol station, only one dimension was essential to him: the area where travellers can rest was significant.

8.4. A car wash strategy questions the role of the shop

In 2003, car wash was perceived as an old activity. It had been a core business when the petrol stations were attached to a garage and when the emphasis of the business was on car care. In the past, the focus had been put on the shops to compensate for the decline of the fuel margin and drive performance. In 2003, the quick expansion of BEST throughout Europe had revealed to the managers that the car wash business could be essential. The emergence of a new set of specialised players, using different technologies, was a noticeable factor which had revived interest in this activity.

To research the potential of this business in Europe Peter, an experienced manager, was promoted to the BEST European Marketing Development Department (EMD) in September 2003. Peter knew all the details of this activity after having been a station manager and car wash manager in Groveland as well as in Discoland. His expertise in the economics, technologies and regulatory aspects of this business, made Peter the ideal leader to revive car wash at BEST.

This activity was neither interesting on motorways nor on main road stations because consumers and professionals driving long distances did not generally feel like valeting their cars. It was not so important in the city centre locations, because of the difficulties of installing the necessary equipment in an urban environment. But car

wash was essential in suburban and countryside areas because consumers think of cleaning their cars during the weekend and look for proximity wash areas. In fact, car wash was cited as the second reason to visit a local station after filling up. Peter saw there was a great opportunity to activate sales in those stations where the shop and the restaurants were not central. Car wash was also a business that affected a very large number of stations in cities but also in the country side.

To get a global picture of the networks in European affiliates, Peter invited Mike for a series of one to one meetings and suggested that they travel around Europe together. In an e-mail sent to Mike, he stated he would like to understand and apply the principles of category management to his business where, he admitted, no marketing approach had yet been formally used. Car washing was still seen as a very technical activity.

Following Mike's recommendations, in the first meeting, Peter presented the results of his market enquiry, and consequently his ambition for the car wash business in Europe:

“Car wash delivers more business than the restaurants. At a European level, and because of our level of equipment, we represent 20% of the global European margin. No one knows this in the company. Now, our facilities are highly depreciated. It is time to invest again if we want to be a significant player in this market. Blue Elephant is growing very quickly with 50 new openings every year in some of our countries. Their wash spots deliver € 2,950 on average, the vacuum cleaner activity makes up 22% of this average turnover. On our side, we currently have 2,300 car wash stations in Europe. We should use this potential to close the gap, but no one has really paid attention to this great opportunity so far”. (Peter, EMD, Car Wash manager, Face to face meeting with Mike, Sept. 2003)

Peter who was aware of the history of the company over the past 20 years thought that BEST was losing ground in a number of areas. It was under attack in the fuel business

by the supermarket chains who were buying their fuel either from the industry majors or directly from producing countries. It was also under attack in the shop business by the proximity supermarket chains who organised their purchasing and logistics operations better than BEST. In the restaurant business, he thought, the company was not a significant player. Lastly, it was losing ground in the car wash business because of a lack of investment. Despite these pessimistic observations, Peter was a strong believer in BEST's ability to obtain a strong position in all the activities related to the car. He even thought that the company should be present in the fast-fitters business, but this idea was really not popular among his colleagues. In any event, he was convinced BEST had a stronger image and legitimacy in the car business than in the shop or restaurant areas.

When it came to reviewing the level of equipment in the countries, Peter was not surprised to discover that each station was analysed and operated on a case by case basis. As far as he knew, no marketing was in place. The district managers in the field were preoccupied with the technical aspects: making sure that the rolls would work, that the vacuum cleaner would be operational, etc. For them, this activity was not really seen from a business potential perspective, but rather as an activity that generated all sorts of problems most of the time. The consequence was a poorly maintained network of wash stations. BEST clients were starting to leave the car wash service of the company to move to some of the competitors as a lady Peter met during a country visit on a Blue Elephant station, commented:

“I was a client of BEST but their car wash devices and vacuum cleaners were always out of service. Blue Elephant has really modernized car wash. Not only are their stations better maintained but the price is cheaper if you buy a 10 token programme.” (Peter, EMD, Car Wash manager, country visit with Mike, Nov. 2003)

The technical issues were important but the high prices and absence of any loyalty scheme were other points to consider. At BEST, no real incentive was given to the consumers to build loyalty and increase their purchase frequency.

In January 2004, Peter could see so many areas of improvement that he set out in a report that was almost finalized. The car wash activity would deserve to be branded and a visual identity would need to be created. The stations would need to be modernized with the newest technologies of high pressure jets, foaming brushes and roll over devices. The payment booth could be designed in such a way as to influence the users to buy premium programmes. Thinking of professional drivers, Peter also planned to sell car wash services through the company loyalty card. He thought that he could integrate a weekly car wash in the pack of services delivered by the card. The fee could be charged direct to the companies, so that the drivers wouldn't have to report expenses. A quick European review of the use of the loyalty card showed astonishing results:

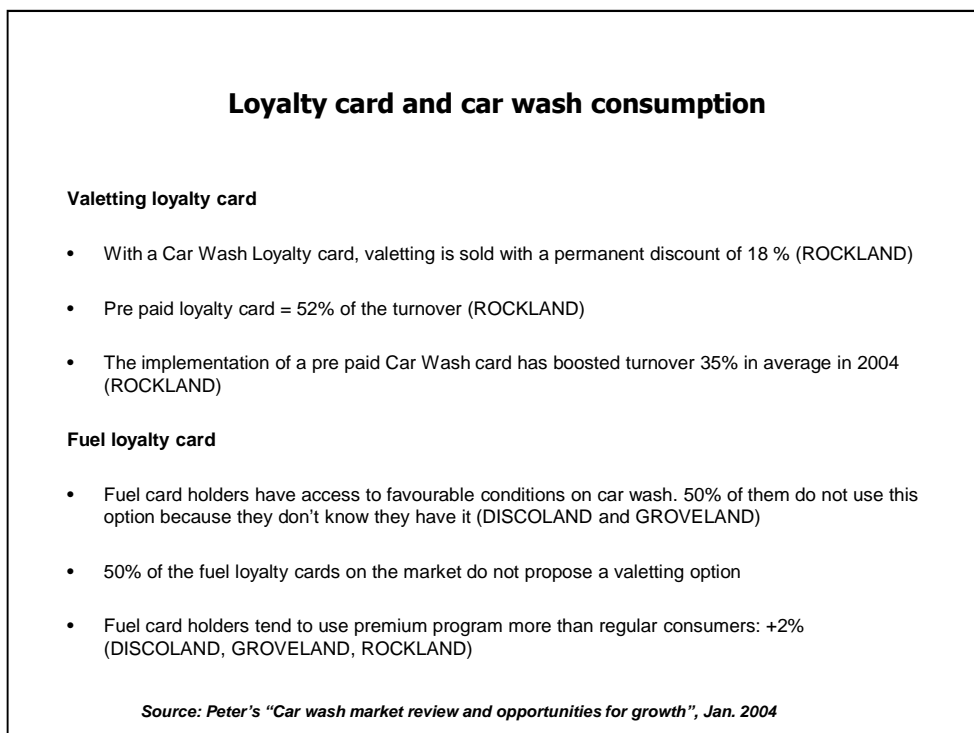


Figure 8.4.1: Loyalty card and car wash consumption

In fact, he thought, station managers were very important prescribers and they didn't know how to sell these very profitable offers. A training program could be developed that the district managers would deliver to the tenants or to the shop managers. His report highlighted a large number of relevant ideas and his plan was looking very consistent.

In February and March 2004, with the help of the CRS head of department, in each of the Western European countries, Peter completed an extensive inventory of what equipment was available. His classification of the stations was segmented by car wash technology. The picture of the station market that he had produced looked very simple. Three types were suggested: stations with a roll over technology, stations with high pressure, and the ones without any car washing facilities. Peter was convinced that he had to keep the whole system "stupidly simple", to use his favourite expression. Unlike Mike, he didn't go through a process of researching consumers' motivations. The simple formalisation, in a PowerPoint presentation, of insights collected during his European tour was already a great result for most of the car wash people he had to talk to.

Peter's target was to boost Car Wash, to make sure that the facilities were maintained, and that he would obtain the right level of investment. For this last purpose, he was aware that he would need to speak the language of the financial and technical people. Unless a Capital Expenditure Request (CAR) for each project was signed by the head of retail in the countries, nothing would happen. At the end of his "Car Wash Market review and Opportunities for Growth" report, a nice financial translation of his plan was provided. It looked very profitable indeed (see figure 8.4.2).

Although Peter was quite confident in the opportunities his plan could open up, one major point was bothering him: the environmental issue. In dry years, particularly in

southern Europe, car wash was forbidden by officials, a special measure to save water.

In the Northern part of Europe, governments were more concerned with the use of soap and chemicals. The answer provided recently by Blue Elephant was a smart one:

“The stations are equipped with water collectors that filter the soap and chemicals and re-inject the water into the brushes. What a smart system! It is environmentally friendly, it uses the same water again and again, which means a much improved Operational Margin. The only down side is the investment that needs to be made at the very beginning. But according to our best knowledge, their payback is 3.5 years which makes car wash a very profitable business, short term”. (Peter, EMD, Car Wash manager, face to face meeting with Mike, March 2004)

BEST						
Car Wash Development Plan – Key Figures Summary						
		GROVELAND	ROCKLAND	DISCOLAND	RAPLAND	WESTERN EUROPEAN REGION
Perimeter Western Europe	Number of Stations	494	758	74	200	1526
	GM* year n	19 M€	42 M€	4 M€	10 M€	75 M€
Increment n+6 vs n	GM* n + 6	+8 M€	+27 M€	+2 M€	+2 M€	+39 M€
	Progression GM n vs n+6	+38%	+64%	+60%	+24%	+42%
	Opex n+6	+0,7 M€	+0,8 M€	+0,03 M€	+0,1 M€	+1,6 M€
	Op Result n+6	+5 M€	+25 M€	+2 M€	+2 M€	+34 M€
Cumulated Increment n+6 vs n	Cumulated CAPEX	+10 M€	+13 M€	+2 M€	+4 M€	+29 M€
Return	Pay Back	5,2 years	2,3 years	2,2 years	4,7 years	3,3 years
	IRR	29%	96%	28%	25%	64%
	DCF	5 M€	44 M€	2 M€	2 M€	53 M€

* Gross margin

Figure 8.4.2: Car Wash development plan

Though his plan had a similar payback, Peter had no idea what the return of stations equipped with collectors would be. In fact, he was thinking of simulating the impact

of this technology. His problem was that the BEST network was already in existence whereas Blue Elephant was building its stations from scratch. And he knew that modifying existing equipment could be more costly than installing new equipment.

In a meeting with Mike, whose purpose was to review his report prior to presenting it to the board of retail in Europe, Peter read his conclusions and made a clear statement about his vision: a petrol station was first and foremost a place to take care of one's car. Fuel and car wash were not ways to generate traffic to the station so that we could sell grocery products. Instead, the company had to renovate Car Wash to make it look modern and essential. In any case, it was a profitable activity. Still, the shops were important to sell car washing. When drivers approached the check out, they should see the boards advertising valeting programmes and the employees should actively sell them.

Finally, Peter knew that he would need the staff of the station to clean the car wash area and keep it operational. To implement his ideas, he would need the help of the district managers, but these people were busier and busier with traditional petrol station work, grocery merchandising and restaurant projects. How could he raise their interest to advance his own project? He thought that he could count on the support of the fuel people who culturally were closer to his perspective.

At the end of the meeting, when walking to the coffee machine with Mike, Peter commented:

“I knew a time where people were called “fuel managers” and “non fuel” managers. I can now see that the managers could almost be classified as “food managers” or “non-food” managers. There is indeed a cultural rivalry between the activities. Those who can smell fuel with dirty hands and those with clean hands, inside the stores. This comes from the time we had garages. The dominant culture in the company, I hope, is on the side of the car, not the passengers.” (Peter, EMD, Car Wash manager, Face to face meeting with Mike, at the coffee machine, March 2004)

And with a big smile, simulating he was kidding

“I know this is all ridiculous, because we could integrate all the businesses, but when we let our hearts speak, this is what comes out.” (Peter, MD, Car Wash manager, face to face meeting with Mike, at the coffee machine, March 2004)

When leaving the meeting, it was clear to Mike that the unified vision of a station would be difficult to establish. The options which had to be taken into account were compatible in principle, but they had not been integrated thus far. In fact, these competing visions were pushing the company to define clearly what it would stand for.

8.5. Classifying the stores with the field managers

In early 2004, Mike started to visit the countries to check how his store categorisation would work. He invited himself to operational meetings where the regional directors were present together with one of their key field managers. The agenda of his first visits to four Western European countries was to explain how the typology had been built, and what the results of the research carried out with consumers and category managers were. Supported by the authority of the retail director of the country, Mike requested that the regional directors come back with a classification of each of their stores into the suggested types. In a subsequent visit, a month later, he debriefed the affiliates with the results

8.5.1. Classifying the shops into the typology clusters

Rockland managers were very positive about the categorisation and they found little difficulty in classifying the stores into the typology.

“No, that’s fine, it works pretty well; in those cases where we were unsure, the system has forced us to clarify what we want to do with the store. We’ve even tried to check that the system explains the differences of performance and yes, indeed, we can measure strong similarities between those stores that belong to the same type. It may sound trivial, but when the stores were classified “commuters in”, we can measure a high level of breakfast offers and when they are classified “commuters out”, we can see that our sales of wine are higher, showing that consumers buy a bottle on their way to have dinner with friends. And our last interesting observation is with the convenience stores. For most of the stores which were classified in this cluster, they were also on a list of stores we thought we should work out with a retail partner”. (Frank, regional director, Rockland, March 2004)

And so were the comments provided by most of the affiliates in the countries, as the following three quotes indicate:

“I have to say, I was very sceptical at first, but the typology works well, particularly in the west of the country. In the east, it seems that the stores play a little bit of all roles. I am not sure what we should be doing. We can either reinforce one specific profile or we can remain a generalist. This we will have to decide together with the people in my team”. (Sven, regional director, Rapland, March 2004)

“The result was very predictable, the clusters work well to describe the situation, but the thing is, how many clusters can we afford given the size of our category managers’ team? My people in the field can manage to work with a fine tuned system. Actually, they are used to sorting out merchandising problems locally. They naturally tend to adapt everything to the reality of each individual store. No, the problem is at headquarters”. (Jose, regional director, Discoland, March 2004)

“I have tried to apply the clusters to the management of our restaurant activity. I know that Bill’s intentions can be summed up with two key words: flexibility and modularity. We’ve had feedback

from our local restaurant manager. If I get it right, where there is the potential for a restaurant, we could deal with a partner, but where we think we should go for a fast meal on-the-go, we want to develop our own modules. With the elements I got from our people, I have tried to use the typology to see if it would help for food service and it works great". (Frank, regional director, Rockland, March 2004)

The positive feedback of most of the regional directors should not however, hide some noticeable tensions in terms of requesting either more adaptation or more standardisation. For example, the managers of motorway stations thought that a finer system would be needed for their own sake; they would request a local menu adaptation to each of the regions. for example:

"In my region, there are a lot of tourists on their way back after their ski vacation. Now that everything is decided in the capital city, I can't get the regional specialities which were my strong point during the season. Everything gets standardised, and your typology makes all the motorway stations look alike". (Sven, regional director, Rapland, April 2004)

And interestingly, the managers of Groveland under the leadership of Anneke, totally rejected the initiative.

"We think we should get a store layout which should be standardised to a maximum. As soon as we start to have this kind of store and this type of shop, it starts to be a disaster. We have more to gain by getting the same stuff everywhere. Our people on the road would be much more efficient. Our teams are very small and they have so many things to do now. Check the fuel security, make sure that the shop manager has his team registers in place, there is also the restaurant initiative, and soon, I understand, a car wash thing. Please, help us simplify it all". (Anneke, regional director, Groveland, April 2004)

Confronting Anneke's point of view with the other countries, Mike noticed some support for Groveland's position

“I understand this point of view. When your three main reasons for a visit are tobacco, alcohol and newspapers, because in your country, you are equivalent to the local kiosk, you don’t want to create complexity”. (Jörg, category manager for tobacco, Rapland, April 2004)

Reporting the result of his enquiries back to his boss, Howard, the head of EMD, Mike tabled a complete report with a precise description of the European network in which the stations were assigned to the clusters he had been able to define and validate with the affiliates. He also reported his feelings about the restaurant and car wash initiatives. He thought that coordination and convergence would be needed between the three main businesses related to the CRS departments. A single store categorisation and classification could be achieved with many benefits to all. But the culture of decentralisation was a barrier to achieving this result. He suggested assigning stations to clusters through the ID of the stations that would become available in the information system that was in progress. The existence of a common reference was seen as essential to describe the stores but also the products and the suppliers,

“If we want to get the best of our size in Europe, we must have systems that can communicate together. Currently, we can’t analyse the performance of any category because we have no common referential. We need to have precise descriptors, I agree, of the various dimensions of our business: stations, products and yes, you are right, suppliers. We will have to report soon to Andrew about his objective to make BEST the preferred petrol station of motorists in Europe, and I can see that we are not clear about the definition of what a petrol station is. We are in the process of rolling out CONCEPT in the countries and this was one of the reasons why I wanted to have a typology. But I feel that we already need to move to the next generation of CONCEPT. We, of course, have to integrate the progress made by the restaurant and car wash businesses and maybe, we should think about the new trends in the market once more”. (Howard, Head of MD, reported by Mike, April 2004)

After leaving his boss's office, Mike was stunned. He felt that BEST would never be able to go fast enough to reach a 100% implementation rate for any concept. He was also wondering what Howard had in mind about the new trends.

8.5.2. Challenging the definition of the station again

In April 2004, one particular innovative experience carried out in Rapland, drew the attention of the BEST senior management, as Howard reported in his team meeting. An important player in the sector had decided to use a site at the entry and exit of a major city to test an alternative concept: a petrol station had been turned into a "transportation hub". The proposition was very simple. Drivers could leave their cars in a parking lot built where the previous filling pumps had been. The shop had been transformed in a modern coffee store, inspired by the American coffee concept "Starbucks", with a Wi-Fi access to the Internet but also computers and printing facilities, like the business centre of a modern hotel. Drivers and passengers were invited to meet at the coffee store before going into the city, to reach their office or business appointments. While waiting for their colleagues, they could finalize their Powerpoint presentation, read a newspaper with a cup of coffee, or even watch the news on a modern flat TV screen. At lunch time, the breakfast setting would be converted into a business restaurant and in the evening, turned into a take away restaurant with a range of world dishes including Italian and Chinese recipes. Passengers on their way home could buy ready to eat meals, pick up their cars from the parking lot tower and drive back.

The concept attracted the attention of BEST managers because it was a clear expression of a series of trends which had been analysed by the strategic planners of the company. In addition, it expressed a vision about the future organization of transportation in heavily populated urban environments. Everyone around the table of

the European retail steering committee, Howard explained, was convinced that city tolls would emerge in most large agglomerations in order to control the inflow of traffic. The toll fee to move into city centres would be defined according to the number of passengers in cars. As the density of the urban areas continued to rise, a tax system would deter drivers from going into city centres, unless four passengers were on board. Furthermore, public operators could not face the investment required to create sufficient parking places outside city centres. They would therefore welcome private operators to contribute to such projects.

With sites ideally located at the entry and exit of cities, petrol retailers should consider this new strategic option. Why not convert the refill and drive through function of a station into a transportation hub? The expansion department, the team in charge of selecting the right locations for future stations, was considering this information very seriously when planning where to buy and build future sites. Should BEST continue to invest along the roads and motorways? Or should it aim to become an important player in the construction of public transportation hubs? Whatever the answer, this new concept raised challenging issues and in particular, the role of petrol stations in the BEST business model.

The current know-how and expertise of the company was in the operation of fuel distribution, but the acceleration of the shop business was moving the company towards becoming a grocery operator. Now, with this new offer on the market, the company was considering the strategic impact of becoming a combined restaurant and parking operator. This idea was more radical than the vision presented by Bill, the restaurant expert at EMD. It envisioned a business with parking at the core, and no fuel sales! And in that configuration, the competitive environment would be a very different one. MacDonalds, AutoGrill as well as players in the construction and

concession business such as Vinci and Bouygues could be in the frame to take advantage of these opportunities.

This new initiative was also worth considering because the investments needed to keep up with the norms to run a fuel station business were increasing in a dramatic way. Two areas of concern were becoming very complex to manage. First, fuel station companies had to be environmentally friendly and guarantee that no fuel or oil could get into the soil and pollute it. Secondly, they had to secure the sites against explosions in an environment which is becoming more and more built up. When they were initially built, stations were usually located on major roads with a low density of buildings around. As the years have gone by, stations find themselves surrounded by buildings which force them to implement new safety devices and procedures. The investments were becoming prohibitive and, it was felt, they were not bringing in any extra business. In nearly two years, the definition of a petrol station had changed irreversibly. Mike was wondering whether the concept would one day be stabilised again:

“If we can’t define and agree for some time on one and only one concept, I don’t see how we will ever be able to homogenise our network.” (Mike reporting his conversation with Howard, Head of MD, April 2004)

Writing on a paperboard, Mike summed up the various versions of the petrol station (Figure 8.5.1) he had been exposed to in just a few years:

What is a station if it is not just a petrol station?

The station as ...

