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RESEARCH IN RETAILING

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PROCEEDINGS**

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# Foreword

The retail industry is facing the challenges of digitalization of business processes and its consequences for the way business is executed. The Internet of Things is one such development that finds applications in retail stores, vending machines, delivery pick up points and other logistic or e-commerce platforms. This and other current developments in retailing are the driving force of the Colloquium on European Research in Retailing (CERR) which brings together researchers on retail issues from all over Europe. Research results and insights are shared and confronted. CERR 2016 presented revolutionary developments in retailing related research in the areas of Shopper Behavior, Retail Logistics, Supply Chain Management, Multichannel Retailing, International Retailing, Category Management as well as Retail Strategy and Operation.

In this third edition of the colloquium, the abstracts that you can read in the next pages present the state of the art in solving the problems faced by managers in retailing. The new habits of customers who wish to browse through products and retailers online, make a first choice, check the availability of the product on their mobile, test it in the store before ordering it through another medium present new challenges. The corresponding e-commerce experiment, the logistics, and after sales service all require complete overhaul and adaptation. This is even truer if one takes into consideration the increasingly competitive environment faced by retailers.

These are the scientific developments and experiments that you will see described in the following pages. The organizing committee is happy to be able to bring to you a guide to the research and to its authors. It is hoped that this material will help the reader in his or her own quest.

Edited and assembled by the organizing committee of the colloquium

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Toulouse, July 13<sup>th</sup> 2016.

# **INFLUENCE OF STORE ATMOSPHERE**

## **ON THE SHOPPER'S BEHAVIOR:**

### **THE CASE OF YVES ROCHER**

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*Keywords: shop atmosphere, direct marketing, retail, shopper behavior*

*Abstract : Why some shops attract more customers than others? At the heart of an increasingly competitive environment in which the products are less differentiated, retailers must find new ways to exist in the minds of consumers. They play, to do this, the sensitivity map to create and maintain a link with customers. A successful strategy tribal brand management via consumer tribes or the creation of an atmosphere in the image of the brand by the dramatization of the shop atmosphere appear as key success factors can enable retailers to achieve a sustainable competitive advantage. Although research has already highlighted the links between the shop atmosphere and consumer behavior, it has rarely done holistically and still face many problems. Through this study we try to analyze the influence of the atmosphere on shopper behavior, particularly through the study of loyalty to the brand and purchasing behavior.*

# Introduction

At the heart of an increasingly competitive environment in which products are less and less differentiated (LEMOINE, 2003<sup>1</sup>, LEMOINE & BADOT, 2008<sup>2</sup> ; FILSER, 2001<sup>3</sup>), brands have to find new means to exist in customers' mind. To do so, they opt for sensitivity in order to create and maintain a connection with their customers (HETZEL, 1996<sup>4</sup>). Adopting a successful tribal management of the brand through consumer tribes (LEMOINE & BADOT, 2008<sup>5</sup>) or creating an atmosphere corresponding to the brand image through retail design appear as key factors of success allowing stores to show a long-term competitive advantage. According to FILSER (2001)<sup>6</sup>, customers' shopping experience is what gives retail spaces their main competitive advantage against the web. Defined as « *a personal—often emotionally-charged—experience based on the interaction with stimuli represented by the products and services made available by the consumption system*<sup>7</sup> » (CARU, COVA, 2002), the customer's shopping experience in the retail space is an opportunity to affect the sensitivity of a person towards the brand. If « *the distribution of a good product at a good price is not enough anymore* » to satisfy consumers<sup>8</sup> (FILSER, 2001), it must be because today's customers are

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<sup>1</sup> LEMOINE J.F. (2003), "Vers une approche globale de l'atmosphère du point de vente", La Revue Française du Marketing, Paris, Vol. 194, No. 4; p. 83 (19 pages)

<sup>2</sup> LEMOINE J.-F., BADOT O. (2008), "Gestion tribale de la marque et distribution spécialisée : le cas Abercrombie & Fitch", Décisions Marketing, N° 52, 11 pages

<sup>3</sup> FILSER M., (2001), "Le magasin amiral: de l'atmosphère du point de vente à la stratégie relationnelle de l'enseigne", in Décisions Marketing n°24

<sup>4</sup> HETZEL P. (1996). "Décadence et grandeur du marketing de grande consommation: le cas du concept de distribution Nature & Découvertes". Presented at the Annales du Management, Association Nationale des IAE, Toulouse, pp. 187-200

<sup>5</sup> LEMOINE J.-F., BADOT O. (2008), "Gestion tribale de la marque et distribution spécialisée: le cas Abercrombie & Fitch", Décisions Marketing, N° 52, 11 pages

<sup>6</sup> FILSER M., (2001), "Le magasin amiral: de l'atmosphère du point de vente à la stratégie relationnelle de l'enseigne", in Décisions Marketing n°24

<sup>7</sup> CARU A. and COVA B. (2002), "Retour sur le concept d'expérience: pour une vue plus modeste et plus complète du marketing", Proceedings of the 7es Journées de recherche en marketing de Bourgogne, Dijon, 156-172

<sup>8</sup> FILSER M., (2001) "Le magasin amiral: de l'atmosphère du point de vente à la stratégie relationnelle de l'enseigne", Décisions Marketing n°24 2001

expecting more than simply having their needs fulfilled; successful concepts such as Nature& Découvertes, Planète Saturn or Abercrombie & Fitch have showed that it is essential for brands to offer a rewarding customer experience.

Besides, RIEUNIER<sup>9</sup> (2000) stresses that « *the life cycle of stores have been reduced by half in 20 years* ». There are 3 main reasons for this: the increasingly harder competition; the will to re-enchant the customer and the quest for pleasure through purchase; and the increasing importance of retail design, which has become the first communication medium of major retailers. BADOT and DUPUIS<sup>10</sup> (2001) remind us, for that matter, the significance and growth of investments linked to retail design.

Although studies have already showed connections between store atmosphere and the shopper's behavior (RIEUNIER, 2000 ; BAKINI DRISS, BEN LALLOUNA HAFSIA, JERBI, 2009 ; HETZEL, 2000, 2002 ; LEMOINE, 2003 for example), they rarely did it with a holistic approach and remain confronted to many questions. This study will attempt to analyze the influence of atmosphere on the shopper's behavior, especially through a survey on brand loyalty and buying behavior.

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<sup>9</sup> RIEUNIER S., (2000), "L'influence de la musique d'ambiance sur le comportement des consommateurs sur le lieu de vente", Thesis for a honorary doctorate in Management Sciences.

<sup>10</sup> BADOT O., DUPUIS M., (2001), "Le réenchantement de la distribution", Les Echos, L'Art du Management n°7, pp 2-3, published in april

# Concept of atmosphere in marketing

## I. Store atmosphere

KOTLER (1973-1974) defines store atmosphere as *“the effort to design buying environments to produce specific emotional effects in the buyer such as pleasure or stimulation that enhance purchase probability”*<sup>11</sup>.

Later, DERBAIX (1987) specified this definition and described atmosphere as *“an arrangement of the retail space with an emotional orientation in order to produce feelings of well-being, welcome, joy, discount, etc.”*<sup>12</sup>

Then, RIEUNIER and DAUCE (2001) developed the idea that atmosphere are made of all the intangible elements *“linked to physical (music, scents, colors, lights) and social environment (style of retail clerks and customers, management of the crowd)”*<sup>13</sup>.

Therefore, we will keep in mind that store atmosphere refer both to the structure of the store and the atmosphere created by the presence of other customers and store employees<sup>14</sup> (LEMOINE, 2003).

Authors define atmosphere according to six variables (RIEUNIER, 2000) and three dimensions (LEMOINE, 2003). Atmosphere are composed of six variables. Five of them are physical ones corresponding to the five senses (touch, hearing, taste, smell and sight), which can be managed by the brands themselves; and the last variable is social (personality of the retail clerks, type of customers, interactions, etc.) and much more difficult for retailers to control.

Moreover, LEMOINE (2003), building on the works of BAKER (1986), GREENLAND and McGOLDRICK (1994) and those of BAKER, GREWAL and PARASURAMAN (1994), defines atmosphere according to three dimensions<sup>15</sup>: the background environment

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<sup>11</sup> KOTLER P. (1973-1974), “Atmosphere as a Marketing Tool”, *Journal of Retailing*, 49, 4, 48-64.

<sup>12</sup> DERBAIX C., (1987), “Le comportement de l’acheteur: voies d’études pour les années à venir”, *Recherche et Applications en Marketing*, 2, 81-92

<sup>13</sup> RIEUNIER S., DAUCE B., (2002), “Le marketing sensoriel du point de vente”, *Recherche et Applications en Marketing*, vol. 17 n°4

<sup>14</sup> LEMOINE J.F. (2003) “Vers une approche globale de l’atmosphère du point de vente”, *La Revue Française du Marketing*, n°194

<sup>15</sup> LEMOINE J.F. (2003), “Vers une approche globale de l’atmosphère du point de vente”, *La Revue Française du Marketing*, Paris, Vol. 194, No. 4; p. 83 (19 pages)

(music, light, etc.), the architectural design, and the social environment (kindness, availability, etc.).

If the background dimension was the first to be integrated by retailers, it must be noted that the design and social dimensions have been taken into account comparatively recently even though researchers have advised for a long time that they should be added to sensory elements<sup>16</sup>.

According to LEMOINE (2005), store atmosphere are considered by brands as a “*strategic variable*”<sup>17</sup>: these specific buying environments aim at offering a unique customer experience and have one major goal: to influence the shopper’s behavior.

Besides, LEMOINE<sup>18</sup> (2003) reminds us that KOTLER<sup>19</sup> (1973) identified three important situations when atmosphere prove to be a strategic variable: atmosphere are used all the more so as the products or services offered are homogenized; it is especially important to control atmosphere if competitors are numerous; arranging atmosphere is even more relevant when the target is clearly identified and accurately defined.

Therefore, setting up a pleasant and enjoyable environment for the shopper allows the retailer to create a “*re-enchantment axis of the consumer’s everyday spaces*”<sup>20</sup> (HETZEL, 2002).

Moreover, the social dimension of atmosphere is difficult for competitors to imitate. If retailers can perfectly control this dimension and manage to establish the same quality service and good reception in every store, creating favorable interactions with shoppers, they will be able to show a long-term competitive advantage allowing the brand to be differentiated.

Market saturation and the homogenization of offers are two major reasons for the appearance of atmosphere stores (LEMOINE, 2004). Indeed, retailers can organize stores in favor of an experiential positioning or a combined experiential/functional positioning (FILSER, 2001 ; LICHTLE and PLICHON, 2005) in order to help consumers to differentiate and remember brand positioning according to extrinsic features – and not only intrinsic features anymore (LEMOINE, 2004).

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<sup>16</sup> Ibid

<sup>17</sup> LEMOINE J.F. (2005), “L’atmosphère du point de vente comme variable stratégique commerciale : bilan et perspectives”, *Décisions Marketing*, Paris: Jul-Sep 2005. , N° 39; pg. 79, 4 pages

<sup>18</sup> LEMOINE J.F. (2003), “Vers une approche globale de l’atmosphère du point de vente”, *La Revue Française du Marketing*, Paris, Vol. 194, No. 4; p. 83 (19 pages)

<sup>19</sup> KOTLER P., (1973), “Atmosphere as a Marketing Tool”, *Journal of Retailing*, 49, 4, 48- 64

<sup>20</sup> HETZEL, P. (2002), “Planète Conso: Marketing expérientiel et nouveaux univers de consommation”, Paris: Editions d’Organisation, 380 pages

KOTLER (1973-1974) supports this conclusion by underlining in his model that atmosphere have an effect on shoppers' cognitive process and allows them to identify the target of the retail space, the quality of products and services, as well as the values of the brand. FILSER (2001) insists on the fact that brands such as Armani, Decathlon or Expand use strategies and positioning which enhance customer experience, and create value through the brand differentiation.

As the number of retailers using atmosphere increases, the goals linked to atmosphere as a strategic variable have changed: first developed to influence sales in a transaction marketing perspective, these goals were then more and more rooted in a logic of relationship marketing<sup>21</sup> (LEMOINE, 2005). This was based on the results of surveys that, although not all of them have led to the conclusion that atmosphere influence shopping behavior, assess the effect of atmosphere on the shopper's satisfaction and emotional states<sup>22</sup> (LEMOINE, 2005).

If shoppers enjoy their time in the retail space, this can be a major argument to justify investments linked to the creation and development of atmosphere stores (RIEUNIER and DAUCE, 2002)<sup>23</sup>. Retailers use atmosphere because they are willing to offer their customers a pleasant shopping experience and want to create/reinforce the customers' relationship and affect to the brand.

## II. Shopping motivations

Two approaches have been drawn by authors to justify the act of shopping: the utilitarian aspect and the hedonic aspect.

The utilitarian approach is described by LOMBART<sup>24</sup> (2001) as "duty shopping": the shopper behaves in such a way as to optimize the information and find the product or service needed. Utilitarian shoppers are not sensitive to the idea of enjoyable shopping and choose the retail spaces they go to « rationally » according to the ratio cost/profit. Shopping motivations, then, can be the geographical situation, the offer, the price and discounts, easy-to-find

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<sup>21</sup> LEMOINE J.F. (2005) "L'atmosphère du point de vente comme variable stratégique commerciale: bilan et perspectives", *Décisions Marketing*, n°39

<sup>22</sup> Ibid

<sup>23</sup> RIEUNIER S., DAUCE B., (2002), "Le marketing sensoriel du point de vente", *Recherches et Applications en Marketing*, 17, 4, 45-65

<sup>24</sup> Ibid

products(COTTET, LICHTLE & PLICHON, 2005<sup>25</sup>) or the necessary time to complete the shopping process, which often correspond to the motivations given by customers for choosing one retail space or another. This question has also been treated by BOUCHRA<sup>26</sup>(2003) who determined four variables influencing the choice of a retail space: the extent of products, the price, the quality of products, and proximity.

In the hedonic approach, LOMBART<sup>27</sup>(2001) states that the main motivation of the shopper is the quest for pleasure. As BAKINI DRISS, BEN LALLOUNA HAFSIA and JERBI (2009) said, building on the works of HIRSCHMAN and HOLBROOK (1982): “*all shopping experience turned towards this kind of value is rather linked to freedom, fantasy fulfillment, the feeling of escape, and stimulation*”<sup>28</sup>.

This concept is related to the works on experiential marketing, defined by HIRSCHMAN & HOLBROOK (1982) as « *a subjective conscious state with diverse symbolic meanings, hedonic responses, and esthetic criteria*”<sup>29</sup> », and its goal is to give to the shopper a rewarding and pleasant customer experience. Just as she suggested different types of shopping motivations through the utilitarian aspect, LOMBART (2001) drew three perspectives of consumption through the hedonic approach<sup>30</sup> : “**enjoyable shopping**” when the shopper gets the reward by the act of buying in itself: here, as ZOUARI<sup>31</sup> (2005) points out, “*shopping is a goal*”; **window-shopping**, where the shopper can be willing to buy or not; and **wandering**, where the recreational motivation is dominant and for which the shopper has no intention of buying.

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<sup>25</sup> COTTET P., LICHTLE M.C., PLICHON V. (2005), La valeur du comportement de magasinage: Effets et antécédents, Proceedings of the 4th International Congress Marketing Trends, Paris

<sup>26</sup> BOUCHRA L. (2003), “Facteurs situationnels et choix d’un point de vente: Cas des produits alimentaires au Maroc”, Proceedings of the 2ème Journées Normandes de la Consommation, Colloque “Société et Consommation”, March 31 and April 1st, 2003, Rouen.

<sup>27</sup> LOMBART C. (2001), “Fréquentation de magasins et non-achat: le cas du butinage”, Proceedings of the 17ème Congrès de l’Association Française de Marketing, May 22 and 23, 2001, Deauville

<sup>28</sup> BAKINI DRISS F., BEN LALLOUNA HAFSIA H., JERBI S., (2009), “Effet de la valeur perçue de magasinage (...): Cas d’un point de vente spécialisé”, La Revue des Sciences de Gestion

<sup>29</sup> HOLBROOK M.B., HIRSCHMAN E.C., (1982), “The experiential aspects of consumption: consumer fantasies, feelings and fun”, Journal of Consumer Research, 9, September, 132-140.

<sup>30</sup> LOMBART C. (2001), “Fréquentation de magasins et non-achat: le cas du butinage”, Proceedings of the 17ème Congrès de l’Association Française de Marketing, May 22 and 23, 2001, Deauville

<sup>31</sup> ZOUARI S. (2005), Fréquentation de magasins et expérience d’achat entre amis chez les adolescent(e)s: une étude exploratoire du concept de shopping récréationnel, *Proceedings of the 10<sup>e</sup> journée de Recherche en Marketing de Bourgogne*, November 9 and 10, 2005, Dijon.

By underlining the effects of the “*shopping value*” on consumers’ satisfaction and identifying the variables linked to it, COTTET, LICHTLÉ & PLICHON<sup>32</sup> (2005) showed five factors that brands can handle to influence the shopper’s satisfaction:

- *atmosphere*
- *peripheral services*
- *store employees*
- *products availability*
- *crowding.*

In 1972, TAUBER<sup>33</sup> suggested his first typology of shopping motivations. His works show two major reasons, each of them with different shopping motivations. According to him, there are six personal motivations: “role playing”, “diversion”, “self-gratification”, “learning about new trends”, “physical activity”, and “sensory stimulation”. And there are five social motivations: “social experiences outside the Home”, “communication with others having a similar interest”, “peer group attraction”, “status and authority” and “pleasure of bargaining”.

According to BLACK and WESTBROOK<sup>34</sup> (1985), the retail space is not only selected for the products it offers, but also for its fun aspect and its ability to give pleasure to the shopper. Authors have suggested a classification of buyers in three categories: « buyers oriented towards the product » who think the most important variables are the offer, the level of prices, or the quality; « experiential buyers » for whom the shopping environment and services are more important than the characteristics of the product itself; and “buyers both oriented towards the product and looking for a pleasant shopping experience” for whom all elements linked to shopping are significantly important.

Building on BLACK and WESTBROOK’s typology, DAWSON, BLOCH and RIDGWAY<sup>35</sup> (1990) defined in 1990 two types of shopping motivations: utilitarian motivations and recreational motivations.

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<sup>32</sup> COTTET P., LICHTLÉ M.C., PLICHON V., (2006), “The role of value in services: a study in a retail environment», The Journal of Consumer Marketing, Santa Barbara. Vol. 23, N° 4; pg. 219

<sup>33</sup> TAUBER E. M. (1972), “Why do people shop?”, Journal of Marketing, Vol. 36, pp. 46-59.

<sup>34</sup> BLACK W.C., WESTBROOK R.A., (1985), “A motivation-based shopper typology”, Journal of Retailing, Vol. 61, n°1, pp. 78-103

<sup>35</sup> DAWSON S., BLOCH P.H., RIDGWAY N.A. (1990), Shopping motives, emotional states, and retail outcomes, Journal of Retailing, Vol. 66, n°4, pp. 408-427

ARNOLD and REYNOLDS<sup>36</sup> (2003) put forward the idea that, apart from the satisfaction consumers get from playing their role, they also get personal satisfaction from buying for others.

If we base our work on TAUBER's typology (1972), we can establish the following parallels:

- **“Physical activity”** is one of the rare variables that is not taken into account by other authors;
- **“Sensory stimulation”** corresponds to the notion of quest for stimulation;
- **“Learning about new trends”** is similar to the notions of selection of products, unique products, new items, and novelties;
- **“Role playing”** corresponds to the idea of playing a role in society;
- **“Self-gratification”** and **“Diversion”** are similar to the variables of reward and leisure;
- **“Social experiences outside the Home”**, **“Communication with others having a similar interest”** and **“Peer group attraction”** are 3 reasons comparable to variables such as looking for interactions, the need for advice, etc.;
- **“Status and authority”** is close to the notion of “power and authority” ;
- **“Pleasure of bargaining”** can be associated with the satisfaction of making a good deal.

Beyond the differences and limits of each typology, we can clearly see parallels between the works of the main authors.

### **III. Store atmosphere and influence on the shopper's behavior**

As explained by RIEUNIER<sup>37</sup>, many authors studied the influence of store atmosphere on the shopper's behavior and suggested models integrating this influence as a situational variable.

Early works go back to environmental psychology studies published in the early 1920s and focused on the influence of a sensory variable on people's behavior. In 1963, SERRAF extended this research to marketing by analyzing the effect of background music on

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<sup>36</sup> ARNOLD M.J., REYNOLDS K.E. (2003), Hedonic Shopping Motivations, *Journal of Retailing*, Vol. 79, n°2, pp. 77-95.

<sup>37</sup> RIEUNIER S., (2000) “L'influence de la musique d'ambiance sur le comportement des consommateurs sur le lieu de vente”, Thesis for a honorary doctorate in Management Sciences.

retail customers. But it is only in 1975 that BELK published a study with a wider thinking framework.

BELK (1974) defines situational variables as “*all those factors particular to a time and place of observation which do not follow from a knowledge of personal (intra-individual) and stimulus (choice alternative) attributes, and which have a demonstrable and systematic effect on current behavior*”.

BELK suggested a typology in five groups to facilitate analysis work: Physical surroundings which include factors such as surface area, configuration of the retail space, sensory stimuli, geographical situation; Social surroundings integrating interactions with other customers and with the selling power of the retail space; Temporal perspective, defined by the author as a period ranging “*from time of day to season of the year*” (BELK, 1975) and corresponding in fact to all temporal dimensions affecting the shopper such as time since last meal, last purchase, or last visit at the retail space; Definition of the task to be carried out; and Antecedent states of the individual.

Psychology researchers MEHRABIAN and RUSSEL (1974) have established a model within which the shopper's emotional reaction to the influence of atmosphere plays an important role. They identified three emotional variables described by the authors as *pleasure, arousal, and dominance*. According to MEHRABIAN and RUSSEL (1974), these three dimensions explain the many possible emotional responses of the shopper.

Presenting some similarities with MEHRABIAN and RUSSEL's model (1974), KOTLER's model (1973-1974) shows the effects of environmental stimuli on the production of internal responses in shoppers which influence their shopping behavior in the retail space.

KOTLER's model remains a very simplified and direct model of the influence of atmosphere on the shopper and does not take into account the moderator variable of “individual perception”.

BITNER (1992) suggested a relevant model presenting “*an important conceptual improvement for the research field dedicated to the influence of atmosphere on customers' and store employees' responses*” (RIEUNIER, 2000).

Seen today as the most exhaustive model on the influence of atmosphere variables on individual responses, BITNER's is one of the rare models analyzing the influence of atmosphere as much on customers as on store employees.

Moreover, BITNER (1992) thinks that shoppers first perceive their environment as a whole and then produce responses by interacting with the employees. These responses, determining whether the customer will approach or escape the retail space, are classified in three categories: cognitive responses, emotional responses, and physiological responses.

Finally, this model underlines the influence of moderator variables in the relationship between stimuli perception and customers' reactions, such as character variables, the shopping goal, the expectations, and the initial mood of the shopper.

When studying consumer behavior, authors organize responses in the following manner: "cognitive>emotional>behavioral".

Besides, as LEMOINE (1997, 2003) explains, store atmosphere induces cognitive, conative and emotional responses<sup>38</sup> in the shopper; this influence must be understood through an emotional approach and a cognitive approach<sup>39</sup>.

The cognitive approach states that « *atmosphere appear to be a set of indicators treated differently according to the individual, depending on their perception processes* » and allows us to observe behaviors such as a greater purchase probability (KOTLER, 1973-1974) after changing the informational environment of the shopper.

LEMOINE and PLICHON (2000), building on HOWARD's (1963) and ZAJONC and MARKUS's (1982) conclusions, explain that « *first seen as a result of the cognitive process, emotional states have been gradually associated with an independent concept likely to influence the individual's behavioral responses* ». Besides, FRIJDA (1989) underlines that cognitive processes generate emotional reactions<sup>40</sup> after shoppers perceive and understand their environment.

As for the role of atmosphere towards the shopper, it "should allow, for instance, a new customer to know the target of the brand, to estimate the quality of service as well as the values of the brand", (RIEUNIER, 2000, building on the work of KOTLER, 1973-1974).

LICHTLE and PLICHON<sup>41</sup> (2005) remind us that store atmosphere can affect the shoppers' behavior in the retail space by influencing their emotional states. By creating and offering the shopper "a unique, positive and emotional experience", retailers aim at improving customer satisfaction.

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<sup>38</sup> LEMOINE J.F. (1997), "L'atmosphère, un outil de gestion des entreprises de services", *Direction et Gestion*, n°168, pp 28-38

<sup>39</sup> LEMOINE J.F. (2003), "Vers une approche globale de l'atmosphère du point de vente", *La Revue Française du Marketing*, Paris, Vol. 194, No. 4; p. 83 (19 pages)

<sup>40</sup> FRIJDA N.H. (1989), "Les théories des émotions: un bilan", *Textes de base en psychologie : Les émotions*, Delachaux et Niestlé.

<sup>41</sup> LICHTLE M.-C., PLICHON V., (2005), "La diversité des états affectifs dans un point de vente", *Décisions Marketing*. Paris: Jul-Sep 2005. , N° 39; pg. 33, 10 pgs

Authors also put forward the variety of emotional reactions that can be generated in a commercial environment and stress that emotional states can be:

- represented by six dimensions :fullness, escape,pleasure,nervousness, relaxation,freedom,
- ofvaried intensity,
- generated by physical environment and social elements.

Moreover, DERBAIX and PHAM (1989)give a typology of the affect in seven categories<sup>42</sup>: shock emotion, feeling,mood, disposition, preference, attitude, judgement.

It should also be noted that DERBAIX and PHAM (1989) have identified four dimensions through which an emotional response must be defined<sup>43</sup>:intensity, direction, content,and the awareness of having a response.

Finally, the emotional dimension is not only a factor of choice and behavioral decision for the shopper, but also influences the time spent in the retail space, the increase of perceived value and the affect of the shopper towards the brand. Understanding and controlling this emotional aspect seems even more important to retailers because LICHTLE and PLICHON (2005) highlighted that this dimension also had aneffect on purchase intentions and communication with employees.

Even though many studies focused on the effect of isolated sensory variables – such as music, colors, lighting, or crowding – on the shopper’s behavior<sup>44</sup>, results were often “*different, or even contradictory*”LEMOINE, (2003) – indeed, if authors agree on stressing the positive influence of store atmosphere on shoppers’ emotional states, conclusions often differ concerning its impact on buying behaviors.

Despite their fundamental contribution to the understanding of the influence of physical environment variables on the shopper’s behavior, studies present a huge limit: they have been focusing on the connection between one of the atmosphere’ variables and the shopper’s behavior. Yet, as LEMOINE (2003) reminds it, based on DIVARD and URIEN’s work (2001),managers need to be able to evaluate the influence of atmosphere as a whole on customers’ behavior.Retail space managers works on store atmosphere in a holistic manner;so it seems necessary that studies should focus on the influence of atmosphere with the same

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<sup>42</sup> Ibid

<sup>43</sup> DERBAIX C., PHAM M.T. (1989), “Pour un développement des mesures de l’affectif en marketing: synthèse des prérequis”, *Recherche et Applications en Marketing*, Vol. 4, n°4, pp. 71-87.

<sup>44</sup> LEMOINE J.F. (2003), “Vers une approche globale de l’atmosphère du point de vente”, *La Revue Française du Marketing*, Paris, Vol. 194, No. 4; p. 83 (19 pages)

perspective. Indeed, it is by creating a specific shopping environment (LEMOINE, 2003, 2004, 2005; HETZEL, 1995 for example) that the brand is trying to influence customer behavior, and not by handling isolated sensory variables.

For this reason, if the influence of one isolated factor is verified, the same result is not necessarily true when results of the influence of two variables, initially isolated, are added or combined (DAUCE and RIEUNIER, 2002). Moreover, human beings perceive and analyze their environment as a whole, so it seems logical to use the same approach when studying the influence of store atmosphere.

Thus, LEMOINE (2003) advises that the influence of store atmosphere on the shopper's behavior should be analyzed through the three following dimensions: physical, architectural and human.

# Do store atmosphere influence the shopper's behavior?

## I. Methodology

This survey focuses on the influence of atmosphere on the shopper's behavior in the retail spaces of the brand Yves Rocher.

It focuses on 197 shoppers, divided in two groups as follows:

- 98 customers of an old concept shop – Levallois Wilson
- 99 customers of a shop called “Atelier de la Cosmétique Végétale®” – Paris Ternes.

Results of these two groups will then be compared in order to point out in-store behavioral differences– especially shopping behavior through purchases in volume and value, as well as emotional reactions – between both shops.

The sample will be selected in an empirical way for convenience. The sample's parent population corresponds to the customers of the brand Yves Rocher. Because of a lack of time and means, we won't be able to extend the survey to the whole network.

To ensure the quality of data and to guarantee the parity of customers between the old concept and the shop “*L'Atelier de la Cosmétique Végétale*”, data will be collected face to face with shoppers on their way out of the shops and by the same pollster.

## II. Assessment scale

Constructs and items on which the questionnaire has been created come from scientific publications. Our questionnaire is based on a Likert scale from 0 to 10 for several reasons:

- A range from 0 to 10 allows us to determine “5” as average—so that it is not a « forced choice » scale – and allows the respondent to give a « neutral » opinion.
- A scale with 11 points of measurement gives us a better moderation of the respondents' answers than a scale with only 5 points.
- Answers are easily provided by the respondents.
- It allows us afterwards to have data that are easy to process and understand through the SPSS software, unlike a visual analog scale.

The questionnaire has been tested on a group of 12 people in order to check:

- The correct understanding of the questions. Respondents have to understand the meaning of the questions they are asked in order to give relevant answers.

- The average time of questioning, estimated at 5 minutes per person.

### III. Data processing

Collected data have been processed through the SPSS software. To do so, we used the following methods for quantitative analyses:

- Analysis through descriptive statistics in order to qualify our two samples
- Bartlett sphericity test
- Factor analysis—more precisely, a principal component analysis (PCA) – allowing us to establish an account of both similarities between individuals and links between quantitative variables
- Correlation analysis through Pearson’s chi-squared test and/or Spearman’s rho.

In order to analyze our results, we will define our samples as follows: Be “A” the general sample, including data from the 197 respondents; be “B1” the sample of 98 customers of the old concept shop; and be “B2” the sample of 99 costumers of the new concept shop.

Results show that whichever concept is studied – old or new – costumers come to the shop generally for the same reasons:

- 56% (B1) and 58% (B2) of costumers come for a utilitarian motivation
- 44% (B1) and 42% (B2) of costumers have a hedonic motivation.

We can see that both samples B1 and B2 have almost the same characteristics and almost the same proportion of costumers coming to the shop for utilitarian reasons and costumers having hedonic motivations: respectively 56% and 58%, then 44% and 42%.

Analyzing the volume of the average shopping basket of both samples shows that:

- costumers of the old concept shop bought an average of 1.5 product,
- costumers of the new concept shop bought an average of 2.4 products.

The median of a sample can be defined as  $m$  so that the number of values of the group superior or equivalent to  $m$  equals the number of values inferior or equivalent to  $m$ . In this case, analyzing the median of both samples shows that:

$$med(B1) < med(B2).$$

We can see that:

- There are as many baskets of 0 or 1 product as baskets from 2 to 7 or more products in sample B1 (costumers of the old concept shop).
- There are as many baskets of 0, 1 or 2 products as baskets from 3 to 7 or more products in sample B2 (costumers of the new concept shop).

Analyzing the standard deviation and the variance allows us to compare both samples in a more accurate manner.

Sample B1 is more dispersed than sample B2, because:

- $\sigma(B1) > \sigma(B2)$  ;
- $\text{Var}(B1) > \text{Var}(B2)$ .

Data from both old and new concept samples show dissimilarities that underline the difference in shopping behavior – in value – according to the type of shop.

Analyzing the value of the average shopping basket of both samples shows that costumers of the old concept shop bought an average basket of “10 to 14 euros”, whereas costumers of the new concept shop have an average basket of “20 to 24 euros”. In this case, analyzing the median of both samples shows that  $\text{med}(B1) < \text{med}(B2)$ .

We can see that:

- There are as many baskets from 0 to 14€ as baskets from 14 to 45€ or more in sample B1.
- There are as many baskets from 0 to 24€ as baskets from 24 to 45€ or more in sample B2.

Sample B1 is more dispersed than sample B2, because:

- $\sigma(B1) > \sigma(B2)$  ;
- $\text{Var}(B1) > \text{Var}(B2)$ .

We established a correlation test through a bivariate analysis in order to determine whether the type of shop and the intention to come back to an Yves Rocher store were related. This test will be confirmed thanks to the chi-squared test. Below are the results we obtained:

**Pivot table Type of concept \* Do you intend to come back?**

Number

		Do you intend to come back?									Total
		0	3	4	5	6	7	8	9	10	
Type of concept	1	1	3	1	11	6	8	7	9	52	98
	2	0	1	1	6	3	8	2	6	72	99
Total		1	4	2	17	9	16	9	15	124	197

**Chi-squared test**

	Value	Degrees of freedom	Asymptotic significance (2-sided)
Pearson's chi-squared	11.069(a)	8	.198
Likelihood ratio	11.726	8	.164
Linear association	6.964	1	.008
Number of valid observations	197		

We can observe that 10 cells (or 55.6% of all cells) have a number inferior to 5. In order for the chi-squared analysis to be valid, this threshold should be under 20%.

To know whether the type of concept influences or not the shopper's intention to come back to a Yves Rocher store, we will operate a Pearson's rho analysis:

#### Correlations

		Type of concept	Do you intend to come back?
Type of concept	Pearson's correlation	1	.188(**)
	Sig. (2-sided)		.008
	N	197	197

\*\* Correlation is significant at level 0.01 (2-sided).

We obtained a correlation coefficient of 0.188 (N=197) for a level of significance  $p = 0.008$  ( $p < 0.01$ ).

After verification in Spearman's rho table ( $p$ )<sup>45</sup>, we can note that:

- recorded rho ( $=|0.188|$ ) > theoretical rho ( $=0.2333$ ).

Thus, we cannot say that the correlation between both variables is positive: the two variables are not correlated. In both cases, the shopper's intention of coming back to a Yves Rocher shop is very strong. However, we cannot confirm the correlation between both variables "type of concept" and "intention to come back".

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<sup>45</sup> Spearman's rho table is available at the end of this memoire.

