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“Outsourcing retail pricing to a category captain: The role of information firewalls”

Abstract
It has been argued that retailers lack both the resources and capabilities to maximize category performance. Retailers may seek category management (CM) advice from a manufacturer, referred to as category captain (CC). A CC’s recommendations affect all brands in the category, not just her own. Although the number of CC-collaborations is increasing, retailers are still concerned about manufacturer opportunism and militant behavior by manufacturers not selected as CC, while government agencies are worried about anti-competitive behavior that could harm consumers. In this study we develop an empirical model to quantify the impact of CC-arrangements focused on category pricing for retailers, manufacturers, and consumers. We show how these effects are influenced by the (de)activation of vertical and horizontal information firewalls within the CC’s organization.