	A fuel Station	A grocery store	A place where to take care of your car	A local restaurant	A place where to rest	A transportation hub
Dominant category	Fuel	Fresh food Daily products	Car Wash	Food	Coffee corner, Toilets, showers	parking places, Coffee bar
Role of fuel	Fuel is a destination category	Routine category	Routine category	Routine category	Routine category	Absent
Complementary offer	Sweet and savoury snack, beverages	Sweet and savoury snack, beverages	vacuum cleaner	News, coffee	Food Solution	Internet access, meal solution
Key benefit	Quality fuel at the cheapest price	fresh quality food – opening hours: 24 hours / 7 days a week	environmental friendly	Warm atmosphere, economic meal solutions	Clean and relaxing	Clean and entertaining
Key attribute	Unmanned station	merchandising of freshness	quality equipment	Fresh food with fast service	Large, clean, well lit environment	Ideal location
Key competitor	Other fuel majors	supermarkets and proximity discounters	Blue Elephant	Food service specialists	Food service specialists, Autogrill, Elixor	Vinci, Bouygues

Figure 8.5.1: Versions of the petrol station

8.6. Conclusions

This chapter has described the various attempts made by managers at BEST to describe the network of stations, an exercise requested to homogenize the network in Europe, to conform to anti-trust authorities requests, and to roll out CONCEPT in the countries. A typology was needed to cluster the various needs drivers have when visiting the stations. To do so, various logics were proposed.

For Mike, who was primarily concerned with deploying CONCEPT, a precise description of the car drivers should be made and statistical methods would help to validate the clusters. These clusters were presented to station managers in order to validate the results with a different perspective. Mike thought that a rigorous consumer-based approach would help to interpret the results and create a strong

legitimacy within the company. The limit of Mike's approach was the perceived complexity that the typology would create, as indicated by Anneke.

For Bill, the approach was very different. The shop typology should be based on a detailed observation of competition and the proposition of creative coffee corners. To persuade his audiences, he used photos and sketches. He thought, in other words, that these visual devices would generate a convincing impression of how the shops would look like. Maximum standardization was a rule of excellence for him. The limit of his approach was the feeling that BEST would never be able to run such a business and that a partnership with experts in the fast food industry would be needed.

Finally, for Peter, the car wash manager, the integration of wash technologies was central to his classification. He emphasised the importance of serving the driver and his car, more than the passengers and their on-the-go needs, insisting on the prevalence of fuel as opposed to food management. To persuade his audiences, the use of financial figures and in particular, ROI calculations was a decisive factor.

This case has shown the difficulty to stabilize what a petrol station is as soon as one wants to describe it precisely. It illustrates the denaturalization of the petrol station concept and highlights the variety of exemplars hidden behind an apparently simple denomination. Because different activities compete for resources, managers have to persuade the decision makers that their plan is the most valuable. Various devices were used to help audiences clarify the representation of possible station clusters: boards with text descriptors and visuals, concepts sketches and photography competitions, ROI calculation tables and deployment plans. Depending on the logic used, various strategic options emerged including the creation of stations with no fuel.

To decide which option to select, performance indicators were used. They too were being discussed together with their performative nature. The next chapter will focus on the indicators used to determine what was performing well and what was not.

Chapter 9. Measuring business performance

9.1. Introduction

This case is about performance evaluation. In the early 2000s, BEST was changing very quickly after the merger of FUEL 1 and 2. The implementation of category management was accompanied by organizational changes and the management of the petrol station network was now very different. It was slightly more centralized at a country level, though the countries were said to be very autonomous in their decisions. The leitmotiv to become the motorists' preferred petrol station network in Europe was very present in the organization, and the aspiration of becoming the best was expressed through performance indicators. To better understand the role played by these indicators, three dimensions will be explored in this chapter: 1) the evolution in the definition of performance metrics related to economic outcome, and in particular the margins of category management; 2) the indicators related to the depth of implementation of category management; 3) the request for acceleration embodied in the CONCEPT II initiative, an update on CONCEPT I that had since become obsolete.

9.2. Measuring economic outcomes

When they wanted to monitor the business they were accountable for, BEST retail managers used a dashboard that included a few simple measures. Dashboards allow at-a-glance visualization of the company's health and the monitoring of key performance indicators: the sales in volume and turnover, the contribution of each

individual SKU, the margin in absolute value, in % of sales and the contribution to the total margin, the cumulative sales and margins and lastly, the number of SKUs. In order to understand the evolution of the information system, I carried out an interview with Joe, the category manager for beverages in Discoland. He gave me access to the archives so that I could find out what the instruments available to monitor business performance were.

9.2.1. Before the implementation of category management

At BEST, before 2003, the unit of accountability was the store. The role of a store was to deliver fuel. The building attached to the forecourt was designed to facilitate the payment of fuel. The role of the shop items was very tactical. The objective assigned to this activity was simple: it should cover the distribution cost of fuel so that the fuel margin was maximized. For as long as this objective was reached, the shop business justified its existence. Joe recounted a story I had heard many times already.

To manage the business in this configuration, a store manager was responsible for the forecourt operations. He reported to a district manager whose responsibility was to ensure the development of a set of forecourts in a region. His primary responsibility, besides the development of the turnover through good management of operations (including stock management, delivery, service level), was the implementation of the network policy on security procedures. He was also responsible for human resource management. To help him deal with the development of shop sales, or “the diversification businesses” as they were called, the district manager had an assistant, the shop adviser, whose job was to help store managers implement all the activities related to shop sales. In practice, the shop adviser checked that the products listed by his company were properly merchandised. His role was directly linked to the

recommendations made by the product managers who were at the regional headquarters.

At that time, central office functions were support functions to the store activities. A product manager was not expected to analyse markets or understand their dynamics. He was there to develop the planograms of assortments defined and negotiated by a retail director, head of both the fuel and shop businesses. The product manager, once the planograms were defined, worked with the suppliers to select sales promotions among a series of propositions. His role was predominantly a selector: out of the many proposals made by the manufacturers, he would identify the best deals and roll them out in the network. He was thus the interface with the field managers (district manager and shop adviser as well as the store managers). He would check the product codes, ensure that the store manager knew how to order the products through a wholesaler and that the promotional material was delivered on time, etc. Joe provided me with a detailed description of the activities which were central to his job at the time.

The job of a product manager, he continued, was very operational. He would spend the vast majority of his time on the phone dealing with operational matters. He would only spend a limited time analysing the business. And to help him assess how the business was performing, very simple dashboards had been designed for him. The performance of the store was assessed in the first instance, with measures taken at the product level. It was then aggregated at a product family level for one store, and cumulated at the regional level, with a very limited number of key performance indicators (KPIs): sales expressed in volume and value, the profit margin calculated with the value of sales minus the purchasing cost of goods and the number of stock keeping units (SKUs). A series of simple ratios were offered to the product manager:

the contribution (the weight of each segment on the total) to volume, to sales, to profit margin and to assortment. Figure 9.2.1 is an extract of such a dashboard:

Sub-Group	Year 2003								
	Unit Sales	Contribution to Volume	Sales Ex.VAT	Contribution to Sales	Profit margin	% Margin	Contribution to Margin	Nb of SKU	Share of assortment
Cola	2 317 778	30%	£2 152 202	31%	£898 681	42%	30%	59	22%
Sport	967 985	13%	£953 084	14%	£383 179	40%	13%	31	12%
Still	1 238 956	16%	£910 776	13%	£498 340	55%	17%	26	10%
Energy	692 930	9%	£836 297	12%	£374 788	45%	13%	16	6%
RTD	886 807	12%	£642 616	9%	£257 793	40%	9%	34	13%
Fruit	653 015	9%	£569 799	8%	£225 967	40%	8%	33	13%
Juice	268 881	4%	£229 055	3%	£75 081	33%	3%	9	3%
Flavoured	263 241	3%	£204 715	3%	£98 584	48%	3%	8	3%
Lemonades	145 930	2%	£154 999	2%	£73 676	48%	2%	4	2%
Pure Juice	116 840	2%	£107 668	2%	£46 440	43%	2%	19	7%
Concentrate	33 937	0%	£52 738	1%	£20 833	40%	1%	10	4%
Sparkling	29 051	0%	£19 644	0%	£11 732	60%	0%	2	1%
From Concentrate	15 011	0%	£11 283	0%	£3 571	32%	0%	5	2%
Mixers	7 305	0%	£8 630	0%	£3 295	38%	0%	5	2%
Iced Tea	7 010	0%	£5 855	0%	£2 826	48%	0%	2	1%
Smoothies	2	0%	£3	0%	£1	26%	0%	1	0%
TOTAL	7 644 679	100%	£6 859 364	100%	£2 974 785	43%	100%	264	100%

Figure 9.2.1: Beverage category dashboard

Two or three times a year, before suppliers’ meetings, the product manager would carry out a very simple analysis consisting of comparing the various ratios, in order to define which segment as well as which supplier were performing the best.

Joe explained how he analysed the business in October 2003:

“The table shows that some segments are doing well with a major contribution to volume, sales and margin. The colas achieved 30% of the volume and 31% of the total sales, 30% of the total margin with an average margin rate of 42% and they achieved this result with a number of SKUs which represented 22% of the total assortment. The energy drinks achieved a high level of sales (12%) with a limited number of products (6% of the assortment), a high margin rate (45%), above average for the family (43%), and a good contribution to margin (13%).”

The performance of the colas and energy drinks was deemed “good” because the product families were the major contributors on all indicators. They were called the “key drivers” of the beverage category. Joe further commented on the fact that they performed well because a reduced number of SKUs generated a higher contribution to

volume, sales and margin. For example, 22% of the colas assortment generated 42% of the profit margin. And lastly, these two families, the colas and the energy drinks generated a margin whose rate was above the average of the category. Joe used the term “relative” to suggest that the product family was not dilutive of the global margin.

Continuing the analysis, Joe noted the poor performance of some segments. One example was the juices. With 9 SKUs representing 3% of the assortment, this family achieved only 4% of the volume and 3% of the sales. Its contribution to margin was 3% and its margin rate (33%) was far below the average for the segment (43%). The performance of the juices was poor because their weight in the total business was insignificant and the family was dilutive of the total margin. It was not contributing to sales which in Joe’s mind meant that this product family was not addressing “customer needs”.

To analyse the dynamics of the business, the 2003 data were compared with the previous year. At the moment of the October annual market review, the cumulative annual sales were based on 12 comparable months including the high season. The conclusion was that the relative performance of the segments remained the same in 2002 and 2003.

This global, simple analysis was based on demand measured by volumes and sales. It was built upon simple accounting factors, and the profit margin generated by each family was the important measure. The indicator linking the number of SKUs with sales performance suggested that limited resources could be expected to produce a high level of return. It was better to have a high turnover with a limited number of SKUs, rather than the same turnover with a large number of products.

The discussion with Joe continued to explore the assumptions behind his mode of reasoning. As Joe assumed that a concentration of the assortment on major segments would lead to a higher performance for the total family, I enquired as to whether some segments should have been discontinued. The analysis carried out should have led him to significantly reduce the weight of the fruit juices in the assortment. The diet segment should also have been restricted, at least for the larger containers. Conversely, it seemed to me that the energy drinks should be given an opportunity to expand. The role of the product manager was thus to define which products should be kept in the assortment and which ones should be discontinued. A deeper analysis was required at the SKU level.

The performance of each individual SKU as well as the performance of the product family were analysed with simple statistical tools such as classification and class analysis. In the following example, based on the cola segment, we can easily see that the 10 best performing SKU's were doing 3 times better than the 10 following ones.

Cola	Annual sales	Weekly sales
10 First	8915	171
SKU 11-20	2759	53
SKU 21-30	1217	23
SKU 31-40	665	
SKU 41-50	97	
SKU 51-60	0	
TOTAL	13653	263

Figure 9.2.2: BEST - Best and worst sellers in volume

The detailed analysis of the 10 best items showed, once again, concentration effects, 10 SKU's representing 65% of the sales.

Ranking	Designation	Sales	In %	Cum. in %
1	Coca Cola 500 ml	1898	14%	14%
2	Diet Coke 500 ml PET	1478	11%	25%
5	Coke 2l	1252	9%	34%
6	P7 Coke 3 For 1.90	918	7%	41%
3	Coca Cola 330 ml	915	7%	47%
8	P6 Coke 3 For 1.90	789	6%	53%
7	P3 Coke deal 2 for 1,25	539	4%	57%
4	Diet Coke Can 330 ml	485	4%	61%
9	Dr Pepper 500 ml	324	2%	63%
10	Diet Coke with Lemon 500 ml	317	2%	65%
		
TOTAL	Total Cola	13653	100%	100%

Figure 9.2.3: BEST – Top 10 best sellers

Ranking	Designation	Sales	In %	Cum. in %
...
41	P8 Irn Bru 2 for 1.30	135	1%	
42	Coca Cola 2x 2l	100	1%	
43	Pepsi Twist PET 500 ml	50	0%	
44	Vanilla Coke PET 2 l	35	0%	
45	Diet Coke Vanilla 2 l	30	0%	
46	Coca Cola 6x pack Can for 1.99	30	0%	
47	Diet Coke 2x 2l For 2.29	28	0%	
48	Diet Coke 6x pack Can for 1.99	25	0%	
49	Diet Coke 2x 2l	20	0%	
50	Coca Cola 2x 2l for 2.19	20	0%	
TOTAL	Total Cola	13653	100%	100%

Figure 9.2.4: BEST – 10 worst sellers

It appeared here that items such as the Diet Coke Vanilla 2 l bottle should not be kept in the assortment, since the sales were ridiculously low. A discussion with the supplier in question would follow.

To prepare his meeting with suppliers, Joe explained, data was aggregated in the appropriate way to give a picture of the supplier’s performance. Taking an example from his beverage business, he showed me how another table could be extracted. In the table below (figure 9.2.5.), the names of the suppliers have been hidden for confidentiality reasons:

	Purchase	Sales	Commercial Margin		
	in value	in value	in value	Margin as % of sales	Contribution to Margin
Category 1					
Supplier A	120	167	47	28%	32%
Supplier B	110	167	57	34%	39%
Supplier C	100	143	43	30%	29%
Total Category	330	477	147	31%	100%

Figure 9.2.5: BEST, commercial margin by supplier

Reading, this table, Joe made the following comments:

“Supplier B delivers the best margin in % of sales, in absolute value, and therefore in Contribution to Margin. B is the preferred supplier. Supplier A delivers the poorest margin on sales. But considering the absolute margin in monetary terms, it is the second best contributor, far behind supplier A. Because I have limited time to spend on the data, I am focusing on the product families that apparently perform best, I identify the suppliers of the best selling products and finally, I tend to trust their recommendations.” (Joe, Category manager, Oct 2003)

So, in this case, Joe concluded that B was best and that he should spend the largest share of his time listening to B’s recommendations. He would have a propensity to implement B’s sales promotion proposals more often and to push its products more. The result of such a push would be visible in the stores with an obvious impact on consumer purchases. It became clear to me that the perception of a suppliers’ performance defined through the lens of a specific dashboard, had an impact on the acceptance of his marketing proposals and consequently, a bigger impact on market dynamics.

The case analysed by Joe thus far was a simple one. In reality, many suppliers had a product range designed to cover different segments. What happened to poor performing products belonging to a globally successful supplier? Joe commented:

“It may well be that they are kept in the assortment. This explains why the fruit juices are still very important in the range displayed in the stores whereas their sales performance is poor.” (Joe, Category manager, Oct 2003)

In the existing organisational structure, it was the decision of the retail director rather than the product manager’s to discontinue products. And, we should remember that the product manager had little time to spend on the shop business because the major challenges were on the fuel side of the business.

Joe added:

“There are also specific deals that the retail director may have concluded with the suppliers. I am not aware of them, they are kept secret. The extra margin points given by the suppliers are not included in the product manager’s dashboards.” (Joe, Category manager, Oct 2003)

9.2.2. After the implementation of a category management structure

Before March-April 2003, the structure and procedures of the company were based on a clear vision of the role of the shops: to manage fuel operations and deliver fuel to motorists through petrol stations. The role of the shop was a consequence of this vision and it had long been dominant, until a customer satisfaction research project showed how important the shop was (chapter 4). The research suggested that motorists stop at a petrol station, for many reasons other than to fill up with fuel. One may expect from a petrol station that it is the most comfortable rest station on a motorway, or one may look for a convenience store on the way back home. There was even evidence that in some countries some 2/3 of the drivers who stopped at forecourts did not buy fuel. The marketing of the store concept had to integrate these new findings and take advantage of the business opportunities. In other words, the

company had to become more than just a fuel retailer, as explained in case 4 (chapter 8). It had also to become a food retailer.

A new organisational structure was proposed to better address the issue of managing the retail activity. The core idea was that one should manage business activities. Fuel should be one of those activities, a very important one, but still only one activity among others. To supersede the distinction between fuel and non-fuel (or diversification) businesses, new denominations were proposed. In addition to fuel, three key activities were defined: Car Wash, Restaurant and Shop (CRS). A new CRS department was created in March 2003, with a manager supervising the business and reporting to a retail director (see chapter 5). The key accountable strategic units, on which the performance would now be assessed, were the store and the activities. The proposal was now to measure the performance of each store, region and country, but also the performance of each activity, which eventually meant the performance of each product category.

I wanted to understand the impact this reorganization would generate on the way a CM would understand performance measurement. Paul, CRS manager in Rockland, agreed to have a conversation on the subject.

The shop business is a complex one. To cover every aspect, the CRS manager is staffed with a restaurant manager, a car wash manager and CMs for the goods sold in the shop. Each CM was in charge of a few product lines. The Non-Alcoholic Beverages (NAB's) were one of them. The task of a CM was now, in contrast to the product manager's brief, to manage all the processes designed to enhance his business.

“As a flow pilot, he is responsible for all the activities from the purchasing of the products, through developing marketing activities, down to their implementation in the stores. While the mission of a product manager was very operational - he was developing and implementing primarily planograms and promotions - the job of a category manager, on the other hand, is to be the general manager of

his business. He is now responsible for strategic transversal dimensions which were not included in the mission of the product manager, such as purchasing and investment decisions.” (Paul, CRS manager, Rockland, Personal interview, November 2003)

To follow the performance of their categories, the new CMs needed new tools to support the redefined specification of their function.

“In this new configuration, the category manager had access to some aspects which had up to then been the business of the retail director. The overrider deals, for example.” (Paul, CRS manager, Rockland, Personal interview, November 2003)

The overriders are a special cooperation budget that suppliers give to their customers to influence their activities in a particular way. When manufacturers want to convince a retailer to list one specific item in the assortment, they can consent to give extra points of margin. Paul’s comments illustrate this scenario.

“The commercial margin of a product is calculated by comparing the purchase price of an item with its selling price. Let’s say 35%. Extra points of margin can be given to us if we agree to follow one specific aspect of the manufacturer’s marketing policy. Let’s say, to carry one specific line of product in our assortment. When manufacturers want to launch a new product, they will give a specific budget to the retailer to cover the risk of non performance in the first year. They usually have considerable market research and advertising budgets, and they can assess, in quite a precise way, the chances for a product to perform. Therefore, the incentives given for the listing pay back. After some time, the business figures tell us the truth and one can see if the innovation did well in reality. If it did not, the purchaser will threaten the manufacturer with delisting the item. And to give the product a further chance, an extra incentive can be given to compensate for the slow up-take of the innovation. The category managers now have the responsibility of negotiating these budgets.” (Paul, CRS manager, Rockland, Personal interview, November 2003)

These extra budgets given to support one product at its launch are called over-riders. They could be very significant and represent a few additional point of margin, as our example will show.

The acceptance of overrides by the retailer could be analysed in two different ways. On the one hand, it is a way to secure a portion of margin at no risk because the over-rider is guaranteed. On the other hand, it is dangerous to accept over-riders because they incentivise the retailer to stock a series of products with a low rotation, reflecting a low level of demand. As one CM commented,

“After some time running after over-riders, one ends up with an assortment that is completely wrong. Indeed, a secure margin may not compensate the commercial margin that a high rotation item may have generated.” (Jennifer, Beverage Category Manager, Rockland, Personal interview, November 2003)

Overrides are part of the global negotiation between the supplier and their customers. A manufacturer would list some of its best performing brands or products together with a few less performing items. Part of the back margin may be paid to the retailer immediately but usually, it would be attached to conditions such as the achievement of annual objectives paid at the end of the year. This was the reason why, before category management was introduced, these monies were not spread across the SKUs. No adjustment of the commercial margin was performed. It was kept as a global package attached to a manufacturer and no basis for apportionment was sought. The over-riders were considered a bonus that would come on top of the margin on operations, to improve the operating profit. This mechanism was explained to me by Paul, with the following table (figure 9.2.6) as an example. The margin on operations (M.O.) had been calculated for each supplier A, B and C. The MO was then aggregated into a total margin for each supplier. Finally, the overrides would be added to reach the Operating Profit.

	Supplier A		Supplier B		Supplier C		TOTAL	
	Val.	%	Val.	%	Val.	%	Val.	%
Volume	10000		30000		15000			
Retail Selling Price	1,15		1,05		1,1			
Sales incl. VAT	11500	100%	31500	100%	16500	100%	59500	100%
Sales ex VAT	9361		25641		13431		48433	
Cost of Goods Sold (COGS)	-7475	-80%	-21735	-78%	-9075	-68%	-38285	
Commercial margin	1886	20%	3906	12%	4356	26%	10148	21%
Cost of operations	-575		-1970		-1650		-4195	
Margin on Operations	1311	14%	1936	6%	2706	16%	5953	12%
Overriders	230	2%	1575	6%	1320	10%	3125	6%
Operating Profit							9078	19%

Source: Paul, CRS manager, Rockland, Personal interview, November 2003

Figure 9.2.6: BEST – Margin on Operations – Supplier breakdown

Now that a category management structure was in place, each manager wanted to see exactly what part of the over-riders would be integrated in his global margin. At the request of the CMs, the profit and loss account for the company was changed to the following format.