# Results and limits

## I. Results

The first assumption we made was this:

- H1: “Store atmosphere favorably influence the shopper’s behavior”, with our hypothesis H1a being “the more shoppers are stimulated by pleasant atmosphere, the higher the value of their basket”, is then invalid. Our hypothesis H1b, “the more shoppers are stimulated by pleasant atmosphere, the bigger the volume of their basket”, is then valid.

In addition to our research hypothesis H1, we put forward the hypothesis H2: “Store atmosphere favorably influence the shopper’s emotional responses”. Given the results, our hypothesis H2 is valid.

## II. Limits

The first limit of this survey would be the use of Likert scales; indeed, even if they have the advantage of synthesizing efficiently the respondents’ opinion, they cannot fully grasp the real perception of individuals. They give no information about possible additional clues related to the person.

Besides, the fact that – although it was known from the beginning – our survey only compares two retail spaces is biased in itself because we did not confront results on the same retail space before and after. Some variables are specific to each retail space (work team, usual retail traffic, location, opening hours, surface area ...). We learned for example, during our survey, that the Levallois shop was one of the retail spaces with the lowest profits in the Ile de France region, whereas the one in Paris Ternes was among the shops with highest retail traffic and best results.

Moreover, our work was based on two samples of 98 and 99 individuals, which are still small numbers for a quantitative data analysis. Although it would have been difficult to work on larger samples (particularly because of a lack of time to collect data on location), the scale of our samples remain relatively small and this contributed to increase the margin of error of our results. It would be interesting to carry out this survey again with larger selected samples.

Finally, even though our questionnaire had been tested before being used on Yves Rocher costumers, we realized that some of them did not always understand it very well and could not differentiate some questions. Moreover, despite the explanation I gave on the context of

my work, some people were convinced that I was working on behalf of the brand Yves Rocher, and that they had to give favorable answers to my questions, in order to “be nice to me”. This represents another bias to the results we obtained.

## CONCLUSION

How do store atmosphere influence the shopper's behavior? This central question we asked followed on from several interrogations. As the environment becomes increasingly competitive, brands have to find new means to exist in customers' mind. To do so, they opt for sensitivity in order to create and maintain a connection with their customers (HETZEL, 1996<sup>46</sup>). Creating an atmosphere corresponding to the brand image through retail design appears as a key factor of success allowing stores to show a long-term competitive advantage. This study allowed us to better understand the factors influencing shopping processes and emotional responses of shoppers in the retail space or on their way out.

If the works carried out by different scientists helped identifying different shopping motivations and creating typologies of these motivations, it seems today that a “general typology” have appeared which could be analyzed in its own right. A shopper's choice of store can be analyzed in two complementary ways: a utilitarian approach and a hedonic approach.

These two shopping motivations generate different responses in shoppers in the retail space or on their way out.

Shopping in a certain retail space is a source of value in itself when emotions are stimulated. Customers do not go to a retail space only to optimize their profits, but also for their own pleasure on location.

Our work confirmed that a good management of store atmosphere is not only favorable to the shopper's well-being, but also presents significant marketing and financial advantages. Store atmosphere help influencing the shopper's emotional states during and after shopping. Atmosphere also allow brands to “sell more” especially through their effect on the volume of the average basket of shoppers.

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<sup>46</sup>HETZEL P. (1996). “Décadence et grandeur du marketing de grande consommation: le cas du concept de distribution Nature & Découvertes”. Presented at the Annales du Management, Association Nationale des IAE, Toulouse, pp. 187-200

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# Challenges, Opportunities and Logistics Practices of Delivering to High Frequency Stores

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## Extended Abstract

### Purpose

It is recognized by leading multinational manufacturers that a significant part of retail trade is realized not only in typical supermarket chains, but also in small independent stores, which are referred to as 'High Frequency Stores' (HFS). Such stores are usually stalls, kiosks, convenience or rural shops, usually family-owned and visited multiple times per day by their customers. The number of such stores is high due to typically low barriers of entry in this market – the required investment is low and in most countries there are no formal barriers to operate such a store. Many industry observers expected that HFS would lose their market share because of the competition of supermarket chains, but on the contrary, the traditional retail, represented by small independent stores, is still alive. While in developed countries the grocery and fast moving consumer goods (FMCG) retail market is dominated by super- and hypermarkets, in developing countries they still have smaller market share. It is estimated that there are about 20 million HFS worldwide, but only a small part of them have consumer packaged goods of the world leading brands in their assortment. This is identified by FMCG companies as an opportunity to increase their market share in this segment. In order to cooperate successfully with independent retailers, it is important for manufacturers to understand their specifics from an organizational, distribution and operational perspective.

In order for international FMCG companies to expand their market share in the HFS segment, they need to adapt their business model to the specifics of this market. The objective of this work is to identify the current and future potential of the HFS market segment, what challenges suppliers face delivering to this segment and what are the main logistics concepts and best practices, which could be applied.

## **Design/methodology/approach**

Since this work aims at gaining insights into the topics of HFS characteristics, market share, challenges with regard to logistics, strategies and best practices for distribution to independent retailers, some best practices are identified and analyzed through a case study. The case study uses primary data, collected by exploratory interviews with HFS operators. The interviews used are structured ones, including open-ended as well as closed-ended questions, which allows for evaluating concepts, found in the literature, as well as for gaining additional insights about the reasoning behind the answers. Closed-ended questions are suitable for obtaining quantitative data, while open-ended ones give store owners the opportunity to clarify their responses, revealing more accurately their motivation. Open-ended questions do not limit the range of possible responses and thus unanticipated findings can be discovered. The case study is conducted in cooperation with an FMCG company. Paris is chosen as the location for the survey to take place, as its urban area is the third most populous in Europe and is characterized by a large number of HFS. The results provide a better understanding of the day-to-day issues and needs of the HFS owners and can be used as a base for decision making if the respective practices are suitable for this particular sales channel.

## **Findings**

The study includes expert interviews with 100 HFS in Paris. All of the retailers comply with the definition of a HFS – being small, independent stores, which are visited mainly by people from the neighborhood. Products in the price range between 3 and 10 Euros are considered to be most suitable to be included in HFS' assortment. The average number of customers is reported to be 76 and the average number of products per shopping basket is 3. This means that each independent retailer sells about 6000 items per month, assuming that stores are open 6 days per week. The expected sales volumes, which could be realized by a particular manufacturing company, can be estimated using the above mentioned data, together with information about a company's market share.

HFS owners use mainly wholesalers for replenishment – both in case of delivery and pick-up replenishment. According to the data, none of the HFS included in the study receives deliveries from a manufacturer. This is an opportunity for the partner FMCG Company to be the first to establish a cooperation with this sales channel. Although only 31% of the stores interviewed receive products delivered, the majority of them are open for new suggestions and negotiations. 71% of HFS who participated in the study agrees with adopting a Direct Store Delivery (DSD) strategy if the conditions suit them.

Store owners think that only high order quantities justify a delivery, because purchase prices are expected to be lower in that case. Provided that HFS operators adopt a delivery approach, they would rather not change their total purchase quantities, but place orders for higher quantities less frequently. For most of the stores a delivery between 22:00h and 06:00h is not acceptable, because a single person or family run the shop and this period is out of their opening hours. Mornings are the preferred delivery time, but about 09:00h. Only 4% of the respondents would consider using a locked box for receiving deliveries. If they need to go to a certain place to take their orders from a box, they would rather go to a wholesaler and purchase whatever they need. Direct delivery is preferred instead of a locked box.

Store owners are definitely not willing to use a smartphone application for recording sales and inventory levels and sharing this information with suppliers. Most of the store owners prefer to place orders via phone, because it is fast, simple, does not require internet and allows for personal communication with a sales agent.

The preferred delivery option is 'Purchase from a van at your door', the second most preferred options are 'Purchase from fixed van in the neighborhood' and 'Sales representative visits the store and take orders'. Most of the store owners have used the practice of a delivery van. A delivery with a van to their door is regarded to be convenient, to save time, to give an opportunity for a personal contact and for seeing the products before buying. A personal contact with a sales representative is important for discussing purchasing conditions and getting advice in case a problem occurs. These three methods are regarded to be the most suitable solutions to the operational challenges, which suppliers encounter in the cooperation with independent retailers.

### **Research limitations/implications**

The study is not representative for HFS in all regions, since it includes only interviews with HFS located in Paris. There could be significant differences between the attitudes of store owners towards specific delivery practices in smaller towns and even more in different countries, which are not considered in the research.

### **Originality/value**

The results of the case study show that not all best practices, found in the literature are regarded suitable by HFS owners. For example, most of the retailers are not ready to implement any kind of integrated system, which would allow for transmitting information about sales and stock levels to suppliers. None of the stores participated in the survey reports to receive deliveries from a manufacturer. This is an opportunity for the partner FMCG Company to be the first to establish a cooperation with the HFS channel and perform DSD. The results of the survey show that the approach,

which would fit to a greatest extent to the needs of HFS who participated is a van, carrying a mix of products and visiting stores regularly. Considering the small order sizes and high number of delivery stops to be made by a supplier to serve a certain region, this approach could be adopted also in cooperation with one or more other FMCG companies.

The results of the case study can be used by manufacturers cooperating with HFS as a base for a decision if a DSD approach is suitable and can be a base for specifying its parameters like delivery frequency and vehicle sizes. There are further research possibilities in terms of implementation of Electronic Data Interchange (EDI) between suppliers and independent retailers and possible forms of cooperation between manufacturers delivering together to HFS.

*Keywords: High Frequency Stores, Direct Store Delivery, sales channel, distribution policy, case study*

# **Modeling Multichannel Shoppers' Channel Preference**

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## **Abstract**

This research models the multi-channel purchase process of 1,015 multichannel shoppers who patronize a specialist French retailer. The hierarchy of variables (perceived risk, utilitarian value, hedonic value) which affects shoppers' choice of purchasing channel, is different for the website and the physical stores. For shoppers whose attitude is the same, or slightly unfavorable, toward the website, multichannel shoppers tend to prefer online shopping over in-store shopping. Multichannel congruence also tends to favor online shopping although its effect is not asymmetric. Nonetheless, multichannel shopping behavior patterns are not homogeneous, whether in terms of the channel choice decision process or in terms of the consumer's final choice of channel. The key challenges that managers will face in deploying solutions for multichannel sales will entail radically transforming the in-store shopping experience as well as improving web site.

**Keywords :** multichannel behavior ; perceived risk ; perceived value; congruence; channel image

# **Selling sunscreen products, come rain or shine**

Xavier Brusset\*

Jean-Louis Bertrand†

April 29, 2016

## *ABSTRACT*

Cool summers or warm winters affect sales of scores of products and wreak havoc with the best marketing and promotional efforts of all firms operating in consumer goods, food and beverages, apparel, cosmetics, tourism, and many other industries. Each year, the cost of unseasonal weather exceeds \$500 billion in the United States alone. The renewed interest in investigating the role of weather on business activity is prompted by more reliable weather data, the development of new risk mitigation tools, and increasing weather variability. We model the influence of weather on sales in a way that supports the implementation of risk mitigation instruments, using weather parameters exclusively as explanatory variables. In the case of sunscreen products in France, we show that the weather can explain 43% of sales variance, with promotions explaining only an extra 8% of variance. Models developed with our methodology allow managers to better understand the role of weather on business performance. We show how unseasonal weather affects sales and point to how to mitigate such effects.

**Keywords:** Weather sensitivity, risk management, statistical model, retail sales.

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# Logistic emergencies and impact on performance

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## Abstract

Firms at all levels of a supply chain daily experience emergencies and rush orders that impact logistic operations. These emergencies cause disorders, unexpected reallocation of resources or expenses; juggling of warehouse, distribution or transport schedules. How do they impact logistic performance? Or financial performance of the affected firms? We study the interaction between management controls as imposed by financial and strategic management and the reality of customer service quality and lead time targets. Using a structural equation model, we show how the controls practised ex post and the logistic targets and indicators influence the performance of the firm in a supply chain management context. Through an exploratory study of managerial responses, we analyze the impact of the management control practices. Some conclusions as to the perception of emergencies by management are also presented which could lead to further study.

*Keywords:* Rush orders, emergencies, logistic performance, supply chain

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## 1. Introduction

In most firms nowadays, the organization of the supply chain is an important topic as one way of achieving a competitive advantage and economic benefit. A supply chain achieves its aim when it is fully coordinated: all decisions are aligned, information is shared as soon as it becomes available, thus providing added value to end-users (Sahin and Robinson, 2002). Operating management theory claims that controlling the different parts of the supply chain can provide significant benefits (Burgess, 1998; Mentzer and Krapfel, 1982). In particular, material flow transparency, inventory and delivery visibility (White et al., 2005) has been associated with increased efficiency and performance (e.g., Holland, 1995; Kim et al., 2011; Ngai et al., 2011).

Yet, despite the increased information flow up and down a supply chain about demand variance, inventory availability, and process execution (Stadtler, 2005; Sanders, 2007; Olhager, 2013), managers still witness short notice and unpredictable modifications to their schedules: customers ask for order modifications, suppliers delay deliveries, logistic service providers fail to complete assignments, . . . (Tang, 2006; Skipper and Hanna, 2009; Blackhurst et al., 2005, 2011). This reactivity is not without costs as production systems, logistic systems, information systems, and inventories have to be dimensioned accordingly. Further, a managerial control system has to be set up to monitor and fine tune these systems using *ex ante* information from past events to calibrate responses for future events (Verdaasdonk, 2003; van Veen-Dirks, 2006) both for intra- and inter-organizational operations (van Veer-Dirks and Verdaasdonk, 2009).

We study in this paper how rush orders impact logistic costs, efficiency,

quality and hence on performance both of the logistic operations as well as on the firm overall.

## **2. Method**

### *2.1. Research design*

The design involves a survey among supply chain managers, using a single-respondent in one organization as the analysis unit. Thus we considered these managers as key informants (e.g., [Campell, 1955](#)) since they – due to their job role – represent those managers in their organizations who have the most expertise and the access to the information on their organisations’ capabilities, supply chains and environments. Our research views the organization as “embedded in a network of relationships that impact its performance” ([Saraf et al., 2007](#), p. 327).

### *2.2. Variance-based Structural Equation Modeling*

This study uses variance based structural equation modelling (SEM), a component based structural estimation modelling technique.

### *2.3. Measures*

The variables Control and FinPerf were operationalized using survey items from established scales. Items were estimated through respondents’ perceptual evaluation on a seven-point Likert scale: the response categories for each item were anchored by 7 (strongly agree) and 1 (strongly disagree). On the contrary, as no scale existed, the Emergencies concept was built by

eliciting their opinion as to what constitutes the major elements of emergencies in logistics from supply chain and logistic managers in a cross section of industrial sectors in France.

### **3. Results**

Only three hypotheses can be accepted, all the remaining three must be rejected. From our data, logistic emergencies do not seem to influence either the logistic performance of the firm nor its financial performance. In the same way, the management control system implemented in the firm does not impact the logistic emergencies enough to be noticeable.

### **4. Implications and future research**

The results of the study would warrant the conclusion that logistic emergencies do not impact significantly the performance of the firm even though they require costly modifications to the normal way an organization creates value for its customers. The absence of influence of these emergencies over the financial performance of the firm is intuitive, what is less so is the lack of influence over the logistic performance of the firm as characterized in [Dumoulin et al. \(2000\)](#) in terms of service level, delivery punctuality, or reduction in inventories as well as in logistic asset intensity. It would appear that the emergencies have a low cost impact or that the logistic department manages to overcome these rush orders and other events which affect the normal working of the firm in such a way that the performance is not affected.

Another potential explanation which warrants further investigation is the bias introduced in the questionnaire between the items reflecting emergencies

and those reflecting logistic performance: in logistic performance, the respondents are asked to evaluate the performance today versus the performance in the previous period of the business unit. Whereas for the emergencies, the measure is about the importance of emergencies in an absolute way, not in comparison with a past reference.

Some doubts can also be raised about the knowledge or consciousness of the respondents about the indicators of logistic emergencies. The latent variable logistic emergencies has a low reliability even though it is built using the feedback provided to us through both qualitative brainstorming with middle managers involved in logistics and a quantitative survey of 400 managers in supply chain management which confirmed the eight items with which the scale on logistic emergencies was built. There may be a lack of knowledge from the respondents about the measures of logistic emergencies in their business units. They clearly are much better aware of the financial performance and even of the overall logistic performance of their business units than they are to be aware of the problems and events occurring in the operational side of their logistic department. A further analysis will entail measuring the impact of the size of the business unit and the hierarchical position of the respondent with respect to the general manager of the unit. Further investigation of this scale is needed.

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# **The diffusion of Efficient Consumer Response in Germany**

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## **Purpose of this paper**

Since the introduction of ECR in 1992 in the USA as well as in Europe in 1994, ECR has helped to improve marketing as well as logistics processes between grocery retailers and manufacturers and to enhance consumer value. In Germany, ECR is organized as a member association where representatives of the grocery supply chains install working groups for developing and recommending solutions for efficient replenishment, efficient assortment/category management, efficient promotion, efficient administration, efficient operating standards, efficient product introduction, efficient unit loads and electronic data interchange. The paper at hand presents the developments within these areas for the German grocery industry within the time frame of 1995 to 2014. The paper examines which ECR strategies and methods are mainly applied, the enablers for ECR in Germany as well as the results of initiated ECR-projects.

## **Design/methodology/approach**

The state of the art of ECR implementation in Germany is based on the analysis of literature, which was published in trade journals.

## **Findings**

We identified a total of 35 documented ECR-projects out of which 18 projects are classified as supply side cooperation, 15 as demand side cooperation and 2 ICT projects. The majority of supply side projects refer to efficient replenishment, especially VMI-cooperation. Demand side cooperation exclusively dealt with efficient assortment, especially with assortment optimization as well as optimizing display shelves. The main enablers for initiating and executing ECR projects were soft factors such as mutual trust and technology such as EDI. The main results refer to an optimization of logistics operations by decreasing costs and increasing service levels as well as increasing sales revenues at a store level. These effects are however only related to the link between retailers and manufacturers. We were not able to spot any results reporting for the enhancement of consumer value.

#### **Research limitations/implications**

Our research focuses solely on the development of/in the German market.

#### **Practical implications**

Our findings present the current state of the art of ECR-implementation in Germany

#### **What is original/value of paper**

The paper examines ECR projects and their results in the German market.

*Keywords:*    *Efficient Consumer Response, Germany*

# The diffusion of Efficient Consumer Response in Germany

## Introduction

### Starting point of considerations

The consumer goods industry is facing a continuously changing competitive situation (see Kotzab and Steinbrecher 2009) which is mainly due to a permanent shift in consumer behaviour as well as to the hypercompetitive environment of the industry. Consumers demand the best products at the lowest prices possible which leads to an everlasting price pressure for retailers who further demand lower prices from their suppliers. However, as markets in the Western markets are more or less saturated since the beginning 1990s' there is not enough potential for increasing sales volumes. Gaining profits in consumer goods markets requires focusing on costs, which leads to enormous conflicts between manufacturers and retailers (see e.g. Wiezorek 2000). Under these circumstances retailers and manufacturers of the consumer goods industry are challenged to keep their competitiveness.

As a consequence, the Efficient Consumer Response (ECR) concept was introduced in 1993 in the USA showing how retailers and manufacturers are able to reduce costs at stable sales volumes. In 1994, ECR got introduced in Europe by the *Coca-Cola Retailing Research Group-Europe (CCRRGE)* and one year later in Germany (see Kalmbach 1999).

Since its introduction in Germany, ECR success factors and implementation hurdles have been examined (see e.g. von der Heydt 1998, Borchert 2002 or Seifert 2004). The European as well as the national ECR working groups have made recommendations on how to use the ECR concept and its strategies (see Hagen 1999).

## **Research questions**

What is lacking so far in the relevant literature is a critical state-of-the-art of the application of ECR on an overall as well as sub strategy level within the German grocery industry. The following paper examines thus the application of ECR and its strategies in Germany. For this purpose we propose the following four questions:

1. Which ECR-strategies and methods are particularly used in Germany so far?
2. Which factors enable the application of ECR in Germany?
3. What are the results of the identified ECR-projects so far?
4. Is it possible to identify a certain pattern in the diffusion of the ECR-concept in Germany?

For answering these questions, we examined relevant literature from trade journals as well as other sources which we identified by using the German literature database ‚wiso-net‘.

Thereby we identified 35 ECR projects which were further analysed.

The remainder of the paper is as follows. After introducing the topical area as well as the research questions we provide a short overview to the concept of ECR including its historical evolution, definition, goals and sub strategies as well as a short characterization of the German situation. Then we describe our methodological approach of our data gathering and analysis. Section four shows the results of our data analysis where we provide the answers to our research questions. The paper closes with a critical discussion of our findings and an outlook for further research.

# **The concept of Efficient Consumer Response**

## **The ECR pathway from the US to Germany**

In 1992, the Food Marketing Institute (FMI) founded the Efficient Consumer Response Working Group and asked the consulting company Kurt Salmon Associates (KSA) to examine the success factors of mass merchant retailers, especially the upcoming retailer Wal-Mart Stores. The goal of the study was to identify saving potentials in the supply chain processes by the implementation and utilisation of existing information technologies (see KSA 1993, Kotzab 1999 or Aastrup et al. 2008). In 1993, KSA presented the results of their study by publishing a report titled '*Efficient Consumer Response: Enhancing consumer value in the grocery industry*' which showed that the US consumer goods industry is able to save up to 30 billion US-Dollars by simultaneously reducing inventory levels as well as speeding up cycle times (KSA 1993, p.3).

One year later, CCRRGE contemplated a similar study for the European consumer goods industry and presented their report labelled '*Supplier-Retailer Collaboration in Supply Chain Management*' (CCRRGE 1994). The results showed that there are saving potentials by up to 3 % or 25 billion Euro through collaboration between retailers and manufacturers in Europe too (Kalmbach 1999). Based on this result, ECR Europe was founded in by the end of 1997 nearly each European country had its own national ECR committee (Wiezorek 2000). ECR Germany was established in 1995 (Kalmbach 1999).

## **ECR definition and goals**

Svensson (2002) presents various definition attempts of ECR referring to the very first ECR definition by KSA (19993) which presented ECR as "a grocery-industry strategy in which

distributors and suppliers are working closely together to bring better value to the consumer“ (KSA 1993, p.1). Svensson (2002) also referred to the more general ECR Europe definition which sees ECR as “working together to fulfil consumer wishes, better, faster and at less cost“.

Kotzab and Bjerre (2005) see ECR as a strategic partnership concept between members of the distribution channels within the grocery industry aiming at increasing the performance (= value) of consumers by concurrently decreasing supply chain costs. This specific goal can be realized by developing a distribution system, which is driven by consumer demand and in which the physical goods can easily flow without greater restrictions between manufacturers, retailers and final customers (see KSA 1993). This characteristic represents the so-called win-win-win-situation for all participants of this particular supply chain (see Seifert 2004).

### **The generic ECR-model and its further development**

The original ECR-model as presented by KSA (1993) consisted of the four basic strategies:

- ‘Efficient Replenishment’ (ER) which represents the strategy for creating an efficient flow of goods based on an efficient flow of information;
- ‘Efficient Assortment’ (EA) representing an efficient conception and selection of product categories;
- ‘Efficient Promotion’ (EP) which should harmonize the promotion and merchandising activities between retailers and manufacturing allowing a more effective reaction on consumer demand;

- ‘Efficient Product Introduction’ (EPI) which refers to a more successful product development and commercialisation in order to successfully launch new products at lowest costs.

Here, we can already distinguish between logistics and marketing related issues, which were more explicitly presented in the European ECR-model presented by CCRGE (1994) where the authors differentiated between a supply side (= logistics and operations) and demand side (= marketing and promotion) (see e.g. von der Heydt 1999). The linkage between those two sides is represented by information and communication technologies that are used by all members of this particular supply chain (see Kotzab and Lienbacher 2010 or Werner 2013).

CCRGE (1994) further introduced the supply side strategies of

- ‘Efficient Operating Standards’ (EOS) including more logistics and transport oriented activities such as cross-docking, efficient unit loads or roll cage sequencing;
- ‘Efficient Administration’ (EA) which refers to the use of common administrative processes to minimize inefficiencies within this area (e.g. mistakes by wrong invoicing).

While EOS represents rather the physical goods flow, EA can be seen as a result of a better cooperation on the information flow level. Looking at the demand side, CCRGE (1994) uses the term ‘Efficient Store Assortment’ (ESA) by focusing on the category management on a retail store level as well as on a shelf-level.

Information and communication technology (ICT) refers subsequently to

- ‘Electronic Data Interchange’ (EDI) which use guarantees a frictionless flow of information between the supply chain partners;

- For the unequivocal identification of products on a sales or logistics unit level, GS1-identification standards on a barcode and/or radio frequency technology (RFID) are used.

Within the ECR-Europe communities, the ICT-standards as suggested by GS1 are recommended. The EANCOM® standard messages are particularly used for all information exchange (GS1 Germany 2015a, 2015b). For companies which do not use EDI-software, GS1 has developed a web-based EDI solution (= Web-EDI) (GS1 Germany 2015 c). As for the identification standards, GS1-13, GS1-128 (also known as EAN codes) or EPC are used in order to allow a unique identification of products worldwide (GS1 Germany 2015 d, 2015e, 2015f and 2015g).

Following

Figure 1 summarizes this overall view on the ECR strategy model.

Insert here

Figure 1

## **ECR in Germany**

ECR Germany was founded in 1995 in order to establish ECR in the German consumer goods industry. The initiative was supported by GS1 Germany (formerly known as Centrale für Coorganisation CCG) as the goals of ECR and GS1 Germany were overlapping (Hagen 1996). The first activities referred to the installation of three working groups being EDI, ER and Unit Load (UL).

ECR Germany was not very successful in the first two years (see Kalmbach 1999). As a result, GS1 Germany took over and since then controls all ECR activities within the German market. GS1 Germany develops ECR standards, which contribute to the generation of values within the grocery supply chain. In addition, GS1 Germany organizes an annual conference for supporting the exchange of knowledge and experiences and gives a price for tremendous performance in the field of ECR (see ECR Awards 2015).

Lingenfelder and Kreipl (2007) reported that more than 30 per cent of the large German brand manufacturers were already in a ECR-cooperation, while there is a lack of ECR-implementation within small and medium sized companies (see also Borchert 2002). Seifert (2001) presented in his study some critical success factors that are important for the implementation of ECR within German companies. The study showed that the involvement of top management, mutual trust, the possibility to measure the success of the project as well as early success indicators were seen as the most important drivers for a successful work with ECR.

After working for more than 20 years with the concept, it would be interesting to see a more detailed picture on this topic in Germany.

## **Methodology**

In order to answer our research question we followed a secondary statistical approach by analysing literature, which reports on realized ECR-projects in Germany. In order to identify this literature we performed a literature search by using the German data base 'wiso-net' that is the largest German collection of literature and full texts for business and social sciences. We completed a key word search within the section 'trade journals', which includes more than 8 million references. Our search was limited to the geographic region of Germany as well as to German sources reporting on German examples. The start date for our literature search was unlimited while the end date was set by December 31, 2014. The list of key words used is presented in Table 1.

Based on this search strategy, we identified 35 projects, which were further analysed by the criteria as presented in Table 2. The table also shows to which research question the criterion contributes.

## **Results**

### **Overall results**

Our literature review revealed 35 ECR projects in Germany out of which 18 were supply side related and 15 demand side related. The two remaining projects can be evaluated as ICT-projects as one project reported on the identification of pallets which were labelled with RFID

tags (Loderhose 2013) and one dealt with EDI-communication between a manufacturer and a retailer thus being identified as an ICT-project (Anonymous 2000). Table 3 provides a detailed presentation of the identified projects.

Insert here Table 3

Besides these two explicitly mentioned ICT projects we could observe that EDI was identified as an important enabler of ECR, especially when it comes to ER-projects. This confirms the notion of Corsten and Pötzl (2002) who claimed the importance of EDI for the success of ECR-projects.

Figure 2 shows the distribution of published articles in a chronological order within the time frame between 1995 and 2014.

Insert here Figure 2

There was no explicit report on an ECR project before 1995, even if there has been some kind of partnership between companies that would describe an ECR-like project but not known as such. The very first appearance of ECR refers to a project between Henkel and Coop Dortmund-Kassel which has been initiated in 1992 as a so-called quick-response project dealing with the inventory level coordination by the manufacturer (Anonymous 1996)

In the subsequent sections, we provide some evidence from the analysis of our data for answering each research question.

## **Application of ECR-strategies and ECR-methods in Germany**

We showed already a nearly even distribution between supply side and demand side related projects. Some retailers and manufacturers apply solely one supply side and one demand side project. The cooperation between L'Oréal and Douglas shows that more than one project is realised. The examples show that six manufacturers and five retailers are working together in more than one ECR-project.

When it comes to ECR-methods, we can see that the dominating supply side method is ER with 13 projects followed by three EOS and two EA projects. When it comes to the applied methods we could see that most projects reported on VMI (11) followed by roll cage sequencing (2), cross docking (2), computer assisted ordering (1) and co-managed inventory (1).

All 15 demand side projects dealt with the efficient product range configuration and were allocated to the area of ESA dealing either with the optimisation of the assortment in general or with the optimisation of shelves. We could not identify any EP or EPI projects, however some articles presented some examples of companies which are specialised within the field of couponing, e.g. Catalina Marketing or Arcado (Anonymous 2007c, Anonymous 2008; Konrad 2011). The lack of documented projects does not mean that there are no other demand side projects existing.

## **Enabling Factors**

Many articles inform about the importance of social aspects when it comes to the successful implementation of projects. This confirms the notions of Kotzab and Steinbrecher (2009) who say that soft factors are more important than hard factors (e.g. IT-infrastructure) for the overall ECR success. Another important factor seems to be the recognition of retailer competences as well as transparency in the business processes such as open book policies or business relevant information such as inventory reports with which are necessary for VMI (see also Kotzab and Steinbrecher 2009).

The application of EDI and/or other common IT-standards is also seen as an important enabling factor, especially for supply side projects. Electronic invoicing requires the transmission of EDI-information, or as in the case of DM Drogeriemarkt, the application of an extra-net with cooperation partners. Two projects reported further on the use of RFID for their successful project.

The success of demand side projects was driven by collaborative market research or cooperative analysis of consumer behaviour, especially when it comes to regional circumstances. As for ESA it was important to come up with a common classification of assortments.

### **Achievements of ECR projects**

Our analysis shows that the realisation of supply side projects led to significant reductions of inventory levels mainly due to decreasing inventory costs and locked-up capital. The optimisation of the flow of goods also fastened cycle times thus reducing the storage time. Consequently final customers received fresher and longer durable items at the point-of-sales. Another result referred to the better utilisation of truck load capacities which reduced the

number of transports as well as increased the number of full pallets. Overall, cost reduction is the major achievement in the area of supply side projects.

Demand side projects resulted in increased sales as well as increased gross profits. Overall, more products could be sold mainly due to improved category management. Two projects reported on increasing market shares.

While these advantages are mainly important for retailers and manufacturers we were not able to identify any achievement which is explicitly referring to the end user side of ECR.

However, as the projects aimed at an improved assortment which better meets the requirements of consumers, we can generally say that consumers were also profiting from these projects also as out-of-stock situations were reduced. This also leads to an increased consumer satisfaction.

### **The diffusion pattern of ECR in Germany**

We are able to observe the implementation of ECR in Germany since 1995. There were no projects reported in the years 1997 and 1998 thus leading to an annual average publication of 1.75 projects. The distribution was rather even, so that we cannot observe a lot of fluctuations, except in 2013 where we identified five publications.

In the beginning, ECR efforts focused mainly on supply side projects (see also Hagen 1996). With the beginning of 2008, we are able to see more documented demand side projects. This confirms the situation as described by Kalmbach (1999) who described the work of the national ECR working group which started to work on ECR with supply side projects. RFID

related projects were identified within the last five years which is due to its relative innovativeness and seldom use within the grocery industry in Germany (see Seifert 2004).

### **Critical reflections**

On an overall level, we were surprised at the low number of reported ECR projects and we expect more projects to be realised without being reported on. One of the reasons for not publishing results can be that the partners do not want to share their specific experiences with the public as the cooperation may generate some competitive advantages. It could also be the opposite of that. A more appropriate reason for the low number of reported projects on ECR may be the fact that the involved managers are not aware that their project is an ECR-relevant one. Skjoett-Larsen et al. (2003) reported such issues for the case of CPFR.

Another reason can be seen in the database itself as we observed trade journals which report on those projects which journalists may consider as being important. This leads to the dominance of prominent examples of big players while small and medium sized companies may not be considered for publication. Another remarkable issue was the lack of negative examples as the main objective of the articles can be seen in the promotion of ECR in Germany.

However, 20 years of ECR in Germany may not be a long time for recognizing the effects of a strategic thus long enduring strategy. It may be that some cooperation projects between manufacturers and retailers are still in the pipeline or in a pilot stage.

The dominance of ESA projects and the lack of EP and EPI projects can also be explained by the lack of sufficient cooperation experience in the field of ECR as von der Heydt (1999).

## **Conclusion and Outlook**

The objective of this paper was to examine the application of ECR in Germany. Our analysis has shown that ECR is already successfully introduced in the German market and most of the ECR-methods and strategies are more or less implemented. We can observe a dominance of supply side or logistics oriented cooperation in the field of ECR between manufacturers and retailers with a special focus on replenishment. When it comes to demand side cooperation, there is a dominance of assortment design and shelf optimisation. Promotion activities referred only to couponing promotions. The lack of EP projects is therefore interesting to see as KSA (1993) showed in their study that the greatest effects of ECR can be found in EP. This may however be only relevant for the US market.

The reported activities can be interpreted as benchmarks, however all cooperation activities may be due to specific circumstances as all partners are different and are not behaving in the same manner. Even if one project was successful for some partners, the generalisation of the results is rather difficult. Consequently each project needs to be assessed individually.

However, some general enabling factors can be seen in the implementation of EDI as well as in the appreciation of soft factors such as mutual trust, common goal setting and top management support. This confirms the notions of Kotzab et al. (2015) when it comes to the execution of SCM in general.

What is lacking so far is the presentation of a holistic ECR project which shows not only the effects of supply side or demand side projects but both of these areas.

Looking at the low number of analysed projects we think that many more companies may show more interest in ECR in the future which requires some persuasive efforts from the national working group members, GS1 Germany and also academics.