	Supplier A		Supplier B		Supplier C		TOTAL	
	Val.	%	Val.	%	Val.	%	Val.	%
Volume	10000	18%	30000	55%	15000	27%	55000	
Retail Selling Price ex VAT	1,15		1,05		1,1			
Sales incl VAT	11500		31500		16500		59500	
Sales ex VAT	9361	100%	25641	100%	13431	100%	48433	100%
Cost of Goods Sold (COGS)	-7475		-21735	69%	-9075	-68%	-38285	
Commercial margin	1886	20%	3906	15%	4356	32%	10148	21%
Overriders	230	2%	1575	6%	1320	10%	3125	6%
Net Margin	2116	23%	5481	21%	5676	42%	13273	27%
Cost of operations	-575		-1970		-1650		-4195	
Margin on Operations	1541	16%	3511	14%	4026	30%	9078	19%
Operating Profit							9078	19%

Source: Paul, CRS manager, Rockland, Personal interview, November 2003

Figure 9.2.7: Margin on Operation including Overriders – Suppliers breakdown

We can see how the overriders were then treated: they were added, for each supplier, to the commercial margin to form a total net margin. In this system, a category manager could use the over-riders to lower the price of a product, if he/ she thought that it would drive the volume.

“What counts is the total margin on operations in value. I can decide that I don’t need to have 30% of margin on operations for supplier C since the average is at 19%. Therefore, 25% is enough for me if the total value increases. With this new system, I can use the over-riders as a real action tool in the

management of my category.” (Jennifer, Category Manager, Rockland, Personal interview, November 2003)

In other words, Jennifer could turn the overrider into a potential to act towards the consumers. Furthermore, the ability to capture over-riders reflected her negotiation talent. It was therefore essential to make them visible.

In addition to the overriders, another dimension had been integrated into the scope of the category manager: sales promotions. They are a common mechanism used to enhance the sales performance of a product. One can seek to amplify the seasonality and block competitors through attractive offers made to the consumers and so on. But promotions are also there to boost the sales of a product whose performance is flagging. The special price that the retailer will get during the promotional period is usually replicated to the consumer so that the promotional operation generates incremental sales.

The implementation of this activity, that benefits the consumer in the first instance, generates a cost. Indeed, the retailer considers that any activity which distracts from standard operations is costly. The retailer tries to compensate for this cost by additional points of margin called a “promotional rate”. When compensations have been obtained, the on-promo margin rate can be similar, if not superior to the off-promo rate.

Regarding the theme of promotions, manufacturers had different policies. Some used promotions sparingly and preferred to advertise heavily on TV, using the rationale that TV adverts help build brand equity. Others thought that spending their marketing budget on activities very close to the point of sale, was a better strategy. The impact on sales however, could vary a lot. Some product families had a very high sensitivity to sales promotion and were rather “promo dependent”. In these cases, promoted

volumes could reach 40 % of the sales. But conversely, other product families could be only modestly impacted by promotions. In the previous organisational structure, promotions were negotiated at the field level by the district and store managers. Now promotions were in the hands of category managers who could decide what promotion should be done with which supplier, according to strategic goals rather than reacting to suppliers' proposals as was the case with product managers.

With this new landscape defined for 2003, the CM had a global vision of performance. And the dashboard used to monitor this performance needed another adjustment:

“If we were to have full control over the margin and use it in the most appropriate way, to get prices right, for example, we would have to combine the 3 dimensions of margin: the upfront commercial margin, the over-riders and the promotional rate.” (Jennifer, Category Manager, Rockland, Personal interview, November 2003)

With the implementation of Category Management, Jennifer was responsible for purchasing as well as for marketing her category. Because she was accountable for the performance of the category, she naturally tended to combine factors which previously had been kept separate and she could spot opportunities and problems that the product managers were not able to see.

While negotiating with suppliers, she would link this new information with what she knew about the market. With the earlier, coarser perspective on performance only the commercial margin was monitored. Now, Jennifer and her colleagues requested a dashboard which would show the total margin, including the three types of margin described above. Jennifer showed me an example of the new table:

Measuring business performance

	Commercial Margin				Promotional Margin				Overrides				Total Margin			
	in value	Margin as % of sales	CtTM*	Share of Margin	in value	Margin as % of sales	CtTM*	Share of Margin	in value	Margin as % of sales	CtTM*	Share of Margin	in value	Margin as % of sales	CtTM*	Share of Margin
Category 1																
Supplier A	47	28%	66%	32%	20	12%	28%	63%	4	2%	6%	29%	71	43%	100%	37%
Supplier B	57	34%	88%	39%	5	3%	8%	16%	3	2%	5%	21%	65	39%	100%	34%
Supplier C	43	30%	75%	29%	7	5%	12%	22%	7	5%	12%	50%	57	40%	100%	30%
Total Category	147	31%	229%	100%	32	7%	17%	100%	14	3%	7%	100%	193	40%	100%	100%

* Contribution to Total Margin

Source: (Jennifer, Beverage Category Manager, Rockland, Personal interview, November 2003)

Figure 9.2.8: BEST – total margin – breakdown by supplier

Suppliers' performance is shown in a very different light when using this dashboard. The above example shows that Supplier A delivers the highest level of total margin, both in percentage and in absolute value, but they are only in 3rd position if we compare the upfront margin rates (28%). Supplier B, who was the preferred supplier on the basis of the up-front margin, is now the worst and below average if we consider the global deal. Lastly, supplier C delivers 40% total margin, which is at the average, despite an under the average upfront margin (30%), thanks to a high level of back margin. Based on this perspective, the initiatives of supplier B will be the least interesting since they are now the worst in the supplier performance table.

The business objectives given to Jennifer were largely based on the total margin in value (193 in the above table). With this tool, she could manage her margin through a suppliers' mix – she could focus on supplier A for example. Or she could play with the margin mix by trying for example, to push supplier A to give her the upfront margin in % that she got from supplier B and to push them to reach a better back margin, like the one offered by supplier C. Her scope for negotiation increased dramatically with an all encompassing perspective on her options.

This aspect was also interesting for the supplier that can now see new opportunities, Jennifer stressed. Since the analysis of a product performance was mainly influenced

by the segment to which it belonged, the classification of a new item was of paramount importance.

Jennifer zoomed in on the water segment she was in charge of, and that we have discussed in an earlier case (chapter 6). Supplier B had developed a new innovation which consisted of mineral water with a touch of fruit. Flavoured water could either be classified as a sub-segment of the mineral water segment, or as a sub-segment of the fruit beverages. The consequence on the performance perception was not insignificant, as figure 1.9 suggests:

	Margin rate	Sales growth
Mineral Water	59%	-5%
Fruit Beverages	46%	-11%
Flavoured Water	56%	43%
...
TOTAL NAB'S	48%	7%

Figure 9.2.9: BEST - Non Alcoholic Beverage (NABs) segments – sales growth

Placed among the waters, the flavoured waters had a lower margin rate than the average of the segment, though very high (56% versus 59%). It had a good sales growth when compared to the segment which was slightly declining (43% versus -5%). If it was classified among the carbonated fruit beverages, it not only would deliver a fantastic margin rate, but its sales growth would be seen as a way of boosting the entire segment. In addition, supplier B was the leader in the water segment. The development of its sales in the carbonated fruit beverages generated less cannibalisation than in the water segment.

Using the first type of dashboard, used by product managers, and assuming that the innovation would be classified within the waters' performance and could be assessed as acceptable, the flavoured water had a very positive growth and supplier B was the

preferred supplier which made the diluting effect of this innovation less visible. If we use the second dashboard, at the disposal of the category managers, and recommend placing the products within the waters, the innovation was less likely to be accepted: supplier B was no longer the preferred supplier and the proposed product would be seen as slightly diluting the margin rate of the segment.

The year 2003 had also introduced a financial flavour to the way performance was measured. The structural change had provided a broader vision of business performance by moving from commercial to full margin. The category management logic had also ushered in a ROI logic. The commercial logic that consisted in assessing the generated margin, even with a full margin, was now superseded by a logic where outputs were compared to invested inputs. On the occasion of one project run with the supplier BEVCORP, Anna from Rapland, as we saw in our chapter 6, was involved in the calculation of ROI for the implementation of fast lane chillers.

In the case of BEST, four types of inputs were now being considered. The cost of land, buildings, merchandising furniture and working capital (which means essentially stock in the case of a petrol station), were the four items included as investment.

Because Jennifer was willing to develop her category, she naturally thought of increasing the number of chilled cabinets;

“As my product family was perceived to be very profitable in comparison to the other product groups, it was legitimate to increase the space allocated to the beverages. And to do this, you have to go through our Capital Expenditure Request, also called CAR. If a category manager wants to get engineering hours to get the job done, she has to complete the CAR and evaluate the traditional investment calculations: Return on Capital Employed, Pay Back, Discounted Cash Flow and Internal Rate of Return. This is where I became aware that one square metre in the store is the addition of a fraction of land, building, furniture and stock. And all this has a cost. You have to

measure the gross margin ratio of a product family to the cost of one square meter. And you need to make sure that the product family will pay its fee. This ratio is called Gross Margin Return on Surface (GMROS).” (Jennifer, Category Manager, Rockland, Personal interview, November 2003)

Using intra-category logic, all beverages were deemed equal because they shared the same chiller.

“One brand of beverages is competing against another brand of beverages and one does not need to consider the investment. It is as if the space was given to you and you don’t have to pay any rental fee.” (Jennifer, Category Manager, Rockland, Personal interview, November 2003)

However, if one wants to expand the space attributed to the beverages, a decision has to be made on the allocation of space, on an extra category basis.

“The CRS director is the one who decides if ten additional square metres of space should be given to the beverages, to the sandwiches or to the automobile spare parts. This decision can be made within the category management department. But as soon as a special construction or a modification to the building is required, and this is the case when you want to install a chiller, the technical department will have to give their green light.” (Paul, CRS manager, Rockland, Personal interview, November 2003)

The technical department was indeed in charge of the construction and the maintenance of the petrol stations. Seen from their technical perspectives, the security that affects the forecourts and the environmental norms was their top priority. The construction of new chillers to sell beverages was the least of their worries.

“If you want to get a project off the ground, you really have to prove that the return is worth the money” (Paul, CRS manager, Rockland, Personal interview, November 2003)

With the new category management rules, the return on each category started to be assessed. And as a result, the *raison d'être* for each activity started to be discussed, in a quite unexpected way:

“The toilets need a lot of space and are not making any turnover; but they are the number one reason for a driver to stop at a petrol station. The fuel section requires huge investment in security and environmental protection but it contributes a significant amount of margin to the company, particularly if one cumulates the upstream margin with the retail margin. The grocery items deliver a great margin, all in all, but they also require specific investment which they need to contribute to. And their contribution to profit once the investment is included in the calculation is no longer a dream number. (Paul, CRS manager, Rockland, Personal interview, November 2003)

If a chill cabinet had to be installed, the investment would be charged to the beverage category. The investment would no longer be included in a global investment package attributed to the store. With this new rule, the beverages were still performing well, but they were no longer the best in their class. Compared with other businesses, such as the sandwiches, confectionery or tobacco, the beverages needed more resources to be operated. DVDs and other new businesses such as telephone cards would take up little space and needed no specific investment, and would deliver a great margin, and a fantastic return.

“When compared to these new businesses, the beverages deserve fewer resources and their expansion in terms of space allocation is difficult to justify financially. This is the counterpart of the business autonomy given to the category managers: they have to justify how they use the resources given to them. And this dimension has been totally underestimated by everyone. Category managers should in fact be very senior if they want to be legitimate in front of the technical department, with regard to financial issues”. (Paul, CRS manager, Rockland, Personal interview, November 2003)

The implementation of category management has challenged the way the performance of the activities was perceived as well as their role in the business model of the

retailer. It has allowed category managers to see phenomena which were not visible under the previous structure. The different constituents of the retailer's margin were progressively integrated in one single dashboard. Consequently, the ranking of suppliers didn't show the same hierarchy, which inevitably impacted their ability to influence the retailer's decision making process. When launching new products, suppliers had to consider the grouping of products at the retail level because their performance would be largely influenced by the category to which they belonged. The analysis of a category's performance would lead to resource allocation decisions which in turn, impacted the exposure of the product family to consumers.

By the end of this transition year, CMs had been selected in every country. They had been recognized by the CEO of the company as the managers responsible for the success of CONCEPT launch, and they had started to initiate new cooperation programs with suppliers. In terms of negotiation, they now had the tools that allowed them to challenge rather than simply react to suppliers' proposals.

9.3. Assessing the quality of implementation

The end of 2003 was also marked by a new request from Andrew, the head of Refinery and Marketing at BEST. Two years after the merger of FUEL 1 and FUEL 2, the general management of the "refinery and marketing" division of BEST requested an audit of subsidiaries to verify that a standardised network had been achieved. This audit, as the managers of the affiliates understood it, was also a request to assess the level at which category management had been implemented.

9.3.1. Creating an implementation scale

Mike, who was still in charge of the implementation of CM and partnership at MD, was asked to organise this audit for the CRS part of the business. Within his scope of responsibilities, Mike interpreted the request of the senior management as answering three questions: a) to what extent have the practices of category management spread across the subsidiaries in Europe?; b) to what extent has the performance of BEST improved through the shift to category management ?; c) where can new business opportunities be found ?

A few months earlier, in January 2003, Mike had invited the suppliers to attend a category management kick-off meeting in which he had expressed the wish that they respect the rules and methods of category management. Various projects had been activated with the help of category captains, the preferred suppliers within each product category.

A year later, in January 2004, Mike felt he would use the request of Andrew as an occasion to check the level at which category management had been implemented in the countries. A few years earlier, when he attended a category management training event organized by Delta, he had come back fascinated by the structured business process he had been presented with and which appeared to be very robust. He had also returned from this event with the strong idea that these activities had to be implemented in a staged way. With regard to the implementation of category management, he had brought back a few matrices that described how to assess the adoption of the method. It was now time for him to use these tools, calibrating them to the specific situation faced by BEST.

Before sharing his thoughts with colleagues in the country, he built up a map to assess with a scale a series of factors he thought would deserve consideration. He called this

an “implementation scale” In his process, four stages were defined. Stage one, which he called “starting with new concept”, suggested that the affiliate may have heard of the concept but was unable to use it. The second stage, labelled “starting process”, signalled a start in applying the concept, usually with a pilot project or a first try putting the concept into practice. Stage 3, named “partial implementation”, was designed to describe those situations where a process had been implemented but one specific step could not be used such as the measurement phase, due to a lack of information, for example. The last stage, “full implementation”, indicated that the affiliate had reached the highest level of proficiency, the Efficient Consumer Response Association recommended practice. In practice, the scale built by Mike looked as shown below:

Business Process	Process							
	New concept	Score	Starting process	Score	Partial implementation	Score	Full implementation	Score
Category definition	Segmentation of main categories		Segmentation to sub-group level		Product groups aligned with manufacturer understanding		Product families aligned with the market and customer need states	
Situation analysis	Looking at own category performance		Integrating market data		Integrating consumer data, category share & efficiency, market share, opportunity gaps, fact based decision making		Advanced customer understanding, competition benchmarks, purchasing behaviour	
Strategic role	Major category role defined		Importance of categories measured		Major categories assigned a role, destination categories defined		All categories and sub-categories assigned a role	
Category objectives	Overall shop objective		Objectives set for major product categories		Objectives for all categories		Objectives will ensure that overall company objectives are achieved	
Category strategy/ Tactics	Strategies and tactics are not created to meet overall strategy		Major category and tactics are designed to meet objectives		All strategies and tactics designed to achieve objectives		All strategies and tactics are in line with strategies	
Implementation	Instruction sent out to operations, low compliance to tactics		Explanation of objectives and benefits sent to operations		Business plans presented to senior management, very high level of compliance to tactics		Understanding by operational staff of their role in the process, senior mgt challenge the plans and understand their impact	
Scorecard	Measuring shop result against financial objectives		Measuring category objectives against financial objectives		Benchmarking against competition, measurements of level of implementation		All key indicators being examined and generating further studies where there are issues, results affecting income for cat mgrs	

Figure 9.3.1: Implementation scale, category management stages

Building four stages was easy and straightforward. However, it proved more difficult to define the norms for assessing each dimension under scrutiny. They could include the process of category management itself as represented in the cells of the table. But they could also include broader enabling factors such as IT or indicators in the areas of strategy, finance or marketing.

Based on his observations performed in the country over the past few years, Mike had been able to complete his tool inspired by the idea of the “balanced scorecard”, after Kaplan & Norton (1996). Figure 9.3.1 shows the dimensions related to the seven step programme of category management. They were very standard and as one manager once told me, almost directly extracted from the Delta training kit.

But additional tables were more specific to BEST. Indeed, they included dimensions which had been hotly debated in the countries. Mike thought he was ready to explain his approach to colleagues, which he did in conversations with CRS and category managers of the affiliates. As many of the dimensions were challenging, he finally honed this instrument to be presented at a CRS meeting. He could see two benefits by doing this: a) the occasion would lead everyone to make clear their position on a number of hot topics; and, b) decisions would have to follow since the approach was linked to Andrew’s request. With the agreement of Howard, the head of EMD, it was decided that a full CRS meeting would be spent on the subject. This meeting took place in March 2004.

9.3.2. Assessing the implementation scale

At the opening of the meeting, Mike presented the agenda for the day. The participants would discuss the enabling factors to category management before

discussing the 8 step process. This level of discussion would allow participants to address strategic issues, Mike thought, that would provide ideas and arguments for Andrew, the head of Refinery and marketing for BEST.

The opening discussion focussed on the financial dimension. Mike presented the map he had drawn up and the discussion followed.

Strategy	Process							
	New concept	Score	Starting process	Score	Partial implementation	Score	Full implementation	Score
Financial objectives	Sales and gross margin targets for shop		Sales and gross margin targets for categories		Financial target for categories, turnover, margin, av sales per store, gross profit, average basket spend		Financial target for categories, return on assets, inventory turns, market share, net profit, GMROI & GMROS	

Figure 9.3.2: Implementation scale, financial objectives

Every country could easily measure sales and gross margins at the category level. Even if the categories had been modified following the introduction of the new structure, it was possible to recalculate these values. The indicators themselves had been in use in the company for so many years, and it seemed that the participants were not really willing to change them.

Though all the delegates had experienced confrontations with the technical department, and thus the need to calculate return indicators, they were very sceptical about the idea of using these indicators as part of an everyday system. They were not so much opposed to the idea but they felt lost with the benchmarks. In everyday discussion, everyone would have an idea about the level of sales and the margin rate of a category. Now, the most experienced managers did not feel able to make sense of the new numbers. It was as if they had lost their ability to judge situations.

“We are changing the outline of the categories. We are trying to introduce the idea of shop clusters. And finally, we are changing the indicators: the margin definition is not clear anymore, the GMROI and GMROS are just great but I have no immediate idea of what they mean. It reminds me of the time we took on the Euro. I feel totally lost.”(Alan, CRS director Groveland, CRS managers meeting, March 2004)

A few managers were also bothered by the fact that some of the stores known to perform well would suddenly look odd. The hierarchy of the champions would be disturbed. The participants in the meeting felt that the scale of excellence was changing swiftly. Still, they didn’t really know what the new picture would look like. Logically, the implementation of these new indicators made sense. Emotionally, a great deal of uncertainty was injected into the system and managers felt uncomfortable. They didn’t really know what to do with this new map.

Mike moved on to the next table addressing the marketing objectives. In contrast to the previous one, it was well accepted. It seemed that category management was about dealing with the marketing of the stores and this area of management was within the circle of influence of everyone, including Mike.

Strategy	Process							
	New concept	Score	Starting process	Score	Partial implementation	Score	Full implementation	Score
Marketing objectives	Identified target customers, corporate communication of range and promotions		Standardised pricing, customer service, store lay out and merchandising		Policy defined by segment and integrated into overall company advertising policy		Direct targeting of specific customer groups, Consumer penetration targeted and monitored with panels and surveys	

Figure 9.3.3: Implementation scale, marketing objectives

In fact, the first positive feedback was quickly smoothed out by more detailed arguments, particularly on the availability of panels. Everyone seemed to agree that

only the beverage category was covered by forecourt panels. Apart from suppliers data on confectionery (made available by Masterfoods) and tobacco (made available by British American Tobacco), it was still very difficult to assess the size and dynamics of the market for many product families.

“When we are talking about these marketing things, everyone is used to formulations such as “consumer penetration...”, but no one really says clearly that this is just theory. We simply can’t measure it. I wonder why everyone is nodding – yes, this is what marketers should be doing. But this is simply not what is happening! I can predict that no one is going to tick full implementation”
(Paul, CRS manager, Rockland, CRS managers meeting, March 2004)

The discussion stopped with the call for lunch. Since an implicit general agreement seemed to be in place, the moderator felt that there was no need to continue the debate on these aspects after lunch.

After the break, Mike continued the presentation of his assessment tool and presented the table he had called “relation to other departments” (Figure 9.3.4). The meaning of this dimension was to show where central category management was within the countries’ organisations. Though we were with an audience of CRS managers, surprisingly, the subject became a challenge.

The table presented by Mike clearly mentioned that the category managers would take the lead over the regional operational managers in matters related to commercial initiatives. And this was made a criterion of excellence! To a certain extent, the new organisation had been made to centralise the management of the shop operations, but so far it had never been put in writing. It was feared that the creation of an item such as “category managers empowered to make decisions for the network” would be seen as a provocation by those who managed the fuel business.

Strategy	Process							
	New concept	Score	Starting process	Score	Partial implementation	Score	Full implementation	Score
Relation to departments	Designated people responsible for categories, Strategic importance not recognised		Shop divided between cat mgrs in a structured way, cat mgrs empowered to make decisions for the network		Cat Mgrs presenting business plans to senior managers, categories allocated based on alignment and understanding of workload, sufficient cat mgrs to maximise profitability with their performance measured		All relevant department directly involved in business plans, cat mgrs performance related pay and graded relative to their importance in contribution to profit, structure allowing evolution of personnel within the shop domain	

Figure 9.3.4: Implementation scale, relations to other departments

Since the table with its attached score by country would finally be presented to Andrew, the CRS audience was not sure if this should be part of the assessment exercise. Mike felt he had to react to this concern:

“This points out how confident you are with the ability of the category managers to run the strategy of their business! Now, you have to be clear on this issue. Is it a matter of giving more power to the shop versus the fuel? Or is it a matter of seniority of the category managers versus the regional managers? Are you not keeping the job at a level that ensures that they will not take the lead? My recommendation is to create empowered category managers. They have to take a high level of responsibility.” (Mike, EMD, CRS Managers Meeting, March 2004)

No real discussion followed this intervention of Mike in the meeting, as if it would be impossible to generate a consensus on the importance of the category managers in the strategic process. As time was flying, Howard, the head of MD, suggested moving on to the last point of the agenda: relations with suppliers.

Similar to the previous discussion on marketing indicators, the manufacturers' relationship dimension was seen as a territory where Mike had the legitimacy to put forward proposals.

Strategy	Process							
	New concept	Score	Starting process	Score	Partial implementation	Score	Full implementation	Score
Manufacturer relationship	Arms length approach, negotiating deal to deal, lack of trust and information sharing		Limited partnership approach, formal agreement with key suppliers, discussing category performance		Preferred suppliers, each other strategy understood, annual business plans, category information sharing, supplier adding value to our business		Strategic alliance, alignment of departments who speak directly to each other, tailored offering for our business, high degree of trust	

Figure 9.3.5: Implementation scale, relationships to manufacturers

When faced with the table, many affiliates had concerns about the idea of sharing data with preferred suppliers. This was, as one CRS manager put it:

“A matter of culture: in the Anglo-Saxon world, managers have a tradition of sharing information. In Latin countries and in central Europe, people are more cautious. They see the control of information as a way to exert power over the suppliers” (Stan, CRS manager DISCOLAND, CRS Managers Meeting, March 2004)

The story of the fast lane chillers, in summer 2003 (see chapter 6), was still present in the minds of most. Some doubts were raised on the extent to which suppliers were trustworthy. And despite the official request to share information, many of the CRS managers knew that the data was presented in a truncated way to make the task of some suppliers harder. Everyone agreed that this was a ridiculous game:

“Either you share or you don’t, but you don’t want to look like you share information, do you?” (Paul, CRS manager, ROCKLAND, CRS managers meeting, March 2004)

This meeting ended in confusion. Some points had been totally agreed upon, some remained unclear and some created excitement, but others generated uncomfortable feelings.

For Mike, the key point was that the CRS managers agreed to go through the assessments exercise. Howard closed the meeting with special thanks to Mike.

“This was a useful day. It seems we have a very clear process to provide our boss with feedback on his request to assess the integration level of our networks.”(Howard, MD director, CRS managers meeting, March 2004)

Following the meeting, the retail directors, together with their CRS managers, carried on a self- evaluation process. They scored the indicators where they could. As could have been anticipated, some of the fields remained empty, leaving Mike with the task of completing the assessment of the maturity levels of each country.

Category management implementation level	Process							
	New concept	Score	Starting process	Score	Partial implementation	Score	Full implementation	Score
Global assessment	Not Doing Cat Mgt with little more than an understanding of what Cat Mgt is		Starting to try to implement Cat Mgt though it is far from complete		Implemented Cat Mgt though it is not fully integrated into the company and their working methodology		Fully implemented and integrated within the company. This involves a cultural change and an excellent availability of information	

Figure 9.3.6: Implementation scale, global assessment

As a matter of fact, the templates had been sent back with detailed comments by the affiliates. For example some observations were made about processes and phasing of the key events. Indeed, many CRS managers reported that category managers had trouble finalizing their budget presentations on time. And they concluded sometimes

too quickly, that it was due to their lack of skills. But Paul from Rockland had made a very interesting point on the fact that these difficulties were linked to matters of phasing.

“The category reviews need to be planned in July if we want to be ready with the budget in September. And when you start moving one event, you have to reshuffle all of them. I have done the exercise. I can send you my revised calendar” (Paul, CRS manager, Rockland, CRS managers meeting, April 2004)

Mike had taken the invitation to the letter and inserted the revised key annual events (Figure 9.3.7), though they had not been approved by the other CRS managers. The proposals he put forward, inspired by Paul, generated positive interest and, it seemed, was finally adopted by the country retail managers.

		CATEGORY MANAGERS' KEY YEARLY EVENTS												
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	
		Cycle 1			Cycle 2			Cycle 3			Cycle 4		Cycle 5	
MARKET REVIEW Panel and research review Competition review														
ASSORTMENT STRUCTURE Assortment review														
MERCHANDISING Planograms update														
PROMOTIONS Promotions planning														
SUPPLIERS' MEETING Business meetings Negotiation rounds														
BUSINESS PERFORMANCE Budget update Category Reviews Budget														
NETWORK RELATIONSHIP Regional meeting														

Figure 9.3.7: Category managers' yearly events

The ideas and comments from the affiliates provided rich material to write the report that Mike would submit to Howard, head of MD, and finally to Andrew.

“We need to determine what level we can take the affiliates up to and create an action plan to take them there.”

This was Mike’s final comment in an e-mail sent to Howard together with his report, two weeks before the submission to Andrew, at the end of April 2004. The March CRS meeting had been seminal. It had discussed what was taken for granted after nearly two years with the new organisation. In his report, Mike stressed that the CRS team in Europe was about to explore one central subject: how to ensure better efficiency in the implementation of the agreed strategies?

Howard read Mike’s report carefully; he added his conclusions and sent it to Andrew without changes. Mike was very proud of that but he was to become even prouder when the head of refinery and marketing sent him his congratulations, stressing the relevance of his proposals and the nice combination of structured data and quotes that captured the feeling of life in the network so nicely. Andrew eventually agreed with Howard’s conclusions recommending the acceleration of the integration processes. The CMs had been congratulated by Andrew at the kick off meeting of CONCEPT. For the second time, they were thanked for the quality of their work, giving CRS activities better visibility and recognition.

9.4. Measuring the speed of implementation

We are now in 2005 and many stores needed to be refurbished. In April 2003, CONCEPT had been launched successfully in one store in Discoland, followed by one more store in each of the countries in the summer of 2003. A year and a half later, the

penetration rate of CONCEPT was still very low, despite efforts to improve the level of excellence in the management of the network: category management had been implemented to a satisfactory level in all the European countries, the shop segmentation project had been carried out, etc. More precisely, only 18% of the potential sites had been equipped with the new shop design, which meant that CONCEPT was not yet visible enough in Europe. The unifying role that was part of the brief in the creation of CONCEPT had not been achieved. Now, the roll out had almost stopped and CONCEPT started to look dated. It needed to be modernised.

CONCEPT had taught BEST managers how difficult it was to deploy a shop vision in the network. They were always good reasons not to implement it: the CAPEX limitations were one of them. It was therefore decided, in October 2005, to renovate CONCEPT through CONCEPT II and to monitor its roll out in an exemplary way. SPEED was the name of the project which was to be led by Howard himself, head of European Marketing Development (EMD).

9.4.1. Experimenting acceleration processes

All four major countries were brought within the scope of SPEED and regular meetings were planned long in advance to ensure the information and validation of the decisions at various levels: the retail directors, the CRS managers and, of course, the project team. The project targeted the publication of its results for the CEO board meeting of May 2006. The following figure (Figure 9.4.1.) indicates the phasing of the project that was planned with nearly two years of anticipation. The motto, if not the obsession of the project was acceleration.

“The objective of the SPEED project is to highlight that performance has to be assessed in terms of implementation rate and speed.”(Howard, MD, extract of the project presentation email, October 2005)

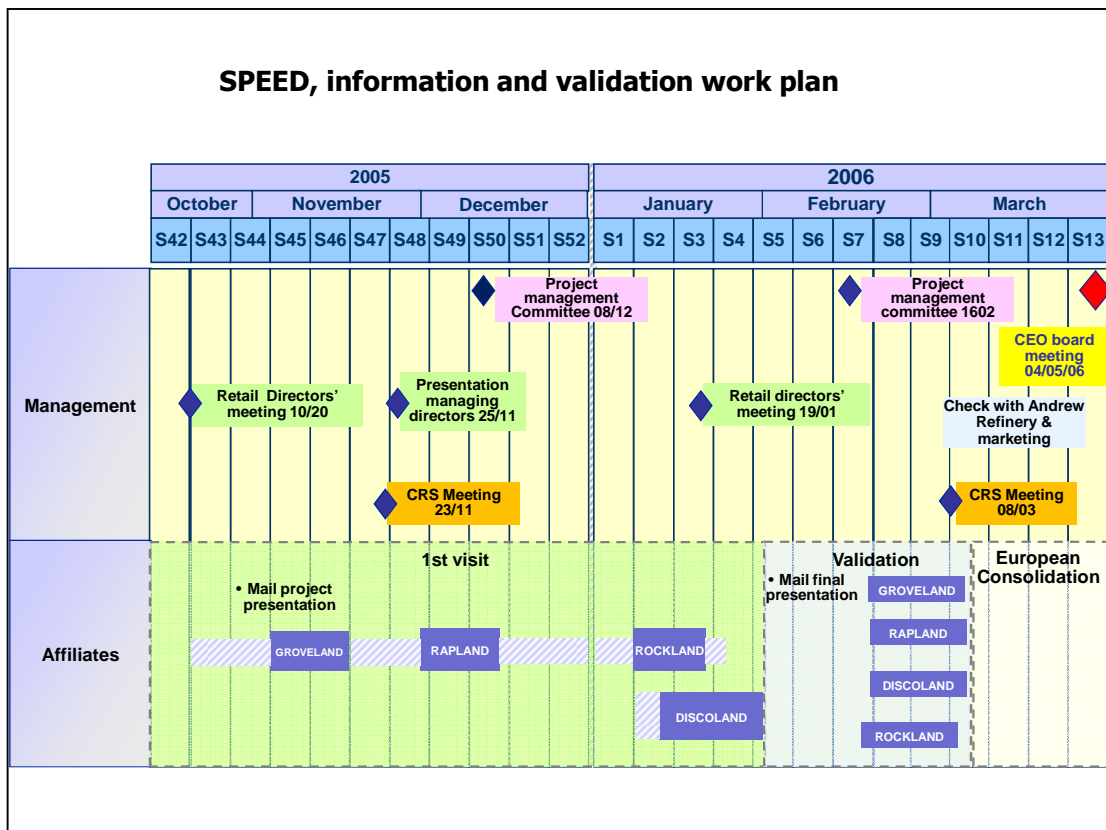


Figure 9.4.1: SPEED, information and validation work plan

The idea of SPEED was approved by the steering committee of Refinery and Marketing. A number of stakes were linked to it: to be able to secure the delivery of the budget and long term targets, to control costs (CAPEX and OPEX) and to keep up the pace of deployment.

CONCEPT II would serve as an experimental project. The development of CONCEPT II and the performance review of the sites would offer a view on the CRS activities, combining the impact of all the performance and acceleration projects included in the long term plan 2007-2011. Its immediate purpose was to deliver a modernised version of CONCEPT and to roll it out through the network at an unmatched speed. But a secondary expected outcome was the delivery of an exemplary process to develop and roll out any type of project in the network. A programme to monitor and animate the

project was put in place with detailed preparation phases to be carried out by the affiliates before the planned meetings.

9.4.2. Simulating scenario

When Howard and his team visited the countries, they were amazed by the ability of the organisations to provide the information needed. The segmentation of the network was fully available and all sorts of matrices could be generated by clusters of shops. The financial logic had gone all the way and returns were now measured at all sorts of levels, including the category. The diagrams that had been prepared were very detailed and particularly relevant to set priorities, for instance. Growth and deployment scenario could thus be valued. A number of templates, generated in one or the other country, were spread throughout Europe to enrich the diagnostic tools. The following charts (figure 9.4.2 to 9.4.4) shows how the network in Groveland was analysed in terms of attractiveness of the sites and accessibility of the project. The development opportunities had been identified and the implementation of these opportunities quantified (Figure 9.4.2.).

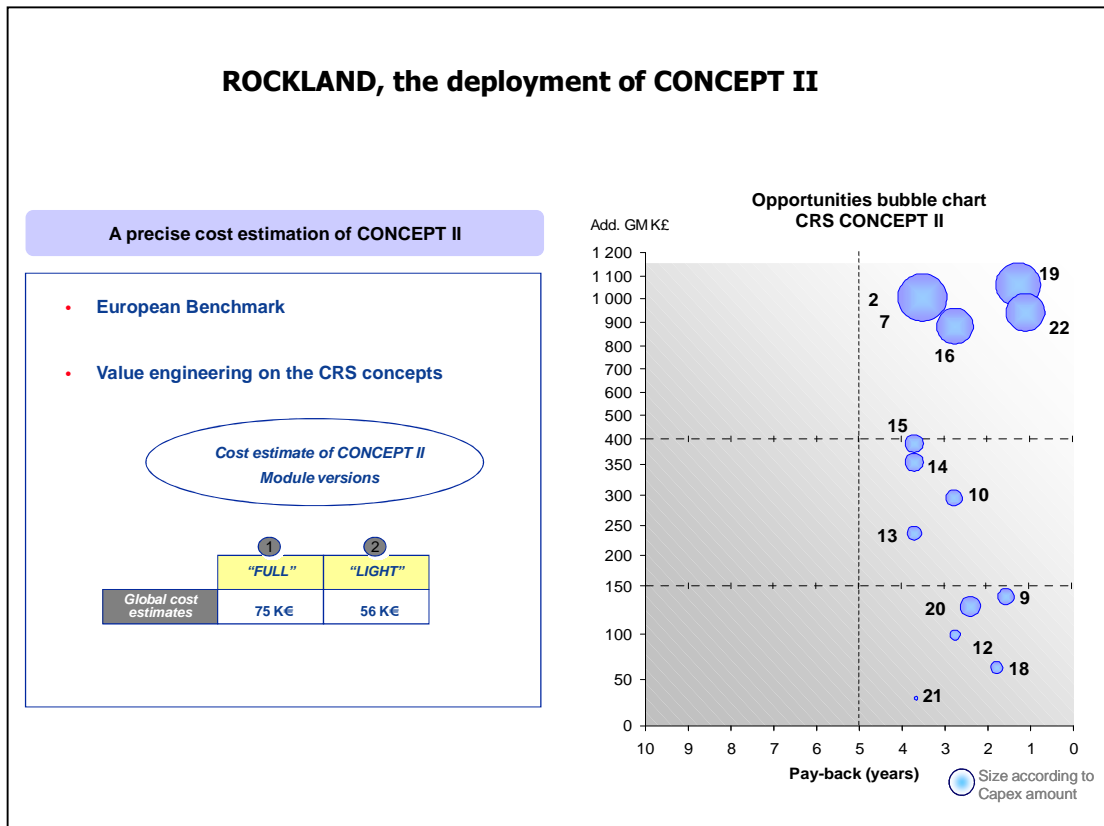


Figure 9.4.3: SPEED, cost estimate and pay back

The waves of deployment had been planned with an acceleration factor in mind. In fact, every country had reached a homogeneous level of proficiency in the management of deployment projects, at least on paper.

The SPEED team could finally consolidate the data from the countries, resulting in a vision of what the network would look like at the end of the strategic long term plan (Figure 9.4.4).

At the end of the process, Mike who was part of Howard’s team, commented:

“I have rarely seen such a level of professionalism within the CRS teams. But, and this is a major but, this project has been managed at the CRS director level, with a limited direct involvement of the category managers. Some dimensions of the project were clearly beyond the scope of their responsibilities. But, damn it, in the whole project, the category managers are not visible anymore, though they initiated most of the early projects that have served as a basis for SPEED: the categorization, the segmentation of the network, the article codification scheme, the relationship with

suppliers, etc. Today, it seems that everything is going faster, but what would SPEED have been without their previous initiatives!?"

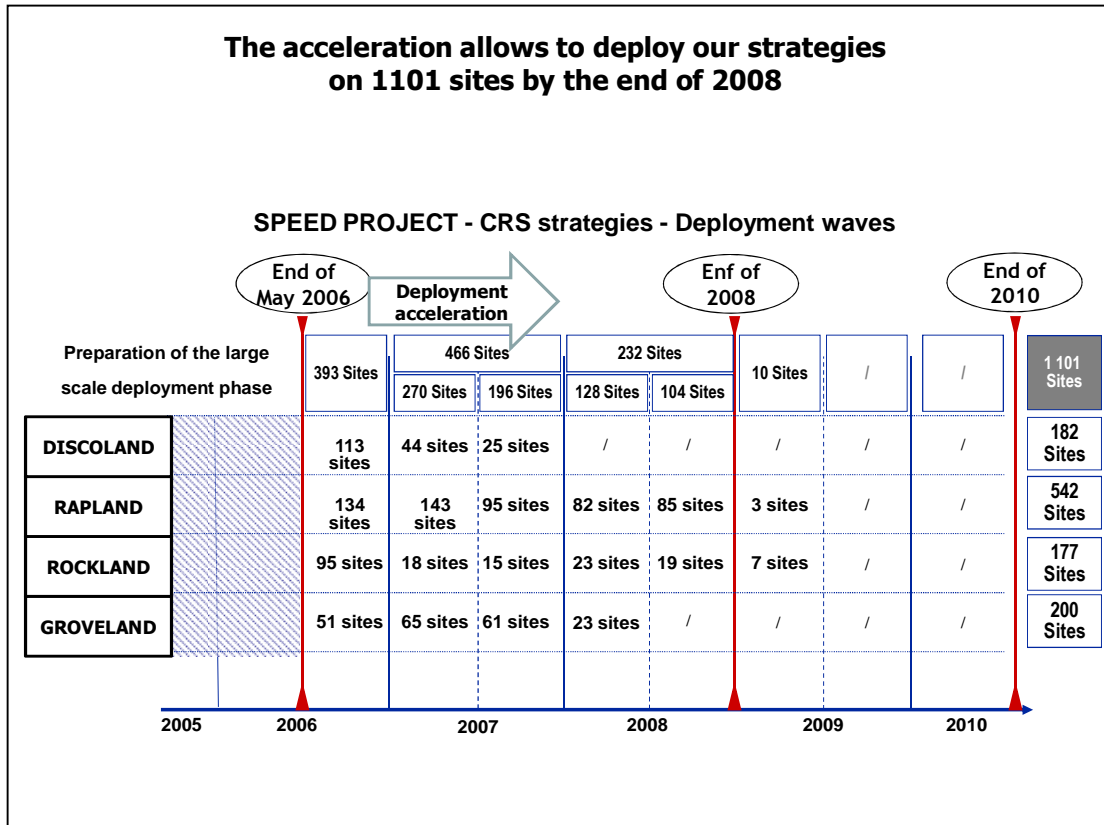


Figure 9.4.4: SPEED, deployment program

The SPEED project was presented to the CEOs board in May 2006, according to the initial plan. At the end of the presentation the green light to proceed was requested. The project team needed a validation of the strategic orientations that had been presented, the investment budgets that had been requested and finally a positive feedback to anticipate the 2009-2011 investment budgets for the acceleration of the deployment waves. The green light was given and confirmed in the minutes of the committee published in June 2006.

9.5. Conclusions

This chapter has shown three very distinct perspectives on performance: the measurement of economic outcome, the assessment of the quality of processes, and the measurement of the speed of implementation.

First, the discussion on the margins and ROI reflects the wish to monitor the economic outcome out of marketing activities. At the intra-product category level, a simple indicator such as a margin can take different forms. Our case illustrates how a shift in the organization has generated the need to group various aspects such as a commercial margin, over-riders and promotional points, resulting in a different hit parade of the suppliers. Because CMs cannot dedicate their full attention to all the events, they have to focus on essential phenomena. Consequently, indicators that make things appear first or last in a hit parade list are of paramount importance in the economy of their attention, in the definition of their priorities, and finally, in the selection of products that they display in the stores.

As CMs gained responsibility, and as they wished to expand their category, they were confronted to an inter-product category logic. The investment procedures request the measurement of a R.O.I. which impacts strongly the hit parade of product categories. The shift of indicator created the visibility of so far ignored phenomena (e.g. beverages use a chilled cabinet whereas confectionery involves a dry standard shelf which is far less expensive to operate). It reopened the discussions on the *raison d'être* of products and services families (e.g. what is the contribution of toilets?). The change of metric created an issue because it disturbed the routine interpretation of what was perceived to be good or poor performance. When the ranking of suppliers or of product families was changed, managers lost their routine, spontaneous feeling about how to interpret a particular number.