It would also be interesting to see some publications on failures as not all cooperation efforts may be successful. Learning by mistakes is as important as learning by success.

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Figure 1: A generic ECR strategy model (based on CCRRGE 1994, von der Heydt 1999, Seifert, 2004, Werner 2013)

Supply Side			Demand Side		
Efficient Replenishment	Efficient Operating Standards	Efficient Administration	Efficient Store Assortment	Efficient Promotion	Efficient Product Introduction
Information & Communication Technology					

Figure 2: Number of articles published by year

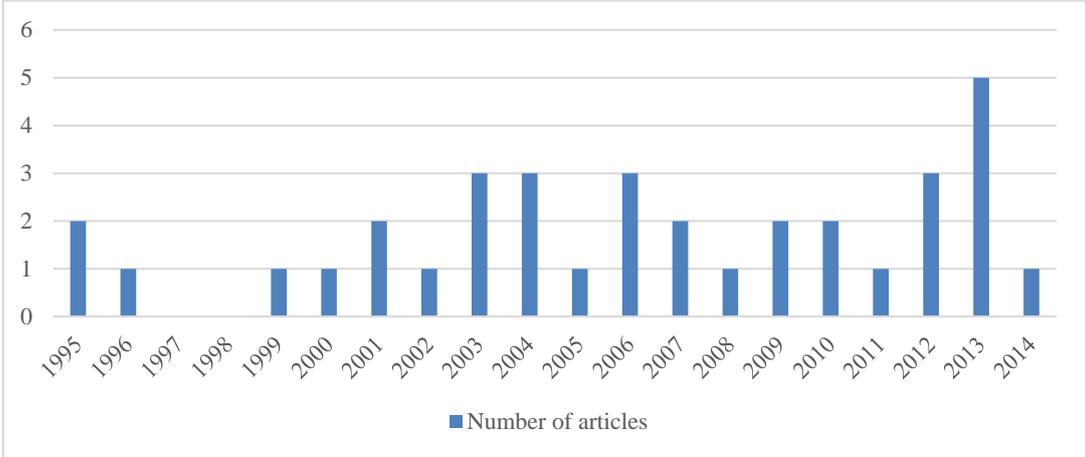


Table 1: Key words used for key word search

Key words (also in combination with the term ECR)
<ul style="list-style-type: none"><li>• ECR cooperation</li><li>• Efficient Consumer Response</li><li>• ECR</li><li>• ECR basic strategies</li><li>• Efficient Replenishment</li><li>• Continuous Replenishment</li><li>• Co-Managed Inventory</li><li>• Vendor Managed Inventory</li><li>• Buyer Managed Inventory</li><li>• Efficient Operating Standards</li><li>• Efficient Unit Loads</li><li>• EUL and ECR</li><li>• Roll Cage Sequencing</li><li>• Cross Docking</li><li>• Efficient Administration</li><li>• Computer Assisted Ordering</li><li>• Category Management</li><li>• CM-cooperation</li><li>• Efficient Assortment (also in German language)</li><li>• Efficient Store Assortment</li><li>• Efficient Promotion</li><li>• Sales Promotion</li><li>• Cooperative sales promotion</li><li>• Couponing</li><li>• Efficient Product Introduction</li><li>• Product development ECR</li><li>• Product launch</li><li>• EDI</li><li>• Electronic Data Interchange</li><li>• RFID</li></ul>

Table 2: Criteria for data analysis and allocation to research questions

Data analysis criteria	Contributes to research question #
Publication year	#4 – diffusion pattern in Germany
Cooperation partner	#1 – application of ECR strategies and methods
Supply side or demand side (cooperation on a logistics or marketing level)	#4 – diffusion pattern in Germany
ECR strategy	#1 – application of ECR strategies and methods
ECR method	#1 – application of ECR strategies and methods
Enabling factors	#2 – enabling factors for ECR application
Results (what has been achieved?)	# 3 – Results of ECR cooperation

Table 3: Overview on realized ECR projects in Germany between 1995 and 2014

Year	Cooperation partners	Demand Side/ Supply Side	ECR- strategy	ECR- method	Enabling factors	Results	Sources
1995/ 1996	Henkel (Manufacturer) KG Dortmund- Kassel (Retailer)	Supply Side	ERP	VMI	<ul style="list-style-type: none"> <li>Provision of inventory data and inventory reports</li> <li>Commonly used IT-system</li> <li>Collaborative agreements</li> </ul>	<ul style="list-style-type: none"> <li>Inventory reduction by 50 %</li> <li>Decreased administrative efforts</li> <li>Improved utilization of truck load capacities</li> <li>Increasing turnover times by 100 %</li> </ul>	Anonymous (1995) Anonymous (1996)
1995/ 1996	Bahlsen (Manufacturer) KG Dortmund- Kassel (Retailer)	Supply Side	ERP	VMI	<ul style="list-style-type: none"> <li>Transmission of inventory reports</li> </ul>	<ul style="list-style-type: none"> <li>For Bahlsen: <ul style="list-style-type: none"> <li>Decreased stocking times</li> <li>Fresher goods</li> </ul> </li> <li>For KG Dortmund-Kassel: <ul style="list-style-type: none"> <li>Reduction of inventory costs</li> </ul> </li> </ul>	Anonymous (1995) Deutsch/Groothius (1996)
1996	Manufacturer Grocery retailer	Supply Side	EOS	RCS	<ul style="list-style-type: none"> <li>IT-assistance which seeks for compromises</li> <li>Adaptation of store design</li> </ul>	<ul style="list-style-type: none"> <li>Decreasing costs through efficient outbound control at warehouse level</li> <li>Time savings when packing goods</li> <li>Net profit by roll container of 12.80 DM</li> </ul>	Roeb (1996)
1999	Reckitt & Colman Deutschland (Manufacturer) dm-drogerie markt (Retailer)	Supply Side	ERP	VMI	<ul style="list-style-type: none"> <li>Trust-based cooperation</li> <li>Exchange of relevant information</li> </ul>	<ul style="list-style-type: none"> <li>Decreasing pre-run time from 96 to 48 hours</li> <li>Doubling of turnover rate</li> <li>Reduction of inventory range from 10 to 6 days</li> <li>Decreasing of inventory carrying costs by 25 per cent</li> </ul>	Anonymous (1999)

2000	Street One (Manufacturer) Leo Faltnann (Retailer)	No information	No infor- mation	No infor- mation	<ul style="list-style-type: none"> <li>• EDI</li> </ul>	<ul style="list-style-type: none"> <li>• Increase of revenue by 30 %</li> </ul>	Anonymous (2000)
2001	Procter & Gamble (Manufacturer) Metro (Retailer)	Supply Side	ERP	Zentral- lager	<ul style="list-style-type: none"> <li>• Improved communication</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing the number of delivered pallets from 4 to 32 on average</li> <li>• Reduction of rework quota from 50 to 3 per cent</li> <li>• Inventory reduction by 30 %</li> <li>• 99 % product availability</li> </ul>	Biehl (2001)
2001	Herlitz (Manufacturer) Fegro-Selgros (Retailer)	Supply Side	ERP	VMI	<ul style="list-style-type: none"> <li>• EDI</li> </ul>	<ul style="list-style-type: none"> <li>• Increased inventory turnover</li> <li>• Reduced out-of-stocks</li> </ul>	Biehl (2001)
2002	Melitta (Manufacturer) dm-drogerie markt (Retailer)	Supply Side	ERP	VMI	<ul style="list-style-type: none"> <li>• Daily transmission of inventory data and inventory reports</li> </ul>	<ul style="list-style-type: none"> <li>• Service level of more than 98 %</li> <li>• Inventory range below 6 days</li> <li>• Reduction of transports</li> <li>• Inventory reduction</li> </ul>	Loderhose (2002)
2003	Herlitz (Manufacturer) Metro (Retailer)	Supply Side	ERP	VMI	<ul style="list-style-type: none"> <li>• Immediate EDI transmission of POS data</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of out-of-stocks by more than 50 %</li> <li>• Inventory reduction by 25 %</li> </ul>	Anonymous (2003a)
2003	Beiersdorf AG (Manufacturer)	Supply Side	ERP	VMI	<ul style="list-style-type: none"> <li>• EDI-transmission of</li> </ul>	<ul style="list-style-type: none"> <li>• Inventory reduction</li> <li>• Reduction of warehousing costs</li> </ul>	Rode (2003)

	Globus (Retailer)				inventory reports	<ul style="list-style-type: none"> <li>• Reduction of inventory carrying costs</li> <li>• Reduction of delivery frequency</li> </ul>	
2003	FAG Kugelfischer (Manufacturer) Kistenpfennig AG (Retailer)	Supply Side	ERP	VMI	<ul style="list-style-type: none"> <li>• Automatic transmission of inventory reports and sales forecasts</li> <li>• Web-EDI</li> </ul>	<ul style="list-style-type: none"> <li>• Time savings</li> <li>• Automatic procedures without manual handling</li> </ul>	Anonymous (2003b)
2004	Nestlé (Manufacturer) dm-drogerie markt (Retailer)	Demand Side	ESA	SO und RO	<ul style="list-style-type: none"> <li>• dm-Extranet</li> <li>• CM</li> </ul>	<ul style="list-style-type: none"> <li>• Improved reaction possibilities for DM</li> <li>• Increased market shares within the specific product category for Nestlé</li> </ul>	Hannen (2004)
2004	Gardena (Manufacturer) Globus (Retailer)	Demand Side	ESA	RO	<ul style="list-style-type: none"> <li>• CM</li> </ul>	<ul style="list-style-type: none"> <li>• More sales on small selling areas</li> </ul>	Hannen (2004)
2004	Philips (Manufacturer) Members of buying association Electronic Partner (Retailer)	Demand Side	ESA	SO	<ul style="list-style-type: none"> <li>• Collaborative market research</li> <li>• Adaptation to store size and regional conditions</li> <li>• CM</li> </ul>	<ul style="list-style-type: none"> <li>• No information</li> </ul>	Hannen (2004)
2005	Enderlein (Manufacturer) Karstadt (Retailer)	Supply Side	ERP	VMI	<ul style="list-style-type: none"> <li>• EDI (inventory reports and POS data)</li> <li>• Trust-based cooperation</li> <li>• Consideration of EUL-allocation of stores</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing sales volume by 3.1 per cent</li> </ul>	Bartram/Hammer (2005) Zeilhofer-Ficker (2005)
2006	L'Oréal (Manufacturer) Douglas (Retailer)	Supply Side	EOS	CD RCS	<ul style="list-style-type: none"> <li>• Adaption of picking needs for Douglas</li> <li>• EDI</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of logistics costs by 50 per cent</li> <li>• Faster shelving</li> <li>• Increased sales performance by 15 per cent</li> <li>• Strengthening the lead supplier position of L'Oréal at Douglas</li> </ul>	Anonymous (2006a)

2006	L'Oréal (Manufacturer) Douglas (Retailer)	Supply Side	EA	Electronic invoicing	<ul style="list-style-type: none"> <li>• EDI</li> </ul>	<ul style="list-style-type: none"> <li>• Increased productivity at manufacturer level</li> </ul>	Anonymous (2006a)
2006	Goodyear-Dunlop (Manufacturer) Quick tire discounter (Retailer)	Supply Side	ERP	VMI	<ul style="list-style-type: none"> <li>• Trust-based cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Increased sales volumes by 25 % on average</li> <li>• Reduction of inventory levels by 50 % at warehouse level</li> <li>• Reduction of inventory carrying costs</li> </ul>	Anonymous (2006b)
2007	300 suppliers Max Bahr (Retailer)	Supply Side	EA	CAO	<ul style="list-style-type: none"> <li>• No information</li> </ul>	<ul style="list-style-type: none"> <li>• Inventory reduction by 10 per cent</li> </ul>	Anonymous (2007a)
2007	Danone (Manufacturer) Globus (Retailer)	Supply Side	ERP	CMI und VMI	<ul style="list-style-type: none"> <li>• Common responsibilities</li> <li>• EDI (POS data and Inventory reports)</li> </ul>	<ul style="list-style-type: none"> <li>• Goods have a three day longer duration date at store level</li> <li>• Improving of service level by 1 per cent</li> <li>• Increasing the number of full pallets by 9.4 per cent</li> <li>• Improved utilization of truck load capacities</li> <li>• Reduction of process costs</li> </ul>	Anonymous (2007b) Loderhose (2007)
2008	Coca-Cola (Manufacturer) Metro (Retailer)	Demand Side	ESA	SO und RO	<ul style="list-style-type: none"> <li>• No information</li> </ul>	<ul style="list-style-type: none"> <li>• Sales improvement by 18 per cent</li> </ul>	Rode (2008)
2009	Danone (Manufacturer) Edeka Nordbayern-Sachsen-Thüringen (Retailer)	Demand Side	ESA	SO	<ul style="list-style-type: none"> <li>• Customer survey</li> </ul>	<ul style="list-style-type: none"> <li>• Increased revenues by 9 per cent</li> </ul>	Anonymous (2009a)

2009	Bitburger, Coca-Cola, Gerolsteiner (Manufacturer) Dohle Handelsgruppe (Hit) (Retailer)	Demand Side	ESA	SO	<ul style="list-style-type: none"> <li>No information</li> </ul>	<ul style="list-style-type: none"> <li>Increased sales volume by 2.8 per cent</li> <li>Improved gross profit</li> </ul>	Anonymous (2009b) Frener (2009)
2010	Gerry Weber (Manufacturer) Fashion Jost (Retailer)	Supply Side	ERP	No information	<ul style="list-style-type: none"> <li>RFID</li> </ul>	<ul style="list-style-type: none"> <li>Faster registration of inventory levels</li> <li>Demand-driven replenishment</li> <li>Reduction of efforts at goods entry and internal logistics by 75 per cent</li> </ul>	Anonymous (2010a) Anonymous (2010b)
2010	Alfred Sternjakob, Baier & Schneider, Edding, Esselte-Leitz, Faber-Castell, Pelikan, Uhu (Manufacturer) Soennecken, Prisma (Handel)	Demand Side	ESA	SO	<ul style="list-style-type: none"> <li>No information</li> </ul>	<ul style="list-style-type: none"> <li>Increased sales volume by 6 per cent on average</li> </ul>	Anonymous (2010b) Rode (2010)
2011	Bitburger (Manufacturer) Aral gasoline shops (retailer)	Demand Side	ESA	RO und SO	<ul style="list-style-type: none"> <li>Adaption to regional conditions</li> <li>Shopper study</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Increased sales volume by 4.6 per cent</li> </ul>	Ritter (2011)
2012	Kraft Foods (Manufacturer) Lekkerland (Retailer)	Supply Side	EOS	CD	<ul style="list-style-type: none"> <li>No information</li> </ul>	<ul style="list-style-type: none"> <li>Increased delivery performance by 0.8 per cent</li> <li>Reduction of contacts at ramp by 90 per cent</li> <li>Increasing truck load capacities by 18 per cent</li> <li>Improved share of full pallets by 25 per cent</li> </ul>	Loderhose (2012)
2012	Bahlsen, CFP Brands, Ferrero	Demand Side	ESA	SO	<ul style="list-style-type: none"> <li>Consideration of financial</li> </ul>	<ul style="list-style-type: none"> <li>Increased sales volume on drug store segment by 48 per cent and</li> </ul>	Loderhose (2012)

	Deutschland, Schwarzkopf & Henkel, The Lorenz Bahlsen Snack-World (Manufacturer) Edeka Hannover-Minden (Retailer)				<ul style="list-style-type: none"> <li>and regional conditions</li> <li>• CM</li> </ul>	in snacks segment by 12.5 per cent	
2012	Pernot Ricard (Manufacturer) Edeka Minden-Hannover (Retailer)	Demand Side	ESA	SO	<ul style="list-style-type: none"> <li>• Shopper study</li> <li>• CM</li> </ul>	<ul style="list-style-type: none"> <li>• Increased sale volume by 8.9 per cent</li> </ul>	Rode (2012)
2013/ 2015	CFP Brands (Manufacturer) Edeka Staufers (Retailer)	Demand Side	ESA	RO	<ul style="list-style-type: none"> <li>• Video analysis</li> <li>• Shopper survey</li> <li>• CM</li> </ul>	<ul style="list-style-type: none"> <li>• Increased sales volume by 30 per cent</li> <li>• Improved gross profits by 38 per cent</li> </ul>	Himberg (2013a) Hanke (2015)
2013/ 2015	Diageo (Manufacturer) Edeka Nolte (Retailer)	Demand Side	ESA	SO und RO	<ul style="list-style-type: none"> <li>• Consumer surveys</li> <li>• Trust based cooperation</li> <li>• Harmonization of data between partners</li> </ul>	<ul style="list-style-type: none"> <li>• Increased sales volume by 60 per cent</li> <li>• Improved gross profit</li> </ul>	Himberg (2013b) Hanke (2015)
2013	Intersnack (Manufacturer) Edeka Gebauer (Retailer)	Demand Side	ESA	RO	<ul style="list-style-type: none"> <li>• CM</li> </ul>	<ul style="list-style-type: none"> <li>• Increased number of sales by 8.5 per cent as compared to the previous year</li> <li>• Increased sales volume by 12.2 per cent</li> </ul>	Himberg (2013c)
2013	Henkel (Manufacturer) Rossmann (Retailer)	Demand Side	ESA	SO und RO	<ul style="list-style-type: none"> <li>• Common customer survey</li> <li>• Shopper research by</li> <li>• CM</li> </ul>	<ul style="list-style-type: none"> <li>• Increased sales volume by 16 to 22 per cent</li> <li>• Increased market share by more than 3 per cent</li> </ul>	Flier (2013)

2013	Mars (Manufacturer) Rewe (Retailer)	Keine Zuordnung	Keine Zuord- nung	Keine Zuord- nung	<ul style="list-style-type: none"> <li>• RFID</li> </ul>	<ul style="list-style-type: none"> <li>• Control and monitoring of material goods flow in real time</li> <li>• Reduction of ordering errors to less than 0.5 per cent</li> <li>• Increased product availability and sales volume</li> <li>• Increased order cycle times</li> </ul>	Loderhose (2013)
2014	AB InBev, Coca-Cola, Hoffrogge Consulting (Manufacturer) Rewe (Retailer)	Demand Side	ESA	SO	<ul style="list-style-type: none"> <li>• Consideration of regional condition</li> </ul>	<ul style="list-style-type: none"> <li>• Rewe:</li> <li>• Increased sales volume in beer segment by 9.4 per cent and in alcohol free beverage segment by 8.5 per cent</li> <li>• Reduction of product range by 20 per cent</li> </ul>	Loderhose (2014) Pieringer (2014)

# Article Title Page

## Seamless Fashion Retailing in Iceland - The Omni Challenge

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### Structured Abstract:

**Purpose** – The purpose of this work is to explore whether there is a “*fulfilment gap*” between customer expectations and fashion retail strategies over the purchase journey. Specifically this study focuses on two small-to-medium sized enterprise (SME) retail firms in Iceland.

**Design/methodology/approach** – An on-going case study is still being conducted. We present here our initial findings from interviews with two Icelandic fashion retailers and a customer survey of 237 female customers. The work is designed to explore the strategies being applied by these retailers. Our aim is to determine if they are actually fulfilling customer expectations over the purchase journey. In the first research phase we developed an “*Integrated Omni Channel Purchase Journey*” framework. We sought to advance this through the second phase – interviews and a survey linked to an on-going case study. From the interplay of theory and data we aim in this paper to report our preliminary advancement of the framework and provide initial answers to three research questions.

**Findings** –The initial findings indicate a “*fulfilment*” gap between customer expectations and retail strategy. For instance, while customers expect cross-channel fulfilment and customized solutions, Icelandic fashion retailers are currently only applying a multi-channel strategy. This lacks both integration and customized solutions.





Research limitations/implications – This study is limited with respect to its generalizability. It focuses on the relationship between two fashion retailers and female fashion customers. However the findings provide SME fashion retailers with a starting point for retail strategy development in omni-channel environments. This will enable them to begin to identify the extent to which they are currently meeting their target customer expectations (throughout the purchase journey). Future research will collect more rigorous case data to fully test the framework.

Practical implications – Fashion retailers need to build their capabilities to meet the technology- driven expectations of their customers. They are applying social pressure for new distribution channels and customized solutions. It is therefore recommended that fashion retailers analyse target customer's expectations throughout the fashion purchase journey and adapt their retail strategies accordingly.

Originality/value – To this date there is no research available on the retail strategies' being applied by the fashion sector in Iceland and how they meet fashion customer expectations. The findings indicate that retailers have an opportunity to meet target customer expectations better by providing cross channel fulfilment and customized solutions.

**Keywords:**

Omni-Channel Strategy, Fashion, Retail, Customer Expectations, Iceland.

**Article Classification:**

Emerging Case Study

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*For internal production use only*

**Running Heads:**



## Introduction

While fashion retailers are still coming to terms with multi-channel retailing challenges, their consumers are experiencing radical change in how they can access product information and purchase goods. They are increasingly becoming accustomed to the use of new channels (such as social media networks, mobile devices and related software), new digital technologies (such as in-store technological solutions) and tailored solutions (such as customized offers, websites and engagement), as part of their “*purchase journey*” - fashion product awareness, research, purchase, fulfilment and engagement (Deloitte, 2014). Omni channel retail strategy (OCRS) is the latest step in the evolution of retail strategies as it provides a seamless shopping environment. This is achieved by integrating all available channels and customer touch points in order to optimize customers overall purchase experience throughout their purchase journey (Verhoef et al., 2015).

Icelanders are early adopters of emerging technologies and one of the highest computer and Internet users in the world. There has been significant growth in e-commerce in the last decade. However retailers in Iceland are still far behind leading retailers in UK and US. Local research further indicates that women purchase fashion items in much higher volumes online than men (Federation of Trade and Services, 2014). Despite being a small local market (population of 320.000) with only SME fashion retailers, the retail environment is very competitive, as local fashion retailers are facing increasing competition from online global retailers

Building on the theoretical gaps in the OCRS literature the purpose of this paper is to begin to answer three research questions: firstly, what retail strategies are currently being applied by fashion retailers in Iceland? Secondly, what are Icelandic customer expectations throughout their purchase journey? Thirdly, is there a gap between the retail strategies currently being applied and customer expectations in Iceland? Designing and implementing OCRS is an emerging field of retail analysis but to date the area of SMEs has largely been neglected. This work provides a starting point to our investigation into OCRS for SMEs. We begin the paper in section 2 by reviewing customer expectations throughout the purchase journey and corresponding retail channel strategies. Then the research methods adopted in this study are explained in section 3. In section 4 our key research findings are reported. Finally, in the conclusion we provide answers to our research questions and provide future recommendations for developing our study.

### **Strategic Environment: the Evolution from Multi to Omni Channel Retailing**

Multi-channel retail strategy (MCRS) is the fastest growing retail model of the 21<sup>st</sup> century (Rigby 2011). Pure brick and mortar retailers are increasingly opening e-commerce sites and pure online retailers are providing more offline presence, through showrooms and strategic partnerships. Due to rapid technology innovations, new channels and customized solutions are increasingly becoming available to customers, through both transactional channels (sales channels) and non-transactional channels (social media networks and mass media). As MCRS lacks the integration of these channels and services and does not provide customers with a seamless purchase journey, customers cannot shift between channels. For instance, the process would include: researching a product on a mobile; add to shopping basket; purchase on a laptop and collect in store without repeating the process (Verhoef et al., 2015).

OCRS is the latest step in the evolution of retail strategies, defined by Verhoef et al. (2015) as: “...*the synergistic management of the numerous available channels and customer touchpoints, in such a way that the customer experience across channels and the performance over channels is optimized*” (p. 176). OCRS is therefore a holistic approach that integrates all available channels, both transactional and non-transactional, and provides customers with customized solutions and a seamless purchase journey.

## Integrative framework

From a critical review of the literature we have developed an integrative Omni-channel framework that will guide our data collection. (Figure 1) This identifies customer expectations throughout their purchase journey and the channels available to them. First, we will discuss customer expectations in today's technology driven retail environment. This will be followed by a discussion of some of the key retail channels identified in the literature; e-commerce, brick and mortar, mobile and tablet and social networks.

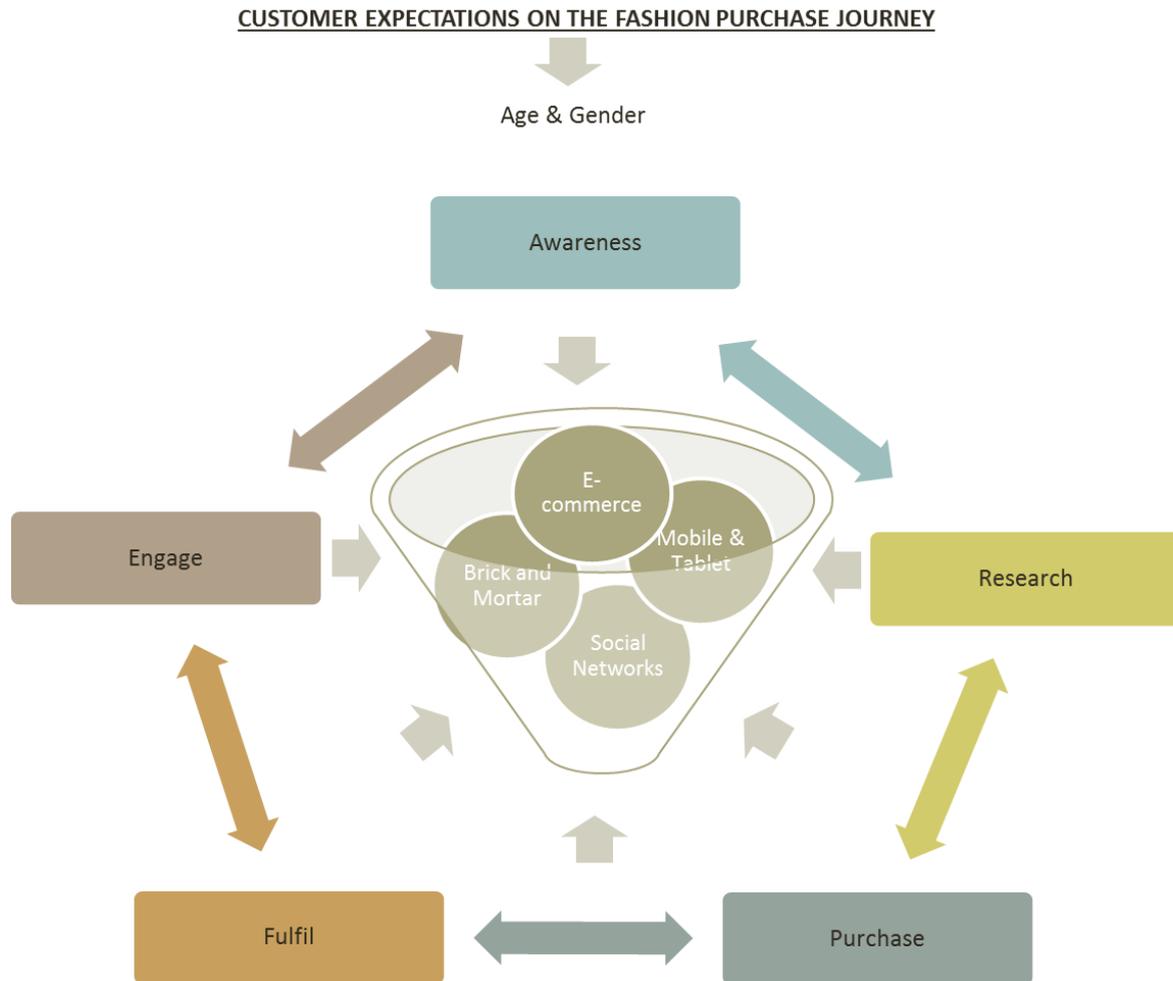


Figure 1 Integrative Omni Channel Purchase Journey Framework

## Customer Expectations

Customers are the key drivers of OCRS; they have become more knowledgeable and connected than ever before and expect convenient, seamless, consistent and customized shopping experiences as well as personal engagement with retailers. Therefore as: “...supply chains were traditionally designed around stores; these now need to be re-engineered around customers” (Deloitte 2014, p. 32). Retailers are advised to analyse their target customers expectations and channel use on their purchase journey before designing and implementing OCRS: “the trick will be to identify each segment’s unique paths and pain points and create tailored solutions rather than the one-size-fits-all approach that has characterised much retailing in the past” (Rigby 2011, p. 5).

It is essential that customer expectations are met at every step of their purchase journey. For instance, that firstly that they are offered click and collect, reserve and collect, free home deliver, same day delivery. Secondly that they are provided with customized solutions including customized delivery slots, purchase history and engagement. Therefore, retailers need to re-evaluate their strategies, delivery options and partnerships to meet these expectations (Salmon 2014). Retailers need to identify the channels used by target customers both in-store and online (social, apps, search, affiliates, email) and devices (desktop, laptop, mobile, tablet). If they are to fully integrate and provide customers with a seamless purchase journey (Verhoef et al, 2015). However, not all customers have the exact same expectations. Brick and mortar stores are for instance more important than online stores for customers that have high need for information (Bell et al 2013) and different age groups also exhibit different shopping and social behaviours (Table 1).

Millennials (1980-2000)	Generation X (1965-1979)	Baby Boomers (1944-1964)
Prefer engaging with brands instead of traditional marketing (TV, Radio, Print)	Don't trust retailers and therefore research prior to purchase and expect detailed product information	Research online prior to purchase
Digital and Social media driven	Willing to try different channels in their purchase journey which needs to be pleasurable	Prefer to purchase in-store, want to touch and try products prior to purchase
Expect customisation/personalisation from retailers	Want to touch and try products prior to purchase and value the in-store experience	Expect retailers to know their needs

Table 1 Age Differences in Shopping Behavior (source: adapted from Wallace, 2015).

## Customization & Personal Engagement

Customization provides customers with relevant content and personalised solutions. It is becoming increasingly important to customers, mainly due to social channels. Customization means listening to and engaging with customers. It is based on their individual interests, wants and needs and should be integrated across all available channels. Technology enables retailers to offer their customers customized solutions. For instance, by collecting valuable data about target customers with the use of customer relationship management tools, cookies, star ratings, reviews, online visits, click behaviour and devices used (Jones, 2014). Some of the customized solutions available are responsive websites, customised emails, loyal customer rewards and location-based apps offering personalised promotions, tracking of customers and in-store incentives (Brynjolfsson et al., 2013).

Customers today further expect personal engagement with retailers; they want to experience the brand (Rigby 2011), not the channel (Forrester Consulting, 2014). Engagement is an interactive process that focuses on individual customer experiences and often begins with a need for information (Brodie et al., 2013). The number of channels available to customers to engage with brands is one of the key challenges facing retailers (Mitchell, 2012). Furthermore online channels are considered to be especially effective in driving brand engagement (May, 2008). Tools like social sharing links should be included at all stages of the purchase journey, from awareness building to order fulfilment. Retailers should also encourage their customers to give feedback by making it as easy and accessible as possible and encourage them. For instance, by offering vouchers, discounts or gifts as a reward (Jones, 2014). Finally, not all customers want to engage with brands in the same way (Mitchell, 2012). It is therefore important for fashion retailers to analyse and understand how fashion customers wish to personally engage with the retailer (Brodie et al., 2013).

## **Retail Channels & Customer Touch Points**

The channels and touch points available to customers and retailers are growing rapidly. Chen and Lamberti (2016) identify 25 individual channels, which they then categorize into traditional, Internet or mobile channels. Including the following individual retail and touch points: e-commerce, bricks and mortar, mobile, tablet and social networks.

### E-commerce

E-commerce is one of the key channels in fashion retailing. Convenience is identified as one of the key benefits of online shopping for customers. For instance, in store inventory information and detailed product information. Customers expect that the website has all the functions they need, from research to check out (Jones, 2014). Some of the key elements for successful e-commerce sites include consistent look and feel across all customer touch points, highly functional mobile site, well integrated social media, virtual fitting rooms, wish lists, customer reviews, chats and payment with gift cards (Salmon, 2014). In spite of the growth and success of online retailing, 50% of customers claim that they want to purchase online, but collect in-store (Forrester 2014). Online retailers therefore need brick and mortar presence to meet customer expectations; they need to provide target customers with physical show-rooming and local pickup points (Brynjolfsson et al., 2013).

### Brick and mortar

Whilst the increasing number of channels and continuous growth of e-commerce, physical stores are still a key retail channel (in UK approximately 89% of all shopping is still through physical stores (Office for National Statistics, 2016). Customers want the opportunity to walk in to a store to touch, try, collect and/or return products from online shopping. They expect free Wi-Fi, mobile payment, mobile staff, store pick ups, returns from online shopping and access to online platforms. Although retailers must redefine their stores, this is because their role has shifted from being solely sales driven to a showroom that drives overall cross-channel revenue (Forrester 2014). Some critics are concerned with show-rooming; that customers will use physical stores to research products but then purchase them from competitors, often at a lower price (Zimmerman, 2012). Whilst show-rooming can also serve as a marketing tool to drive traffic to the retailer's e-commerce site after in store inspection (Dorman, 2013) and maximise in store sales (e.g. they sell the customer more when collecting online purchases) and overall business performance (Bell et al., 2013).

### Mobile & Tablet

The number of customers using their mobile phones to access the Internet is increasing every year, which has changed how customers engage and interact with retailers (Verhoef et al., 2015). Mobile and tablet integration is therefore an important retail channel and a key strategic priority for leading UK retailers (Salmon, 2015). Mobile devices and related software (apps, mobile payments, and GPS services) enable

customers to use the mobile channel for various purposes. For instance, to research, purchase and engage. This though requires substantial investment from the retailer (Chen and Lamberti, 2016). Mobile and tablet integration also creates several benefits for retailers. For instance, to identify geographical location of their customers, engage with target customers, provide personalised experiences, loyalty schemes, offer mobile payment (Salmon 2014), attract customers from competitors (Jones, 2014), communicate with customers in store through free Wi-Fi and collect valuable data about their shopping behaviour (Verhoef et al., 2015). Sales assistants can utilize their mobile devices to meet customer expectations for expert product knowledge (Salmon 2014).