Secondly, our case has also shown the importance of metrics, such as scales, to assess the quality of implementation of category management. Making things economic is about implementing what is believed to be efficient in a standard way. The quality of marketing processes was made equivalent to the level of implementation of category management. A scale, using ordinal parameters, made visible and explicit elements that so far were discussed in a tacit way, as the leadership of category management over operation managers has shown.

Thirdly, this case has documented how the speed of implementation became an essential performance indicator. The expansion of categories led to investments which called for the measurement of ROI, and indicator which is very sensitive to time effects. The SPEED project reflects this concern with time. CONCEPT I had become obsolete before it was implemented on a large scale. It was perceived that if the implementation is slow, it opens the door for too many discussion, thus diluting the original concept and reducing ROI performance. CONCEPT II was taken as an opportunity not only to modernize CONCEPT I, but to experiment with and standardize roll out procedures. The business case written by Howard and his team could aggregate a large variety of numbers in tables and graphs at a European level. This was made possible by the preliminary work done by CMs who created the metrological infrastructure necessary to operate these combinations of numbers.

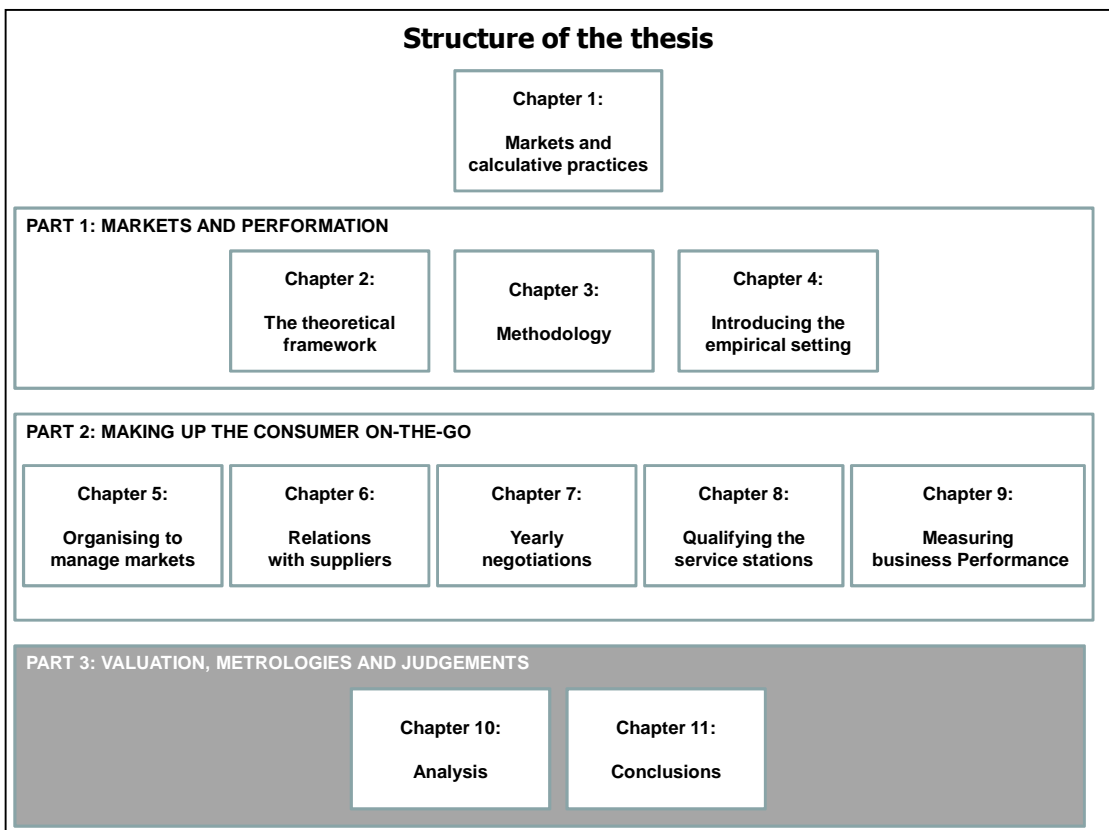
This case ends the second part of the thesis. Five cases have been presented that deal with market shaping: product managers have become category managers, suppliers have been qualified, negotiation rounds that frame the meetings between the focal retailer and its suppliers have become structured and routinized, the petrol station has

been denaturalized and specified in terms of shop typology and finally, the performance indicators have been changed.

The following chapter will focus on the analysis of the cases presented so far whereas the last chapter will draw the overall conclusions from this study. These two chapters form the part III of this research. This part is called “Valuation, metrologies and judgement”.

PART III:

VALUATION, METROLOGIES & JUDGEMENTS



Chapter 10. Analysis

10.1. Introduction

The object of our study is a complex phenomenon: it deals with the shaping of markets through market practices. The markets that have been studied are based on the ways BEST managers define them. These are empirical markets. To study them, a variety of entry points have been considered to cover various facets of these markets. Because category management was explicitly defined by BEST as a method designed to manage markets, its introduction provided me with a privileged situation to study market agents, goods and the conditions of their exchange. Five empirical case studies were constructed to illustrate multiple facets of shaping markets. Chapter 5 is based on the controversies that surrounded the emergence of the category manager's job at BEST. It describes how category management became a topic within the company, how the idea of creating a new kind of job emerged, and how this job was positioned within the organization through its grading and location within the organizational chart. Category management was first implemented through the rolling out of CONCEPT resulting in many adjustments to make the method work.

Chapter 6 described the evolution of the relationship between BEST and its suppliers. With the qualification of preferred suppliers, a number of projects were initiated with tight control over the measurement of supplier's performance. Category managers became experts at conducting experiments with suppliers with the aim of implementing successful marketing operations in BEST's retail network. Chapter 7 focused on product-market definitions. Through the study of category reviews, we

learned how suppliers tried to shape the market representations of their customers with the expectation of gaining shelf space in the shops, thus generating a better environment to push their brands and products. Chapter 8 documented the ways a store typology was created to facilitate the deployment of a new shop concept. The denaturalization of the petrol station allowed BEST to create various shop clusters, resulting in a multiplicity of definitions of the consumer-on-the-go. Lastly, Chapter 9 tracked the evolving definition of performance with the gradual introduction of category management within BEST. From a vision of performance measured predominantly by fuel volume sales, the retail organization moved to the calculation of a complex margin that includes various elements. It eventually settled on the notion of measuring return on capital employed (RoCE) for all product categories.

These five entry points have been selected to highlight a number of constitutive elements of markets. However, we should not forget that these cases are embedded in a broader case (Yin, 1994: 44). In short, the cases should not be seen as distinct and standalone. The different elements of market shaping presented in each of the empirical cases are highly interconnected; efforts to make changes in one element have effects on others.

As Ragin (1992: 124) remarked: "...cases make no sense by themselves until they are linked to something more general" This is why framing a case necessarily involves theoretical choices. In short, empirical data constitutes a case by defining it theoretically. According to the methodological approach adopted in my research project (see chapter 3), the objective of the analysis is twofold. Firstly, the analysis aims to confirm the basic characteristics of the theoretical framework presented and discussed in Part I. Secondly, it aims to discover new theoretical insights by uncovering what lies behind the phenomena analysed and not envisaged in the

framework. Broadly speaking, this chapter seeks to explore the work of Callon and associates on processes of marketization. I want to show that this approach provides a rich theoretical framework for understanding the cases presented in the empirical part of the thesis.

Having made the reader aware of the role played by the cases, I will now focus on their comprehensive analysis. To achieve this aim, the chapter explains how markets are shaped through particular socio-technical *agencements* (STAs). The constitution of STAs highlights particular efforts to govern economic life. The role of calculative agencies can then be studied in terms of how ideas are linked to calculations and how particular forms of calculation are made viable and sustainable. Lastly, one particular aspects of calculation is explored to shed light on the ways agents interpret the results of calculation in their efforts to shape markets.

10.2. Efforts to govern economic life: shaping markets

Using a relational perspective (Latour 2005), the objective of this first section is to demonstrate that the five cases are not discrete entities that need to be compared and contrasted through a cross-case comparison method. Instead, I argue that these cases are tightly interwoven, allowing me to illustrate different aspects of market shaping and move between levels of analysis, from the micro to the macro level. I will argue that a STA is made of heterogeneous elements that keep a number of market constituents together. A method called “category management” contributed to coordinate the actions of market practitioners.

10.2.1. Moving away from traditional fuel stations

The merger between two fuel companies was a particular moment in the history of BEST. It generated the need to enhance a retail culture as a way to unify the systems,

methods and retail networks (chapter 4) of the two entities. The discovery that the shop was a key reason for visiting a station led to the introduction of a method, category management, within our focal retailer with the help of training and consulting firms (chapter 5). The intention to merge the shop networks had a more profound consequence on the future shape of the resulting network. The decision to implement category management had shown how much the concept of petrol stations had been naturalized within BEST. Petrol stations were not important to BEST because they sold fuel. They made drivers stop but because of a large variety of offers, initially called diversification activities led by non-fuel managers (chapter 5). The shop became important to BEST because of its total contribution to the margin delivered by the petrol stations. This diluted the pre-eminence of the fuel activity at BEST, one of the major players in the fuel retail market in Europe, opening a window for rethinking what a petrol station stood for (chapter 8).

A market made up of fuel stations had become a market with stations where drivers could refuel but also buy snacks or beverages. This market shaping has been achieved through the mutual influence of metrics (e.g. the importance of non-fuel sales in the margin of the station), the reference to a novel market logic (e.g. food retail), a managerial method (e.g. category management) that superseded the existing managerial division of labour (e.g. non fuel managers), and material entities (e.g. shops and the products on display). The combination of these factors generated a new version of the consumer. Whereas the consumer had been regarded essentially as a motorist stopping to refuel, BEST now saw a consumer-on-the-go who could buy fuel as well as a limited set of snacking goods.

10.2.2. A station with a snacking offer

The shift from product managers to category managers (chapter 5) made the latter responsible for growing a product category which meant that they had to be sensitive to the detailed evolution of many product-markets (chapter 7). Their need to access market data drove their attention towards those product categories where trends could be discussed with suppliers on the basis of panel data (chapters 5 and 6). Those product markets where no data was available were simply ignored resulting in the demotion of these product families. The selection of product families to be displayed in the shops was affected by the decision to manage products with category management. In terms of performance, category managers started to look in detail at the sales and margin figures of their category. Measures of global sales and margins at the shop level became less important. The ambition to measure market shares became visible, although neither suppliers nor market research institutes could provide figures at the petrol station channel level (Chapter 9). This movement further reinforced the importance of the shop. It also perpetuated the idea that the shop's assortment was made up of snacking items such as confectionary, beverages or sweet and savoury snacks. Because of the increasing presence of these products in all BEST petrol stations in Europe, the role of these product families was enhanced.

In short, the market fuel stations served was further shaped through multiple associations between a particular type of job (e.g. category manager), product categories (e.g. NABs), available data sets (e.g. panels) and metrics (e.g. margin and sales at the category level).

10.2.3. A station with a wide offer for travellers

The grading of category managers was an essential step in the acceptance of the new job (chapter 5) within our focal retailer. Because of the decision to keep payroll costs constant within the overall organization of BEST (chapter 4), the grade and the salary of category managers was constrained (chapter 5). If the category managers were graded lower in the pay scale, country subsidiaries could hire more people to cover a larger number of product families. Each category manager would thus be able to focus on a smaller number of product categories. They could develop their expertise in each and every segment of their category (chapter 7) but they would need to be closely supervised by a senior manager. This would lead the company to favour planograms that could integrate a wide assortment, possibly adjusted to each region or type of station (chapter 8). Conversely, if a team would comprise only a few, more senior category managers, their ability to analyse detail would be limited. In this event, category managers would have a tendency to strive for the standardization of procedures, bringing with it pressures to reduce the number of shop types in the network (chapter 8). However, these senior category managers would be on a par with the regional directors and the technical department which should enable them to influence investment decisions.

The expansion of the non-alcoholic beverages section illustrated this scenario (chapter 6). More senior category managers would also be more challenging with respect to corporate strategy and would be more willing to propose daring initiatives, pushing BEST further away from its traditional activities (chapter 8). The proposal to create stations without fuel or to enter into alliances with food service specialists came from these senior category managers.

When locating category management within an organizational chart (chapter 5), the company reconceptualised non-fuel activities as a Car Wash-Restaurant-Shop entity (CRS) dismissing the idea that the non-fuel business would simply be made up of snacking products. The exploration of new concepts for the restaurants and car wash (chapter 8) generated a renewed momentum on the station market by reminding travellers that they could take care of their cars, rest, eat a full meal or drink a coffee within the confines of a station.

Similarly, the CONCEPT project was an occasion to test a novel shop concept designed to develop the offer of fresh products at stations thus turning the shops into convenience stores. This project also was a way to assess the capabilities of product managers equipped with category management to fulfil their new mission. It soon became obvious that “category management” had to be adapted to make it compatible with existing work practices of at BEST (chapters 4 and 5). The absence of panel data, the existing routines of product managers and their time pressures, or the difficulty to clean up data and centralize the coding of products are examples of misalignments that posed difficulties for the implementation of category management.

A third configuration of the fuel retail market has been shaped through an *agencement* made up of a classification system (e.g. the Hay’s job grading system), job descriptions (e.g. seniority of the category manager), representations (e.g. typology of stores, planograms), physical entities (e.g. the standardization of shops, concept prototypes), organizational forms (e.g. projects) and strategies (e.g. alliance options). It implied a new version of the consumer that has first been called driver, then traveller and finally “the consumer on-the-go”.

10.2.4. The organization of a general grocery chain

Product managers were converted into category managers shifting the location of their jobs within the organizational chart and thus reducing the importance of regional interactions with their suppliers (chapter 5). The emergence of category managers, as a function that grouped purchasing and marketing functions affected the relationships with suppliers, making some of them category captains and awarding them the status of preferred suppliers (chapter 6). To operate within the rules and constraints of category management, the set of possible suppliers became restricted to large multinationals. The resources required by category management, namely in terms of collecting and analysing market data, had an impact on the product families that could be pushed on to the shelves.

When category managers became responsible for purchasing and marketing a specific family, they were able to see up-front and back margins as well as commercial margins. The visibility of total margin in one single place overturned the ranking of the best performing products and suppliers (chapter 9). The space dedicated to product families as well as the space allocated to each brand within each family, were reconsidered and generated a new set of shelves from which consumers made their purchase choices.

The tests category managers performed with the suppliers, and in particular the Fast Lane Chiller initiative (chapter 6), illustrated the power of data sharing and collaboration. Where this attitude is in place, category management could thrive. Conversely, when there was little or no collaboration, category management lost much of its power. This success or otherwise of category management also had an impact on the market research industry. The collection of data at the fuel station channel level became an opportunity for market research firms (chapter 6).

The implementation of the fast lane chiller initiative also shows how a test had an impact on the physical display of the shops, in this case through the placement of a chilled cabinet in front of the check out desks. The export of so-called “best practices” generated effects on other markets. The methodology implemented in the FLC initiative was deemed a success. Its deployment to other product categories was requested by other category managers. This in turn, pushed category managers to require structured recommendations from suppliers of all categories as the case on category reviews shows (chapter 7). Incrementally, by constructing data and accessing the internal sales figures of BEST, multinational suppliers could make category management work, and turned this method into a favourite way to develop relationship with their customers (chapter 5).

Category management generated annual events called category reviews in which retailers and their suppliers compared and contrasted their views of product-markets and reviewed the terms of their relationship (Chapter 7). In these instances, product-markets are framed through the persuasive attempts of the suppliers to impose their view and the ability of the focal retailer to form an all-round view after calibrating its own views against those of a set of suppliers. Through the exposure to numerous market perspectives that include panel data, simulation tools (chapter 7) and test procedures (chapter 6), BEST category managers gained considerable expertise. With the help of their suppliers, their marketing initiatives became more and more fine-tuned, resulting in higher success rates at the level of shop activities. These successes reinforced their legitimacy within the organization. With extensive practice at analysing data, marketing people turned into sophisticated analysts. The interaction with suppliers was supported by better and more detailed marketing analysis. The type of negotiations category managers conducted was no longer based on product

descriptions and prices. The object of the negotiations became detailed marketing plans designed to enhance the sales of a particular product category (chapter 6).

As their retail expertise soared, the employability of category managers increased, generating equivalences between a job at BEST and at other grocery retailers. However, the areas where BEST lacked know-how became clearer too. The generation and management of new restaurant concepts, for example, highlighted BEST's lack of capabilities in this area and suggested potential alliances with food service companies (chapter 8).

The gradual reconfiguration of fuel stations into general grocery stores was achieved through the alignment of a managerial method (e.g. category management), with an organisational and geographical shift (e.g. location of the category managers in terms of both organisational charts and sites), with procedures (e.g. category management, qualification of marketing programs), organizational forms (e.g. project), actors (e.g. suppliers), physical displays (e.g. shops) and temporal schedules (e.g. category reviews, budgeting processes).

10.2.5. The making up of the “on-the-go consumer”

The deployment of CONCEPT called for a new typology of stores. This stressed the idea that no two shops looked alike and that a finer-grained description of the shop entity was needed. The resulting typology of shops (chapter 8) with 7 elementary types of needs created a wider heterogeneity within the world of fuel retail. It triggered a discussion on the number of clusters that could be feasibly managed by the category managers. A higher level of adjustment to consumer expectations could be envisaged with numerous junior category managers. Conversely, when there were less senior category managers, a higher level of standardization was needed. The whole

store network was strongly shaped by the decision on the number and rank of the category managers (chapter 5).

This description of the shop network with a typology was an exercise that triggered the creation of alternative typologies for the car wash and restaurant businesses. The managers of all the Car Wash, Restaurant and Shop activities used similar procedures, though they did not label them in the same way (chapter 9). As far as principles are concerned, category management became largely adopted (chapter 5). As the deployment of a store concept is a costly initiative (chapters 4 and 5), the calculation of return on investment (ROI) became a common practice to assess the performance of the refurbished shops and this applied down to the measurement of product categories. Non-alcoholic beverages were initially assessed with a global margin generated by the category and were perceived as a top ranked category within the business. With the introduction of a ROI logic, they become an average product category due to the cost of installing and operating chilled cabinets. This logic triggered a shift in the type of performance indicators in use, resulting in a new ranking of suppliers (chapter 9).

The roll out of CONCEPT would have an impact on the consumers themselves. The concepts of proximity shop, of truck stops, of work places or motorway rest stations can potentially create different versions of the consumer. For example, the availability of stations on the motorway involves the creation of offers designed for motorists who travel long distances. The CD/DVD, snacking or coffee markets are immediately affected by the implications this work will have on the attention of the managers in charge of developing marketing plans. Similarly, the sandwich and restaurant markets are affected by the decision to implement work place stations. By defining needs for consumers, the work of classification designed by BEST contributes to making up of

this new agent, the on-the-go consumer. As soon as this new type of consumer could be validated through the results of CONCEPT, further strategic options would be made visible. The on-the-go consumer can be found in train stations and airports as well as on the roads. So why should CONCEPT be restricted to roads only? Why not create a network of shops in train stations and airports, for example?

In this shaping of the fuel station market, the same elements observed in previous configurations were at play once again. The alignment of heterogeneous elements was needed to glue together shop types, managerial profiles, performance indicators, type of activities as well as a new version of the consumer that no longer needed to be driving a car to be of interest to BEST's managers.

10.3. Linking ideas to calculation

Among the arrangements that hold markets together, calculative agencies play a crucial role. We need to understand how particular forms of calculation are made viable and sustainable. Our starting point (see chapter 2) is the definition of calculation proposed by Callon & Muniesa (2005) and Caliskan & Callon (2009, 2010). The concept of calculation can be seen as a series of three operations. First, entities have to be detached from their original context and place within a calculative space. Qualification processes are at play here. Once an object is framed through a certain angle, it can be governed and defined as what counts. The object becomes disentangled through this specific framing and numbers can be assigned to it. It can thus be compared with other objects. This is the second operation involved in calculation. Lastly, a new entity must be produced through the extraction of a result out of this calculation. The resulting entity has to be able to leave the calculative

frame and be amenable to further translations. We argue that this last dimension involves a rule of interpretation that is an essential element for the result of a calculation to be used in further actions.

10.3.1. Naming things

In our cases, qualification was an on-going process. Classification allows us to allocate objects to categories, to create new categories, or redefine existing categories. In our empirical cases, the definition of activities was the subject of long discussions. At first, fuel and non-fuel (or diversification) was a core distinction within BEST. It soon became fuel versus shop, and finally fuel, car wash restaurant and shop. The managers that were in charge of these activities were called either fuel or non-fuel manager. The non-fuel managers became product managers as they were in the regions, and category managers when they moved to the headquarters with the task of organizing purchases and sales activities for one particular group of products (chapter 5). With the introduction of category management, those suppliers who could comply with the requirements of the method became category captain, relegating the others to the rank of “regular suppliers” (chapter 6).

At the time of category reviews, the play with the denomination of beverage segments became visible. The non-alcoholic beverages business was structured with segments called carbonated soft drinks (CSD), juices and water. Some drinks were healthy, others were too sweet. Some were fruity and fun, others were dull. The list of qualifiers was endless (chapter 7).