### Social media networks

Customers increasingly expect to personally engage with retailers and brands, through regular updates, blogs and for inspiration, which makes social media networks among the key channels in OCSR. The message has to be coordinated across all key channels and customer expectations need to be at the centre of all social media strategies (Salmon, 2014). It is important that retailers analyse how their target customers want to engage in order to provide them with the correct tools. For instance, Twitter, Facebook, Pinterest or other social networks (Jones, 2014). While the purpose of social networks has mainly been for personal “*non-commercial communications*”, brands and individuals are increasingly using them for commercial advantages. Individuals use social media to share their fashion preferences and engage with brands whereas fashion brands use social influencers (e.g. journalists, celebrities, bloggers, magazines, brand advocates) to share brand-sponsored material with their audience (Wolny and Mueller, 2013). Social influencers have therefore become extremely influential especially for young fashion customers and have influenced their shopping styles (Atik and Firat, 2012).

### **Research Methods**

This research aims to identify whether there is a gap between customer expectations and retail strategies in Iceland. An emerging case study with two fashion retailers and a survey of their customers was conducted in order to compare the strategies applied by the retailers to customer expectations. The integrated framework we have developed was used to guide the overall data collection and analysis. Semi structured interviews were conducted among two leading fashion brands to gain a detailed understanding of the retailers’ current strategies to fulfilling the consumer purchase journey. We aimed to gain insight into participants’ attitudes towards key channels and probe them on their customer offerings in key channels and customer engagement. Theoretical sampling was applied to ensure the researcher selects an appropriate sample for their research. Executives were selected on the basis of having a role that corresponded to at least one category of the framework (Crouch and Pearce, 2012). Data was collected on each framework category which they sub-categorized. The interviews were conducted with two leading fashion retailers in Iceland, an international sports brand and a local outdoor brand.

A cross-sectional survey in the form of an online questionnaire was applied to identify Icelandic customers’ expectations towards these two fashion retailers with respect to their purchase journey. Both tangible (preferences) and intangible (expectations) questions were asked using closed questions and the Likert attitude scale was used to collect data about participants’ purchase behaviour. The questionnaire was pilot tested prior to launch to ensure a correct understanding among the sample, minor changes were made and it was then launched online. A random sampling method was applied to represent the whole sample population (Crouch and Pearce, 2012) and as men and women differ in their fashion purchasing, it was decided to focus on female customers. The survey was completed by 237 Icelandic females aged 18-71 year. The age split of the respondents was 71% Millennials (aged 18-35, born 1985-2000), 21% Generation X (aged 36-50, born 1965-1979) and 8% Baby Boomers (aged 51-71, born 1944-1964).

In the next section we present our research findings. First, the interview and survey data is analysed separately. Second, the results of each research stage are qualitatively combined to identify the perceived size of the fulfilment gap (low, medium, high) for each category of the framework.

### Initial Findings

In this section we will first present the findings from the customer survey followed by the initial findings from the retailer interviews.

#### Icelandic Female Fashion Customer Expectations

Customers in Iceland want to research products on all available channels, 32% on Social Networks, 67% online, 67% in store and 20% on mobile. While all of the age groups choose in-store most frequently, the findings indicate different expectations between the age groups (Figure 6). Millennials e.g. have higher expectations towards e-commerce and social media than Baby Boomers.

	<i>Baby Boomers</i>	<i>Generation X</i>	<i>Millenials</i>
Social Media	16%	28%	35%
E-Commerce	32%	66%	71%
In-store	68%	62%	68%
Mobile	21%	12%	23%
Don't know	5%	2%	1%

*Table 2 Research Channel Expectations*

The most frequent devices chosen for research overall are mobile (69%) and laptop (67%) followed by tablet (38%) and in store only (13%). Baby Boomers however value the in store channels for research far more often than the other age groups whilst Millennials choose the mobile channel most frequently.

	<i>Baby Boomers</i>	<i>Generation X</i>	<i>Millenials</i>
Mobile	37%	54%	75%
Tablet	42%	60%	34%
Computer	37%	64%	71%
In store only	42%	10%	4%
Other	0%	0%	4%

*Table 3 Research Devices*

If all key channels were available, customers in Iceland would choose to use them all for purchasing, however in-store (95%) and e-commerce (68%) are valued most frequently. This is followed by social media (29%) and mobile (21%). Generation X and Millennials have similar expectations however Baby Boomers value the in-store far more than other channels.

	<i>Baby Boomers</i>	<i>Generation X</i>	<i>Millenials</i>
Social Media	5%	12%	13%
E-Commerce	21%	64%	74%
In-store	89%	94%	96%
Mobile	5%	12%	26%
Don't know	0%	2%	1%

Table 4 Purchase Channel Expectations

The most frequent devices chosen for purchase overall are laptop (68%) and mobile (62%) followed by tablets (38%) and in store only (16%). The in store channel is most important to Baby Boomers whereas mobile and tablet becomes more important to Generation X and Millenials.

	<i>Baby Boomers</i>	<i>Generation X</i>	<i>Millenials</i>
Mobile	21%	66%	65%
Tablet	26%	48%	37%
Computer	16%	66%	74%
In store only	53%	12%	13%
Other	5%	0%	1%

Table 5 Purchase Devices

The findings indicate that fashion customers in Iceland want to fulfil from everywhere and expect customized fulfilment options. If all options are available, collecting in store (58%), home delivery within a week (55%) and customized delivery (50%) are the most frequent choices, followed by same day home delivery (40%). Between the age groups, the findings indicate the highest delivery and customized fulfilment expectations among Millenials.

	<i>Baby Boomers</i>	<i>Generation X</i>	<i>Millenials</i>
Home delivery <week	16%	42%	63%
Same day home delivery	42%	34%	41%
Customized delivery	32%	40%	54%
Collect in store	21%	36%	62%
Only shop and collect in store	26%	4%	4%
Don't know	5%	6%	3%

Table 6 Fulfilment Expectations

The findings indicate that customers do not want to repeat the purchase process when switching between channels and/or devices. Overall, 75% of customer's value cross channel fulfilment as important, however it is more important to Generation X (78%) and Millenials (79%) than to Baby Boomers (37%).

	<i>Baby Boomers</i>	<i>Generation X</i>	<i>Millenials</i>
Very important	11%	44%	36%
Important	26%	34%	43%
Neither or	32%	14%	15%
Not important	32%	6%	2%
Not very important	0%	2%	5%

Table 7 Cross Channel fulfilment Expectations

The overall findings for each age group, at each step of the purchase journey are summarized in Table 8.

<b>The Fashion Purchase Journey</b>	<b>Millennials (1980-2000)</b>	<b>Generation X (1965-1979)</b>	<b>Baby Boomers (1944-1964)</b>
<b>Awareness</b>	Shop most frequently and mostly out of desire  Social channels driven	Shop mostly out of desire  Influenced by social channels and traditional media	Shop out of desire but most rarely  Influenced by social channels and traditional media
<b>Research</b>	Choose to research in store and online on computer and mobile	Choose to research in store and online on computer and tablet	Choose to research in store
<b>Purchase</b>	Choose to purchase in store and online on all devices and have the highest expectations on all key channels  Value location of physical store	Choose to purchase in store and online on computer, tablet and mobile  Value the in store experience	Choose to purchase in store  Value location of physical store
<b>Fulfilment</b>	Choose to fulfil from everywhere and have the highest expectations towards a seamless, integrated shopping experience	Choose to fulfil from everywhere, a seamless shopping experience	Choose mostly to fulfil in store
<b>Engagement</b>	Choose to engage in store and online and want personalised solutions	Choose to engage in store and online and want personalised solutions	Choose personal assistance and expert advice in store

*Table 8 Age Similarities and Differences in The Fashion Purchase Journey*

### Emerging case interview findings - fashion retail strategies in Iceland

The initial interview findings indicate that the retail strategy currently being applied by fashion retailers in Iceland is a MCRS. Customers can research and purchase products, both in store and online, but the channels are not integrated and they do not provide customized solutions. The key channels available to fashion customers in Iceland are brick and mortar and e-commerce (transactional) and social networks to engage (non-transactional).

The retailers highlighted the importance of the physical store for customers to be able to touch and try on products prior to purchase and to collect and return online purchases. The e-commerce sites are also considered essential to offer customers with more options on their purchase journey, to research products (detailed information, size charts, photos), fulfilment options - finalising the purchase, i.e. payment and delivery (free home delivery, click and collect) and social sharing. The e-commerce sites are mobile and tablet friendly which enables customers to research and browse product range, add to basket and finalize the purchase as if on the e-commerce site. However, the channels are not integrated, they are driven by individual strategies and do not offer a seamless customer journey, and the purchase process has therefore to be repeated by the customer when switching between channels and/or devices. Furthermore, they do not provide customized solutions, product offers or delivery options but display products and information that

they want to highlight and push. Non-responsive electronic commerce sites, for example. The retailers however, find a seamless integration to be very important and see opportunities in integrating all the channels, especially for accurate inventory and better service. The key Omni channel challenges mentioned are high investment in new technology and logistics, lack of short term returns and operational challenges.

The retailers engage with their customers on a regular basis, mainly through social networks (Facebook, Instagram, Twitter and Snapchat) and in store, and value engagement as an important element in their target customers overall purchase journey. Also, they lack consistency of social network availability and they do not follow a targeted social media strategy.

### Identifying the Strategy Expectation Gaps

Overall, our findings indicate that there is an actual “*fulfilment*” gap between customer expectations and the retail strategies applied in Iceland. This gap is mainly in relation to purchase, cross channel fulfilment options and customized solutions. This perceived gap is visually presented in Table 9 as low, medium and high. Our interpretation is based on “*qualitatively*” combining the customer survey data with the retail case interviews. We took the median statements of each customer expectation and using alphanumeric codes we then triangulated this with the open coding of the interviews. The emerging selective coding phrases are presented below. Basically, the table presents our qualitative evaluation of the key gaps for each of the categories of the framework and the gaps are evaluated as Low  $\longleftrightarrow$  , Medium  $\longleftrightarrow$  or High  $\longleftrightarrow$  .

<b>PURCHASE JOURNEY</b>	<b>Customer Expectations</b>	<b>Retail Strategies</b>	<b>GAP</b>
<b>Awareness</b>	Want information about fashion products through various channels, mainly social media	Tell customers about new products through various channels, mainly social media and newsletter	The findings indicate that customer expectations are sufficiently met
<b>Research</b>	Want to use all key channels and devices to browse and research products prior to purchase	Offer information about products in store and online  Mobile friendly e-commerce site  Share new products on social networks	The findings indicate that customer expectations are sufficiently met
<b>Purchase</b>	Want to buy from everywhere; on all key channels and devices	Don't offer customers to buy from everywhere	$\longleftrightarrow$
E-commerce	<ul style="list-style-type: none"> <li>Want to reserve and buy online</li> </ul>	<ul style="list-style-type: none"> <li>Offer customers to shop on e-commerce sites</li> <li>Don't offer customers to reserve online</li> </ul>	$\longleftrightarrow$
Brick and Mortar	<ul style="list-style-type: none"> <li>Want to buy in store</li> <li>Want to try reserved products from online shopping</li> </ul>	<ul style="list-style-type: none"> <li>Offer customers to shop in physical stores and from resellers</li> <li>Do not offer to reserve and try</li> </ul>	$\longleftrightarrow$
Mobile and Tablet	<ul style="list-style-type: none"> <li>Want to buy on mobile</li> </ul>	<ul style="list-style-type: none"> <li>Customers can finalise purchases on mobile and tablet but don't offer special apps</li> </ul>	$\longleftrightarrow$

Social	<ul style="list-style-type: none"> <li>Want to buy on social channels</li> </ul>	<ul style="list-style-type: none"> <li>Don't offer customer to shop directly from social channels</li> </ul>	↔
<b>Fulfilment</b>	Want to fulfil from everywhere, on all channels  Want cross-channel fulfilment	Offer to fulfil both in store and online  Do not offer cross-channel fulfilment	↔
<b>Engagement</b>	Likely to shop more if offered personalised solutions  Want to engage and interact with retailers on all key channels	Don't analyse customers expectations on their overall purchase journey  Don't offer personalised solutions  Engage with customers on social media, newsletter and blog	↔

Table 9 Perceived Strategy Expectations Gaps

### Discussion and implication

This paper provides a preliminary analysis of customer expectations and key channels in OCRS. The findings are limited to the strategies and views of two cases of Icelandic fashion retailers and, a combined survey of their fashion customer expectations. For a more comprehensive picture a much broader retail sample would be required and future research may include both genders and different geographic areas. Also as customers may have different expectations between industries the findings cannot be generalized to other non-fashion sectors.

### Conclusion and future research directions

The purpose of this paper is to explore three research questions and to advance the theoretical framework from which these questions were derived from. Each question will now be discussed in turn.

- *What retail strategies are currently being applied by fashion retailers in Iceland?*

The findings indicate that the current retail strategy used by fashion retailers in Iceland is MCRS. The available channels are not integrated do not provide customers with a seamless purchase experience or customized solutions. The retailers are in the process of increasing the number of channels however, as the literature indicates, solely increasing the number of channels is no longer considered to be successful in meeting customer expectations.

- *What are Icelandic customer expectations on their purchase journey?*

The customer findings indicate that female fashion customers expect a seamless purchase journey and customized solutions. According to the literature (Bell et al, 2013, Wallace, 2015) not all customers have the exact same expectations and customer demographics drive different expectations within the fashion purchase journey. This is supported by the findings as the age groups exhibit different expectations on each step of the purchase journey. Overall, Millennials have the highest expectations towards a seamless purchase journey.

- *Is there a gap between retail strategies and customer expectations in Iceland?*

The lack of cross-channel fulfilment and the “one size fits all” solutions currently applied by fashion retailers in Iceland does not meet female fashion customer’s expectations for a customized and seamless purchase journey. The findings therefore indicate that there is a gap between Icelandic customer’s expectations and the



strategies applied by fashion retailers which supports current work on OCRS (e.g. Rigby, 2011, Verhoef et al., 2015). Retailers need to be open to change and adapt to successfully meet increasing customer expectations. It can be argued that there is an opportunity for fashion retailers in Iceland to adapt OCRS by analysing their target customer expectations on the purchase journey and adapt accordingly.

### Future Research Directions

The research provides a framework to guide future OCRS research within the fashion industry. Our results are based on case-based interviews with two fashion retailers and a survey of their customers. Further research is needed in order to test this framework and provide theoretical evidence and practical recommendation as to how the fashion retailer can close the gap and more fully meet customer expectations. With customer expectations being recognised as the foundation for successful OCRS, understanding different target group's expectations also needs further research. Omni channel fashion customer segmentation analysis could be of importance to both academia and retail practitioners.

### Originality/value

The findings provide SME fashion retailers with a starting point to identify how they are currently meeting target customer expectations on their purchase journey. Furthermore we provide initial insight into the design of an integrated and personalized Omni Channel Retail Strategy.



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# **BRAND-DRIVEN RETAIL FORMAT DESIGN**

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# BRAND-DRIVEN RETAIL FORMAT DESIGN

## Abstract

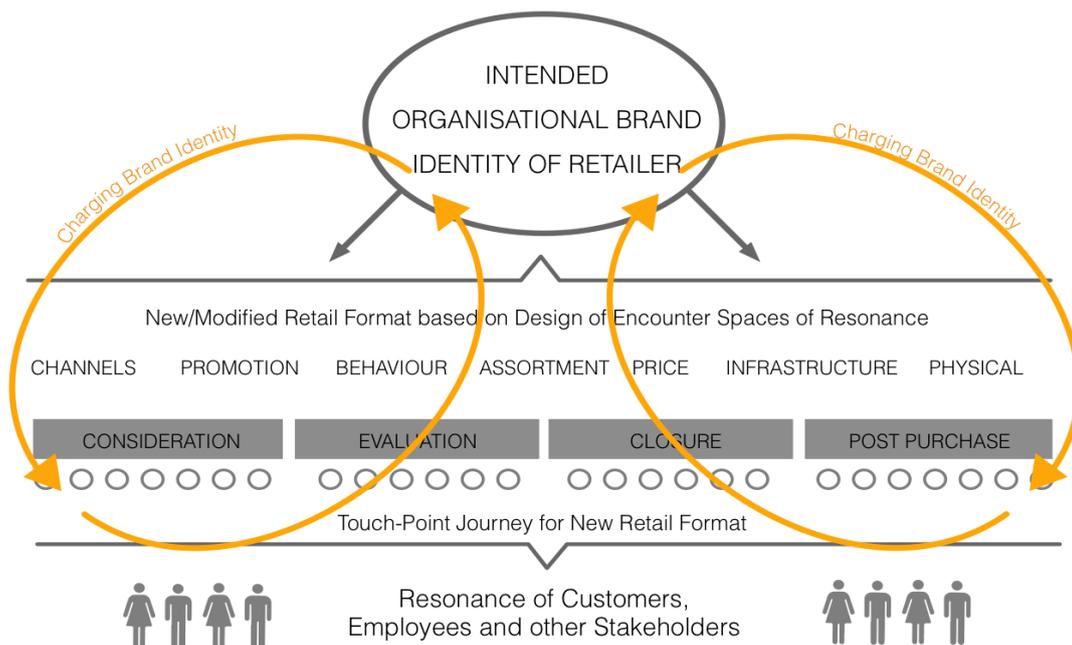
In this paper the authors extend the traditional view about retailing as “merchant intermediaries” that buy from suppliers and sell to customers into a perspective where retailers become designers of spaces of resonance (see also Sorescu et al. 2011, p. S5). Under this view any modification of existing or creation of new retail formats focuses on the development and design of off- and online encounter spaces and touch point experiences, which initiate and maintain positive resonance in the minds and hearts of affected system partners. After an interdisciplinary grounding of this new understanding of the role of retailers, a framework – called Brand-driven Retail Format Design (short: BRFD), which allow retailers to systematically develop unique spaces of resonance driven by their intended brand identity, is presented. The conceptualisation of BRFD is based on Hevner’s design science research approach (Hevner et al. 2004, 2010), which requires the creation of an innovative, purposeful artifact for a special problem domain. The artifact must be evaluated in order to ensure its utility for the specified problem.

The BRFD approach is grounded in anthropological research findings where culture stands as the original source and location of meaning systems from which brands ultimately must draw (McCracken 1986). These socio cultural meanings are the main source for the construction of organisational brand identities, which refer to the central, distinctive and enduring set of attributes, which materialise at touch points and become multisensory experiences of a particular retail format. When customers or other stakeholders grasp their underlying meanings and their interpretation creates positive resonance the new retail format will generate profits, secure new investments and survival on the long term. The attribution of the particular meaning-portfolio establishes the intended brand identity of the retailer.

The approach has been evolving during two decades of practitioner researcher collaboration applying action research approaches and techniques with top executives of privately held retail and service organisations.

As discussed above the main challenge for the long-term survival of any type of retail formats – off- or online –remains creating and nurturing enduring positive resonance through the occupation of an attractive meaning-portfolio in the minds and hearts of the affected population. Figure 1 provides a preliminary outlook about the main phases and dimensions of the BRFD framework.

Figure 1: Framework for Brand-driven Retail Format Design



Adapted from: Botschen Guenther, Josef Bernhart, Oliver Koll and Kurt Promberger (2016), Brand-oriented Touch-Point Design, Online- Proceedings of the 15th International Marketing Trends Conference, Venice

The BRFDApproach consists of three main phases. In phase one the intendedorganisational identity of the particular retailer is unveiled. Based on identified patterns of resonance and underlying meanings the intended organisational brand identity is conceptualised and leveraging action fields like assortment, pricing, atmospherics etc. are derived and prioritized. The intended identity functions as a frame of reference to translate the main elements of the retail format, e.g. assortment consisting of products and services, pricing, merchandise presentation, transactional convenience and into concrete paths of multisensory experiences,which follow the main phases of a “Customer Journey” for the targeted audience. Based on these intended touch point experiences the new or modified retail formats will be conceptualised. In phase three necessary activities and alignments for the definite design and implementation of the new formatwill be

performed. As indicated through the two circles in Figure 1, retailer brand identity charging ideally takes place through positive resonance by all affected stakeholders of the particular space. At the time of the conference a finalized version based on Hevner's design science research paradigm of the BRFD approach will be presented.

For the purpose of this paper various cases for the creation of different resonance spaces – such as Leon and Laura, a new franchise prototype for rare regional food products; Café Cappuccino, a new format for an Austrian Coffee House in shopping centres; Mpreis-Future Store, a unique digital exhibition & sensory shopping experience and Der Bäcker Ruetz, a new format for a regional bakery chain – are prototypically used to demonstrate the applied procedure and report selected achieved results.

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Key words: cultural meaning systems, organisational brand identity, brand identity development, retail format innovation, designing attractive encounter spaces, resonating multisensory touch-point experiences.

**« Allons faire les courses » : food & shopping acculturation**

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## « Allons faire les courses »: food and shopping acculturation

### **Abstract:**

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This qualitative research based on semi- directive interviews investigates the food consumer acculturation of British corporate expatriates in Toulouse (France), and how it impacts food provisioning. It outlines the fluid identities these consumers create through food and studies their shopping experience abroad, to provide recommendations for retailers serving ethnic consumers. As such, it bridges the gap between consumer acculturation and retailing literatures.

**Key-words:** consumer acculturation, food, buyer behaviour, British, expatriation.

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## « Allons faire les courses »: food and shopping acculturation

### **Introduction**

With globalization, the number of expatriates sent abroad by their companies is booming. However, consumer acculturation literature focuses mostly on poor migrants coming to richer countries to escape their predicament (Stayman & Desphande 1989, Peñaloza 1994, Oswald 1999, Chytkova 2011 for example), to model these consumers' behaviours and show how they follow those of the locals or replicate those of their home countries. Similarly, retail literature, studies the buyer behaviours either of poor "ethnic" migrants (Jamal *et al.* 2012, Campbell, 2013, Burns *et al.* 2015) or locals (Ligas & Chaudhuri, 2012, Bauer 2012 for example). The present research is original because it studies corporate expatriates from a rich country sent to another for a few years, a population which received scant attention (Black & Gregersen, 1991, Gilly, 1995, Tambyah & Thompson 1999). This population escapes some of the limits noted by Luedicke (2011) because its acculturation is freer than that of poorer migrants: it has the resources to buy the products it wishes to and does not feel the need to conform to local

practices (Chytkova 2011). This paper investigates the food acculturation of British expatriates in Toulouse (France) in order to study how it translates into buyer behaviours. It thus bridges the gap between two fields of literature.

The first part of the paper will review the relevant literature, followed by a description of the research method; finally the main results and managerial implications will be presented.

## **1. Literature review**

### **1.1. Consumer acculturation**

Consumer acculturation research has flourished over the last few years, but three papers stand out. Extending Berry's work (1990) onto marketing, Peñaloza (1994) defines acculturation as a multifactorial process combining the migrants' individual characteristics (demographics, language skills, length of stay...) with their environment and acculturating agents (family, friends, church, institutions), leading to acculturation outcomes adapted from Berry's (1990): assimilation, maintenance, resistance and segregation. Oswald (1999) shows how migrants 'swap culture' through their consumption to negotiate their identity between their home- and host-cultures resulting in a fluctuating perception of that identity.

Finally Askegaard *et al.* (2005) build onto Peñaloza's work (1994) and delineate additional acculturating forces and different acculturation outcomes: hyperculture, oscillating pendulum, Danish cookies, and best-of-both-worlders.

The present research builds on this literature and takes a post-assimilationist approach to culture, considered here as a construct which individuals make their own and take part in co-creating.

### **1.2. Food consumption and food acculturation**

Food consumption is specific in that it combines functional nutritional aspects with symbolic, social and cultural aspects long documented by social scientists. For Levi-Strauss (1962),

Douglas (1979) or Bourdieu (1979) food is an extremely powerful marker of cultural or social belonging. Thiesse (2001) even sees food as one of the constituting elements of a nation. In a migration context, preparing and consuming home-culture food enables to assert the strength of one's attachment to this culture since food preferences are among the last to subside (Mennell, Murcott and van Oterloo, 1993). Home-country food also comforts home-sick migrants, as these familiar flavours remind them of their roots and a past they often idealise. Kurotani's work (2005) on Japanese expatriates in the US, shows the role of home-cooked food, which is more symbolically meaningful than in Japan, because it enables husbands and children who spend the day in their US environment to doubly come home in the evening and thus maintain their Japanese identity. Moreover, Lakha and Stevenson (2001) explain how home-culture food served on special occasions such as highly emotional celebrations or events, is even more ethnically and symbolically charged. These papers clearly ground food practices in the field of situational ethnicity defined by Stayman and Deshpande (1989).

### **1.3. Shopping behaviour**

Understanding shoppers' attitudes towards the stores, and studying their buying behaviours has been the focus in retailing literature for a long time (Lindquist, 1974, Bloemer & Ruyter, 1998 for example). Of particular interest for the present research are papers about grocery stores and food purchases. Some study consumer expectations and behaviours in national contexts. Goodman and Remaud (2015) investigate how consumers choose where to shop and identify four main dimensions consumers use to select between stores: convenience, price, customer service, and breadth of the range.

Bauer *et al.* (2012) more specifically focus on 'what constitutes a good assortment' and determine that consumer's subjective judgment about a grocery store is based on their perception of the assortment quality, variety sizes, shelf lay out, and price.

Other articles focus more specifically on the buyer behaviour of so-called ‘ethnic’ consumers. Investigating US Hispanic vs. Caucasian shoppers’ attitudes towards locally produced foods, Campbell (2013) identifies differences in perceptions and intentions to purchase, and recommends retailers targeting largely Hispanic markets to adapt their marketing practices to that group. Jamal *et al.* (2012) study the response of ‘ethnic’ consumers to sales promotions and determined 6 types of promotion benefits these consumers react to. But more importantly Jamal (2005) investigated the marketing strategies of small ethnic retailer entrepreneurs and their consumers’ responses. They emphasized how these marketing practices tend at times to reinforce consumers’ ethnic identity while also mitigating it with local products.

What follows is a brief presentation of the method followed by the present research.

## **2. Method.**

### **Interviews**

With the development of the aerospace cluster (Airbus and sub-contractors and suppliers), the Toulouse region has become increasingly cosmopolitan and British expatriates form one of the largest foreign communities in the region. This research focuses on the food acculturation and buying behaviour of British corporate expatriates. It therefore deliberately excludes French-British couples, whose food consumption would undoubtedly be impacted by French practices.

Semi-directive interviews of roughly 90 minutes each were lead with British families recruited through word of mouth, the websites of various British associations in Toulouse, their employers or the phone book...

The final sample counts 70 households (7 single men and 63 married couples) 51 of which currently had or previously had children living with them in Toulouse.

All interviews were lead in English to facilitate the respondents' expression, maximize the subtlety and spontaneity of their answers. They were audio-recorded with permission, and always took place in a friendly atmosphere (Hirschman, 1993). They covered the family history prior to the arrival, their motivations for expatriation, and their current lifestyles: their food consumption, and other products or services. Later interviews were run, while the earlier were manually analysed (Spiggle, 1994): the *verbatim* were grouped transversally depending on the themes covered to facilitate information processing. The approach is thus mainly qualitative, but the large sample also enabled some counting on the coded data to identify some influential individual traits and acculturation agents (Peñaloza, 1994).

Field observations were also carried out in four stores quoted by the respondents to assess the availability of British foods, an imperative condition to retain some home-country food practices, and the store managers interviewed

### **The sample**

Respondents are diverse in some respects. While all families were transferred for temporary assignments, which necessarily limits acculturation phenomena, the length of stay spans from 1 to 34 years (9 years on average). Respondents return to the UK on average 3 times a year, declining over the years, which suggests increased acculturation over time. The adults' education level is quite disparate since 23% have some A-Levels or less, while 27% have a master's degree or more. Similarly 6% of the men are simple workers, while 6% are heading their departments, which contradicts the stereotype of corporate expatriation being confined to elite professionals. Following Murphy-Lejeune's work (2001) their mobility capital was computed,

combining all the foreign experiences the respondents accumulated empirically weighted depending on their magnitude<sup>1</sup>. Scores range from 1 to 13, with an average of 4.4.

However, the respondents are also somewhat similar by other respects. 80% of the expats transferred work in the aeronautics or high tech industry and 90% are men, only 4 families had both adults professionally transferred. Only 36% of women work, and two thirds of these work part-time. The top motivations to the transfer are, by descending order of importance, professional, better living conditions (better weather, larger house), a better pay coming only third.

### **3. Results: food acculturation and purchasing behaviours**

#### **3.1 What they buy**

All the respondents admitted to buying British food, some home-country food behaviours are thus retained throughout expatriation. But unlike the works of Peñaloza (1994) and Askegaard *et al.* (2005) only three food acculturation outcomes were identified: maintenance, hyperculture, and hybridity.

#### **Maintenance**

Here the respondents consume British food<sup>2</sup>, which is integrated into their daily diet. This food is reassuring, first by the quality British products or brands guarantee:

I use English flour, self-raising flour, and squash for my daughter. I buy the no added-sugar one by Robinson's which you can't find in supermarkets here. So I buy it from the English shop by the international school. (Liz P. Occar wife, in Toulouse for 2 years)

This echoes what Beardsworth's "reflexive eating" (2008) i.e. paying close attention to what is eaten because food naturally arouses suspicion.

British food also tastes reassuring: the vast majority of respondents prefer fresh milk to UHT milk, most common in France, justifying that preference by the force of habit:

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<sup>1</sup> Holidays abroad: 1, business trip: 2, prior expatriation: 3 à 5 depending on the length, marriage to a foreigner: 6.

We don't drink UHT milk, we drink fresh milk, it is an English thing, the children drink so much of it. In England we used to have the milk delivered fresh every day. But UHT milk does not taste the same. (Sam S. Airbus employee, in Toulouse for 9 years)

Moreover, some British products are bought because they are convenient to cook. When in need of a quick meal, 'beans on toast' are the solution any Brit thinks of. French cooking has similar expedients, but the respondents instinctively resort to what they are used to because time pressure limits the creativity in food practices and leads to resorting to usual foods (Khare and Inman, 2006).

Yes, I buy baked beans, I even bought some this morning, because we are going to have a very quick meal tonight, I have a Brownie meeting and the girls have activities, so we will dash off, it will be beans on toast tonight..." (Kate W. Airbus wife, in Toulouse for 13 years)

Finally British products are also bought for the comfort many respondents admitted finding in their flavours, which soothe their nostalgia (Kessous and Roux, 2008). These purchases that the expatriates themselves qualify as 'irrational', very often only entail very accessory foods, which are not ostentatiously asserting their Britishness but simply treats to "recharge their British batteries<sup>3</sup>" when they are running low.

I want to have British food as a treat and that's what it is. It is comfort food and why not? I need comfort food every now and again, after a Scout meeting on a Friday night, I'll go home and I'll have beans on toast and a toast of marmite, why the hell not? (Simon M., Airbus employee, in Toulouse for 30 years)

The word 'treat' was frequently used to qualify British food consumed locally. This suggests first that living abroad is somehow painful and that food can momentarily alleviate this pain. Second, it expresses the guilt some expats feel towards their own behaviour, fantasizing about flavours of their past.

## **Hyperculture**

Hyperculture, means deliberately consuming emblematic home-culture products to become "more Greenlandic than Greenlandic" (Askegaard *et al.*, 2005, p166). It echoes

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<sup>2</sup> The most commonly bought foods are Heinz baked beans, fresh milk, British tea (PG Tips), sausages and cheese

“hyperidentification” observed by Mehta and Belk (1991), who showed home-culture products are transitional objects enabling migrants to leave their home country more easily while daily celebrating their attachment to it.

Here, respondents use British food to assert their cultural identity, taste becomes an expression of their Britishness. In families with children, British food served on special occasions such as birthdays, Christmas or Easter (Lakha and Stevenson, 2001) takes on a symbolic value: it contributes to teaching the children British tastes and turning them into “proper” British children. British flavours will deeply mark the future memories of children who often only spend a few weeks a year in their home country. Sweets and jellies take on that crucial symbolic function:

I tend to take my girls to the British shop in Colomiers once a week after school to have a treat. I buy Cadbury’s chocolates and liquorice, they like that, because it’s English. (Kate, Airbus wife, 2 children, in Toulouse for 13 years)

British food can even be served on special occasions to convert the locals:

For Christmas we have turkey with stuffing, and Stilton, it’s tradition, and crackers. We have invited French people for Christmas several times and they went ‘c’est bon!’ as though we can’t cook! They seemed surprised. (Neil B. Microturbo employee, in Toulouse for 13 years)

## Hybridity

Hybridity means adopting host-country foods like “best-of-both-worlders” (Askegaard *et al.*, 2005). Over half the respondents admit to ‘eating more French’, they embrace an idealized concept of the French lifestyle through cooking. They experience new ingredients, especially more vegetables and salads, whose quality is perceived higher in France.

Here I am buying a lot of fresh vegetables. I blanch and freeze them in meal-sized portions over the weekend and the week I can come home and just warm something up. There is a lot more variety in vegetables here, there are things in the supermarket I don’t know how to cook yet, like artichokes, asparagus. (Alan B; Airbus employee, in Toulouse for one year)

It is certainly true that the quality of the food that you get here is superior, it is fresher, more plentiful. Back in the UK, everything was drab. Here everything is more colourful, it looks plentiful. Life is just brighter here. (Becky J., Airbus wife, in Toulouse for 12 years).

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<sup>3</sup> See Askegaard *et al.*, 2005, p166.

Most consider their new cooking practices healthier. Some because they cook more from scratch and resort less to ready-made dishes, especially in families with children. This can be explained by the lower female occupation rate in Toulouse (64% are unemployed vs. 42% previously), which gives women more time to cook. Expatriates' lifestyle thus tends to conform to outdated gender stereotypes (Fechter, 2007)

In the UK I was busier, because I was child-minding the last two years and it was difficult to prepare things, so I tended to use jars of sauce and takeaway on Fridays. Whereas here I cook everything from scratch and they [the family] like that, so I make more of an effort. (Sophie, Airbus wife, 3 children, in Toulouse for 6 years)

Finally, some even go native and adopt local customs such as learning how to make the local delicacies.

I make my own foie gras that I buy in the Gers. With our Catalan friends we have a farmer that kills a pig for us, and we make boudin. (Louise T, Airbus wife, in Toulouse for 34 years)

While three acculturation outcomes are observed, they tend to overlap since 80% of respondents simultaneously display at least two of them, creating the fluid identity Oswald (1999) calls 'culture swapping'.

## Appendix 1

With that understanding of the respondents' food practices, their purchasing behaviours can now be investigated.

### 3.2 Where they buy

Numerous outlets sell British food in the Toulouse region but four were recurrently quoted by the respondents and more specifically investigated.

Over its 14,500m<sup>2</sup>, **Leclerc Blagnac** gathers around 100 British SKUs (dry foods and beverages) on a shelf of its exotic department. A sign explains in English that more products are available in the frozen food (bread, scones, bacon) and fresh food sections (Cheddar,

double cream). The department manager empirically defined this British assortment based on the recommendations of its specialised wholesaler and French friends living in London.

Over its 2500m<sup>2</sup>, **Carrefour Market Pibrac** offers 64m of shelf space to almost 800 British SKUs, i.e. four times what this retailer recommends for a store this size. Its assortment concentrates on dry food: confectionery, cereals, cans, various mixes (brownies, carrot cake, or Yorkshire pudding). Fresh food only covers two Cheddar variants but no sausages because potential suppliers do not meet Carrefour traceability standards. There again, these are daily products complemented by some seasonal goods such as Christmas puddings or mince pies, and cultural goods such as British newspapers.

**Thomas Green** is a franchise specialised in selling British foods across Europe. Its Toulouse outlet benefits from a substantial consumer flow as it is located just across Lycée International de Colomiers<sup>4</sup> and a few blocks away from International School of Toulouse<sup>5</sup>. This little 300m<sup>2</sup>- store carries literally thousands of British products in different categories: dry foods (cans, confectionery, biscuits, tea, seasonings<sup>6</sup>, cereals, crisps, dried fruits), beverages (fruit juice and squash, soda, beer and liquor), frozen food (bread, scones, sausages, Yorkshire pudding), fresh food (cheese, bacon).

Finally a **British butcher** has set up shop in the Lot and offers a broad range of meat products: raw or marinated meats, 26 kinds of British sausages, 10 kinds of meat pies, etc., he delivers the orders placed online<sup>7</sup> every four weeks on Pibrac train station parking lot.

### 3.3 Consumer experience

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<sup>4</sup> French highschool enabling British students to follow part of their curriculum in English and to take French and British exams to then go to British universities.

<sup>5</sup> British private school following the British curriculum from primary school to the International Baccalaureate acknowledged by British universities.

<sup>6</sup> For example three variants of Oxo stock, or nine different flavours of stuffing.

<sup>7</sup> [www.johnpricethebutcher.com](http://www.johnpricethebutcher.com)

Respondents combine different marketing channels for their food provisioning. They particularly react to three of the local channels' mix variables: product, price (Goodman & Remaud, 2015) and process.

They appreciate the major British brands supplied, and stores capitalise on this awareness to attract traffic (Jamal, 2005). They are quite satisfied with the general quality of the food they find locally. But most of them are quite critical about the British range offered, necessary to maintenance and hyperculture shoppers.

The supermarkets have an English section but they are not quite good because they have no idea of what we like. They have biscuits but they don't have stuffing. They should really ask British people what they want because the shelves tend to have things that we probably don't want and the things that we do want aren't there. (Sarah P., Airbus wife, in Toulouse for 1 year)

The products most commonly missed are seasonings such as Curry, Worcestershire sauce, Branston pickles or Marmite, probably for their ability to make any dish they season 'taste British', or even British cheese, a paradox in France:

Ah Cheddar cheese! French cheese is fantastic! We have all the cheese we want but what we miss is the Cheddar! At home we always had cheddar, we never had all the fancy cheeses it was just Cheddar or Cheshire. (Ann H., Airbus wife, three children, in Toulouse for 5 years)

Even though respondents consider their purchasing British food irrational, unlike Jamal's observations (2005) they remain quite price sensitive especially on British staples, such as baked beans, which are usually very cheap in the UK. Two factors interact here. First, because baked beans are very popular both in the UK and in Toulouse as comfort food, they are frequently bought, and consumers are thus very familiar with their British prices. Second, baked beans are also low-priced food items, which makes their Toulouse prices completely unreasonable.

We buy baked beans because my husband likes Heinz baked beans only and he cries if I try another brand but I buy them here, it's 1.20€ a tin and I can get 4 tins for just over 1.20€ in England! (Sarah S., Airbus employee, in Toulouse for 9 years)

Another frustrating element is the process. As fresh milk only accounts for less than 2% of the volumes in France vs. 87% in the UK<sup>8</sup> and its shelf life is short, it is frequently out-of-stock in local stores, which expats find extremely annoying.

I get frustrated with stores. You run out of milk, fresh milk for the children, you go in, you find where it is, but the shelf is empty. They have had no delivery that day, because people here have milk in carton. After 7 years it still drives me bonkers. (Donna, Airbus wife, 3 children, in Toulouse for 7 year)

Due to the inadequate assortments and prices, expats tend to set up alternative provisioning systems: purchases during their business or leisure trips in the UK, or even institutional imports:

I think British food is too expensive, it is criminal the amount of money that they are asking! 4 to 6 times as much as British prices! Once a year I have a delivery of stuff that I like, there is a 'camion' that comes down once a year for someone else and they put my stuff in there too. I order on an English supermarket website and it's delivered to the camion, so I pay the normal English price and it is delivered here. (Janet C., Airbus wife, in Toulouse for 22 years).

Now, studying the penetration of the different types of channels locally shows strong differences between the different acculturation outcomes.

## Appendix 2

All respondents visit **hypermarkets** much less than the average French population because while most of them are satisfied with the assortment quality, they find the stores too large and too expensive. This surprising result illustrates several elements. First, respondents use the products they are familiar with to assess a store's price aggressiveness, namely British products, which are generally substantially overpriced compared to the UK as noted above. This has a halo effect on their overall price perception. Moreover, British shoppers are used to smaller stores<sup>9</sup> and French hypermarkets seem overwhelming due to their huge retail surface and the difficulty to read shelves displaying products they do not know and do not memorise.

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<sup>8</sup> Source CNIEL : <http://www.maison-du-lait.com/fr/laits-liquides>, Dairy statistics 2014, an Insider's guide for the British figure.

<sup>9</sup> Kantar UK aggregates hypermarkets and supermarkets but Tesco (British mass retailing leader) average store size for outlets below 2500m<sup>2</sup> is 1764m<sup>2</sup>, vs. 1950m<sup>2</sup> for Carrefour, Tesco average store size for outlets above 2500m<sup>2</sup> is 5900m<sup>2</sup> vs. 9350m<sup>2</sup> for Carrefour. Sources

It's just hard going to Leclerc [Blagnac] when you can't make out anything, we were so used to running in Asda, you could do it with your eyes closed. But when you first come here you're like "what's that, what does that mean?" (Laura D. Airbus wife, in Toulouse for 4 years)

Then, hypermarkets are not accessible neither in terms of commuting distance to the store (some object to 'long distance shopping') nor of traffic around the store:

I tend to shop less at Leclerc [Blagnac] now because it is becoming such a pain to get to. I am rapidly giving up on trying to get into that commercial center because they mess it up so badly, so I go where it's most convenient. (Robert N., Airbus employee, in Toulouse for 5 years)

Finally, hypermarkets' astounding assortment induces British expats to buy more than they intended to, their shopping bill is eventually high, which overshadows hypermarkets' objectively aggressive prices that are not perceived as such. The one-stop shop concept offering a comprehensive assortment, that French retailers devise to cover all possible shoppers' needs is perceived here as a waste of time, energy and money. Unsurprisingly, those who shop at hypermarkets are more acculturated than others: their mobility capital tends to be higher, they increase their vegetables consumption and buy fewer British products than the other respondents.

**Supermarkets** are the most popular store format among respondents for three main reasons. First, they are considered convenient and accessible, a consequence of their tighter canvassing. Remarkably, supermarkets are also considered cheap, which confirms that a larger retail surface and assortment negatively impact price perception. However, expats find their opening hours extremely frustrating and closing from 12 to 2pm (typical French lunch hours), is simply baffling for people who are used to all-day shopping in the UK:

The opening hours change all the time at Intermarché, they used to be open during lunch time on Tuesdays, now it has changed, that drives me mad, it is ridiculous to have shops closing for lunch. You are doing other things and it's a quarter to 12 and suddenly you go 'oh I've got to rush there' (Donna N., Airbus wife, in Toulouse for 8 years)

**Open markets** are visited more than in the total French population for two main reasons. While some respondents consider them artificially exotic to attract tourists, most find them typical, and their experience sounds like a stereotype of the French lifestyle:

We go to the market and we take visitors there because it's obviously the kind of thing they would want to see and have a wander around. I think the St Martin market is very good because it does food and clothes and kitchenware it's got a broad spectrum of goods available. We have a nice café at the end, we sit down and watch the world go by. (Neil S., Airbus employee, in Toulouse for 3 years)

Notably, only half of the respondents appreciate the quality of the food there, but those who make their own foie gras have developed a provisioning expertise and source from farmers' markets. Those regularly shopping at markets have especially hybridised their cooking as they buy less baked beans and have cut on ready-made dishes more than others. However, almost all respondents agree on the fact that their prices are quite high.

**Specialised stores** (butchers, green grocers, corner stores) are not as popular mostly because they require a high human interaction and respondents consider their French proficiency insufficient. But while all respondents agree that their prices are too high, some still shop there to support the economic activity in their village

I am a big supporter of the village, I tend to buy from the local shops and market. Because if I want them to stay I have to use them or they will close. (Janet C. Airbus wife, in Toulouse for 22 years)

British expatriates appreciate the rural lifestyle they can enjoy in Toulouse and supporting the local businesses means maintaining some animation in the village, avoiding it turns into a 'dormitory village'. It is almost more a political than an economic act.

**British networks** (T. Green and J. Price) are the least popular. Their customers are less acculturated than others, as they tend to return to the UK more frequently. While T. Green offers the safety of providing all types of British products and famous brands, some respondents see it as a place of temptation:

We shop at T. Green occasionally but we tend to avoid it because it's like kids in a sweet shop and you end up thinking €80 on what? What did we buy? So we treat ourselves occasionally but many British families spend an enormous amount at that shop to try and keep a normal British diet and it is such an obscene amount of money. (Andy G. Airbus employee, in Toulouse for 5 years)

Unlike other channels, whose penetrations are very similar across the different acculturation outcomes, this one stands out. Hyperculture respondents logically shop there more than others. But these respondents tend to shop more in all types of channels: trying to retain and even assert their 'Britishness' through food, they look for the necessary ingredients across all the channels available locally.

## **4 Conclusions and discussion**

### **4.1 Managerial implications**

This research focuses on the food acculturation and complements Jamal's (2005) as it investigates ethnic consumers' buying behaviours in a context where few ethnic outlets are available. Here respondents shop mostly at mainstream stores.

Local retailers play a crucial role in supplying expatriates with a combination of local and ethnic foods enabling them to mix different types of food acculturation outcomes and experiencing fluid ethnic identities (Oswald, 1999). As such, they are institutionalising the presence of these ethnic consumers on the market (Jamal, 2005, Peñaloza & Gilly, 1999, Peñaloza, 1994). However, these retailers are currently underexploiting the potential of this affluent target because they misunderstand its expectations and motivations, but can make minor alterations to their operations to better satisfy this ethnic population while not ostracizing the locals.

The assortment targeting ethnic consumers should be carefully selected and tested over the trading area to ensure it is adequate (Jamal, 2005). Carrying "must have" staples and brands such as Heinz baked beans for British shoppers reassures them and generates traffic based on the brand names. But further extensions can include popular items such as seasonings and spices to make any food 'taste like home', rarer foods such as fresh products, e.g. British sausages, cheese or a constant supply of fresh milk in the case investigated here, or finally seasonal products (mince pies, Christmas pudding, Cream eggs) depending on the ethnic group

targeted, can generate a substantial competitive advantage and ensure the custom of the targeted group. This certainly more than balances out the extra strain these items generate in terms of supply chain.

Price is an important variable for consumers to select their marketing channels. While the ethnic consumers studied here are more affluent than Jamal's (2005), the different outlets overestimate the ethnic consumers' dependence on their favourite brands and charge extortionate prices, unlike Jamal's observations (2005), which backfires over their whole assortment. Carefully monitoring ethnic consumers' price sensitivity is thus recommended and trying to limit the price gap on ethnic foods can support ethnic consumers' demand, who would feel less taken advantage of, and thus would resort less to alternative provisioning like direct imports.

Improving the shelf and store legibility for ethnic consumers through clear merchandise display, enhances the store experience by making it less alienating. This emphasis on legibility can boost ethnic consumers' purchases not only on ethnic foods, but also on other products, by decreasing the inadequacy they feel in local stores.

Finally, adapting the opening hours to ethnic consumers' expectations at least once a week and publicizing it, is a relatively cheap way to attract their custom. Here opening one full day a week, even in rural locations would enhance the loyalty of British shoppers who relay that information through word-of-mouth.

#### **4.2 Limits and further research leads**

This paper focuses on the specific situation of British corporate expats in Toulouse and the analyses and conclusions drawn on their food acculturation and buying behaviour should be confirmed by further research led on other populations. They could be contrasted with results gathered on other types of expats, permanent migrants, migrants from southern countries, etc.

or in other high British population areas in France, which do not have a British school (Périgord for example), as the impact of school's on food consumption has been identified here<sup>10</sup>.

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<sup>10</sup> Voir note 12.

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Appendix1

**Table 1: Number of respondent families showing different acculturation outcomes**

	Maintenance	Hybridity	Hyperculture	Total
Maintenance	4	39	12	62
Hybridity	39	4	11	39
Hyperculture	12	11	0	12
Total	62	39	12	70

## Appendix 2

**Table 2: different channels' penetrations**

Channel	Hypermarkets	Supermarkets	Market	Specialised stores <sup>11</sup> .	British store <sup>12</sup> .
Total France <sup>13</sup>	93%	89%	42%	NC	NC
Total sample	42%	95%	58%	23%	14%
Maintenance	40%	95%	55%	34%	14%
Hybridity	39%	95%	55%	31%	12%
Hyperculture	47%	93%	67%	47%	27%

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<sup>11</sup> Butcher, green grocer,...

<sup>12</sup> Thomas Green or John Price.

<sup>13</sup> Source Kantar Worldpanel, 2015.

## **Determinants of retailers' cross-channel integration: What really matters?**

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## **Abstract**

**Purpose** – The purpose of this research is to develop and empirically test a conceptual model that identifies the determinants of cross-channel integration in a multi-channel retailing context. Although prior studies have sought to identify key determinants of this decision, most adopt a channel-performance-oriented method and focus on channel- and firm-level factors. The authors provide an alternative view, from the perspective of innovation adoption, and enrich the analytical framework by introducing industry- and environment-level factors.

**Design/methodology/approach** – Data were collected from 77 publicly traded US retail firms from 2008 to 2011. The random-effects ordered logistic regression model was used to test the conceptual model.

**Findings** – The findings indicate that retailers' digital experience and competitors' actions drive firms' cross-channel integration, but firm size has a negative impact. Moderate diversity facilitates cross-channel integration more than high or low diversity. Firm financial liquidity seems to be unimportant at a low level of industry concentration, but to boost retailers' cross-channel integration at a high level of industry concentration. Results from empirical studies tend to support the alternative view that four dimensions – firm resources, organizational attributes, industry structure, and environmental uncertainty – should be included in future research on the determinants of cross-channel integration.

**Research limitations/implications** – This study focuses on a few variables to measure firm resources and is limited to the US, where the capital market is open and relatively efficient for funding innovative projects.

**Practical implications** – This study highlights the importance of firm digital experience to developing cross-channel integration. If the capital market is open and industry concentration is low, retailers may adopt and develop cross-channel integration even without abundant cash flow. Small firms can take full advantage of their flexibility to engage in cross-channel integration. Maintaining a moderate level of firm diversity seems to facilitate cross-channel integration. Furthermore, firms should align with competitors' actions moving toward cross-channel integration in order to maintain and retain legitimacy.

**Originality/value** – This study offers a conceptual model for identifying key determinants of cross-channel integration and deepens our understanding of multi-channel strategy decision-making by identifying an alternative perspective of innovation adoption.

**Keywords:** Multi-channel retailing, cross-channel integration, channel decision-making, retail innovation

**Paper type** – Research paper

## **On the origins and challenges of price digitization: A century of price coding and price display in grocery stores**

Abstract for the Colloquium on European Research in Retailing, July 2-4, 2016

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**Extended abstract.** The development of mass retailing has often been associated with price competition, through the development of chain stores and supermarkets, and profit through volume strategies (Strasser, 1989; Tedlow, 1990; Spellman, 2016; Cochoy, 2008; Grandclément, 2008; Kjellberg, 2004). On the one hand, this view supports the classic conception of prices as abstract notions resulting from invisible and complex mechanisms. However the history and sociology of prices also focuses on the material dimension of prices, especially in the retailing sector (Strasser, 1989; Grandclément, 2004). We would like to join this latter approach, by looking at the concrete, technical aspect of prices. In a previous study on price representations practices in retail markets, we explored various ways to represent prices and their impact on the process of qualifying goods (Hagberg and Kjellberg, 2015). In this presentation, we propose to push this approach further, by focusing even closer than before on mundane, down to earth price representation devices: price labels and price tags.

Our empirical investigation relies on the “archaeology of present time” (Cochoy, 2009) in combination with historical methods. Like archaeologists, we base our analysis on the material forms that price display techniques have assumed (e.g. shelf-labels, price stickers, barcodes). We combine this with traditional historical analysis of written documents in the form of magazine articles. To this end, we rely on the systematic reading of the professional journal *The Progressive Grocer* we have already studied for other research objectives (Cochoy, 2015). We have browsed the magazine page by page from 1922 to 2015, photographed all articles and advertisements directly or indirectly linked to price representation devices, coded them using Adobe Bridge, and analyzed the collected material along various thematic lines.

Our focus is on the long-term process of price tag digitization, ranging from manually written prices to contemporary electronic shelf labels. We propose to focus on a particular aspect of this digitization process: the fascinating oscillation between coded prices and transparent prices... and vice-versa. At the beginning of the 20<sup>th</sup> century, retailers used sophisticated schemes to code the prices on packages, so that they could adjust the price to each consumer. The development of open-display and self-service techniques in the 1920s launched a movement for price transparency, giving a prominent role to new price display techniques, like show card writing templates, shelf tag devices and later « price guns » aimed at sticking prices directly on the products. All these techniques contributed to enforce a paradoxical combination of « price war » between retailers but also « price as ultimatums » for the consumers (i.e. prices that the consumer can just take or leave, but never negotiate). With the spread of barcodes in the 1970s and QR-codes more recently, we witness a partial return to the coded prices of the origins: prices and product information are « displayed » but also

translated into a hermetic technological language. With digitized prices and product information, interesting issues emerge: on the one hand, the barcode system helps retailers to construct huge databases storing several information that they often prefer to keep partially private, just like the coded prices of the early 20<sup>th</sup> century. On the other hand, the same coded prices are invested by consumer activists to create alternative databases accessible through dedicated smartphone apps: these databases and apps provide information that retailers do not or refuse to display: consumer reviews, GMOs, ethical dimension, traffic lights about the health dimension of the products, and so on.

# Mavens' search behaviours and the use of cues; Implications for store brands.

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Alan Collins is a senior lecturer in the Department of Food Business & Development at University College Cork, Ireland, where he lectures in retail marketing, food economics, and supply-chain management. Having spent a number of years in industry in the marketing services and buying functions with a major British retailer, he returned to academia at UCC and completed his doctoral studies at the University of Stirling. He has published on retailer–manufacturer relationships in the food industry, retail branding, and below-cost legislation in grocery retailing. More recently, he has turned his attention to consumer behaviour, focusing on grocery shopping behaviour. Recent publications appear in the *European Journal of Marketing*, *Sociology of Health and Illness*, and the *Journal of Marketing Management*.

Richard George is a well-recognised and highly respected expert in the areas of food marketing, brand strategy, business ethics, and customer service. Recently, he was one of 19 professors nationwide named as their favourite undergraduate business professor, and he was profiled by *Business Week* in a feature titled 'Class Acts'. He has authored or co-authored 10 books on topics such as strategy, customer service, focus groups, and trends. His latest books are *Winning Customer Rules* and *Winning Marketing Strategy: The Rules*.

- ***Structured Abstract***

- Purpose (mandatory)

Mavens are market agents who are actively involved in the collection and dissemination of market related information to others and, as a consequence, can exert a significant effect on market developments. The purpose of the paper is to explore how mavens' product and price related propensities, drive the focus of their search activities on either intrinsic and/or extrinsic cues available at the point of purchase. By

examining these behaviours and the consequences for mavens' store brand proneness, the work makes inferences on the nature of the store brand related information that these individuals bring to the broader market place.

- Design/methodology/approach (mandatory)

The research adapts the hypothetico- deductive method and establishes a model of store brand proneness tested on a sample of 457 US consumers using SEM

- Findings (mandatory)

The findings indicate that mavens' search for price information increases their store brand proneness in both their regular and competing stores suggesting that they are more likely to transmit store brand related price knowledge to consumers in the broader marketplace. Consequently, the preoccupation with price is likely to result in greater store brand promiscuity across stores rather than build store loyalty.

By contrast, search and consideration of on-pack product related cues are found to have a negative effect on store brand proneness in competing stores. Considering these findings together suggest that the extrinsic gap continues to exist with respect to store brands. Conversely, the findings suggest that manufacturer brands may be able to leverage product related mavens' investment in on-pack cue search to support their brand building efforts.

- Research limitations/implications (if applicable)

One of the main limitations of this work is that it was not possible to identify the specific on-pack cues that had the adverse effect on mavens' store brand proneness.

The work was completed using US data where extrinsic cues located on packaging may not be at a level found in other more advanced store brand markets such as the UK. Consequently, the results may be market specific.

Practical implications (if applicable)

The results point to the need for retailers to pay more attention to their on-pack cues and to identify and improve those specific cues that have an adverse effect on store brand proneness. In particular it suggests that non-price related cues are in some way deficient to manufacturer brands.

The findings suggest that branded manufacturers might incorporate specific on-pack attributes that possess identify building information to appeal to product related mavens.

- Originality/value (mandatory)

Little if any research has been undertaken into mavens' use of on-pack cues and the effect on their store brand proneness. By inferring from their search and particular store brand behaviours we posit that mavens are more likely to communicate price benefits from store brands rather than their other qualities.

### ***Key Words***

Store Brands; Maven; Price Search; Extrinsic Cues; Grocery; Packaging;

***Article Classification : Research Paper***

# **Multichannel Integration: measurement and influence in multichannel loyalty**

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## **Abstract**

The aim of this paper is to investigate the effects of retail multichannel integration on customer loyalty. Our specific objectives are: to provide appropriate reliable measure of the construct, to analyse the direct effect of multichannel integration on offline and online loyalty, the effect of offline loyalty on online loyalty, and the mediating role of offline loyalty. Our paper focuses on the retail apparel sector of two different countries, Spain and United Kingdom. We applied a scale development process following three steps: initial literature review of the construct of multichannel integration, eight in-depth interviews with multichannel shoppers, and scale assessment by a panel of research experts. A sample of 761 online apparel shoppers from Spain and UK is used. Channel dimensionality is identified through principal component analysis and psychometric properties are assessed through confirmatory factor analysis. Our findings show, first, that the construct of channel integration has three dimensions: channel reciprocity, offer coordination, and image consistency; second, that multichannel integration affects positively both offline and online loyalty but the effect on offline loyalty is stronger, and third, that offline loyalty exerts a mediating effect between multichannel integration and online loyalty. As a limitation of our research, we acknowledge that culture can exert a moderator effect on the relationships analysed that is not analysed here. Our findings have implications for the managers of multichannel retail companies in the sense that they should fully integrate the channels to

provide shoppers a seamless experience across channels as well as channel interchangeability. This will improve customer loyalty in both channels.

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## **Convenience store patronage: *kairos* more than *chronos***

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### **Abstract**

**Purpose** – Since few years, French food retailers have developed new concepts of convenience stores and their market share increase regularly. The reasons for their success can be explained by socio-demographic factors (aging, smaller households) but also by a change in temporal consumer expectations. Through this research, we question the notions of proximity and temporality in retailing and try to predict the intention to patronize these new concepts of convenience stores by consumers.

**Design/methodology/approach** –The analysis of 22 qualitative interviews with retailers and consumers has enabled us to propose a conceptual model which was then tested empirically with two samples of 250 consumers each, based on a PLS structural equation modeling.

**Findings** – Results show that customers patronize convenience stores primarily through the relational and functional proximity they bring, as well as the opportunity they offer to consumers to better manage their time. Indeed, some of their characteristics (opening hours, small store size and assortment, limited waiting time at checkout) allow consumers not only to save time (*chronos*), but mainly frequent these stores at the right time and immediately (*kairos*)

**Practical implications** –Comparing consumers' and retailers' views led us to recommendations related to the optimal size of these stores and their assortment, and in terms of specific communication especially compared to other formats of the retail group they belong to.

**Originality/value** –Through a transdisciplinary approach this research has primarily enabled the identification of two dimensions for time convenience: a qualitative dimension near to *kairos*, "time management"; and a quantitative dimension, near to *chronos*, "time saving".

**Keywords** – Convenience store, proximity, temporality, grocery shopping, *kairos*.

**Paper type** – Research paper

# Convenience store patronage: *kairos* more than *chronos*

## Introduction

Since few years, French food retailers have developed new concepts of convenience stores and they gain regularly new market shares. Forecasts predict a market share of 8.9% in 2016 in France against 7.3% in 2015 (Leclerc, 2015). This trend is the same in Japan or the United States where distribution groups as S&I Holdings or Walmart have seen their sales increasing through convenience formats (Rousseau, 2014; Reuters, 2014).

The success of these stores can be explained by socio-demographic factors like increased ageing of the population and small households causing a decrease in purchase volume and a greater need for services. But this format is gaining new customers too. Beside their traditional clientele of elderly and young working persons, they attract now intermediate age clientele who are looking for saving time. Consumers increasingly mobile and hurry are awaiting practical and seek to reduce their time-consuming activities like grocery shopping (Gallouj, 2007).

The success reasons can be analyzed in the new relationships to time and proximity of postmodern individuals. Postmodernity is characterized by an increase of immediacy and presentism (Hartog, 2003). The use of Information and Communication Technologies promotes the entanglement of temporality, placing individuals in real time and ubiquity (Cox, 2004) which alters their time horizon. Postmodernity is also characterized by search for social relationships (Cova and Wickham, 1996) in opposition to the individualism of the hypermodern individuals of the previous period (Ascher, 1997). Indeed, in a more and more virtual and dehumanized consumer context (Laut 1998), the need for socialization increases. Convenience stores can provide an answer to both a purely functional need and desire to build social relationships (Dampérat, 2006).

Hence, it seems interesting to understand the reasons for consumer loyalty to this convenience stores through their relationship to proximity and time. Based on a mixed approach combining qualitative and quantitative methods, this study seeks to answer the following research questions:

*RQ1.* What's proximity? What are the dimensions of proximity applicable to a convenience store?

*RQ2.* What is the temporal convenience? What has changed in the time expectations of consumers?

*RQ3.* What linkage between temporal proximity and convenience in loyalty to a convenience store?

## Literature review and hypotheses development

The conceptual framework is based, first, on proximity and, secondly, on temporality, through a transdisciplinary literature review. These two concepts have in common to be polysemous and subjective. They have also a strong link with each other. So, some dimensions of

proximity is a spatiotemporal and can be expressed both in terms of distance and time like the access proximity.

### *Proximity*

Proximity search is natural and is based on the principle of least effort (Zipf, 1949). It is at the origin of creation of cities by search of interactions (Christaller, 1933). But its quest is being exacerbated by the globalization of trade and the development of new communication technologies that blur the near and the distance (Viard, 1994). In a virtual and dehumanized world, proximity is perceived as reassuring and comforting because it allows to connect individuals to the environment that escapes their attention (Laut, 1998).

In common sense, proximity refers both to geographic concepts (nearby objects), temporal (recent or imminent events) and affective (close people). The multiple meanings of the term make its understanding difficult (Huynen, 1997). Many disciplines have focused on proximity including sociology, economy, mathematics, law, geography and of course management and marketing. These disciplines agree to include: lack of conceptualization of proximity; the fact that it is often built a posteriori; as it is often idealized and subjective, it is difficult to measure (Bellet et al, 1998). However, regardless of the terminology used, proximity usually has two dimensions: material and immaterial (Laut, 1998).

Based on various existing definitions (Solard, 2010; Kirby, 1986), we have attempted to define a convenience store, as French retailers understand it now: A convenience store is an easily accessible store, on a human scale, with a food-oriented supply, in response to both current and troubleshooting needs. These stores have large opening hours and are often visited several times a week.

Through this definition, the two above dimensions can be identified. The material dimension includes store access and store easiness (convenience in terms of size, relevant assortment, opening hours). This material dimension is in fact spatiotemporal and thus can be expressed in terms of temporal advantages for consumers: time access to the store, including the context of mobility (Cliquet, 1997), visiting time, checkout waiting time and “economy of choice” (Cochoy, 1999). The immaterial dimension, social or relational can be translated into research of social relationships (Ingene, 1984) in a societal desire, with sales staff or community desire, with other customers (Rémy, 2001).

In the retailing field, Bergadaà and Del Bucchia (2009) have identified five dimensions applied to the proximity of a store; two material dimensions which can be measured especially by time: access proximity (permanent when the store is close to home or temporary when it is on consumers's way) and functional proximity (convenience and shopping efficiency); and three immaterial dimensions: relational proximity (social relationships), identity proximity (shared values) and process proximity (which refers to product manufacturing and distribution process). It turns out that process proximity does not really exist in such concepts developed by large grocery retail groups. Hence the process proximity is not retained and four dimensions are used to test the concept of convenience stores (see figure 1).

Access proximity determines the frequency of visits (Fox *et al.*, 2004) and has a key role in loyalty even if proximity is temporary (East *et al.*, 1995). Functional proximity forms part of the tangible elements of store image while the immaterial dimensions of proximity forms part of the intangible elements (Thang and Tan, 2003) and store image is a predictor of loyalty to the store (Osman, 1993), hence the following hypotheses:

*H1.1:* The more important access proximity for the consumer, the more loyal the consumer is to the convenience store.

*H1.2:* The more important functional proximity for the consumer, the more loyal the consumer is to the convenience store.

*H1.3:* The more important relational proximity for the consumer, the more loyal the consumer is to the convenience store.

*H1.4:* The more important identity proximity for the consumer, the more loyal the consumer is to the convenience store.

### *Temporality*

The second field of theoretical investigation is time especially in retailing. The aim is not to do an interdisciplinary review of the notion of time that has already been done (Jacoby, Szybillo and Berning, 1976; Bergadaà 1988; Bergadaà, 1989), but rather to focus on the characteristics of time, including the notion of duration and value and its evolution.

Time is subjective because linked to the perception of changes (Fraisie, 1967). It is relative in its perceived duration depending primarily on the pleasant or unpleasant aspect of the activity, leading for example to an overestimation of waiting times at checkouts (Hornick, 1984) or the access time to the hypermarket (Croizean and Vyt, 2015). It is also relative in terms of value (Schary, 1971). The leisure society has increased time value and leads individuals to seek to reduce their time-consuming activities like grocery shopping (Gallouj, 2007).

In retailing, time is often considered as commodity time (Bergadaà, 1988) and estimated by its opportunity cost (Becker, 1965). Thus it is assigned a monetary value that consumers will seek to minimize. But time is not fungible (Okada and Hoch, 2004), there is a limited and finite quantity of time, it is not storable and its value increases with its rarity (Chetthamrongchai and Davies, 2000). In retailing, time is also taken into account through the notion of temporal convenience (Yale and Venkatesh, 1986) which will reflect for example the ability of a store to save time or to be effective but it is yet a quantitative dimension.

Society, now considered "postmodern", evolves in its relation to time in particular through new information and communication technology which changes the relationship of individuals to time, placing them into immediacy and urgency (Aubert, 2003). The time horizon is reduced, "presentism" dominates (Hartog, 2003) as well as a fragmented rather than a linear time (Francis-Smythe and Robertson, 1999). There is a time acceleration (Rosa, 2010) requiring slower tempi (Pras, 2013). Hence, for instance, hypermarket time appears out

of step because it corresponds to a linear conception of time (Gallouj, 2007) requiring organization and anticipation. Conversely, convenience stores allowing a frequentation “on the go” appear more in phase with new time consumer expectations (Bondue, 2004) offering both immediacy and slower tempo.

A new dimension of temporal convenience appears, a qualitative dimension related to the right time, the appropriate time, that give consumers the feeling they control their time. Heinonen (2004) refers to temporal flexibility in using the smartphone as opposed to the time optimization. Temporal convenience has thus a double dimension that joins the concepts of *chronos* and *kairos* in Greek mythology: a quantitative dimension (*chronos*) which refers to the clock time and allows “time saving” and a qualitative dimension (*kairos*) which refers timely and allows “time management” (Bessin, 1999).

The characteristics of a convenience store enable saving time, not only in journey time but also in visit time, due to its small area (Dunkley and al., 2004) or its lower checkout waiting time. They also allow to go when desired, because of large opening hours, and they facilitate the integration of shopping in everyday activities such as a walk or a usual journey (Brooks and al., 2008), hence, the following hypotheses:

*H2.1.* Time management increases with access proximity.

*H2.2.* Time saving increases with access proximity.

*H2.3.* Time management increases with functional proximity.

*H2.4.* Time saving increases with functional proximity.

Temporal convenience impacts consumer loyalty. And the shorter the journey time, the more loyal the consumer is to the store (McGoldrick and André, 1997). Unless s/he wastes time in the store, s/he is more satisfied and therefore more loyal (Bielen and Demoulin, 2007), hence the following hypotheses:

*H3.1.* Store loyalty is stronger when consumers can better manage their time.

*H3.2.* Store loyalty is stronger when time saving is important for consumers.

In fact, this research strives to test the relationships between the dimensions of proximity and loyalty to the store, considering that time convenience plays a mediating role on the material dimensions of proximity. We also consider that time pressure can play a moderating role on the perception of temporal convenience (H4) (Herrington and Capella, 1995) and that price sensitivity (H5), gender (H6), age (H7), household size (H8) can play a moderating role on the whole model (Pan and Zinkhan, 2006).

## **Research design**

The literature review was completed by an exploratory qualitative approach whose aim was to better understand the relationships between proximity and temporality in convenience store patronage. In this exploratory approach, 9 practitioners (retailers and retail experts) and 13

consumers were interviewed through a semi-structured questionnaire. After full transcription, the corpus was analyzed using the software N'Vivo. This phase mainly contributes to highlight the two dimensions of temporal convenience and confirms the lack of perception of proximity process from consumers.