When trying to qualify what a shop looks like, the fourth case shows how a label (the petrol station) was denaturalized to create a wide variety of shop types, ranging from motorway stations to mom and pap petrol stations and commodity stores.

Finally, the term performance was constantly redefined to highlight the issues that were central to the discussions within BEST. Fuel volume, shop sales and margin, category margin, front and back margins, return on investment were just but a few of the performance indicators used (chapter 9).

To make the world intelligible, one needs to represent it. This representation process starts with assigning names to chunks of reality out there. Objects have to be defined in order to be manipulated and made governable. The work of naming a thing, an activity called denotation, is a way to qualify the world. But one term can hide different meanings, giving some flexibility to category definitions.

Different versions of category management were, for example, noticeable in our study. The standard procedures of category management as defined in books (e.g. Aujla and Boitout, 2002) differed widely from what the managers of BEST did when trying the method out in the CONCEPT project. It differed again from what was implemented by a supplier, BEVCORP when trying to become a category captain. Sometimes, a precise procedure was expected, as in chapter 5 when Mike expected category managers to implement what he called “real” category management. But sometimes, the application of generic principles was enough to call the process “category management”, as in chapter 8 when the shop, car wash and restaurant managers implemented a similar approach, though not exactly in the same way. Similarly, the world “shop” had long been used to describe the entity attached to the forecourt, though the buildings had very different sizes and roles for consumers. The precise description of the shops led to a store typology to create diversity in an otherwise monotonous landscape (chapter 8). Even the so-called “consumer-on-the-go” presented a wide diversity that could be observed when drivers stop at a station. They differ widely when they stop on the motorway, in a neighbourhood station or

near the office. The label “consumer-on-the-go” was very flexible and encompassed a very broad set of realities (chapter 8). In fact, conceptual categories helped reduce diversity by assigning the same name to objects that had a certain degree of similarity thus making us forget the differences.

To qualify the world through naming is not just denotative. It also confers a connotation to the designated object. Denominations served to qualify issues and as well as disqualify certain matters. To be designated as a “non-fuel manager” is both a qualification and a disqualification because the object of what is managed is defined negatively. The expressions “shop manager” or “category manager” were preferred to highlight a kind of expertise in retail management (chapters 4 and 5). In relation to suppliers, to be a category captain was a way to become qualified for a certain type of collaboration with BEST, but it was also a way to disqualify other suppliers (chapter 6). To call water a “dull beverage” was a way to claim that it was uninteresting, and to stress that carbonated soft drinks were “too sugary” was a way to highlight how “natural” water can be (chapter 7).

One particular instance of this qualification process was the case of the car wash manager who implemented the procedure of category management, but did not want to be called a category manager. He preferred to keep the denomination car wash manager to keep the technical image associated with this activity, and to stress that his culture was closer to fuel rather than retail. For him, the term “category manager” should be reserved for those dealing with packaged goods (chapter 8).

Affixing a name to an object is always a way to give it a quality, which is both a way to define what things are, as well as to clarify how one feels about it. The assignment of a name also turns an object into a nominal variable.

10.3.2. Creating a relation between things: Classifications

Qualification processes were on-going throughout the period of our study, in particular through the process of naming objects. One specific case of qualification was the use of classification devices organized around a particular principle that generates a relation between classes (Bowker & Star, 1999). The Hay grading was an example of a system imported as a ready-made classification device for the evaluation of the category management job (chapter 5). A product nomenclature served to create groups of products with a similar weight when defining the responsibility level of the category managers (chapter 5). The flavoured water case illustrated the difficulty of allocating one particular product to one specific cluster of a product nomenclature (chapter 7). The segmentation of beverages, which is a way to classify products, was proposed as a classification system by the suppliers to describe the beverage market and allow for the measurement of segments' size and growth (chapter 7). A hit parade of suppliers and best selling stock keeping units (SKUs) was used to highlight which were the top performing brands and products (chapter 9).

But the classification devices that we have identified did not just describe and situate things. They created a space of concern. A space of occupational functions (e.g. purchasing, cost control, promotion assistant) served to merge functions and shape the outline of a new occupation. A geographical space (regions versus headquarters) was used to facilitate the monitoring of a new performance indicator (the total margin). And finally, an organizational space was created to articulate the management of car wash, restaurant and shop operations. As it emerged within BEST, category management positioned managers on a job market at the same time as it placed the shop within a new reference market, general grocery retail rather than the fuel retail market.

Classifications serve the purpose of making sense of the world. However, as we have stressed, these descriptions are never neutral. They help to define what counts and what needs to be governed through the framings that they create. The use of classifications has thus a political dimension. To make things governable is a matter of defining what counts, which is in large a matter of positioning an issue within a system of qualifiers.

The operation that consists of placing objects onto a calculative space, frame them as objects to be governed. It relies on the qualification of things. Our cases were made of fairly distinct stages. First of all, the naming of things locates them in a certain space. Secondly the definition of the outline of the concept helps to define if one object is central, marginal or external to the class. We could see how flexible some definitions were, generating a certain elasticity of concepts. And lastly, the use of classification devices and the allocation of objects to the classes create a notion of order between the nominal variable. It turns entities into ordinal variables.

10.3.3. Combining things together

Once objects are defined and located in a specific space, they can be extracted from their original context and be manipulated. A number can for example, be assigned to an object. Once category management was located on the Hay grading system, the level of salary attached to the job became framed, allowing for the calculation of the number of category managers the organization could hire for a given payroll (chapter 5).

If it is agreed that the relationship with suppliers will be managed with category management, the unit of analysis for measuring performance becomes clear: the growth of the total category supersedes the growth of any given brand. Consequently, one can calculate the result of a particular marketing program, as in the case of the

Fast Lane Chiller initiative (chapter 6): success is defined by the ability of one initiative to grow the category.

With regards to consumption (chapter 7), a similar process could be observed. When it was agreed that consumers expect less sugar in the beverages they drink, one could explain why flavoured waters that contain little sugar should be positioned as a very healthy drink among the fruity sugary beverages rather than among the absolute non-sugary waters. It was then possible to measure the size of any segment and its growth. But the concept of sugar itself needed to be defined. Defining a concept worked as the first level indicator in the calculation process. Sugar content in a beverage was defined in one country as the content in saccharose. Lactose was excluded from the definition. This indicated why a beverage with saccharose only could not be compared with a beverage that includes both lactose and saccharose though the two are sugars in chemical terms. When this definition was made explicit, one could measure the sugar content of a beverage. This is a second level indicator. It takes the form of a measured value: 15g of sugar is the instantiation of the concept of sugar content in a beverage. Finally, a relation can be established between various beverages. The representation of a sugar level on a scale helped understand why flavoured waters are healthy when compared to carbonated soft drinks (chapter 7).

With respect to the global petrol station network, the shops could be manipulated at a distance from the European Marketing Development (EMD) department at BEST through epitomes that allowed the department to represent them and their locations. As soon as a typology of stores was made available, one could define where CONCEPT could be deployed. Thanks to the establishment of this typology, one could count the number of stores that belonged to each cluster and define the investments needed to roll out the new store design (chapter 8). Because the

description was available, the shop lay out could be manipulated at a distance through plans and detailed planograms established for each shop cluster (chapters 5, 7 and 8). When managers prepared to deploy CONCEPT, they could easily calculate how many stores would benefit from the idea and therefore how many shops would share the cost of development. A return on investment could be calculated at a store level, as well as at a European level (chapter 9).

In the relation to suppliers, the performance of the manufacturers and their brands could be assessed in various ways. The hit parade of the brands and suppliers was pictured in one way when performance was measured in terms of sales and margin. In this situation, the non-alcoholic beverages and Coca Cola were said to perform outstandingly. But the outlook was very different if other metrics were used to calculate ROI at the category level. When the cost of the chillers was integrated in the calculation, the ambient beverages performed better than the chilled. The general NABs performance then lagged behind the confectionary business that only required regular retail furniture (chapter 9).

As we have seen, when things are framed in a certain way, they can be manipulated and combined in an abstract way - i.e. detached from their original context. To choose a way to measure a given phenomena requires simplifications and / or approximations. To opt for one measurement technique is to translate one object within a measurable representation that is selected for its supposed relevance. In one country, the trends of the market had to be assessed through the sales of BEST stations, a metrological interpretation that was accepted as the best possible approximation to the global market (chapter 5). This metrological interpretation linked one measurable phenomenon (e.g. internal sales evolution) to a designated phenomenon (e.g. market evolution). The implementation of measurements could then become the routine

execution of a procedure. Thanks to metrological practices, an object can be assigned a particular type of inscription, a number, which can be combined with others for further calculations.

10.3.4. Extracting a result out of calculations

For Akrich & Latour (1992), the in-scription of objects through qualification and calculation generates a script, a sequence of actions that results from a *qualculation* process (Cochoy, 2008). The work of classification, as we have seen, consists in assigning cases to categories within a general classification system, an operation which is neither neutral nor inert. Categories can be associated with a set of procedures and action routines. To classify an object within an existing system locates it within a frame of reference. The subsequent calculation generates a result, which is no more than a further qualification. A rule of interpretation is needed for agents to understand what to do with this new qualification. Peircian semiotics (Peirce, 1984) calls this rule of interpretation “interpretant”. Because they use Greimasian semiotics, Callon, Latour and associate have not explored the theoretical potential of this dimension. Muniesa (2007) suggested the use of this concept within the context of market shaping, as explained in chapter 2. A decision has to be made in the flow of actions. Classification interpretations and calculations serve the monitoring of activities through the establishment of a relation that we can represent as a mathematical function: [IF $f(x) = y$], THEN “something”]. The work of qualification defines the quality of x and classification defines its relation to y . The work of calculation and in particular metrological activity creates the equation $f(x) = y$. But a further relation still needs to be established for the calculation to be complete. This is the sequence [IF X , THEN “something”]. A program of action has to follow the calculation. Our cases illustrate various types of these interpretations.

A first rule of interpretation that I call teleological interpretation defines how markets and consumers behave. The idea that BEST was becoming a retail company defined large retail organizations as strategic benchmark. In other words, the managers at BEST selected an element of the environment that they wished to interpret. This created the link to a certain kind of interpretant, a diagnostic one, that defined a series of causes and effects, which are part of the meanings system within retail. This generated, for example, the idea that category management needed to be put in place (chapter 5). If large retail organizations performed well, and if it was said that their success was attributable to category management, then BEST should adopt category management. The representation that BEST and its suppliers used to ran their business according to the rules of category management recommended the use of regular category reviews (chapter 7). It also involved the tacit agreement that business partners would share data when setting up conjoint operations (chapter 6 and 7). The shop typology was heavily affected by the pre-conception of what activity BEST was in. If it was defined as general retail, a particular type of consumer marketing was implied. For the restaurant manager, the influence of Starbucks or other fast food restaurant chains was implied by the reference to the neo-restaurant market. For the carwash manager, another set of routines was involved that immediately included the calculation of ROI of the car wash business plan (chapter 8). The idea that BEST would serve the on-the-go consumer created the option to locate shops in other places than on roadsides. But conversely, the notion that BEST should be in the energy sector would create the conviction that the company had no real interest in operating a retail network. Therefore, various strategic options could be envisaged: a partnership with grocers or restaurant chains became an obvious possibility and in the extreme, the network of petrol stations could be sold off (chapter 9). The enactment of a certain

strategic environment was combined with a certain interpretation of the competences of BEST managers and the organization as a whole. The representation of the strategic field the company was in, such as the fuel retail or the grocery business or even the energy sector, structured the interpretation of the results of previous calculations. In all these examples, calculation was never fully algorithmic; in other words, freed from interpretations. This demonstrates that the definition of a frame of reference has a political nature.

But our empirical material also illustrates a second set of interpretants at the micro level. A myriad of decisions and rules of interpretation were invoked to define what to do with the results extracted from a calculation. A cause-effect law that linked a particular performance to the drivers of that performance was frequently invoked. The rule of interpretation, a diagnostic one, is then: “This result was generated because of X, the replication of this result will be generated through the same cause”.

For example, the attribution of the success of CONCEPT to category management (chapter 5) suggested that the general implementation of category management would generate successful results. Multiple calculations were done to prove that the fast lane chiller (FLC) is the cause of a superior business performance (chapter 6). This implied that the implementation of FLC in diverse countries would generate similar results. The use of a sales simulator tried to explain that results obtained in conditions X would be replicated in different situations if these two situations have similar features (chapter 7). The creation of a typology is based on the idea that if stores have the same characteristics, they have the profile to welcome a particular concept of shop and therefore generate similar results to the prototype (chapter 8). The definition of a method to design successful assortments, a sales activation plan to ensure category

growth, the success of a sales promotion initiative with one supplier, all show that the application of the same mechanism will produce the same results (chapter 6 and 7).

Our data shows that the permanent attempt to interpret what actionable causes generate a successful result with the expectation that the replication of the actionable causes will create a future positive outcome. Category managers of BEST were like engineers, looking for the discovery of value generation equations. Through the performance of these schemes and the progressive generation of routines for action, category managers developed competences that incorporated a skilful theory of action. The rule of interpretation is the fruit of actions. It creates an implicit frame to interpret the results of calculations.

10.4. Practical judgement

Markets are shaped through modification on a STA that includes classification devices and calculations. An on-going process of qualification systematically requires a rule of interpretation for an agent to do something with the result extracted from a calculation. For Callon & Muniesa (2005:1231): "...the resulting entity has to be able to leave the calculative space and circulate elsewhere in an acceptable way (without taking with it the whole calculative apparatus)". This last aspect, "the acceptable way" has scarcely been analysed so far. Our data allows us to deepen our understanding of circulation. I will argue that practical reasoning is the mechanism that makes the circulation of calculation results acceptable.

10.4.1. Past experience

What logic was used to make category management the obvious answer to BEST's problems? In other words, how could BEST managers create the conditions to move away from the accepted common beliefs, routines or conventions, and exhort various

audiences to appreciate something that was not there yet? The qualification process is a first answer to explain how to open up new options for action. Framing operations define what is desirable by playing on the existing categories and referring to legitimate practices in one environment. But the precise selection of a particular type of frame, appealing to a particular audience, is a matter of experience. By emphasizing the importance of the shop through a particular metric, the margin of the shop, placing BEST's business on the retail plane and defining a new frame of reference within this industry, BEST senior management and Mike made category management desirable (chapter 5). It made category management the leading method in the retail sector. Framing contributes to manage change through the selection of the areas that require changing. The choice of one specific frame helped to create a cathartic effect through the qualification / disqualification that it generated.

Managing the desirability of new projects draws upon what is already accepted as true by an audience. It involves a good understanding of what a community takes for granted. The ability to anticipate what will be perceived as beneficial by a given audience is the result of past experience within one organization. The above mentioned framing could only become successful if BEST managers saw the retail industry as appealing. The reference to large retail organizations could very well have been discarded by those identifying themselves with the fuel business and the technology that lies behind it (Chapter 5).

Once it was established that the retail industry was the new frame of reference, how did managers of BEST know what practices would contribute to the success of large retailers? The recourse to professional magazines, consulting firms or training institutes provided the company with a representation of what procedures were involved in the management of a retail business (chapter 5). Our data indicates that a

mimetic behaviour led BEST managers to import category management and consequently assimilate novel patterns of activities. The wish to develop the employability of those who would manage the shop business was also a key factor. The creation of the job of category management helped enhance the attractiveness of BEST and facilitate the employment of talents from other retailers. And while doing so, experience in the form of implicit logics and professional behaviours were imported (chapter 5). Practical judgement can be initiated by the acquisition of knowledge through experienced people and through the assimilation of methods. Practical judgement contributes to make new desirable ideas more intelligible by qualifying them (e.g. those ideas are not out of reach, they are “natural” in one sector. Our data shows a second type of situation where experience proved crucial. The sense of the right moment to do things played an important role in many instances. Mike, who was fairly senior within the organization, quickly understood that the development of CONCEPT could be an opportunity to demonstrate the results that category management can achieve. He used the opportunity to push some product managers to become category managers (chapter 5). The category reviews, it was decided, should not be aligned with the seasonality of sales of one specific product category which could have been the logical schedule. Instead, it was decided to align these meetings with the marketing planning and budgeting processes (chapter 7). Similarly, the proposals of the restaurant and car wash managers were well accepted because they were temporally aligned with the corporate budgetary rhythms (chapter 8). The sequencing or “phasing” of many activities was a determining factor in making things happen. A sense of what is appropriate at a certain moment is not just a matter of calculation but the result of a competence acquired through practice within one particular organization. If one manager has developed a sense of the right moment

to do things, it is because he or she has incorporated common rules of interpretation. Interpretants necessarily introduce a temporal dimension: they create a link with the past because they crystallize the experience of past situations into idiosyncratic competences. They represent knowledge built in action that creates frames for future action. The rule of interpretation historicizes (i.e. embeds in an historical perspective) the object of governance and the inscriptions attached to it. Experience is the fruit of performances sedimented into competences.

10.4.2. Experimentation

Next to experience, experimentation practices were a way to learn how to interpret the result of calculations. Ideas can be made desirable and intelligible through abstract representations such as maps or charts in Powerpoint slides. They remain virtual so long they are not brought into the life of the audience one aims to persuade. The case of a supplier exposing its client, BEST to a business simulator shows an attempt to translate a virtual idea into an actualized representation by integrating BEST business figures into the algorithm of the simulator. But there is a point where ideas need to be put into practice. When shop concepts, involve too many parameters that cannot be calculated in an algorithmic way, a heuristic procedure has to be involved to assess the potential of the ideas. This is the case of the tests done to assess the potential of CONCEPT in many countries (chapter 5). This kind of test which is an *in vivo* test on a small scale, is different from the *in vitro* test carried out by Stef from BEVCORP (chapter 6) to prove its ability to run category management procedures. This is the idea of moving from *in vitro* to *in vivo* tests (Callon, 2009c). Testing practices suggest that a potential idea has to be put to practice through experimentation, either through the use of small scale projects in a “micro real world”, or even through the observation

of one country, a large scale experimentation in a “macro real world”, served as a test measure for the deployment of one initiative in another country.

Experimentation, in our case, was a matter of controlling the conditions of success to check whether the desirable ideas would deliver what they promised. However, experimentation can allow one to calculate and judge a variety of situations. The CONCEPT prototype was meant to check what category managers could do for the business inasmuch as it allowed them to validate the attractiveness of the shop design for consumers *in situ* (chapter 5). Suppliers presented their plans to boost categories with the use of Powerpoint slides or even, simulation devices.

However, their proposed initiatives would only be deployed if a test in one real store would prove that the idea could deliver positive results in a shop environment. In the example of the FLC initiative (chapter 6), experimentation was a small scale practice that combined sophisticated calculative devices designed to measure precisely the effect of a chiller on sales together with practical considerations such as ease of implementation. To consider the work involved in installing power and water to supply a chiller in front of a check out desk, right in the middle of the Summer holiday season (chapter 6) is a matter of practical reasoning. And the results of these tests will be integrated into curves, graphs and tables to further argue the validity of the marketing plans (chapter 6 and 7) which is a further calculation.

Experimentation is a way to materialise the ideas that have been made desirable and intelligible through various representations. It is also a way to resort to practical reasoning in addition to calculation and finally, it is a way to collect data that will fuel further calculations. What is reasonable goes beyond calculations. This practical reasoning is developed through the implementation of tests in real situation that eventually feed further calculations.

What counts as a laboratory can thus take different shapes. Small scale testing in one store serves to decide if an initiative can be deployed in one country (e.g. FLC). But this country can serve as a large scale testing field before deploying one initiative to another country (e.g. category managers). Our data shows that the conditions of generalization are permanently being reassessed. Unless test results prove positive, the desired ideas made intelligible through representations collapse.

10.4.3. Equilibration

Marketing is involved in a continuous attempt to reshape existing STAs but it relies on institutionalizing forms of *qualculation* (Araujo, 2007). If the work of marketing is to reshuffle existing arrangements, this does not mean that everything happens at the same time. There is a limit to the flexibility of networks described by Latour (1995) as being never stabilized and in constant renegotiation. Islands of stability are needed in a larger ocean of instability. This is achieved through a process of assimilation where objects first remain unchanged, and of accommodation where both the objects and the STA mutually modify themselves, an idea that Piaget (1985) calls equilibration. Drawing on these two notions, Pickering (1995) calls this process “interactive stabilization”.

In our empirical material, the assimilation of one idea or concept would never have been achieved without the compromises that resulted from accommodation tactics. New facts could possibly resist the assimilation when local theories of action were unable to assimilate these new practices. These local theories needed to be adapted. When exposed to category management in the CONCEPT project, product managers were not at ease with the method proposed to them: it involved physical and cognitive constraints such as the ability to sit at a desk for a full day, the absence of elements that made particular arrangement inoperable such as specific data, clean databases,

panels or even a clearly defined positioning statement (chapter 5). Some suppliers found it difficult to analyze a category's rather than a brand's performance (chapter 7). In both cases, practitioners changed their ways of doing business, but the processes of category management were adapted to the situation.

To ensure the relevance of their actions, managers have to change things but, to ensure the feasibility of their projects, they needed continuity for areas of stability help consolidation. The following tables show that change does not occur with everything changing at the same time. They highlight the aspects that I have analysed and that had progressively been put together. The introduction of category management is enacted through the appointment of managers in charge of categories. The action on specific product categories led to a change in performance indicators, that once stabilized, led to a new representation of performance and hence product and suppliers selection, which in turn questioned the shops' typology. Figure 10.4.1 illustrates the progressive modifications that occurred in the STA before the implementation of category management that prepared the acceptance of its implementation.