Following the qualitative phase, the conceptual model has been empirically tested with a first sample of 250 consumers. To operationalize the variables wherever possible, we relied on existing scales which were sometimes adapted, particularly concerning the dimensions of proximity (Beauchamp and Ponder, 2010; Hérault-Fournier and al, 2012). To measure loyalty we relied on the scale of Chen and Quester (2006) that combines real behavioral measures and intention measures. For temporal convenience, we developed specific index partly based on qualitative phase results. So before implementing the first survey, we pretested with experts measure substantive validity (Anderson and Gerbing, 1991) and used a principal component analysis with a Varimax rotation to process data from the first survey to validate measurement scales and index according to Churchill's paradigm (1979).

The two surveys were made through electronic questionnaires based on a consumer panel focusing on intermediate age groups. Using a panel of consumers enabled to better target these consumers while ensuring a good variety of the sample on both geographic and sociodemographic dimensions (Ganassali and Moscarola, 2004).

The first analysis shows the multidimensional nature of identity proximity which led us to select only a part of the items related to the social role of convenience store we then call "social proximity". After a purification procedure of the scales, the conceptual model tested is presented in Figure 2.

The last survey was analyzed based on a Partial Least Square model because the purpose of this study is to simultaneously test multiple causal relationships among constructs and the conceptual model includes formative constructs (dimensions of temporal convenience) (Diamantopoulos and Winklhofer, 2001). Moreover assumptions about normality do not hold and this is a partial model which aims to prediction (Chin and Newsted, 1999). We use SmartPLS 2.0 software (Ringle and al., 2005).

The second wave was conducted with a sample of 250 consumers too. This sample size is sufficient according to Cohen rule (1992). Depending of the significance level of 1% and the maximum number of arrowheads pointing at a latent variable (here 6 for "saving time"), the minimum size of the sample is 217.

## **Results**

Before analyzing the structural model, measurement model should be assessed in terms of reliability and validity. The analysis of the measurement model for reflective variables is different from formative variables (Diamantopoulos et al., 2008). The analysis of the structural model was made after excluding collinearity problems between constructs, validating the significance of path coefficients, their predictive power and the relevance of the prediction. Because partial least squares regression as a distribution-free technique relies on

the bootstrapping resampling technique to determine path significance, 5,000 resamples were taken to perform the bootstrap. To ensure the validity of each path coefficients, the results were analyzed based on t-value, p-value and confidence interval (Hair et al., 2014). The test of the empirical model confirms some of the hypotheses (see figure 3).

Relations between proximity dimensions and loyalty are only verified for relational proximity (path coefficient = 0.385;  $t = 3.67$ ;  $p < 0.01$ ) and functional proximity (path coefficient = 0.265;  $t = 2.16$ ;  $p < 0.05$ ) to support H1.2 and H1.3. However, the direct relationship between access proximity and loyalty and between social proximity and loyalty are not statistically significant. Hence, H1.1 and H1.4 are not supported.

The results confirm the temporal dimension of the proximity concept as a combination of both access proximity and functional proximity which have meaningful relationships with the two variables of time convenience. Hypotheses H2.1 to H2.4 are therefore supported.

Concerning relationships between temporal convenience and loyalty, only time management has a significant relationship with loyalty (path coefficient = 0.233;  $t = 1.97$ ;  $p < 0.05$ ). Hence H3.1 is supported but not H3.2.

We find also that time management has a role of total mediation between access proximity and loyalty (direct effect = 0.03, indirect effect = 0.147,  $t = 2.92$ ;  $p < 0.05$ ) but not the variable time saving. Thus, access proximity allows consumers to better manage their time and this has a positive effect on their loyalty.

The hypotheses of moderating effects of some variables were tested using a multi-group analysis (Hair and al., 2014). The variable time pressure does not play a moderator role between proximity dimensions and temporal dimensions. Hypotheses H4 are not supported. Similarly, gender has no moderating effect on relationships of the model. Hypotheses H6 is not supported. However, age, household size and price sensitivity have a moderating effect on relationships of the model. These three moderating variables are involved between functional proximity and a temporal variable: time saving for age and price sensitivity, and time management for household size but do not interfere directly on loyalty. Hence, hypotheses H5, H7 and H8 are partially supported.

## **Discussion, contribution and limits**

The most influential proximity dimensions in terms of convenience store loyalty are relational proximity and functional proximity which truly make it a "human scale" store. Consumers attach great importance to the "relational proximity" in convenience stores. They identify two forms of "relational proximity": with the staff and managers of the store, on the one hand (social link), and with other customers of the store which they feel close because they live in the same neighborhood (community link) (Rémy, 2001). Consumers also appreciate the functional proximity of these stores. They are easily able to find desired products, primarily due to the small size of the store, an assortment deemed relevant because of its focus on food and private labels, and a clear and functional layout, especially with the implementation of

differentiated customer trips. They have also opening hours adapted to customer needs and a fast check out without surprise, because small baskets are dominant.

The access proximity is a prerequisite for the frequentation but not sufficient to generate loyalty and/or trust which entail patronage: this corroborates previous research (Hérault-Fournier and al., 2012; Dufeu and Ferrandi, 2011). Thus, the access proximity allows consumers to better manage their time. They can access their store any time they want and it is this *kairos* dimension of temporal convenience that generates loyalty. Furthermore, the lack of impact of time saving on loyalty can be explained by the fact that access to a convenience store and visit are quick operations and consumers often appear less organized and efficient, and finally have a high frequentation rhythm of these stores which can finally be time consuming (Susilo et al., 2013).

No moderating role of time pressure or gender emerged from the model, and a limited moderator role was observed for price sensitivity, age and household size. These results suggest that the perception of temporal proximity and time convenience of these stores is not significantly different from one individual to another.

On an academic point of view, through a transdisciplinary approach this research has primarily enabled the identification of two dimensions for time convenience: a qualitative dimension near to *kairos*, "time management"; and a quantitative dimension, near to *chronos*, "time saving", in line with research on the use of mobile phones (Kleijnen et al., 2007; Heinonen, 2004). It also demonstrated the spatio-temporal dimension of proximity, and somehow, the primacy of time on space (Rosa, 2010).

Concerning managerial issues, comparing consumers' and retailers' views led us to observations and recommendations related to the optimal size of these stores and their assortment, and in terms of specific communication especially compared to other formats of the retail group they belong to. This communication may be based on elements such as relational proximity and *kairos*.

As a research limitation, scales were developed for a specific retail format: convenience store. Hence, we propose for further research to create an index of temporal convenience and proximity scales applicable to every retail format. The loyalty ladder retained (Chen and Quester, 2006) has not proved fully adapted to convenience stores where loyalty is shared (Jacoby and Chesnut, 1978) and relates to food shopping. Also, we suggest, for further research, to study the occasions of food shopping and loyalty in this context. Future research may also focus on convenience stores in the context of wise shopping (Djelassi and al., 2009) and omni-channel consumption.

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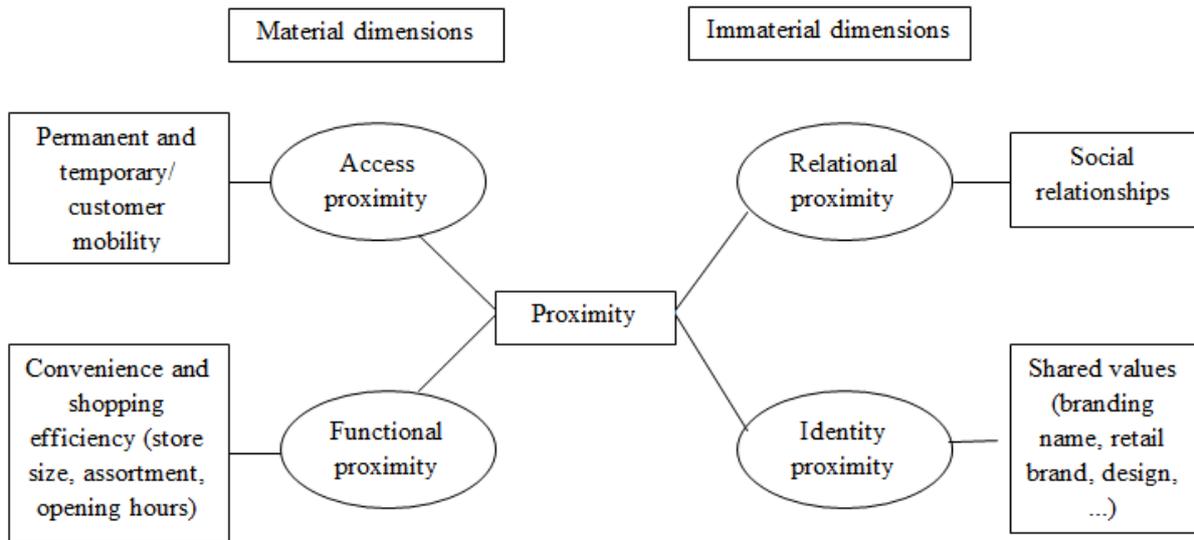
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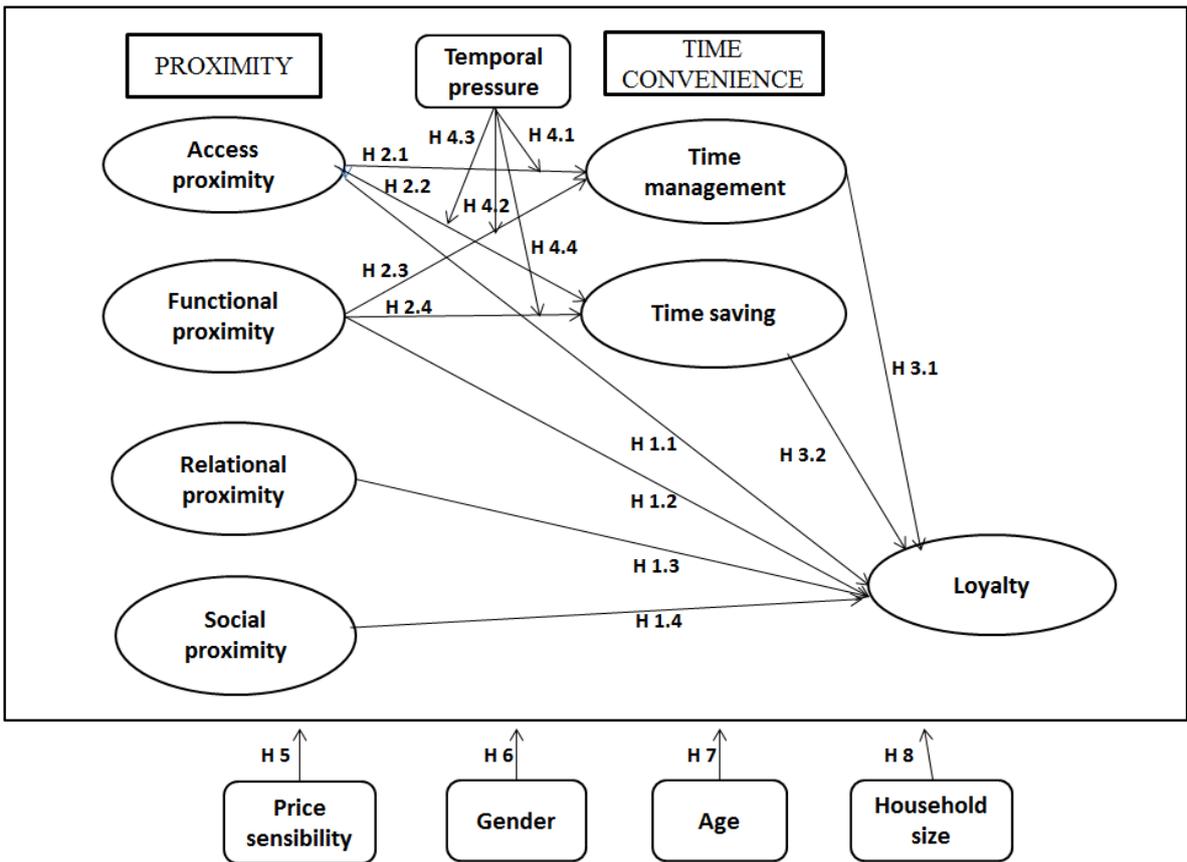
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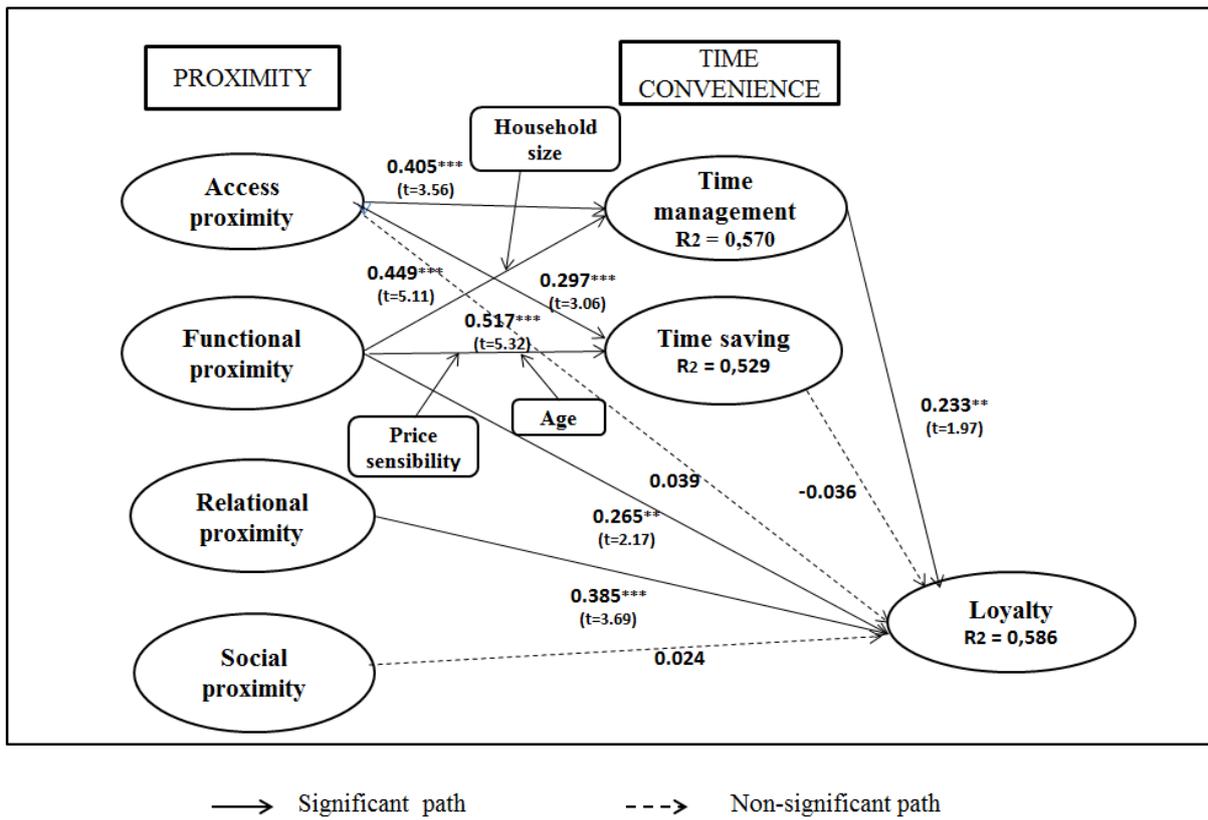
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**Figure 1 : Dimensions applied to the proximity of a convenience store**



**Figure 2: Conceptual model**



Notes: t=1.65, \*p<0.1; t=1.96, \*\*p<0.05; t=2.58, \*\*\*p<0.01

Figure 3: Validated model

# **Retail location and freight flow generation: proposition of a method estimating upstream and downstream movements generated by city center stores and peripheral shopping centers.**

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## **Abstract**

This paper aims, via an analysis of the literature, to propose a first modelling and assessment framework to estimate the impact of retail location and characteristics on the environment. The contribution at this point remains conceptual and methodological, but the proposed framework is able to be applied if suitable assessment tools are available. The framework combines a freight trip flow and a shopping trip flow models for vehicle and transport distance estimation, and a life cycle analysis method to convert those vehicles and distances into environmental impacts, taking into account both direct and indirect impacts. First, an overview on retailing location and the motivation of the proposed framework is presented. Second, the general methodology is described. Third, the different modelling schemes are proposed, relating them to what is proposed currently in literature. Finally, future developments are presented.

**Keywords:** City center stores, peripheral shopping centers, freight flows, logistic movements, end-consumers' movements.

## **1. Introduction**

The urban trade sprawl affects many cities in France (Desse, 2001; Dablanc and Rodrigue, 2016). For example, since the 1960s, the generalized urban sprawl in Paris had not only a consequence in logistics activities (Dablanc and Rakotonarivo, 2010), but also on retailing location with the deployment of peripheral retailers, mainly related to mass-market retailing, which lead to the loss of a part of the suburban clients but also a part of the Parisians which, from then, go to purchase in the peripheral shopping centers. However, *“because of their historic embeddedness and their accessibility, and due to the preservation of big volumes of resident population and employment, the retail stores and the private services managed to resist and stay in Paris”* (Fleury, 2010, p. 171) . This dichotomy between city-center and outskirts is already dedicated by several scholars addressing the issue, among others, of the daily and residential mobility. That debate, related to the one between density and urban sprawl, also takes place on the topic of the retail location. In this

perspective, it seems interesting to estimate the consequences of the retail location in the periphery or in the city center.

Although some works deal with the effects of retailing, they are mainly focused on the shopping trip component (Kubis and Hartmann, 2005; Gonzalez-Feliu et al., 2010, 2012) or deal with behavioral issues (Russo and Comi, 2010; Barone et al., 2014; Nuzzolo and Comi, 2014) rather than spatial ones. Moreover, those methods have not been conceived to estimate the environmental impacts but only the transport flows, and only consider direct environmental impacts from transport. For that reason, a methodology that integrates both inbound and outbound flows, at and from retailers, and considers the spatial patterns of transport and location seems necessary. Moreover, this method should be developed on the main goal of estimating the environmental impacts of retailing, both direct and indirect and not only those related to transport direct gas emissions.

The aim of this paper is to propose the first step of a methodology that would, in fine, estimate the environmental impacts that are generated by urban retail accessibility. Indeed, upstream and downstream flows to the stores, whether they are located in the city-center or outskirts the city, generate pollutant emissions. This paper aims at representing both the upstream freight flows and downstream shopping trips that are generated by urban retailing in terms of kilometers, transport modes, types of road (urban road, highway, for example) to represent the responsibility of urban retailing in pollutant emissions that are linked to goods transportation in the city.

First we present a conceptual debate within which it suggests the integration of inter-establishments movements into the debate about urban retail location. Then, the proposed methodology is presented, focusing first on the evaluation of the environmental impacts of retailing development and the main determinants of those impacts related to goods distribution to the shop and the consequent transport to households, mainly via shopping trips. Then, the transport flow modelling framework is presented, detailing both freight distribution and shopping trip flows. The proposed framework is general and conceptual, and can be deployed in contexts or urban fields where suitable models and tools are available or applicable. However, it is important to deploy an integrated model when those tools are not available, so the paper will conclude by presenting the work in progress in the seek of developing that model.

## **2. City-center stores versus peripheral shopping centers: what about freight trips flows? A conceptual debate**

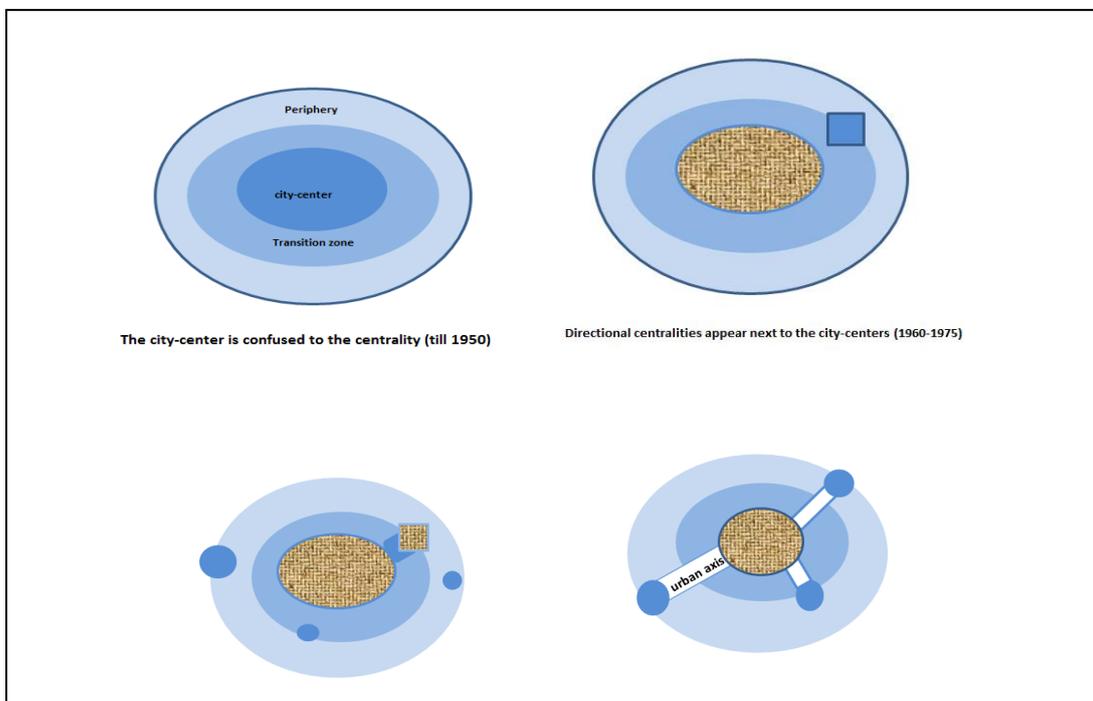
The involvement of the local authorities in the organization of urban retailing allows thinking that they are interested for several reasons. One can think about

the fiscal contribution of retail establishments as units inserted into the economic fabric of the city, but the intentions can go beyond. For Varanda (2005), the interventions targeted by local authorities are not strictly motivated by only urbanistic or commercial stakes. These considerations legitimize centrally-located retails, opposite to the peripheral shopping centers which emerged in France, in the 60s. To legitimate city center localization of retail stores, the assets of the city center retails that are often put forward are its animation capacities, the revitalization and even the contribution to neighborhoods safety (Petit et al., 2013). On another hand, the environmental pressures of retail stores are also reported: land pressure, urban roadways congestion and environmental pollution due to the freight trips towards the city-center retails in particular.

From this perspective, the notion of compact city appears first in Netherlands in 1985, before being associated with that of "city of short distances", which emerges in Graz, Austria, and in Groningen, Denmark, with an aim of facilitating the access to local services by reducing the distances. Newmann and Kenworthy (2006) have also the opinion according to which the outer-urban installations are more generative of pollutant emissions than those in city-center.

Traditionally, households' shopping trips are taken into the account of urban mobility but freight flows are less often included in general urban transport flow estimations. Even if, since the 80s, urban mobility plans the inclusion of goods flows is compulsory for the urban areas of more than 100 thousand inhabitants (CERTU-ADEME, 1998), it is only from 2014 that the law on territorial action moderning and metropolization development "*Loi MAPAM*" places goods flows under the same ruling and funding authority than personal transport flows (Ministère de l'environnement, de l'énergie et de la mer, 2014).

The flows generated by shopping trips or inter-establishment movements depend on the distances covered, which depend on the retails location. So, what retail installation to consider in city-center or in periphery? Where is the border? Many scholars worked on that issue but it is still not easy to define precisely the borders between the center and periphery of a city. Bonnet and Tomas (1989) state that the concept of centrality is progressing: since the crisis of the early 70s, urban space is affected by many differentiations and the problem "center-periphery" may seem to be less central (Figure 1).



**Figure1. The evolution of centrality (Adapted from Bonnet and Tomas, 1989 p11).**

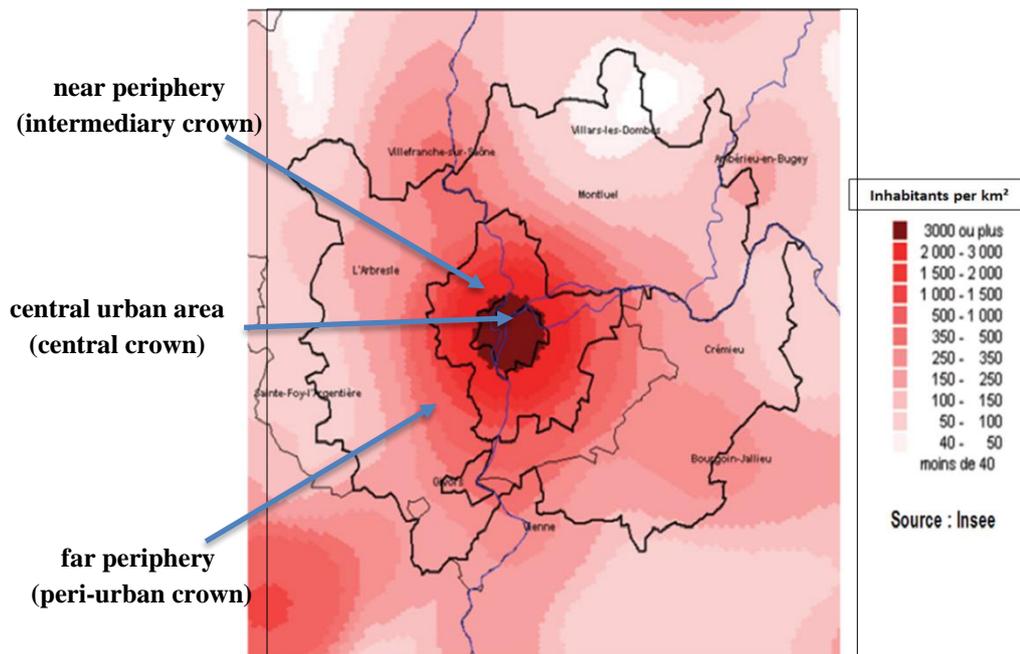
In the same perspective, let's revisit the hypothesis of the theory of central places with Huriot & Perreur (1995), who stated that this theory is based on postulates which do not take into account the local peculiarities that can explain the location of economic activities. Those postulates are five:

- The geographical space is considered as perfectly homogeneous for both physical and human features.
- Every individual is aimed to maximize his utility.
- The prices are fixed for all individuals.
- For consumers, purchased goods transport implies a cost which increases with the distance.
- Economies of scale in the production of the central goods make that the average of production costs decreases when the produced quantity increases.

According to this, the city center can be defined as the place of the big scale economies characterized by a strong human concentration, in terms for example of density of the housing environment. For, if the peripheral shopping malls can also constitute scale economies areas, they will at least, lack of housing environment density, making the city a system with two complementary sub-systems, one related to center and another for peripheries. However, a third zone, called intermediary or transition zone, can be defined (Huriot and Perreur, 1997).

Gonzalez-Feliu et al, (2012) join this spirit of a concentric representation of Lyon urban area growth by using the zoning proposed in Nicolas et al. (2011), i.e. dividing the urban area into 34 macro-zones. Authors declined the area in three big crowns which are the center zone formed by Lyon and Villeurbanne,

a less dense intermediate crown constituted by the bordering municipalities of the center zone and the third crown constituting the periphery (Gonzalez-Feliu et al., 2012). As it can be seen on Figure 2, the realities of the urban population density of the Lyon urban district in 2005 do not contradict such a distribution.

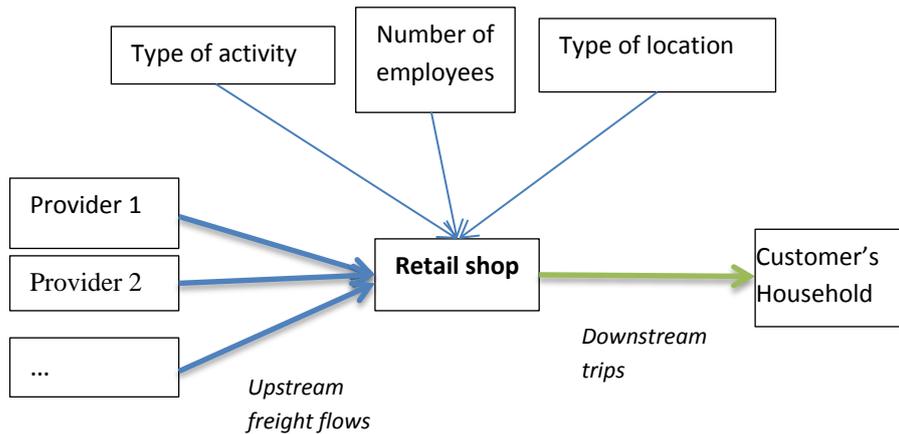


**Figure 2. Population density in Lyon urban area in 2005. (Adapted from Monchabert, 2011, relating it to the urban space zones of Gonzalez-Feliu et al., 2012)**

### **3. Methodology**

#### **3.1. Goal definition and scope of the study**

The first stage is to define the system under study and the parameters that will be taken into account. Our final aim is to compare the pollutant emissions due to both freight flows and shopping trips respectively generated by a city center located and a peripheral shopping center, within the life-cycle-assessment methodology.



**Figure 3. Representation of the system under study**

### 3.2. Which functional unit to choose? The meter-square of store, the Euro turnover or the ton of products sold?

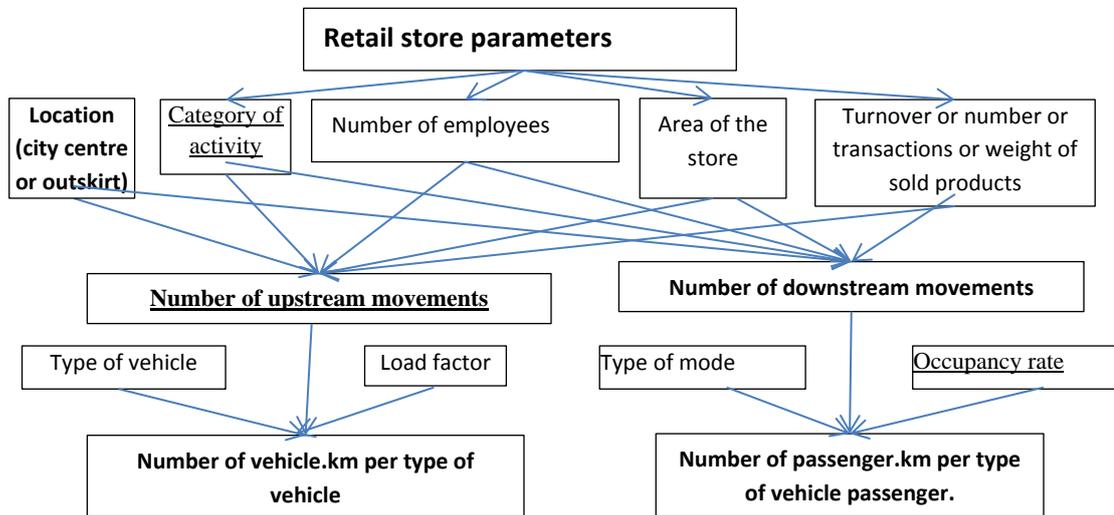
A common functional unit must also be defined to compare the two systems under study as recommended by the ISO 14040 international normalization. According to this norm, “*the functional unit defines the quantification of the identified functions (characteristics of performance) of the product*”. A functional unit needs to be related to a reference to which inputs and outputs are connected. In LCA, the comparability of the results is crucial for the evaluation of various systems to make sure that these comparisons are made on a common base (ISO 14040, 2006, p. 13). LCA has recently applied to urban mobility (Le Féon et al., 2012; Gondran, 2015), and also to urban freight transport but on a logistics viewpoint (Andriankaja et al., 2015). In those works, the functional units are mainly related to vehicles. However, in retailing there are other elements that impact the environment and although freight transport is

For retailing-based LCA, different functional unit may be chosen in this case: as for example one euro of turnover, one ton of products sold by unit of time, or an average transaction. One euro of turnover seems to be interesting for comparing the businesses generally speaking, but it depends largely on the unit price of products and such a functional unit can be lacking relevance and comparability between various types of stores as it is linked to the flow that is generated, which is what we are studying in fine. For a luxury store for example, the turnover can rise very quickly even for very small packages.

The ton of sold products can also be relevant as functional unity. This parameter is indeed associated with the volume, which determines the loads of vehicle for the supply of the businesses for example. For that reason, we assume that the ton of product sold is interesting to choose as functional unit (FU).

### 3.3. Methodological approach

To estimate the environmental impacts that are caused by the freight generated by the shops, it is necessary to estimate the number of kilometers that is covered by different categories of vehicles. To approximate this, the first step is to estimate the number of movement in the direction of the trade upstream as downstream, and the vehicles used.



**Figure 4. Representation of the proposed methodology**

In the following, we propose a conceptual declination of the methodology, relating it to existing works. Although the aim of this research is to propose an integrated assessment framework of urban retailing environmental impacts, the transport flow estimation will be made by adapting and eventually completing and extending existing frameworks in order to make a unified framework able to be adapted to any context and modelling tools. Indeed, some fields have their own tools so it will be easier to adapt them to the proposed framework, completing them when necessary with suitable procedures. When no tools are used, we would propose an integrated and operable model for flow estimation. In any case, the general methodological structure will be the same, and is presented in the following subsections.

### 3.4. The transport flow estimation model: from employees to distances.

The proposed modelling framework consists in first estimating separately the freight trips for inter-establishment and shopping trips then calculating their associated distances respectively, and this for city center stores and for peripheral located shopping centers. In a second time, those distances are integrated and compared. To do this, it is important to choose a modelling schema for each type of flows based on the same units and on comparable assumptions.

### 3.4.1. Freight trips flows of inter-establishments movements.

For freight trip flows, traveled distances will be generated in three stages. The first is to generate the tours, the second is to characterize them and the third consists in deducting the trips distances by estimating the average length of a route for a category of establishment.

#### i. Generation of the tours

The first phase of the freight transport flow model is freight trip generation (FTG). Several authors dedicated a strong importance to FTG, being the category class models those predominant (Holguin-Veras et al., 2011, 2013; Bonnafous et al., 2014; Gonzalez-Feliu et al., 2014). However, two approaches are mainly used: the classical constant-based generation (Aubert and Routhier, 1999; Holguin-Veras et al., 2012; Bonnafous et al., 2014; Gentile and Vigo, 2013) and the heterogeneous category class generation (Holguin-Veras et al., 2011, 2013; Gonzalez-Feliu et al., 2014; Sanchez-Diaz et al., 2016a,b). Since the limits of constant trip rate generation have been proved in Holguin-Veras et al. (2011) and heterogeneous category class generation is nowadays a unified methodology, we will follow this second group of approaches.

Following those statements, we propose a general formulation for FTG derived from works cited above. We assume a model of tours that can take a constant or linear form, as stated in Holguin-Veras et al. (2011, 2013) and Sanchez-Diaz et al. (2016). This model will therefore be expressed for each category of establishment by the following expression:

$$T_i = a \times Emp + b$$

Where  $T_i$  is the number of tour;

$Emp$  is the number of employees;

$a$  and  $b$  are constants to be found but can be null:

- If  $a = 0$ , then the number of turns is constant and will be a characteristic of central tendency (arithmetic mean, median or standard deviation)

- Else, a linear regression model of the distribution enables us to obtain either  $T_i = a \times Emp$ , or,  $T_i = a \times Emp + b$

In order to assess the suitability of each model, we will estimate the mean quadratic error (RMSE) of the three alternatives and the model of tours will be that which has the least RMSE, following the same methodology than on Gonzalez-Feliu et al. (2016) but generating freight trip attraction (FTA, i.e. the

number of trips at shopping destination) and freight trip production (FTP, i.e. the number of trips at origin) separately<sup>1</sup>.

## **ii. Characterization of tours**

Once the number of trips generated by each establishment is generated it is important to construct the transport routes, or tours. We find in literature three main approaches. The first is that of estimating first the trip O-D matrices then to link them to reproduce routes (Sonntag, 1985; Eriksson, 1997). This is only possible when data on O-D matrices is available. If not, suitable O-D matrices can be estimated (Routhier and Toilier, 2007; Muñuzuri et al., 2009) but the validity of the results depend on collecting other non-O-D data aiming to estimate a general shape of routes.

The second is that of estimating commodity O-D matrices (Holguin-Veras et al., 2010; Gentile and Vigo, 2013) then constructing routes mainly using vehicle routing problems (Crainic, 2008; Cattaruzza et al., 2015). The main critical points to this issue is that routes do not always reproduce the reality, and are in general too much optimized. Other ways of estimating routes can be to link them to behavioral models including empty trips (Holguin-Veras et al., 2010), to behavioral models integrated into distribution chains (Nuzzolo and Comi, 2014) or to multi-agent simulation models (Wisetdjindawat et al., 2005).

The third one is related to characterize those trips then estimating distances without actually constructing a route or transport chain, but based on average characteristics (Bonnafeous et al., 2014) or on probabilistic procedures (Gonzalez-Feliu et al., 2014; Gonzalez-Feliu and Morana, 2014). In those procedures, for each category of establishment, it will be necessary to specify the mode of management (shipper's own accounts, receiver own account or third party transport), then the vehicle's size (light commercial vehicle, single truck, semi-articulated vehicle) and finally the number of stops and which are the main activities delivered at those stops. With all those information, a tour classification that includes the specificities of retailers will be proposed. Then, each trip will be associated to a category using a matching procedure, in order to estimate realistic tours.

## **iii. Estimation of distances**

To estimate the distances covered, the total distance of tours ought to be known. To do this, If routes are generated and spatialized (which is the case when O-D matrices are known) as well as the vehicle type, distances are calculated directly from those routes. When not, an alternative estimation is needed. In this case, the distance generation model proposed in Gerardin et al.

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<sup>1</sup> In Sanchez-Diaz et al. (2016b), trips are generated without knowing if the location is an origin or a destination.

(2000) can be adapted. This model expresses the average length of routes as a function of the number of routes ( $\mathbf{r}$ ), the vehicle used ( $\mathbf{v}$ ), for a mode of management ( $\mathbf{m}$ ) and for a density class of operation per week ( $D_w$ ): under 1000 per week, between 1000 and 5000 or more than 5000 per week, i.e. following the relation:  $L = \mathbf{f}(\mathbf{r}, \mathbf{v}, \mathbf{m}, D_w)$ .

The function needs then to be defined according to available data.

### 3.4.2. Shopping trip flows of end-consumer movements

The proposed shopping trip framework consists in first modelling the number of shopping trips. Second, the trip chains where those shopping trips are included will be characterized, for each zone by type of movement and by the transport mode used. The third step will consist in generating the travel distances.

#### i. Generation process

According to different authors (Cubukcu, 2001; Russo and Comi, 2010; Durand and Gonzalez-Feliu, 2012), two main modes are predominant in shopping trips: car and foot, but many models focus only on car-based trips. According to the general shopping trip rate generation framework (Cubukcu, 2001), we propose a shopping trip generation (STG) formulation based on a linear relation (Gonzalez-Feliu et al., 2012) that takes the following form:

$$T_i = (\alpha_i + \beta_i) \times Men_i + \sum_k [(\alpha'_i + \beta'_i) \times Com_{ik}]$$

where

$T_i$  is the number of movement chains,

$\alpha_i$  and  $\alpha'_i$  being constants relative to car use movement

$\beta_i$  and  $\beta'_i$  being constants relative to movements by foot

$Men_i$  being the number of households by zone

$Com_{ik}$  being number of retailers of each type  $k$ .

A multilinear regression will be made to determinate the parameters and eliminate those which are not important, according to the data (Household Trip Survey of Lyon, 2006). The model will then be validated by comparing the value of the  $R^2$  and of the F-test after grouping the zones in three as defined above: city-center, intermediate crown and the periphery.

#### ii. Shopping trip chains characterization

After obtaining the STG rates, it is important to estimate the characteristics of those trips. In order to make a coherent model that is comparable with the freight flows one, we propose to group shopping trips into chains, as shown by Gonzalez-Feliu et al., (2012) those trips are not independent but making part of more complex trip rounds. However, those works are now at an initial stage, most shopping trip models being based on single trip O-D matrix estimation (Russo and Comi, 2010; Nuzzolo and Comi, 2014). However, a categorization can be made by type of urban zone (Gonzalez-Feliu et al., 2012), mode (car and pedestrian) and type of retailer (small retailers, stores, megastores). This categorization will be made with the same types of methods than for freight flows. Moreover, four main types of shopping trips are identified: Home-purchase, purchase-home, work-purchase and store-store. Those types of trips can be combined to define more complex trip chain.

### **iii. Covered distances estimation**

Once the trip chain categories are defined, we can, as for freight trips, estimate the distances. However, there is not, to the best of our knowledge, an equivalent formulation for shopping trip distance estimation. We are currently working on the development of this relation.

## **4. Conclusion**

This paper is the first part of a whole work intending to estimate the polluting emissions of the urban goods movement flows. We suggest here a methodology showing, in a proof of concept perspective, that it is possible to estimate both the upstream inter-establishment movement and the downstream shopping trips. These two types of traffic generation seem interesting to take into account simultaneously in the perspective of the study of environmental impacts of urban mobility.

The perspective of this study is to validate this methodological proposition on statistical data concerning the case of a French city, as for example Lyon urban area or Saint-Etienne conurbation (which includes both urban and rural spaces).

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## How risky are mobile beacon messages for bricks-and-mortar retailers?

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## Structured Abstract:

**Purpose** – This study aims at examining the effect of different mobile messages on intention to purchase depending on location and content. As independent variables message content and location were used. Intention to purchase was differentiated by intention to redeem the mobile offer and to purchase at the retailer store. To get more valuable insights into the barriers of using mobile messages by customers, we integrated perceived risk into the study.

**Design/methodology/approach** – We conducted an online-based experiment (by using a 3x3 between-subjects factorial design), where respondents got a simulated smartphone message and the location where they got the message. A total of 528 answers were collected and used for analysis.

**Findings** – Results indicate that a small distance to a shop can restrain consumers from using a mobile coupon, because of high privacy concerns. But mobile messages can be significantly effective for simple store invitations instead of coupons.

**Research limitations/implications** – Limitations included the use of a fictional mobile shopping app from which the respondents got the mobile message. Future research should replicate the study with a real retailer app and may differentiate between different branches.

**Practical implications** – Retailers who offer mobile apps should be aware of the potential negative influence their apps can have when sending coupons close to their store. Customers being located in front of a store might stay in conflict with their privacy protection and they finally refuse getting mobile messages.

**Originality/value** – Current research highlights the possibilities of mobile targeting by using new technologies, e. g. beacons. This study gives evidence that new technologies can fall through practical usage if privacy concerns arise in a specific market.

**Keywords:** Mobile targeting, Mobile coupons, Intention to redeem coupons, Beacon technology, Contextual marketing

**Article Classification:** Research paper

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# **Can Online Advertising Induce Impulse Purchases?**

## **The Impact of Content Synergy and Familiarity**

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### Abstract

**Purpose** – This study uses Lutz, Mackenzie, and Belch’s (1983) traditional advertising effectiveness framework to measure the effectiveness of online advertising banners. This would be methodologically sound as it would report the impact that online advertising will have post exposure in this advanced age of online retailing.

**Design/methodology/approach** – Quantitative research was conducted on 218 Vietnamese frequent users of webtretho.com a top performing website targeting young mothers.

**Findings** – (1) the use of the traditional advertising effectiveness framework to measure online advertising effectiveness is better than the use of direct numeric measures such as CTRs as it reports the impact that online advertising will have post exposure and annuls the effectiveness debate, (2) “Content Synergy” of the

, Linh Nguyen Hoang

banner, which is the synergy between the product advertised in the banner and the topics discussed in the blog, is a key antecedent to effectiveness of online banners, both in terms of attitudinal and behavioural change, (3) It is also important to take care of the aspect of “Brand Familiarity”, and (4) Online advertising is going to be significantly effective not only in Vietnam but in other Asian emerging markets.

Research limitations/implications – This study was carried out with a small sample and needs to be supplemented by large scale research. Future research should try to do online advertising effectiveness research in other emerging markets such as Latin America that are culturally dissimilar to Asia.

Practical implications – This study showed that companies should take care of “Content Synergy” of the banner, which is the synergy between the product advertised in the banner and the topics discussed in the website and spend proportionate amounts of media budgets in offline advertising before doing online advertising so that consumers are already familiar with the brand when they see it online. Finally, companies in Asian emerging markets should focus on reaching consumers through online advertising as it works.

Originality/value – This is the first study that uses Lutz, Mackenzie, and Belch’s (1983) traditional advertising effectiveness framework to measure the effectiveness of online advertising banners. This is something that can be applied in future research on all the new forms of digital advertising as a necessary base to understanding their effectiveness post exposure in this advanced age of online retailing.

Keywords Online Advertising Banners, Advertising Effectiveness, Attitudes towards Online Advertising, Attitudes towards Brands, Emerging Market Consumers, Asia

Paper type Research Paper



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# Creating Value in Grocery Retailing

Insights from a Finnish Hypermarket Retailer

**Article Title:** Creating Value in Grocery Retailing – Insights from a Finnish Hypermarket Retailer

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**Author Bio:** Mikko Hänninen is a recent MSc graduate from the Aalto University School of Business in Helsinki, Finland, currently working as a project researcher at the Department of Marketing at his alma mater. Mikko is in the process of applying to the PhD programme and holds a strong interest for retailing research in themes such as retail management, customer loyalty, e-commerce and customer experience management.

**Keywords:** Retailing, Trust, Customer Experience, Customer Value, Grocery Retail, Customer Loyalty, Customer Relationship Marketing, Consumer Behavior, Hypermarket, B2C

**Article Classification:** Research Paper

**Word Count:** 4977

## Abstract

**Purpose:** Based on an experimental study, this paper studies hypermarket shoppers in order to evaluate how well the customer experience offered in-store matches the needs of customers and creates value for them. The findings of this study contribute towards customer value theory and develop future research topics for marketing researchers as well as business opportunities for retailers who amidst increasing price competition are in need of new tools for creating long-term relationships with their customers

**Design/methodology/approach:** This paper is qualitative in nature in order to understand the subjective thoughts, emotions and feelings of grocery shoppers. Customers from a Finnish hypermarket store were recruited for 3 Focus Group discussions as well as 1 in-depth interview held between October and November 2015.

**Findings:** Customer value theory is extended in order to show that in grocery retail customer experience creates value for consumers. The key theoretical contribution of this paper is identifying the role of trust in the relationship between consumers and retailers as well as its relevance to the retailers' customer experience. According to the empirical findings of this study, trust combines the *economic*, *functional* and *emotional* value dimensions together meaning that the consumers are able to trust various factors in the store including the pricing, quality and selections. The lack of trust can also potentially alienate some customers and end the customer relationship.

**Practical implications:** The practical implications are related to enhancing retailers' communication with customers and creating trust through an integrated in-store offering. Most importantly by redefining the communication and marketing strategies retailers can better emphasize the human aspect behind the store management that according to this study's findings customers enjoy, especially in an entrepreneur retailer run store where this study is conducted.

**Originality/value of the study:** This study is an extension to the prior research on customer value; first of all it explores the relationship between customer value and customer experience in-store and secondly it identifies new combinations of value that is created through the customer experience.

**Keywords:** Retailing, Trust, Customer Experience, Customer Value, Grocery Retail, Customer Loyalty, Customer Relationship Marketing, Consumer Behavior, Hypermarket, B2C

**Article Classification:** Research Paper

## 1. Introduction

As competition, especially in grocery retail has increased in the last decade, retailers have begun to compete primarily with price often forgetting its customers and their needs. While price continues to motivate certain segments, it is a unique customer experience that creates competitive advantage that is difficult to imitate as e.g. Rintamäki et al. (2006) and Grewal et al. (2009) state. Despite the importance of understanding the link between customer experience and customer value this field has been under researched during the past decade, even though the adoption of new technologies has fundamentally changed the entire industry. Especially the relationship between customer experience and customer value offered in-store has not been empirically studied by academics especially in terms of understanding the different combinations of customer value that exist and the nature of a customer's relationship to their preferred store. This raises the question whether the retailer's customer experience matches the needs of their consumer and in the long-term creates *symbolic* value and trust.

Rintamäki et al. (2007) separate customer value to *economic, functional, emotional* and *symbolic* dimensions in the most relevant study that categorizes the different customer values in retailing. Other notable researchers have also shown that value is added for consumers throughout the shopping experience with value created for customers through a distinct market offering that is "*a fulfilling physical and emotional experience*" (Mascarenhas et al. 2006). Furthermore, the customer experience is the sum of the consumers' reactions to the retailer and is created through the customers' direct or indirect interactions with the retailer from pre-purchase to post-purchase (Meyer & Schwager 2007; Verhoef et al. 2009). However, despite the practical and theoretical relevance of the topic, so far academics have not opened these values in more detail and compared them with the needs of individual customers. It is also worth pointing out that customer experience and customer value are both theoretically challenging topics without clear definitions which is why this study seeks to empirically prove existing frameworks that are identified in the literature review.

This study aims to understand how value is created in grocery shopping for individual customers as well as if and how the in-store customer experience that the retailers offer adds value to individual customers. Overall, customer value theory and the effect of customer experience on the purchase behavior of consumers has not been studied by previous researchers qualitatively in grocery retail especially at such a

thorough level. The study clarifies some of the deficiencies of the past academic research in explaining the relationship between customer value and customer experience through research in a single-case context.

The following research question guides the research process:

*How does grocery shopping add value to consumers through the in-store customer experience?*

## **2. Theoretical Background**

### *2.1 Customer Value Theory*

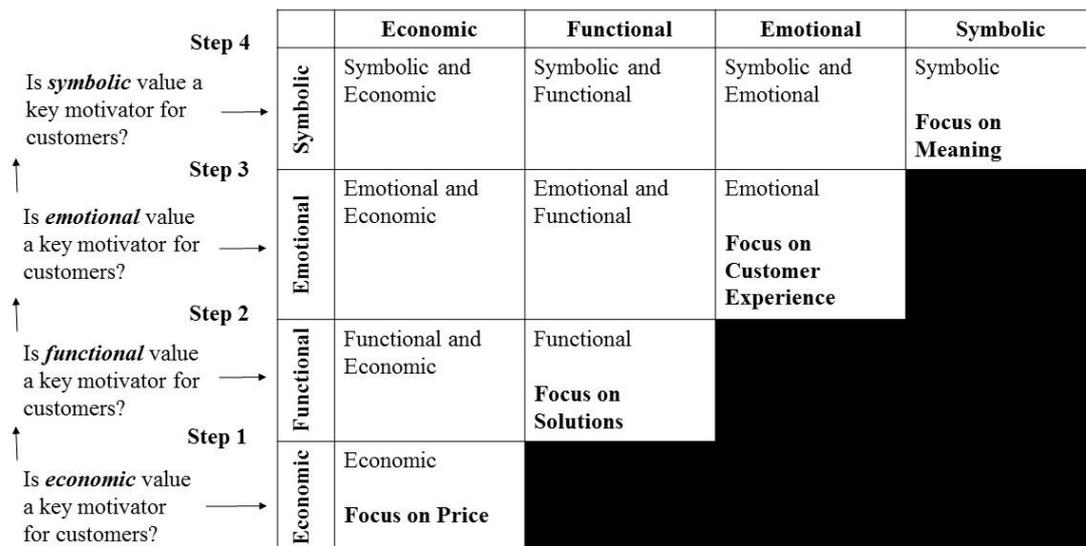
Customer value is defined in literature as a customer-centric phenomena (Slater 1997; Vargo & Lusch 2004) taking into account the customers personal view and opinion on the quality of the product or service (Woodruff 1997; Ugala & Eggert 2005). So far in marketing and retail research, customer value studies have been theoretically oriented mainly considering how customers evaluate the value received from a product or service through use. Most notably customer value is described as the sum of what is received from a product versus the monetary and non-monetary sacrifices made (Zeithaml 1988; Lam et al. 2004) as well as the added benefits customers gain (Butz & Goodstein 1996). However, recently researchers have begun to describe the potential of co-creating value together with customers rather than only through designing products and services for them (Payne et al. 2008). Furthermore, it is worth noting that the customer values influencing product choice are not stable but they change constantly depending on the purchase situation (Sheth et al. 1991).

#### *2.1.1 Customer Value Theory in Retailing; its relevance and benefits*

Traditionally in retailing, customer value addresses the differences between what customers want to get from buying or using a product and what they actually get from it (Zeithaml 1988; Woodruff 1997). Customer value is especially relevant for retailers today as customers' needs have radically changed in the

past decade and the service offering has become a prerequisite for differentiation (Rintamäki et al. 2007; Grewal et al. 2009). In an industry that has traditionally competed primarily on price (Burt & Sparks 2003), creating concepts and services that add value to the customers is crucial as a unique experience is difficult for competitors to imitate. Especially in grocery retailing the shift towards creating new mobile services and customer experiences has allowed retailers to differentiate from their price-focused competitors such as hard-discounters (Saarijärvi et al. 2014). Most notably Rintamäki et al. (2007) state that a retailer's value proposition should be the main reason why they buy from a certain retailer. Overall, value theory in retailing has moved from looking at the purchase motivations of consumers (Sheth et al. 1991) to categorizing customer values. Recently in retailing literature, customer values have been categorized to *economic*, *functional*, *emotional* and *symbolic* value dimensions in terms of a retailer's strategic orientation (Rintamäki et al. 2007) as shown through figure 1, with the framework looking at the customer value propositions created from different combinations of value. Overall, academics conclude that fulfilling the needs of customers is important as companies have noticed that a satisfied customer base leads towards increased satisfaction and loyalty towards its products, services and brands (Slater & Narver 2000). Each customer is unique and they are influenced by different environmental factors as well as how much the customer appreciates the overall experience they are receiving (Babin et al. 1994).

**Figure 1** Rintamäki et al. (2007) framework for identifying customer value propositions in retailing



## *2.2 Customer Experience*

Due to the importance of creating customer value in any successful business, a stream of research has focused on understanding how value is translated from the firms' strategy to its customer experience. Like Alba et al. (1997) proclaimed consumers continue to prefer buying products they experience through their senses in brick-and-mortar stores rather than online. The customer experience is the sum of both the elements that the retailer can control and elements that the retail cannot control (Verhoef et al. 2009). A good customer experience increases the probability that a consumer will return to the store (Grewal et al. 2009) with consumers comparing each new experience with previous ones when making their purchase decisions (Meyer & Schwager 2007). Previous research in customer experience has moved from simply understanding the relationship between customer experience and purchase behavior (Bloch et al. 1994) to grouping customers based on their needs and expectations related to the customer experience (Puccinelli et al. 2009). Overall, in retailing a customer centric strategy is a tool for adding value to customers and creating a competitive advantage over other retailers (Grewal et al. 2009; Mitronen & Lindblom 2015). More recent studies have shown that as retailers have struggled post-recession, they have started to pay more attention to the relatively small factors that influence customer satisfaction (Grewal et al. 2009) such as the communications between retailer and consumer. Overall, the most successful customer centric strategies, also form a source of competitive advantage for the retailer (Mitronen & Lindblom 2015) especially as modern shoppers are looking for more than fair prices and convenience (Rintamäki et al. 2006). While traditionally marketing researchers have explored these utilitarian shopping motivations, there are several hedonic reasons for consumers to shop as well (Arnold & Reynolds 2003) as consumers look for pleasurable products and experiences (Holbrook & Hirschman 1982). Despite the importance of understanding a customers' purchase motivations, this study mainly focuses on the customer value combinations created by a retailers' in-store customer experience.

## *2.3 Theoretical Framework*

As the literature review demonstrates, customer value theory and customer experience have been researched extensively in the 1990's and early 2000's but these studies generally fail to dig deeper into consumer behavior and are outdated. The key theoretical gap identified in the literature review is the lack of research linking customer value and in-store customer experience. The most relevant study conducted in the retailing

context is the one by Rintamäki et al. (2007), however the paper maintains a more strategic perspective on firm-level value propositions of retailers rather than looking at how these values match customer needs in detail. This research focuses on evaluating the four value dimensions identified by Rintamäki et al. (2007) in order to extend the scope of that study and analyze what values or value combinations truly exist in the single-case context of a grocery retailer.

Overall, the examination of past research in the field shows that the customer decision making process is complex, influenced by hedonistic and utilitarian factors, both in the control and not in the control of retailers. The lack of research in the context of grocery retailing raises the question what kind of values customers actually look to fulfill when they are shopping and whether grocery retailers meet these needs. The study first of all gains an understanding of how well the framework explains the value created for modern customers in practice and secondly identifies the different components that create the in-store customer experience in grocery retailing.

### **3. Methodology**

Based on the literature review this paper seeks to investigate value creation in grocery retailing for individual customers in order to fill in the theoretical and contextual gaps identified. The research conducted in this study is qualitative in nature in order to understand the subjective thoughts, emotions and feelings of customers that would not be possible at a similar depth with quantitative methods. The research method used is a cross-sectional single case study on a single store with the use of focus group discussions and in-depth interviews. The data was analyzed with the use of content analysis.

The main research methodology and design used in this consumer research is focus group discussions as per the structures defined by Goodyear (1986) and Morgan (1997). In this study a total of 3 approximately 120-minute focus-group discussions were conducted with the customers of one K-Citymarket store consisting of 3-6 participants per group. The discussions were held during October and November 2015 in order to gain a deep understanding of the needs and expectations of the customer base as well as explore their relationship with their preferred store. Each focus group discussion was recorded and thoroughly transcribed. The discussions were conducted in Finnish, the native language of each participant. Each focus group discussion started with a 15 minute walk around the store and proceeded with 60 – 90 minutes of

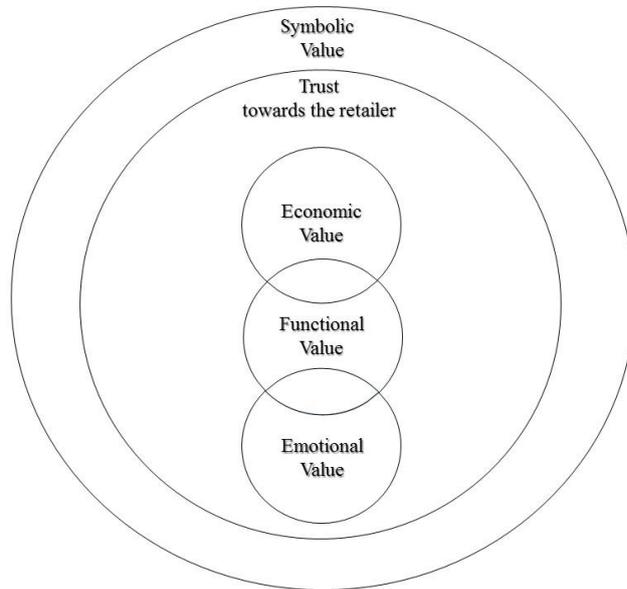
uninterrupted discussion. The focus group participants were invited to the discussion through three channels: email invitations through K-Group's K-Plussa loyalty program, a Facebook invitation as well as personal invitations at the store. The sample was randomly chosen from the store's customer pool given that the focus group participants were at least occasional customers at the store.

#### **4. Findings**

The findings of the study show that customer experience creates value for customers in grocery retailing. Based on the empirical findings, *economic* value plays a less important role in store choice or the purchase situation when shopping at a grocery store with the customer experience creating primarily *functional* as well as *emotional* value for consumers. While price consciousness depends significantly on the customer segment and life situation; it is a combination of *economic*, *functional* and *emotional* value that serves as the primary motivator for the purchases. The main theoretical contribution of the study is identifying the concept of trust as an extension to previous research as it combines the *economic*, *functional* and *emotional* value dimensions. While trust has a strong role in B2B relationships, there is little research done on its role in the B2C context and especially retailing. The research question is answered by defining how the factors in the customer's experience add value for the customers' and influence the shopping process in the store. Overall, the study shows that retailers are able to create customer value through the customer experience that they offer in-store.

Based on the findings of this qualitative study a revised framework (figure 2) is established for understanding the relationship between customer experience and customer value in grocery retailing. The revised framework shows how the in-store customer experience creates value for the customers with a combination of *economic*, *functional* and *emotional* value facilitating trust as well as *symbolic* value once the customer has had repeated positive experiences with the retailer. In this framework trust is a higher dimension that is formed through a combination of *economic*, *functional* and *emotional* value as trust is based on the consumers' evaluation that all the different factors in the store are trustworthy and thus facilitate the creation of long-term relationship with the retailer. *Symbolic* value was identified as the highest construct that is formed once trust between the consumer and retailer has been established.

**Figure 2 Revised Framework of Customer Value Dimensions**



#### 4.1. Interpretation of Results

***“We like to go the market hall in the nearby city – If you can bring that kind of atmosphere and the specialties that you get from there, just a little bit to this market environment then you would have a great experience and not just something regular”***

The study shows that the in-store customer experience adds value to the customers through a combination of both utilitarian and hedonic factors as per the frameworks by Bloch et al. (1994) and Rintamäki et al. (2006; 2007). The empirical findings show that factors in the store design and the in-store aesthetics create value for customers as they extend the customer relationship and create an offering that surpasses expectations. While customers expect that certain *functional* aspects related to the service are maintained such as the speed of the cashiers; the findings show that it is the *emotional* and *symbolic* value that keeps customers loyal and coming back to the specific store. While the prices and certain *functional* elements in the store are stable for most retail players it is the in-store experience that is unique and difficult for competitors to copy.

***“I am quite store loyal as long as everything works but then when they screw up the first time then it’s so that I will never go there again. It’s about trust and then service, if the service suddenly becomes very bad and even rude”***

The most notable contribution of this study is extending the framework by Sheth et al. (1991) and Rintamäki et al. (2007) in order to include the trust dimension. Trust combines the *economic, functional* and *emotional* value dimensions together meaning that the consumers are able to trust various factors in the store including the pricing, quality and selections. Once trust towards the retailer has been established, the creation of *symbolic* value is also facilitated. Already, Butz & Goodstein (1996) and Sirdeshmukh et al. (2002) defined trust in their customer value research, however, it was defined as a facilitator of the long-term relationship and not associated with individual retail customers. While several researchers have studied the role of trust in online retailing (Walczuch & Lundgren 2004; Mukherjee & Nath 2007) it has not been explored in offline retailing. Furthermore, in a wide range of B2B marketing literature, trust is identified as an important determinant in the buyer-seller relationship (Bunduchi 2008) with this study extending trust to a B2C relationship.

***“When we need milk we turn the car around and come here – We have always come here, as long as we have lived in this city”***

The Rintamäki et al. (2007) framework is also extended to show that *symbolic* value is created when consumers begin to attach meanings towards the retailer and feel some sense of mutual ownership to the store as shown in figure 2. Similar to the findings by Butz & Goodstein (1996) once trust is established, an *emotional* bond is formed between the customer and retailer. However, it is important to note that Rintamäki et al. (2007) define that *symbolic* value is important for consumers who are primarily motivated by the self-expressive aspects of consumption with the study showing that most consumers do not attach strong meanings to grocery retailers. The results show that especially younger customer segments make their purchase decision purely on convenience and price rather than attaching any stronger meanings to their preferred retailers. Even though it is not supported by this study, it is possible that *symbolic* value is also created without trust or a combination of *economic, functional* and *emotional* value if the consumer strongly related to or believes in the retailers values such as eco-friendliness.

***“That is just the kind of experience that a grocery store should have. You need to differentiate from basic box stores in a big way. I think it’s so that the service is good, the selection is clearly higher”***

Overall, based on the empirical findings, value is created for consumers by combining the different value dimensions defined by Rintamäki et al. (2007). For example, *economic* value is mainly a driver for the customers to come to the store with *functional* and *emotional* value generated through the actual in-store experience. Thus, value is created through combining *economic* and *functional* as well as *functional* and *emotional* dimensions. Customers noted that a combination of *functional* and *emotional* factors related to the store design, service quality or the experiential factors at the store extend the in-store experience with customers expecting retailers to offer more than self-service.

***“I don’t buy because of the price or search for discounts. Food offers are rarely something that would get me going. I have something specific in my mind that I go out to buy. On the way I might see something interesting but it doesn’t matter what it says in the advertisements”***

The study shows that utilitarian and hedonic shopping motivations (Babin et al. 1994) also influence customers. Families with children were more guided by the utilitarian motives while the other participants such as the retirees were more motivated by the stores hedonic experience. Thus, it is important that the retailer is able to maintain a balance between emphasizing *economic* value such as the amount of promotions as well as the *functional* and *emotional* dimensions such as the aesthetics and service levels in order to satisfy the various shopping motives that exist.

***“I think that one criteria for coming here is how easy it is to shop at this store. You aren’t the cheapest option in anyway, it’s not my criteria. -- It’s about a combination of those things and also the familiarity. I don’t want to think about where I can find the products. The journey around the store is always pretty much the same”***

While the majority of the theoretical contributions of this study are related to the benefits that customers get through the in-store customer experience, the findings also identify some of the sacrifices that customers make during grocery shopping which influences their purchase behavior. The key non-monetary sacrifices found in the empirical findings were related to the time spent during the shopping process from pre-purchase to post-purchase as customers are interested in solutions that will further minimize their time spent at the store. While customers did not directly state that the non-monetary sacrifices serve as a barrier for shopping they still affect their perceptions of the store. Overall, the findings of this study complement existing literature on non-monetary sacrifices (Zeithaml 1988; Babin et al. 1994; Lam et al. 2004; Rintamäki et al.

2007) by showing that minimizing the consumers non-monetary sacrifices will create more value and contribute positively to their evaluation of the store.

*“When you have these discounts or campaigns at the store, then people know that now there is something extra. We look with a different lens, what is on offer and what do we possibly need.”*

Finally, the classifications by Butz & Goodstein (1996) of *expected*, *desired* and *unanticipated* value are also extended. Customers are motivated by factors in the customer experience that allow them to break their routines and explore new products that they would not otherwise have found without direct or indirect influence at the store. For example, factors in the customer experience such as in-store promotions, campaigns and samples were found to be important for creating *unanticipated* value. While customers expect that certain utilitarian aspects related to the *functional* value dimensions are fulfilled in the store for example related to the cleanliness, quality, or selection of the stores offering, it is the unanticipated value that motivates customers. This unanticipated value establishes the actual nature of the customer – retailer relationship and facilitates the forming of a stronger *emotional* bond as well as the creation of *emotional* and *symbolic* value through repeated positive in-store experiences.

## **5. Conclusions**

The purpose of this study has been to understand how the in-store customer experience creates value for grocery shoppers and whether this offering matches the needs of modern customers. As especially grocery retailers have started to compete primarily with price after the recent recession, they have often failed to focus on their customers' needs. While online retailers have been able to generate competitive advantage through their superior customer experience, the majority of grocery retailers have continued to compete on price and selections. The research question set for this study “*How does grocery shopping add value to consumers through the in-store customer experience*” is answered by showing that retailers are able to create customer value through the customer experience that they offer in-store with the customer experience creating different combinations of *economic*, *functional* and *emotional* value. The main theoretical contribution of the study is identifying the concept of trust as an extension to previous research frameworks, with trust created in a long-term relationship and through multiple positive encounters with the retailer. Overall, in the context of grocery retailing the customer experience that the retailer offers serves as a way

of differentiating from other players such as hard-discounters and creating long-lasting loyalty between consumer and retailer.

Further research is needed in order to understand the role of trust in grocery shopping as well as extend the study to a wide range of retail contexts both in Finland and abroad in order to comprehensively understand the value combinations of different customers and the nature of their shopping behavior. As there is a theoretical gap in understanding how customer value is created in an omni-channel world, the role of trust in retailing should be studied in more detail in order to explore the implications of trust for retailer choice. Future research should also focus on understanding *symbolic* value and whether it is possible to have symbolic value towards a retailer even if they were otherwise not satisfied with the in-store offering as well and if they lack elements of trust in the relationship. Based on this study, *symbolic* value was created when the relationship towards the retailer was long-term and trust had been generated through a combination of the different values. While this study primarily focuses on the relationship between customer experience and the added value in-store and during the shopping process, the findings can be extended to the concept of retailer choice as well.

The findings of the study need to be critically examined as they represent the viewpoint of individual customers. While focus group discussion and the in-depth interviews facilitated a lot of discussion around the topic, the sample was still relatively small. Despite each of the focus groups eliciting a lot of discussion and good interaction between the participants, due to the small group sizes the full potential of the focus group method was not realized. It is also worth pointing out that this study was conducted in only one store and in the context of grocery retailing which limits the generalizability of the findings. In order to examine the topic further it would be necessary to conduct this examination in other stores and with both non-customers as well as loyal customers. Finally, it would be interesting to extend the scope outside of grocery retailing towards other forms of retailing where the transactions are more service focused both in Finland and abroad.