Market definition	Fuel stations	Fuel stations with diversification
Procedures to manage markets	Marketing - product management	Marketing - product management
Market practitioner	Product manager	Product manager
Localization of market management	Regional office	Regional office
Purpose: object of governance	Fuel	Fuel + non fuel
Localization of negotiations with suppliers	At store level	At store + regional level
Suppliers qualification	Local vs international supplier	Local vs international supplier
Products: core offer	Fuel + Car items	+ confectionary
Market place: Network clustered by ...	Fuel volume - Type of locations	Fuel volume - Type of locations
Key Performance Indicator	Fuel volume	Fuel volume + total margin

Figure 10.4.1: Market definition before the implementation of category management

Figure 10.4.2 shows the progressive emergence of category management. It starts with procedures that are enacted with the product categories the suppliers qualification, the network typology with varying clusters, and even the KPI.

Market definition	Stations for travelers	Stations with a grocery store	Stations for on-the-go consumers
Procedures to manage markets	Product mgt + category mgt	Category management	Category management
Market practitioner	Product manager	Cat Mgr	Cat Mgr Junior + Cat Mgr Senior
Localization of market management	Regional office	Region + country Headquarter + MD	MD + country headquarter
Purpose: object of governance	Fuel + Shop	Fuel + Shop	Fuel + Car wash + Restaurants + Shop
Localization of negotiations with suppliers	Store + Region level	National headquarter	National + European headquarter
Suppliers qualification	Local vs international supplier	Category captain + others	Category captain + others
Products: core offer	+ coffee and cold beverages	+ Grocery offer	+ large offer targeting specific needs
Market place: Network clustered by ...	Fuel volume - Type of locations	Fuel volume - Type of locations	Consumer needs clusters
Key Performance Indicator	Fuel versus Shop sales and margin	Fuel versus Shop sales and margin	Upfront margin + overrides + ROI

Figure 10.4.2: Market definition after the introduction of category management

Our cases highlight the fact that the rules of interpretation are progressively integrated by agents through the monitoring of their activities and their interactive stabilization. An equilibration means finding a balance between continuity and change. No idea or concept was ever deployed without this idea or concept remaining unchanged. The translation processes described by Latour (1986) are thus a physical displacement, as suggested with the location of the category managers or the negotiations with suppliers. But translation also refers to the idea of transformation (e.g. adaptation of the activities to be managed, of the products to be exchanged, of the profile of the market managers, of the KPIs).

The attempt to implement a balance scorecard shows the wish to reach a uniform implementation of category management (chapter 9). It is, in other words, an attempt to create an algorithmic world, a world in which univocal and precise procedures exist to solve optimally well-known problems. Similarly the wish to accelerate the

implementation of projects, such as the case of CONCEPT II (chapter 9) shows an attempt to shorten the time horizon, and therefore avoid ideas and concepts to be too strongly translated - i.e. transformed. As our data shows, total standardization is never reached. Many situations still require heuristics, that is to say, investigation and exploration methods to discover the solutions to unsolved problems.

However, through the implementation of a method that interactively gets stabilized, managers progressively get disciplined (Foucault, 1977) - they are conditioned to think within methodological frames. The deployment of the category managers' job within BEST shows a continuous movement rather than a process staged by key events.

10.5. Conclusions

In this chapter, I have attempted to show how the five cases presented in the empirical part of the thesis are closely interwoven. The modelling of the diverse facets that constitute the fuel station market has progressively shaped the on-the-go-market, which forms a larger unit of analysis than the fuel retail market. Multiple associations were needed to create the socio-technical *agencements* that glued this market together. Our data has also shown how adjacent markets were affected by these changes too. The emergence of a new job type at BEST linked the company to the job market of category managers and provided novel paths of career development for these managers. The idea of an on-the-go consumer penetrated the conversations between BEST with suppliers and invaded business presentations, turning into a taken-for-granted conceptual category to the point that this market will be measured and placed within more stable and collective calculative procedures. The emergence of this new

term also contributed to the creation of specific consumer panels with consequences for the market research services market.

In all the cases, a method played a central role in holding things together and creating the foundation to articulate a large range of practices. Category management created the matrix on which a new set of practices could emerge. It helped improve business relationships between BEST and its suppliers and a retailer version of category management, as experienced and practiced at BEST, might provide a useful template for management consultancies.

Our cases also suggest that many obstacles had to be overcome in order to implement category management. Category management cannot work until panel data is made available, data analysis procedures are appropriate and everyday routines have been changed (chapter 5). The building of a typology is dependent on a theory of marketing management, on the definition of essential activities (e.g. fuel, restaurant or grocery activities), and the physical description of stores (chapter 8). Classification devices perform valuable work when they are embedded in routines and material devices such as information systems. A dashboard featuring key performance indicators cannot work unless product nomenclature are stabilized, the coding of products is standardized and restricted to specialist managers (chapter 5), unless they are embedded into a method (category management) that will assist the interpretation of the figures. This method played a central role in creating the foundation to articulate a wide range of practices. It holds together a community of market practitioners, including category managers at BEST, suppliers, market research institutes and so on. In the second section, I explored the idea that markets are shaped and performed by multiple calculative agencies. For this purpose, I have examined how forms of calculation emerge using the three stage process made of framing, disentanglement

and the extraction of a result. The emergence of the “on-the-go market” described in the first section of this chapter, is the result of multiple distributed calculations that do not form a coherent centre of calculation but still perform aspects of this market: the number of category managers with the product categories that they will have to manage, the relationship to suppliers and the ways marketing programs are proposed, the market segments and the allocation of products to the classes, the number of shop types and the clusters in which a shop concept would be deployed, the definition of performance with its impact on the hit parade of suppliers, brands and products.

This data, I argue, shows that the work of qualifying the goods is at the heart of market processes (Callon et al 2002) but the goods are not the only elements that are subject to these multiple and on-going qualifications. For exchanges to happen, all aspects of the STA that partake in the construction of a market are likely to need requalification too. The monitoring of markets is a distributed collective endeavour. To monitor a market is not the work of an omniscient actor who controls the action of multiple actors in a deterministic way.

The market constituents were seen as objects that can be in-formed through a denomination resulting into a nominal qualification / disqualification since words involved are both denotative and connotative. Classification systems, which were omnipresent, served to further qualify these objects within an ordinal system that allows comparison. Because they belong to the same conceptual category, objects can be counted and receive another qualification through the assignment of a number. As they get epitomized, objects gain cardinal properties, that is to say a level of abstraction where they can be combined with other objects, very different in nature, on a scale of similarity. As I have argued, calculation is always a matter of qualification. Beyond the idea of qualification (Cochoy, 2008), the assignment of

numbers to things through equations is still another way to qualify things, for equations, as the etymological sense of the word suggests, are meant to create equivalence.

Even the most abstract equations generate numbers that require an interpretation when it comes to drawing out implications for action. Once a calculation has been achieved a rule of interpretation is needed to extract an actionable result. As we have seen, such rules of interpretation create a frame of reference that makes further actions necessary. It makes them appear natural. Commensurability (Espeland and Stevens, 1998) is a process of successive interpretation that Latour (1989) describes as an interⁿpretation (inter [power n] pretation). The rule of interpretation necessarily involves a practical judgment (phronesis). The interpretation of a performance involves and invokes a competence.

Calculative practices are connected to rules of interpretation that involve practical reasoning. Based on our empirical data, the development of this practical sense results from experience, experimentation and equilibration. The performance of an idea was achieved through some work to make this idea both desirable and intelligible. To move away from an existing state of affairs involved the selection of acceptable frames that will generate a cathartic effect. Recourse to experience was needed for this purpose. Experience incorporates within BEST tacit rules of interpretations through the mimetic behaviours acquired with consulting firms and the employment of outsiders. But the confrontation with the material world, either on a small or large scale, was required as a way to assess the potential of ideas -. i.e. as a way to practise these ideas in order to build a representation of how it works. Experimentation, in particular, was seen as a heuristic to investigate and explore novel situations where algorithmic procedures fell short. This confrontation enriched the data that would be

involved in further calculation as well as the practical sense of managers. Through experimentation, or the organised set-up of tests, a sense of what to think and to do with specific results of calculation is acquired. Finally, because managers also learn from changes, practical reasoning is developed through interactive stabilization. Through a process of assimilation and accommodation, both the assimilated object as well as the cognitive structures of evaluation are mutually modified, allowing for the acquisition of a practical sense which is ultimately, a specific competence. Performance and competence are thus inseparable.

After this review of the key ideas emerging from the analysis of our empirical chapters, we now turn our attention to relating these outcomes to the theoretical issues raised in chapter 1. In the conclusion chapter, we will confront these outcomes with the research questions that emerged from the literature review. We will try to answer these questions as well as assess the contributions and limitations of our research.

Chapter 11. Conclusions

11.1. Introduction

The previous chapter and the case analysis sought to develop a richer understanding of market practices and in particular, calculative practices. In this final chapter, I begin by revisiting the conceptual framework and the original research question set out in chapter 2. I then provide a synthesis of the study's main findings and contributions. Finally, I highlight some limitations of this research and outline possible directions for further research.

11.2. Conceptual framework and research questions: a reminder

This research seeks to understand how markets are performed. To try to understand this issue, I have proposed in chapter 2 a practice-based approach to markets. Using a performative rather than a representative idiom, market practices can be defined as the bundle of practices, including arrangements that contribute to the performance or the making of markets (Araujo, 2007; Araujo, Kjellberg and Spencer, 2008). In an attempt to build a conceptual vocabulary and to understand the notion of performativity in economic life, the literature review led us through Foucauldian studies of governmentality, the sociology of translation and the theory of socio-technical *agencements*, three research strands that approach the governance of economic life from a practice perspective. We are familiar with the importance of technologies of government and calculative practices in modern bureaucracies. In particular, putting

the sociology of translation to work on the economy and economics, the work of Callon (1998) has obvious parallels with the work of scholars interested in the accounting as a practice (notably Peter Miller), but also researchers interested in categorization and classification systems (Bowker and Star, 1999). All of these perspectives discard the idea that agents are calculative by nature, and instead propose to see the shaping of calculative agents as a practical accomplishment. Markets can be seen as socio-technical *agencement* that contribute to shaping goods, the configuration of sellers and buyers and their encounters through on-going qualification processes (Callon & Muniesa, 2005). Valuation processes or scalar judgements (Guyer, 2004) and the concept of *qualculation* (Cochoy, 2002; Cochoy, 2008) are notions that broaden the idea of calculation beyond the assumptions of economics.

The analytical framework had two main purposes. First, it was used as a conceptual basis for interpreting mundane markets and their calculative practices. Secondly, it aimed at expanding our understanding of markets and calculative practices by posing the following question:

“What particular calculative practices are at play in implementing the assemblages of ideas, artefacts, practices, people - in other words, the socio-technical *agencements* (STAs) - that form and shape mundane markets?”

To address this broad question, I broke down the above question into three more precise questions:

- What STAs are put in place to perform mundane markets?
- What calculative practices are involved and how do they alter the capacities of agents, organizations and the connections among them?
- How do actors articulate the result of calculation with the actions that have to be put in place to shape mundane markets?

Having outlined what I consider to be the fundamental features of the analytical framework, I will now focus on the key ideas that emerge from the analysis of the cases to provide answers to the research questions.

11.3. Towards a framework of calculation

This section is structured around the three research questions formulated above and focuses on the answers that emerge from the data analysis.

11.3.1. Research question 1: What STAs are put in place to perform mundane market?

The conceptual vocabulary of the theoretical framework proved highly relevant to analyse the empirical data. The idea that markets are made up of STAs was described in detail in chapter 10. Our data has shown how a market, initially called the fuel station market progressively evolved towards a different version, called the on-the-go market by the market professionals at BEST. The configuration of buyers and sellers changed through the progressive transformation of product managers into category managers, and of suppliers that were ranked and turned into preferred suppliers through the use of category management. The assortment of the goods on display in the shops evolved step by step towards a wide range of commodities, grocery items, restaurant offers, and even Internet facilities, whereas it was limited to beverages and confectionery at the beginning of our research. In the relations between BEST and its suppliers, the goods exchanged, which were simply seen as products at the start, became complex combinations of products and sales conditions, and became regarded as vectors to collect and capture margins of different kinds. The meeting place between consumers and BEST, together with its suppliers, evolved radically as

CONCEPT was deployed and a new typology of stores was established. Eventually, the idea of what was performing well changed drastically with the evolving role of the shop within the BEST organization. I argue that the cases presented in the empirical chapters and analysed in chapter 10 highlight the dynamic of market shaping through the mutually interactive shaping of the market constituents defined by Callon & Muniesa (2005).

Furthermore, our research shows a very comprehensive set of elements that needed to be aligned for the on-the-go market to perform. A first phase of this market's evolution was achieved through the mutual influence of metrics (e.g. the importance of non-fuel sales in the margin of a station), the reference to a novel market logic (e.g. food retail), a managerial method (e.g. category management) that superseded the existing managerial division of labour (e.g. non-fuel managers), and material entities (e.g. shops and the products on display).

The market of fuel stations was further shaped through multiple associations between a particular type of job (e.g. category manager), product categories (e.g. NABs), available data sets (e.g. panels) and metrics (e.g. margin and sales at the category level). It was then shaped through an *agencement* made up of a classification system (e.g. the Hay's job grading system), job descriptions (e.g. seniority of the category manager), representations (e.g. typology of stores, planograms), physical entities (e.g. the standardization of shops, concept prototypes), organizational forms (e.g. projects) and strategies (e.g. alliance options). The gradual reconfiguration of fuel stations was further achieved through the alignment of a managerial method (e.g. category management), with an organisational and geographical shift (e.g. location of the category managers in terms of both organisational charts and sites), with procedures (e.g. category management, qualification of marketing programs), organizational

forms (e.g. project), actors (e.g. suppliers), physical displays (e.g. shops) and temporal schedules (e.g. category reviews, budgeting processes). The alignment of numerous heterogeneous elements was needed to glue together shop types, managerial profiles, performance indicators, type of activities as well as a new version of the consumer that no longer needed to be driving a car to interest BEST's managers.

I argue that a “fuzzy” method, category management, worked as a matrix to coordinate all these heterogeneous elements. In the fuzzy set theory, the definition or the function of a word in a syntax is not necessarily well defined, as in a formal grammar. One word can be “x” and a little bit of “non-x”. This characteristic of fuzziness generates imaginative and equivocal interpretations of one word. It does not allow univocal interpretations. Category management was initially designed as a procedure to guide managers in the monitoring of markets. It was meant to be univocal, a kind of a formal managerial grammar. In fact, category management proved to be much more than a set of univocal procedures. It worked like the mathematical concept of “fuzzy set” (Zadeh, 1965; Bellman and Zadeh, 1970; Zadeh, 1975). It accepts that classes of objects have a relative imprecision and therefore allows a margin of interpretation. For example, the method recommends one procedure to analyse the markets, but accommodates with alternative procedures. Because of this characteristic, it helps glue a very large number of heterogeneous elements.

11.3.2. Research question 2: What calculative practices are involved and how do they alter the capacities of agents, organizations and the connections among them?

Callon & Muniesa (2005) described calculation as a three step process made of framing, disentanglement and performance. In order to highlight the tension between

qualification and quantification, Cochoy (2008) coined the neologism *qualculation*. Guyer (2004) approaching the subject from a different angle, suggested that valuation processes are made of scalar judgments through the combinations of nominal, ordinal and numerical scales. All these three approaches have attempted to go beyond opposing calculation to judgement. They have all made an attempt to show the complementarities and mutual dependence between calculation and judgment. Whereas Cochoy stresses the tension between trials of quality and quantification, Guyer's concept of scalar judgement stresses that after all, valuation is a matter of bridging different types of scales.

Using the three step process proposed by Callon & Muniesa (2005), but complementing it with the approach used by Muniesa (2007) based on Peirce (1984), I will argue that no calculation can be performed without a degree of interpretation. Because the words "calculation" and "judgement" have strong connotations and a long history, I propose to keep the expression "valuation" to encompass both: (1) the metrological practices including calculations made when using nominal, ordinal and ratio variables; and, (2) the judgement that I specify as a practical judgement to clarify that the kind of judgement that I refer to is in relation to a set of practices, as defined in chapter 2.

11.3.2.1. Framing: qualifying

Qualification processes through the use of categorizations and denominations were much in evidence in our study. A very rich set of denominations could be observed to define what counts in the discussions. All market constituents went through this process. The work involved in naming beverages illustrates this dimension at the goods level. At the level of the seller / buyer configuration, product managers were turned into category managers, suppliers were qualified as preferred suppliers and

their encounters were framed by yearly negotiations and category reviews. Petrol stations were broken down into two distinct entities with the shop emerging as an entity deserving considerable managerial attention. Consumers who were fuel buyers became consumers on-the-go and so on.

I argue that one aspect revealed by our data has not been addressed by the literature. Qualifiers such as denominations have both a *denotative* and *connotative dimensions*. Non-fuel managers feel better when appointed category managers. Even if a disqualification remains theoretically a qualification, the connotative aspect of denomination is an important dimension that allows for some ambiguity which plays a creative and constructive role. Similar to the tropes described by Guyer (2004), the connotative dimension is an aspect of qualification that allows the bridging of different valuation system. The selection of one particular term to qualify an object has a rhetorical role but the interpretation of the audience is inevitable. The framing operation that consist in assigning a denomination to an object does not generate a univocal set of routines.

11.3.2.2. *Disentanglement: classifications*

Bowker & Star (1999) have showed the pervasive role of categorization and classification devices in everyday life. Their omnipresence in markets was much in evidence in the analysis of the cases, revealing how they tend to become naturalized and invisible. A job grading system, a product nomenclature, a store typology, a product-market segmentation, a hit parade of suppliers or products, a balanced scorecard to follow the implementation of category management are just a few of the many classification devices that crossed our path. The allocation of an object to a class through the use of a classification device creates a feeling of order, hence the term ordinal variable.

Based on the empirical study, I argue that classification systems have different status. Some classification systems travel through organizations and markets virtually unchanged, as the immutable mobiles of Latour (1987). This is the case of the well-institutionalised Hay job grading system. Other classification devices are much more idiosyncratic, such as a typology of stores. Once classification systems such as a market's segmentation are enacted, for example, through panel data or embodied in information systems, they become crystallized which gives them a degree of endurance. As they become more institutionalized, these systems discipline the mind of managers who can hardly escape their structuration effects.

11.3.2.3. Disentanglement: Combining the elements

The power of numbers (Latour, 1987; Vollmer, Mennicken and Preda, 2009; Callon, 2009c) through the combination of elements made equivalent with a variety of formulae was much in evidence in all our cases. The calculation of the number of category managers, planograms, the potential success of a promotional initiative, the number of stores where CONCEPT could be deployed, and returns on investment are examples of calculations we encountered. In the process to make entities economic, calculations occurred for a variety of purposes other than to establish prices.

However, as we argued in the analysis chapter, quantification is still a qualification but with different properties. The idea of a scalar judgement presented by Guyer (2004) is in that respect more fruitful, as it highlights more systematically the various types of qualifiers, and their mathematical properties. A qualification or a quantification are specific kind of inscriptions that work as signs that in-form (in the etymological sense of “put in form”) and inter[ⁿ]prete (an expression coined to stress the cascade of interpretation by Star and Griesemer (1989), or translations (Latour, 2005)) the objects under analysis.

With the help of the work done on the morphology of instruments (Berry, 1983), I argue that a further type of property was observed in our data. I propose to call *indexicality* of a qualifier the ability of one phenomenon to stand for another. For example, the internal sales of BEST were selected to represent the evolution of the market (chapter 4). Through a particular trope, a synecdoche, an indexical property was given to a category. This is a nice illustration of the epitomes discussed in chapter 2. A similar process was observed at the level of the indicators: a shop margin replaced the fuel volume sales to indicate the performance of the network. Finally, the selection of the benchmark against which one instantiation of a calculation will be compared to, is a last example of the indexical property of indicators. The expression “*metrological practices*”, I suggest, should cover these three layers of activities that consist of defining what should be measured to represent a certain phenomena, the selection of the indicator as well as the principles assigned to interpret one particular instantiation.

11.3.2.4. Performance: Extracting a result

The research carried out by Callon and associates on calculation says surprisingly little about the extraction of results. It appears as if the framing operation described at the first stage of the calculation process proposed by Callon and Muniesa (2005), will automatically lead to a set of routines out of an extracted result.

I argue that the semiotics of Peirce used by Muniesa (2007) to discuss a particular type of inscription, a stock price, is valuable to help us understand the interpretation of all kind of numbers. The benefit of this approach, as argued in chapter 2, is to place emphasis on rules of interpretation. An object seen through a certain angle and qualified through a sign that can be a metrological inscription, can only be interpreted with a rule of interpretation (also called interpretant). The use of this triadic approach

led us to observe in our data three types of interpretant that managers enrol when extracting the result of a calculation. This dimension brings us to our third research question.

11.3.3. Research question 3: How do actors articulate the result of calculation with the actions that have to be put in place in their efforts to shape mundane markets?

Peirce (1984) explained that the interpretant is the general law, accepted within a population, that gives sense to the sign attached to an object. In Callon's terms, it seems that the interpretant resembles scientific laws because objects have been properly framed before they are extracted from their context and involved in an equation. Objects, at the stage of extracting a result, are no longer ambiguous. The interpretant is then defined in a quasi deterministic way.

Our data shows that up until the extraction of a result, an interpretation is needed to define the kind of action to be put in place. I argue that three kinds of interpretant can be identified.

The first one, our data shows, is *experience*. Experience is the capitalised set of learning's that result from past practices, routines and conventions. When shop managers see a particular type of result from a test, they have in mind the frame that gives the background to interpret the results as good, fair or mediocre. They either have accumulated experience themselves which may lead to the creation of a routine, they may also resort to conventions, or lastly, they may call upon the experience of others through mimetic behaviours (Scott, 2001).

Experimentation was the second type of practices that I could identify from my empirical data. Callon (2009a) has recently stressed the role of *in vitro* and *in vivo*

tests, following the pragmatic philosopher, John Dewey (1916). These tests were easily identifiable in the development of CONCEPT (chapter 5) or in the Fast Lane Chiller experiment (chapter 7).

I argue that an additional dimension needs to be considered. Experimentation can be done on a small scale. This is what is done when a display is placed in one store before it is deployed to the rest of the shop network. But it can also be done on a large scale. This is what was done when the reporting system designed by Steven and tested in Groveland (chapter 7) was proposed to be deployed in a further country. These two examples show how individuals permanently seek situations out of which they can draw inferences. What counts as a laboratory is very diverse as Latour (1979) and Miller and O’Leary (1994) amongst others, have shown. I suggest that experimentation processes should be seen as fractal phenomena. The more one zooms into a phenomena, the more one has to control parameters to really understand what works well or doesn’t. The more one zooms out, the more one can see that the countries are different and therefore that the so called “best practices” have little value. Therefore, test situations are epitomes and their design are obviously one important aspect of the metrological practices discussed above.

Lastly *equilibration* was the third type of practice put in place to interpret the results of a calculation. This idea that I borrow from Piaget (1975, 1977a, 1977b)s, also called interactive stabilization by Pickering (1992), suggests that cognitive processes result from a double movement of assimilation and accommodation. Because of the frequent interaction with the world, concepts are progressively integrated to serve as a base to interpret the word. Piaget persuasively argued that this process works for elementary cognitive operations. I propose that that this principle remains valid when

managers perform calculations. In this sense, the world becomes a site for experimentation. Any action or routine becomes a test situation that is involved in the actualization of the interpretant.

In addition, our data shows that various spheres of calculation can be observed, defined by the type of situation where a valuation is requested. Two types of such situations are illustrated by our empirical data. First, *algorithmic situations* are defined by a univocal set of procedures to solve well-known problems. In our cases, these situations occurred when one actor tried to exploit the *status quo*, and sought to stabilize and maintain it. For example, leading suppliers tried to keep segmentation schemes stable through resorting to procedures that were declared or accepted as taken for granted, say “If my market share is 30%, I deserve 30% of the shelf space”. This rule is well-integrated in merchandising software. In algorithmic situations, it seems, the result of a calculation can be largely interpreted with routines, conventions or habits.

Heuristic situations occur when an investigation is needed to explore unsolved problems or address ill-structured, problematic situations. On these occasions, experimentation is needed to make sense of the world. This kind of situation was observed in the case of innovative proposals or surprising results. The idea to set up service stations without fuel and extend them to all forms of transport hubs is an example of a heuristic situation. The discovery that fuel stations were visited by consumers who did not buy fuel was such a striking finding that the company had to envisage profound adjustments to the way it conducted its business, as I have shown earlier.

To test novel propositions and experiment these new situations, managers involved devices that aimed at changing or reinforcing existing orders. I described these practices using names inspired by an ancient Aristotelian classification about how to design futures and the science of “what if” (Ravetz, 1997). In their efforts to mobilize their audiences, the category managers, or the suppliers used tools in order to bring about a truly novel idea that had no connections with existing practices. For example, one of the beverage suppliers (chapter 5) suggested a map of consumer needs that sounded alien to category managers. I propose to call these practices “*virtualisation practices*”. They used other devices to locate new ideas into the actual world of their audiences, using existing algorithms. This is the case of another beverage supplier, using a simulator (chapter 5). I suggest calling this type of practices “*actualisation practices*”. They also have proposed to run an *in vitro* test or a small scale test called a “pilot”. I propose calling “*potentialisation practices*”, the movement that consist on implementing an initiative in a micro world to learn from it before considering scaling up the experiment. I suggest calling this “*realisation practices*”.

These practices are meant to get audiences to imagine new possible worlds or to enhance the intelligibility of a proposition through the use of causal or teleological explanations. They help escape from taken for granted situations or conversely to articulate an imaginative proposal with the existing state of affairs.

Given: (1) the theoretical framework presented and discussed in chapter 2; and, (2) the new theoretical insights grounded on data analysed in chapter 10 and formalized to answer the research questions in this chapter, I can now present an enriched framework for valuation processes (figure 11.3.1). The framework does not simply juxtapose elements culled from different theories. It must be understood as an

interpretation of the empirical data taken from the cases that I extracted from my study of BEST. This means that the framework should not be seen as a ‘finished product’. It must be considered as a work-in-progress inasmuch as it is a first step that may hopefully inspire further research, as I will argue in the last section of this chapter.

With the help of this framework, I can now provide a general answer to the initial question “What particular calculative practices are at play in making operable the assemblages of ideas, artefacts, practices, people - in other words, the socio-technical *agencements* (STAs) - that form and shape mundane markets?”

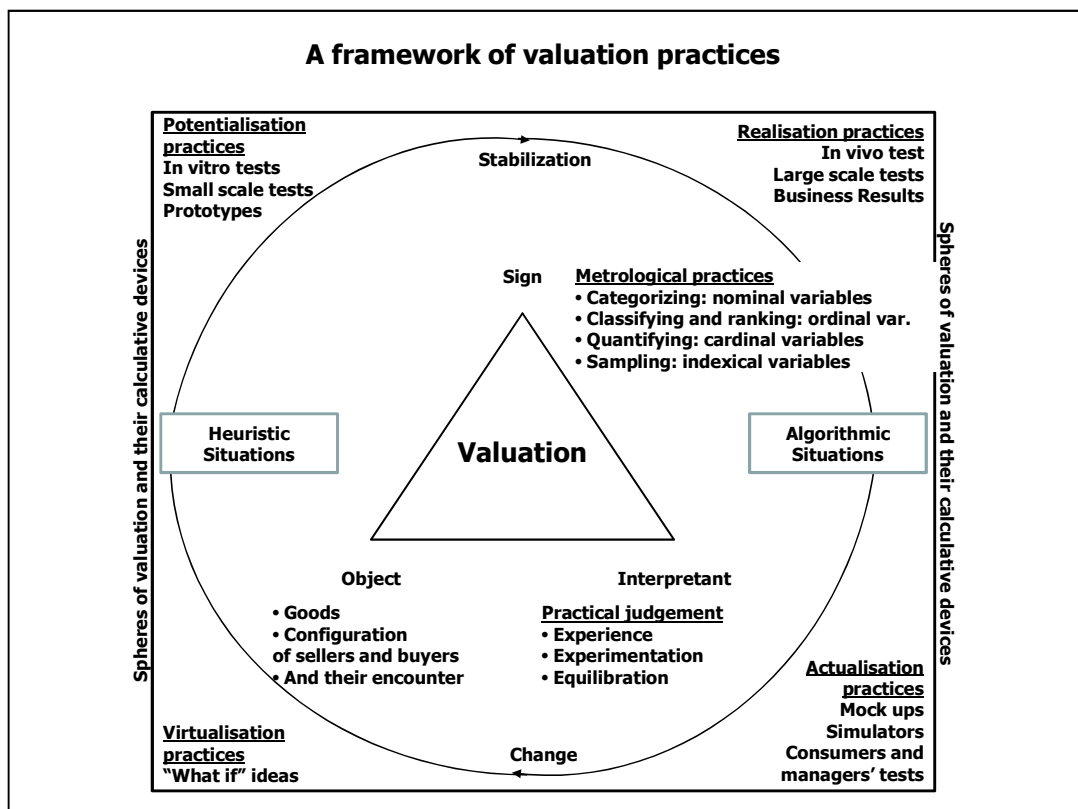


Figure 11.3.1: A framework of valuation processes

Market practices involve valuation processes that shape objects, the various market actants in our case, including, goods, the configuration of seller and buyer agencies, their encounter, and the socio- technical *agencements* that go with them.

Valuation involves various operations to interpret and assign an inscription to the object. Sampling with indexical variables helps to define what will be measured to represent a certain object in a fair way. The work of categorization with nominal variables and classification with ordinal variables qualifies the object before quantification with cardinal variables, moves the qualification to a higher degree. I propose to use the expression “metrological practices” to define this broad set of practices. Metrological practices are involved in the management of heuristic and algorithmic situations. As heuristic situations become routinized, a stabilization occurs. As novel, unknown or complex situations appear, heuristics cannot be used anymore and change is required. To interpret the inscriptions made of the variables described above, practical judgment is involved and different kinds of interpretants are required that invite recourse to experience, experimentation and equilibration as key practices. With the intention to stabilize or induce change, actualization, realization, potentialisation and virtualisation practices are involved. Devices as diverse as “what if ideas”, mock ups, simulation tools, consumer and managers’ tests, *in vitro* and small scale tests, *in vivo* and large scale tests, serve these practices.

11.4. Contributions

This section focuses on what I believe to be the most relevant contributions of my research. I argue that this thesis provides various contributions to theories involved in answering the key research questions as well as speaking to practitioners. The

theoretical contributions of the thesis engage with three research streams: market studies, the anthropology of markets and the social studies of accounting.

11.4.1. Contributions to market studies

This work originated within the Market Study Group, a collective of researchers interested in the renewal of marketing in terms of focusing on markets rather than marketing (Araujo, 2007) as well as framing the object of study through a practice based approach (Araujo et al, 2008). The thesis contributes to this strand of research by providing a rich empirical case that explores ways of shaping markets through the detailed study of the socio-technical *agencements* that partake in the formation of a mundane market. It provides first of all, a contribution to our understanding of what managers do when they claim to manage in markets. Empirical studies that document marketing practices such as building an assortment or creating a store typology, are very scarce. The ethnography of marketing practices that underpins this thesis is an important contribution to the literature as it documents the emergence and practices of category managers in a retail organisation.

More specifically, the ethnography digs deep into the calculative practices in markets building on the market practices model proposed by Kjellberg and Helgesson (2007). Calculative practices cut through and constitute an important substratum to the representation, normative and exchange practices in Kjellberg and Helgesson's (2007) model. Finally, this thesis makes a contribution to the discussion opened up by Kjellberg and Andersson (2005) on stability and change in markets. The idea of realisation / de-realisation is addressed by the four kinds of practices proposed in our framework: realisation, actualisation, potentialisation and virtualisation practices.

11.4.2. Contributions to an anthropology of markets

The thesis also makes a contributions to current studies of socio technical arrangements (Callon and Muniesa; 2005, Guyer, 2004) by showing how a wide variety of elements contribute to shape and hold together markets. It has advanced some of these discussions by highlighting how a managerial method, category management, can help glue these heterogeneous elements together. In addition, the empirical study has highlighted a key characteristic of this managerial method. “Fuzzy” methods could be discarded as vague in their prescriptions and performative power, but our study has identified how this fuzziness is enabling rather than constraining, by making room for the coordination of a large number of heterogeneous elements.

Callon (2004) and Callon and Muniesa (2005) have proposed three stages involved in calculation: framing, disentanglement and the extraction of a result. This study confirmed empirically the usefulness of this broader framework to understand calculation. Our result enrich this debate by highlighting the fact that words that define categories always have a connotative dimension which creates room for interpretation. It stresses the role of indexicality, how one object can be made to stand for another. This idea moves us closer to the conversation started by Guyer (2004) on the role of tropes and allows us to broaden the scope of metrological practices. Our example of the internal sales of BEST which are accepted to represent the market as a whole is in fact a synecdoche, one particular trope identified by the ancient rhetoric of the Greeks.

Our study has also shown the potential of the triadic semiotic of Peirce (1984), as suggested by Muniesa (2007). We showed that numbers work as signs or inscriptions that qualify an object under valuation. However, these inscriptions require a rule of

interpretation, that is to say a repertoire of mode of action. Our research has proposed three types of interpretants: experience, experimentation and equilibration.

To take part in the discussion initiated by Callon (2009a) about *in vitro* and *in vivo* experiments, our data illustrates a variety of devices that help build representations and explore both algorithmic and heuristic situations through realisation, potentialisation, actualisation and virtualisation practices. Whereas Barrey et al (2000) have studied the articulation between the worlds of packaging, the shop and the marketers on the shop floor, our study has broadened this scope by looking at more upstream operations where a retailer defines the role its organization wants to define for the shops or where suppliers and the focal retailer define what products should be available in stores.

11.4.3. Contributions to social studies of accounting

In the recent past, Vollmer et al (2009) have argued for the need to explore synergies between the sociology of socio-technical *agencements* and social studies of accounting, in the tracking of numbers and in the study of calculativeness. Using an expression borrowed from Foucault, this study contributes to an archaeology of the concept of performativity in management. It links different bodies of literature that use the concept of performativity. It documents and studies calculative practices in an inter-organization setting which allows the fleshing out concepts that had so far been used in disparate settings and in a fragmented manner. This thesis provides insights into the kind of numbers and the calculative devices involved in the shaping of mundane markets. It stresses in particular, the morphology of indicators and epitomes in calculative practices (Berry, 1983; Moisdon, 1997) and suggests two kind of frames: one that defines the quality of things so that they can be calculated, and the

frames of interpretation that result from a practical judgement and that are a necessary dimension of calculativeness.

11.4.4. Practical contributions

It is a tradition to present managerial contributions when a research is located in the field of management and marketing. This is a practice that has been naturalised and that certainly would deserve a de-scription (Akrich, Callon and Latour, 2006) . But this thesis is particular in that it directly addresses managerial practices. In short, the practitioner should also be kept in mind.

One practical contribution of this kind of research is to highlight the performative and thus political dimension of instruments and the categories that they help to enact. Through the type of methodology that we have used, through the denaturalisation of categories and indicators, the thesis should alert managers that descriptions are never neutral even if they present the stigma of objectivity. As Latour (2005) aptly put it, facts are made. For instance, the metrological practices that we have detailed indicate where practitioners can potentially act to maintain or change representations about markets. Marketers can work on denominations (e.g. re-defining what sugar is), create all sorts of scales (e.g. a sugar content scale), reinforce norms that work as epitomes of the bad (e.g. as much sugar as in a can of Coke) or epitomes of good (e.g. water is the healthiest beverage). They can also work on categorisation, a key strategic asset as our study has tried to show. Once a segmentation scheme is installed and embodied in information systems (e.g. panels, bar codes or merchandising plans), it becomes very difficult to change and appears as natural, thus crystallising the representation that favours one or another player. Conversely, our study has also shown that competition occurs through re-opening existing categorization systems (e.g. the role of indicators on products or suppliers hit parade).

Another practical contribution is to alert practitioners to the essential role played by the manufacture of numbers, and the way this works as a resource. Because they could produce experimental devices, a certain type of suppliers became preferred suppliers of BEST. They were able to generate a system of argumentation that created the feeling of a naturalistic science through the implementation of sophisticated devices, including consumer focus groups, in-store tests, simulators, small and large scale experiments, thus disqualifying the suppliers who could not cope with such a level of investment in calculation.

A third contribution relates to practices. Our research shows that there is no such a thing as a “best practice”, something that is transferable from one setting to another, and that would replicate the performance of the original. Category management, for example, was initially presented as a set of procedures in use among the best performing retailers. Our study has detailed the many unexpected aspects of the interactive stabilization of category management in a new setting. Still, I argue that the import of practices can inspire managers and work as a virtualisation practice to bring about change. The expression “best practice” should be best understood as a rhetorical, performative statement.

11.5. Limitations of the research

Like an artefact that is never fully stabilised, the object of this research is still a work-in-progress. This thesis is a testament to the fact that the object of research has reached a point where some elements can be connected and held together. However, the latest connections create new options that highlight limitations as well as opportunities to expand the network of ideas and concepts to study of markets in-the-

making. There are three main limitations to the current research. The first is related to the empirical setting, the second to the exploration of experimental devices and finally, a third concerns the conceptual framework.

Although based on a very rich empirical material, this study did not include two very important aspects of markets. First, the institutional dimension and in particular the public policy sphere could not be documented properly. For example, the practices attached to overriders (chapter 5 and 8) have been recently regulated by law in many European countries. At the time of the research, this dimension was present in the debate at BEST but dealt with by circles that I, as a researcher, could not access. This type of data would have helped me to understand types of valuation that the research did not address. A question such as: “How do public policy actors value the sense of what is the just allocation of margin between a supplier and its customer?”, could have been answered. This debate would have contributed to building bridges between this research and the economy of conventions (Thevenot, 2000) or the sociology of justification and worth (Boltanski and Thevenot, 2006).

Secondly, competitive aspects have not been touched upon in the present research. The operations carried out by BEST to influence, shape or act upon its competitors from the fuel sector or from the supermarket business have not been properly explored. They could have shed light on the processes to negotiate the price of fuel in the Rotterdam market or to access the site locations, e.g. on the motorways, dimensions that impact on the performance of a petrol station network. This type of data would have helped to understand better the value of one activity, say fuel, relative to another, say the shop business.

With regard to calculative practices, this research has focused on controversies that involved the goods, the configuration of buyers and sellers, and their encounters. This

procedure has allowed us to embrace a large number of elements that contribute to the socio-technical *agencements* that form markets. However, these controversies have been followed in a partial way: Mike, was my key contact person within the organization. He certainly was in charge of the implementation of category management, but his particular role within the European Marketing Development department generated a lens on the worlds that I, as the researcher, could not escape from. A zoom on calculative devices from different perspectives would have helped to enrich the analysis of the processes through which calculations get embedded into material devices. For example, access to an information system project called OSIRIS would have helped to understand how Steven's initiative to measure the penetration of sales promotional activities was integrated in a larger information system (chapter 7). Another example is related to the test presented by Stef from BEVCORP to qualify to become category captain. This test has been monitored with the help of a market research institute. Access to this particular kind of supplier would have helped to understand how the test procedure was designed to create the illusion of a naturalistic science in action. In other words, the constraint of following the controversies through the introduction of Mike did not allow me to follow some debates that would have helped to articulate the notions of virtualisation, actualisation, potentialisation and realisation practices. My research identified categories of action presented in our framework (figure 11.3.1) without being able to show how they cohere or compete. As a consequence, the network of experimentation devices could only be sketched but not properly described. The study of the articulation of those devices that help explore heuristic situations, and those devices involved in algorithmic situations when exploitation is the rule remains to be done.

Lastly, and at a more conceptual level, I became more aware of the importance of various philosophical traditions to explain my findings as my study unfolded. Philosophical schools develop concepts and valuable ideas that we, as mid-range researchers, are often condemned to recycle and restate in various ways. For example, working within a practice-based approach to markets, this study was confronted with the weight of the pragmatic tradition in philosophy. The work of Peirce (1984) on interpretants or John Dewey's on experimentation, deserve a much closer study. When trying to link words to numbers and when referring to scalar judgement with Guyer (2004), the work of a grammarian such as Chomsky would help to better connect the syntax, the semantic and the pragmatic of the particular signs or inscriptions that this research has tried to study. Finally, the work on metrological practices and in particular, categorization would advise closer study of theories in mathematics, computing sciences and cognition sciences. The inspiration gained from the writings of Zadeh and fuzzy set theory was just a brief encounter with a world that is deeply concerned with cognition and action theories. I remain convinced that these theories have still a lot to offer and that I certainly did not exploit these rich traditions to the fullest. The review of these limitations sets, I believe, the agenda of future research.

11.6. Avenues for future research

Identifying avenues for future research is a matter of enlarging a network, and deciding the directions in which one would like to expand it. Three directions are suggested here.

First, this research has taken BEST as the focal organization to describe processes of market shaping. In this way, we could look at various suppliers talking to one of their

client. The suppliers were therefore at the periphery. Future research may envisage to place the manufacturers at the core and look at how they manage their initiatives facing various kind of retailers: supermarket chains, cash and carry companies, etc. The retailers would thus be at the periphery. This perspective would enrich the debates on inter-organisational calculations, and in particular, it would help to understand how suppliers decide to become preferred suppliers. One of the assumptions that was not challenged in our data is the idea that suppliers are willing to become category captains. The process of valuing this option from the suppliers' perspective has not been explored.

Secondly, the discussion on qualification issues - e.g. on the sugar controversy - has not addressed the contribution of other types of market professionals that play a major role in setting norms. Researchers concerned with the emergence of such norms may be interested in exploring the networks that lead to regulations that frame product nomenclatures. Similar studies have been performed in the agro business industry (e.g; Dubuisson Quellier, 2004) but without taking into account the European scope where most of the players operate today. In a similar way, the exploration of those agencies that structure the regulations with respect to discounts, sales conditions and unfair competition deserve further research.

Lastly, our research has pointed out the role of justification and the economies of worth (Boltanski and Thevenot, 2006). A recent debate about the beverage business, and more precisely the water market, has questioned the ecological footprint of bottled water as opposed to tap water. The valuation processes involved in debating these issues would lead researchers to analyse how different orders of valuation can be made compatible in one setting, a fascinating prospect for a research project, I believe.

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