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## Appendixes

### *Appendix 1. Table of Study Participants*

<b>Focus Group 1</b>	Participant 1	Male, 30-50 years old	Loyal customer, family with 4 children
<b>Focus Group 1</b>	Participant 2	Female, 30-50 years old	Loyal customer, family with 4 children
<b>Focus Group 1</b>	Participant 3	Male, 50+ years old	Adult household, recently changed to K-Citymarket from Prisma
<b>Focus Group 1</b>	Participant 4	Female, 50+ years old	Adult household, recently changed to K-Citymarket from Prisma
<b>Focus Group 2</b>	Participant 5	Female, 30 – 50 years old	Adult household without children
<b>Focus Group 2</b>	Participant 6	Female, 50+ years old	Family with children
<b>Focus Group 2</b>	Participant 7	Female, 30-50 years old	Single parent with two teenagers in the household
<b>Focus Group 3</b>	Participant 8	Female, 50+ years old	Retired, adult household
<b>Focus Group 3</b>	Participant 9	Male, 50+ years old	Retired, adult household
<b>Focus Group 3</b>	Participant 10	Female, 50 + years old	Retired, adult household, lived abroad for a long time
<b>Focus Group 3</b>	Participant 11	Female, 30 – 50 years old	Family with 2 children
<b>Focus Group 3</b>	Participant 12	Female, 30 – 50 years old	Family with 2 children
<b>Focus Group 3</b>	Participant 13	Male, 50+ years old	Adult household, children moved out of home
<b>Interview 1</b>	Interviewee	Female, 30 – 50 years old	Loyal customer (top percentile of the store), family with children

# The Road to Omni-Channel – The Drivers of Shopping Apps in Grocery Retailing

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## **Structured Abstract:**

### **Purpose**

Retailers face severe environmental uncertainty in their omni-channel journey, and meanwhile need to increase their responsiveness in sensing these uncertainties and responding to shoppers' demands. Many retailers are testing the waters to integrate their channels and to introduce new technologies regarding omni-channel. In this regard, smartphones have grown to become a natural part of shoppers' daily activities. Retailers have faced severe challenges with the growth of mobile shopping, and the widespread use of price-comparison apps, and the phenomenon of showrooming. Generally, "conventional retailers haven't had great experiences with breakthrough innovation" (Rigby, 2011). The problem has been more significant in the case of grocery retailing, since many retailers have failed to sustain their e-commerce business after the turn of the century.

Sweden is one of the top adopters of innovations in the world, and by 2017 almost every Swede will be using a smartphone. It is of practical and scholarly interest to deepen the knowledge and understand how and with what logic the deciding actors in grocery retailing embrace, introduce, and develop shopping via smartphones. The purpose of this paper is, therefore to explore the drivers of shopping apps development in grocery retailing. In order to address the overall purpose, two research questions



are developed: 1) What do the grocery shoppers use the mobile shopping apps on their smartphones for? 2) With what logic do retailers develop mobile shopping apps?

### **Design/methodology/approach (mandatory)**

Drawing on the exploratory nature of the purpose, a multi-method design approach was chosen. As part of a larger research project which entails exploring the use and development of mobile shopping apps in grocery retailing, this article builds on the findings from a preliminary survey on the acceptance and usage of mobile shopping apps. The data from the survey is from a randomly-selected sample of 499 shoppers of the largest grocery retailer in Sweden in late 2013. Five stores of varying formats were selected – ranging from hypermarkets to limited assortment supermarkets – to interview shoppers stepping out of the stores. The data from the survey serves to address the first research question.

The second question is tackled by means of a qualitative case study on the retailer. Data was collected through a series of in-depth interviews with the decision-makers in Sweden. These retail decision-makers include Digital and Portfolio Strategist, Digital Communication Managers and Analysts, Web Store Team Manager, Omni-Channel Strategist, key Logistics Provider, and App Developers. The interviews were carried out during 2015 and early 2016. Each interview took around one hour, and was recorded, transcribed, and coded.

### **Findings (mandatory)**

The study uses Pantano's (2014) framework for exploring the drivers, which include market orientation, entrepreneurial innovativeness, human capital, organizational characteristics, and progress in technology. The decision-makers in the studied retailer indicate that various environmental factors are involved in how the development of the shopping apps are driven. Several factors are discussed in the constellation of technology, economy, globalization and regulations (Shankar et al., 2011).

Recent studies have shown that around 75% of Swedes use their smartphones for shopping (e-Barometer, 2015). While almost 50% of Swedes use their smartphones to receive offers from the stores they regularly visit, over 20% use them to search for information while they are in a physical store (ibid). The studied retailer launched its shopping app in 2010. In total, over 50% of the respondents had a smartphone, of which 20% had installed and used the shopping app on their phones. 70% of these early-adopters, used it at least once a month, while 30% used it as frequently as every day. The top ranked uses of the app were proven to be: receiving personalized offers (75%), following recipes (52%), and compiling shopping lists (45%). Less than 20% used the app for self-scanning or reading QR-codes.

The results of the survey indicate that the shoppers use their smartphones not necessarily only when they are in the physical store, but rather throughout the shopping process. Therefore, in addressing the general problem of "cooking", shoppers use the shopping app in the different stages in the shopping cycle including search, evaluation, all the way to store navigation, purchase and payment, and post-purchase (Shankar et al., 2011).

Market orientation consists of consumer orientation and inter-functional coordination, and is based on generation of market intelligence, dissemination of the intelligence across organizational functions, and responsiveness (Pantano, 2014). The results of the qualitative interviews show that the retailer is aware of the changes in shoppers' behavior, and strives to focus on how they can "impact people's lives" and "create value" by further developing the app. This is to be in line with their overall mission to "make everyday life a bit easier". They have limited their main suppliers and solution providers for the app to only two, including one for IT and infrastructure and one for user experience design, to further encourage teamwork and integration.

They have extensively worked with the largest authentication solution supplier in Sweden to integrate their services for securely logging in to the shopping app. Also, shoppers' data is easily linked to their loyalty accounts, which smartly provides tailored "profile" and "store" offers in the close-by stores based on the saved shopping lists and prior shopping patterns. The retailer has also established a bank which facilitates payment via the shopping app for those customers who have a registered bank account. They are exploring to integrate innovative means of payment, such as the Apple Pay and Swish (the most popular payment app in Sweden with over 5 million users). They are also experimenting smart in-store solutions via the app, including locating merchandise in the store and cross-category offers using augmented reality. For the post-purchase, the retailer is considering push notifications for bonus levels, as well as a vibrant community of shoppers to share cooking ideas and experiences.

A problem in this regard is that many of tech-related innovations in retailing have quickly become obsolete (Pantano et al., 2013). As a result, although the retailer regards itself as entrepreneurial and innovative, it is cautious with jumping on the bandwagon since the technology might end up not being adapted.

### **Research limitations/implications**

This study contributes to the research regarding the drivers of shopping apps in the context of grocery retailing. The paper addresses the call by scholars to identify and evaluate innovation drivers in the retail industry by taking into account the intersection between different areas of research, including marketing, technology management, computer science, and logistics. This study builds on the work of Pantano (2014) in which she explored the drivers of innovation at a broader scale in retailing. Specifically, in our study, we focus on an innovation that requires relatively lower capital investment (mainly app software development) compared to other high-tech retail innovations and is being widely adopted already by retailers (almost all grocery stores have a free app).

### **Practical implications**

From a strategic and logistics standpoint, omni-channel requires high investment, commitment, and integration from the retailer and the outcome is further flexibility and enhanced seamless total shopping experience (e.g., Bell et al., 2011). Specifically, recent studies show that this strategy could be used to tackle showrooming and reverse-showrooming for relevant retailers, and to increase responsiveness (e.g., Brynjolfsson et al., 2013). Grocery retailers can develop shopping apps to increase their responsiveness, and increasing value for shoppers.

### **Originality/value**

Although there is ample scholarly research on innovation in retail, much of what relates to shopping-related technology focuses on acceptance and usage of innovation by consumers, mainly applying some version of the Technology Acceptance Model (TAM). In fact, a literature study by Groß (2015) shows that almost 66% of mobile shopping literature in retailing falls under tech-related issues. Nevertheless, the research on mobile shopping apps is relatively sparse. This paper sets to go a step further by exploring the drivers of mobile shopping apps in the nexus of multiple retail actors, including the shoppers, retailers, and their app developers. The study also relies on both quantitative and qualitative data from a survey and in-depth interviews with key decision-makers, which improves the overall trustworthiness and validity of the study.

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### **Keywords:**

Mobile Shopping, Grocery, Omni-Channel, Innovation, Responsiveness

### **Article Classification:**

Research Paper, Case Study

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### **Running Heads:**

# Exploring the links between retailing attractiveness, land's accessibility and freight trip generation (FTG)

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## Purpose and motivation

In the era of information sharing, open initiatives and big data, the quantity (and sometimes quality) of information have been increasing, leading to both numerous opportunities to improve knowledge and difficulties to process and produce data in a standard or unified way. In this context, retailers can play a crucial role since they are the interfaces between two different but connected parts of city supply: the last mile of supply chains and the end-consumer. Moreover, the increasing of data availability can lead to the definition of suitable indicators, mainly of accessibility and attractiveness.

However, there is few link in literature between those indicators and the capacity of retailers to generate freight transport demand. Indeed, accessibility and attractiveness are mainly related to people's transport and few works consider them in relation to freight.

This paper aims to examine this relation, and more precisely the potentiality of representing freight transport generation (FTG) with a standard indicator, either of land accessibility or retailing attractiveness. To do this, two main models are required: the first will estimate FTG rates, and the second define the accessibility and attractiveness indicators. The paper will focus both on the definition of standard and comparable indicators and on the establishment of a unified methodology to link those indicators to FTG rates.

## Methodology

The basic idea behind the proposed methodology is that it would be possible to estimate a relation between FTG and accessibility in any city, using standard data and without having a shipper or establishment survey to estimate freight trips. This is due to the fact that not all territories have the necessary funds to carry out those surveys, from those being the less expensive but simple to the most extensive but also expensive ones **Erreur ! Source du renvoi introuvable.** To do this, we propose a methodology structured in three main phases:

The first phase is that of FTG estimation. To do this, we deploy a model following the principles of Holguin-Veras et al. (2011, 2013) completed by the analyses proposed by Gonzalez-Feliu et al. (2014). The resulting model will then be able to estimate FTG rates using standard data.

The second phase is that of indicators estimation. First, the land accessibility indicator is calculated on an exponential basis. In the same way, an equivalent retailing attractiveness indicator is defined. Both indicators have the same form but differ in data aggregation: the accessibility one is based on households, so the origin of trips, and the attractiveness one on retailers, i.e. the destinations.

Finally, the third phase is the assessment of the relations between FTG and accessibility using a linear regression assessment and the in-depth analysis of the results issued from this assessment. Both accessibility indexes will be examined.

Data to estimate accessibility and attractiveness come from French establishment censorial files (SIRENE), and the development of FTG models is made with the support of French Urban Goods Transport Surveys (Ambrosini et al., 2010).

## **Findings**

Main findings are related to two main categories: the applicability and significance of both indicators and the modelling issues and implications.

Regarding indicators, we observe that attractiveness, being more closely related to the generation zones, gives a better description of flows and opportunities of going to a specific zone of an urban area for transporting goods. It can be a suitable tool to link land characteristics to freight trip attraction (FTA, Sanchez-Diaz et al., 2015). Accessibility is more related to suppliers, and will be more related to freight trip emission (FTE, Gonzalez-Feliu et al., 2014).

Respect to modelling issues and implications, we observe that it is possible to link accessibility and FTG rates, as well as for attractiveness and FTG. When going more in-depth, if specifying FTG for retailers and stores give more accurate results. A comparison of several FTG approaches with our model on the basis of data from Bordeaux (France) extracted from the French Urban Goods Transport Surveys shows that the approximation capacity of the model is in the line of more data consuming approaches, making this models a valid alternative in cases of specific and detailed data lacks but standard data is available.

## **Practical implications**

From the results and findings, practical implications of this research can be identified. The first is that of having a quick and simple way of estimating FTG rates, since accessibility and attractiveness indicators are easy to assess, and can be done using standard data.

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## **Towards a scale for consumer confusion: establishing content and face validity**

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### **ABSTRACT**

The paper demonstrates both content and face validity of a new Consumer Confusion (CC) Scale, while providing instructions on how to calculate content validity index (CVI), face validity index (FVI) and inter-rater agreement (IRA) in a scale development setting by using both subject matter experts (SMEs) and lay experts (LEs). Using a panel of subject matters and lay experts provides constructive feedback about the quality of the newly developed measure and objective criteria with which to evaluate each item. An initial validity study provides information on the

representativeness and clarity of each item. In addition, the expert panel offers concrete suggestions for improving the measure. The revised measure can then be used in a pre-test study to assess other psychometric properties.

The study employed an exploratory Q-methodology to classify items to categories that capture perceptions of consumer confusion (CC). The results of the categorization reveal seven constructs grouped as cognitive, affective and behaviour that appear to capture and measure the CC construct. The researchers subjectively factor analyzed 57 items into three categories. Three categories reflect seven factors that make up consumer confusion.

The contribution of the paper is twofold. On the one hand, it proposes a new scale for perceptions of consumer confusion (CC) and demonstrates its face and content validity. At the same time, the paper presents CVI, FVI and IRA validity tests. The study serves as a foundation for further research, with our next step being the preparation of exploratory and confirmatory factor analyses of the CC scale.

# **Economic Complementarity and Its Implications on Optimal Policies for Multi-Product Inventory Replenishment and Bundling**

by

Sang Jo Kim, Youyi Feng and Jianjun Xu

Bundling is found everywhere in our daily lives. When we are in a supermarket, many products are sold in bundles such as a bundle of a shampoo and a conditioner, a package of a razor and razor blades, a pack of two different toothbrushes. Logitech's keyboard and mouse combo products as well as Microsoft Office are other examples of bundled products, and vacation packages are also commonly found bundles that include round-trip flights, hotels and car rental. The prevalent examples clearly show the importance of bundling offers to improve a firm's profit, whose intuitive rationale is that bundling can be used as an effective tool for price discrimination to capture more consumer surplus.

A seller has three main alternative strategies for bundling: (1) *no bundling*, where the seller offers only individual products; (2) *pure bundling*, where the seller offers only bundled products; and (3) *mixed bundling*, where the seller offers both individual products and their bundles. In this study, we deal with a mixed bundling problem where the seller offers two individual products as well as a bundled product consisting of them.

When a manufacturer or a wholesaler offers bundles as well as individual products, the inventory control involves additional complexity compared to the case where they offer only individual products. It mainly stems from the fact that the bundle products can be produced only when they have sufficient inventory of the individual products. Given the uncertainty of the customer demand, it is more challenging for the seller to figure out the optimal replenishment quantities for the individual products because they have to consider not only the demand of the individual products but also that of the bundle products. In addition, the seller should

think about the cases where the individual products' inventory levels are already very high. Should the seller just keep the high inventory levels or use a portion of them to decrease their levels but instead to increase the levels of bundle products to some extent even over the optimal levels? Similarly, what if the bundle products' inventory levels are already very high? To answer these questions on optimal inventory replenishment and bundling decisions, the seller should understand the economic relationship between the products.

Our goal in this study is to reveal the economic relationship between the products from the seller's inventory control perspective, which provides significant insights on how the inventory levels should be controlled. In addition, based on the economic complementarity, we also show the structure of the optimal policy for joint inventory replenishment and bundling as well as the sensitivity of the optimal operational decisions to the current inventory levels. Further, we present an integrated analysis approach that combines two different forms of optimal policies, one of which is for the optimal order up to levels (OULs) and bundling quantity (BQ) and the other is for the optimal target inventory levels after ordering and bundling. Each of the two optimal policies shows a certain partial aspect of optimal operations but we can get a complete understanding by combining the two forms of policies. For more effective structural analysis, we also prove that some of the original constraints can be relaxed so as to meet the lattice constraint set requirement for an  $L^{\natural}$ -convex function, which is crucial in showing the economic complementarity and the key structural properties in this study such as the monotone and bounded sensitivity of the optimal ordering and bundling operations.

We show the structure of the optimal policy for ordering and bundling that includes monotone and bounded sensitivity of the optimal operational decisions to the current inventory levels. In addition, we reveal the economic relationship between products for seller's inventory control and bundling, and also show how the optimal base stock levels through ordering and bundling are determined considering the existing stock levels, which gives managers significant insights for optimal operations. Further, we present a holistic analysis method that integrates the analysis with respect to ordering and bundling and that with respect to the base stock levels, which reveal preciser and richer analysis of the optimal operations. As a technical contribution,

we also prove that the original constraints can be relaxed so that we can perform more effective analysis based on  $L^1$ -convexity of the functions, without which the monotone and bounded sensitivity results in this study could be more difficult to obtain.

# Article Title Page

## How does that fit? – RFID in fitting rooms

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## Structured Abstract:

### Purpose

The purpose of this study is to explore opportunities, challenges and new applications of RFID technology downstream in fashion supply chains. More specifically, it highlights the potential of in-store RFID tracking to sample and describe customer behaviour up until the point of sales, and some of the practical challenges of utilizing such technology in an actual shop environment.

### Design/methodology/approach

The study was conducted as a field experiment, where a commercially available RFID platform was deployed in the three fitting rooms of a high-end fashion concept store. RFID was already in use for in-store inventory management and upstream logistics by the brand. All products' hang tags are equipped with RFID by the manufacturer (source-tagging). Data from the fitting rooms were collected and enriched with product information based on the detected EPC SGTINs. This data was subject to further analysis to explore the data quality.

### Findings

RFID may provide a highly detailed description of customer behaviour and in-store product flow in real-time. Examples of such insight are customer profiles in fitting rooms (e.g. trying on multiple sizes of a single product versus multiple products of a single size), variation of fitting room use over the week and hour of the day, and patterns over different product categories (e.g. sex, accessories, collections).

The main challenge for data accuracy and quality has been to obtain a balance between reading reliability, detection speed, and accuracy of tag location. Initially the fitting room antennae detected products outside the fitting rooms. Limiting the reading to the fitting room area was improved by balancing the transmitter power and reader sensitivity. Cross-reading between the fitting rooms required physical adaptation in terms of antennae placement and orientation as well as application of RF shielding between adjoining fitting rooms. The remaining issues were mitigated by data filtering of spurious readings and extrapolation of missing continuity.

### Practical implications

The cost associated with RFID has traditionally been considered a barrier to implementation of such technology. However, increasingly companies find that the benefits of RFID outweigh the associated costs. For instance, tag and tagging costs have decreased and the availability of cheap and flexible reading equipment, such as hand readers for shop floor and inventory operations, has increased. RFID's main application in fashion retail is still within logistics and upstream supply chain management. We have shown that utilizing RFID at the very end of the supply chain can help better understand consumer behaviour at a negligible additional cost.

The practical implications of fact based insight into customer fitting room behaviour are vast. For example, brand owners and store operators may improve their sizing based on fitting vs sales conversion rate, optimize their supply chain and shop floor layout, and offer improved customer experience.

### Research limitations

The experiment was carried out in a single brand-owned concept store over a limited time period. The ongoing research will be expanded to multiple sites over a longer time period. There are also some inherent limitations in RFID as a data collection method related to the technology itself.

### Originality/value

As RFID in retail and fashion is becoming more common, a lot of research has been carried out on potential applications and implications for retail supply chains. However, to the best of our knowledge few contributions combine RFID and consumer behaviour outside conceptual work or laboratory experiments. Some contributions look into the enhancement of customer experience through shop floor optimization enabled by RFID data capture, but experimental results from real stores with real customers are limited. Only a few specifically look into the potential of RFID in fitting rooms in comparison with point-of-sales data. We build on this research by looking into more than mere conversion rates and demonstrate practical challenges of such an application of RFID in real-life operating conditions.

### Keywords:

Radio frequency identification, RFID, Fashion industry, Retail

### Article Classification:

Technical paper

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*For internal production use only*

### Running Heads:

## **Abstract and proposal for the conference and for CERR and IJRDM publication**

### **Title: Supplier's Retailer Relationship Management Capability Assessment, case Russia**

#### **ABSTRACT**

**Purpose:** The starting point of this article is to reinterpret results of the assessment criteria on retailer supply chain capability (RSCC)—namely, management, marketing, and logistics point of view—and to evaluate the relative importance of criteria compared with early 2009 results. The role of proper management was the most crucial for the well-functioning retailer/supply-chain collaboration six years ago. Second, the purpose is to deepen elements of retailer relationship management capability (RRMC) and to analyse development from the case company perspective. In addition, the purpose is to redefine essential elements of retailer relationship management capability (RRMC) from point of supplier and elaborate upon existing development and understanding of retail management capabilities through a longitudinal approach in a Russian context.

In this second phase, we decided to repeat an empirical study on retailer relationship management capability (RRMC) from the point of supplier to analyse aspects of collaboration and financial potential (economies of scale). The first wave was carried out in 2007 as a focused group discussion among key account managers of one company, which participated in the supply chain assessment as well. A comprehensive set of criteria was defined from various perspectives on an operational level for evaluating retailers, and criteria has been re-identified and retested before repeating qualitative focused group research.

**Design/Methodology/Approach:** Qualitative interviews among the same companies as interviewed during the first phase of longitudinal study in 2007–2009. First, identify relative importance of management, logistic, and marketing capabilities, as studied in 2009. Individual qualitative interviews have been implemented to redefine relative weights of capabilities. Second, to repeat the qualitative focused group study on retailer relationship management capability (RRMC) from point of supplier among one of the companies participating in the first phase. The study has used qualitative research on RRMC related to collaboration and economic–financial potential of major retailers. Results will be confirmed by semistructured interviews to validate of results.

**Findings:** Importance of management was emphasized six years ago and has been highlighted until now. Logistical and marketing capabilities are vital, but proper management with economy of scale and collaboration at the supply chain are preconditions for operational excellence. Due to importance of management criteria, the main effort was carried out on understanding of dynamics of retailer relationship management capability (RRMC). At the chain level, it was discovered that collaborative partnership is the most important when agreeing upon assortment and activities, but economic–financial strengths of the retailer enable us to generate value for the business. The Russian retail market is consolidating, and major chains are strengthening the importance of partnerships.

**Research Limitations/implications:** The main part of this research has been compiled as a qualitative study of one supplier company. Therefore, this research provides only an indicative understanding of the issue. The purpose is to understand the phenomena and provide an overall picture of retailer relationship management capability (RRMC) from the supplier perspective.

**Practical Implications:** This research provides practical insight on how to assess retailer relationship management capability (RRMC) in general and describes the level of development of various capabilities and functional areas among Russian food retailers. Through the analysis of grocery retailers, we can build customer strategies for action and tools for tactical operations.

**Originality/Value:** The research provides a longitudinal perspective of the seldom-covered topic of retail (relationship) management capabilities from the emerging market point of view in the academic sphere.

**Keywords:** Modern grocery retail, retail chain, supplier, relationship management capability, longitudinal study, Russia

## Proposal/Introduction for Conference/Manuscript of CERR

Modern retailing facilitates access for suppliers to wider chain-store-based distribution in the target market. This is an essential cornerstone for the success of the whole supply chain. Consequently, in Russia, the role of well-functioning management (for example, Radayev, 2013) has been emphasized and raised as a critical factor. The customer/B-to-B relationship has been highlighted and analysed in the context of portfolio management among Russian companies (Tsybina & Rebuabzina, 2013). In this article, the perspective is a combination of those two, namely, supplier's retail management capabilities will be analysed through a two-dimensional portfolio. Even though the starting point is operative, the implications are strategic in nature. Nevertheless, the fact is that modern retailing management is a critical issue for all, especially large-scale brand manufacturers' planning operations and expansion in emerging markets.

The first phase of assessment criteria on retailer supply chain capability (RSCC), which is presented in an article by Lorentz and Lounela (2011), is based on logistic, marketing, and management capabilities. Already logistics and marketing were found equally important, but general management is clearly among the most important factors. At the beginning of the second phase, dominance of management capability was re-identified, either by face-to-face discussion or by written inquiry in order to obtain weights and relative importance of three capabilities: management, logistics, and marketing. Significance of management remains clear; therefore, there was no reason for repeating the analytical hierarchy process (AHP) survey (Saaty, 1989) on logistics and marketing capabilities point of view.

This article aims to elaborate upon the concept of retailer relationship management capability (RRMC), notably from the emerging market consumer good supplier point of view as the main purpose.

The expected outcome will be a new conceptual model for retailer (relationship) management capability point of view, notably including collaboration-partnership and economic-financial potential aspects.

The outcomes and aims have been received through qualitative research on longitudinal evaluation on development of retailer (relationship) management capability from point of supplier. And, secondly, on analysis importance of elements, collaboration-partnership and economic-financial, behind management capabilities.

The main contribution of this study, besides the conceptual longitudinal model, is to reveal that few academics have covered research areas in the Russian emerging market practice. In order to develop a new conceptual model on RRMC, we have to set the research framework. Due to the fact that the management point of view is emphasized, it is primary to repeat management evaluation of major retailers from the perspective of collaboration and finance. The first setup was carried out in 2007 among key account managers (KAM), as a focused group discussion, as well as this longitudinal phase at the end of 2015. Methodologically, the plan was similar to the qualitative pre-study on relative importance of management, logistics, and marketing, and then we had a focused group discussion with KAMs on management aspects.

This paper is structured as follows: First, elaborate upon concepts, literature review and terminology, namely, retail management capability, retail supply chain capability (RSCC), and retail relationship management capability (RRMC) as well as modern retailing and management, including selected viewpoints of partnership–collaboration and economic–financial potential. Second, from a theoretical perspective, the focus is on general transformation, institutional change, and managerial cultures in emerging markets, notably in Russia, as well as on relationship marketing. The review is finalised with a methodological discussion and limitations of the selected viewpoint. Third, the created model with results will be presented and evaluated at the end before conclusions and suggestions for further research. The literature review covers the overall picture of selected theoretical perspectives, but the focus is on management issues, notably from emerging market and grocery retail points of view.

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## Abstract:

**Title: Beyond the store: Creating the Customer Experience - Establishing Dimensions of Retailtainment**

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### Structured Abstract:

Purpose: With UK online retail sales predicted to increase by 44.9% to £62.7bn in 2010 (Ormrod, 2015) store based retail has a unique opportunity enhance the customer experience by using retailtainment as a key differentiator. However, whilst there is a significant body of literature that examines the role and influence of the retail place for example Servicescapes (Bitner 1992); The

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Services Theatre Model (Grove and Fisk, 1992); Consumptionscapes (Ger and Belk, 1996); Retailtainment (Ritzer, 1999); Eatertainment (Ritzer, 1999) and Retail Theatre Typologies (Baron et al, 2001), there is a significant research gap in the provision of a holistic examination of the retail environment and the subsequent creation of the entertaining customer retail experience. Indeed, as Bourghini et al note, “we still know very little about the source of these retail environments’ power to affect consumers profoundly” (2009: 363).

**Design:** As this is a conceptual paper, the research has been designed to amalgamate the findings from a significant literature review. Drawing on the key findings from Servicescapes (Bitner 1992); The Services Theatre Model (Grove and Fisk 1992); Consumptionscapes (Ger and Belk 1996); Retailtainment (Ritzer, 1999); Eatertainment (Ritzer, 1999) and Retail Theatre Typologies (Baron et al, 2001) we propose a new model and further classifications of retailtainment.

**Findings:** We present a framework that seeks to encompass the multiple dimensions within the retail consumptionscape (Ger and Belk, 1996). It is necessary to begin with the consumptionscape as it is argued that customers once they are in the place, use the place to create their own unique experience.

**Originality:** The work presented within this paper is clearly of original value and not only substantially adds to our understanding of the holistic customer experience but also has a practical benefit for retailers and their operations.

**Keywords:**

Servicescapes; retailtainment; retail theatre and the customer experience

**Article Class:**

Conceptual Paper.

## **Beyond the store: Creating the Customer Experience - Establishing Dimensions of Retailtainment**

### **Purpose:**

With UK online retail sales predicted to increase by 44.9% to £62.7bn in 2010 (Ormrod, 2015) store based retail has a unique opportunity enhance the customer experience by using retailtainment as a key differentiator. Thus, in today's retail environment it is not just the spectacular stores or malls (e.g. Marina Bay sands, Singapore with its canals and ice rink) that seek to entertain but also the more mundane and functional store e.g. supermarkets or department stores. Despite their essential functionality these stores are also seeking to offer customers a dream world or a theatrical experience (Miles, 2010). However, whilst there is a significant body of literature that examines the role and influence of the retail place for example Servicescapes (Bitner 1992); The Services Theatre Model (Grove and Fisk, 1992); Consumptionscapes (Ger and Belk, 1996); Retailtainment (Ritzer, 1999); Eatertainment (Ritzer, 1999) and Retail Theatre Typologies (Baron et al, 2001), there is a significant research gap in the provision of a holistic examination of the retail environment and the subsequent creation of the entertaining customer retail experience. Indeed, as Bourghini et al note, "we still know very little about the source of these retail environments' power to affect consumers profoundly" (2009: 363).

Space is important because as consumers we form relationships with the space (Auge, 2008) therefore the functional and experiential nature of consumption alters this relationship (Miles, 2010). Spaces are fundamentally inert, it is only once the customer is in the space that meaning can be given to the role of the place and the influence that the place may therefore then have on the customer. Ger and Belk (1996) further argue that this gives rise to the consumptionscape where consumers shape and experience consumption. Importantly, place can only ever be viewed subjectively by the customer rather than objectively, therefore our objective it to begin to understand the subjective perceptions of the retail customer. Specifically, retail places are important on several levels. Firstly, places are used to communicate the rules of the place, secondly, to signal to the customer their desired objectives, thirdly, to engage the customer in a public fantasy and dream world and finally to create an emotional experience (Penaloza, 1998, Pine and Gilmore, 1998; Pecoraro and Uusitalo, 2014 and Miles, 2010). Thus, the culmination of all of these roles is that the actual shopping trip becomes a holistic experience, as the store needs to create a thrilling, memorable and entertaining experience (Ritzer, 1999).

Ritzer's definition of retailtainment as "the use of ambience, emotion, sound and activity to get customers interested in the merchandise and in the mood to buy" (1999:111) and Bitner's (1992) Servicescape framework, that illustrates how the environment acts as a visual metaphor for the organisation's offerings, are perhaps two of the most significant works on the role of the environment. However, we argue that further insights can be drawn into understanding the influence of the retail environment by combining insights from a variety of

frameworks and theories to create one holistic framework that is able to demonstrate the varying influences on the customer by the environment. Our contention is that by developing a multi-dimensional consolidated retailtainment framework approach to retailtainment we can offer a much more nuanced understanding of the customer's desired retail experience.

### **Design:**

As this is a conceptual paper, the research has been designed to amalgamate the findings from a significant literature review. Drawing on the key findings from Servicescapes (Bitner 1992); The Services Theatre Model (Grove and Fisk 1992); Consumptionscapes (Ger and Belk 1996); Retailtainment (Ritzer, 1999); Eatertainment (Ritzer, 1999) and Retail Theatre Typologies (Baron et al, 2001) we propose a new model and further classifications of retailtainment.

### **Findings:**

However, whilst there is a significant body of literature that examines the role and influence of the retail place for example Servicescapes (Bitner, 1992); The Services Theatre Model (Grove and Fisk, 1992); Consumptionscapes (Ger and Belk 1996); Retailtainment (Ritzer, 1999); Eatertainment (Ritzer 1999) and Retail Theatre Typologies (Baron et al, 2001) there is little evidence to suggest a more holistic approach to understanding experience retailer offerings.

We therefore present a framework (see appendix 1) that seeks to encompass the multiple dimensions within the retail consumptionscape (Ger and Belk, 1996). It is necessary to begin with the consumptionscape as it is argued that customers once they are in the place, use the place to create their own unique experience. We contend that initially Bitner's work on servicescapes (1992) presents the retail environmental cues that provoke a customer response. Yet, these environmental cues (e.g. layout, décor and music) do not explain all that is presented within the retail environment to create the retailtainment offering indicating a significant gap where store entertainment and events influence consumer-shopping behaviour. We then contend that Ritzer's concept of retailtainment can be divided into 3 key areas the spectacle, retail services and product display/ engagement. Spectacles include display or exhibitions within the retail settings (e.g. the Egyptian staircase in Harrods). Kozinets et al (2014) identify how many retailers use spectacles to excessively stimulate the customer. Retailers also offer services to increase the customer place engagement e.g. spas or wedding lists. Finally, retailers create interesting displays of product to drive customer-product engagement and to increase the propensity to buy (Dawson, et al, 1990; Chang, et al, 2011). We therefore argue that these 3 areas of retailtainment combine to form retail theatre. From Grove and Fisk (1992)'s Services Theatre Model we argue that customers are not just visit the retail store to purchase a product but also to purchase a performance that the customer simultaneously experiences. The argument that customers purchase a performance is further supported by Baron et al.'s (2001) work on the typologies of retail theatre. Finally, we argue that many retailers offer eatertainment combining retailtainment, food and retail theatre to create a spectacle and give a

novel, hedonic experience (Ritzer, 1999). The literature on eatertainment is somewhat limited but we argue that many retailers see eatertainment as an integral part of the retailtainment experience. Eatertainment can then be divided into 2 key offerings, the themed (e.g. the Disney café at Harrods) or branded. – Branded eatertainment is further divided onto 2 key areas of the merchandise brand or the retailer own brand. Once the customer has experienced all these areas of retailtainment they then abstract a theatrical performance (Grove and Fisk, 1992 and Baron et al, 2001). It is this holistic performance that the customer seeks to gain from the retail store visit. From this performance the customer derives both an individual and a social experience as the customer is able to use the performance within place to not only entertain themselves but also to socialise as others e.g. within a branded eatertainment space. As Tombs and McColl-Kennedy (2003) argue, consumption spaces are used in isolation but with other consumer and indeed to create a social experience, with others.

### **Research Implications:**

Our research has established that rather than examining retailtainment as an overall experiential concept a much more nuanced understanding of the role that retailtainment can play in creating enhancing the customer's retail experience, is needed.

### **Practical Implications:**

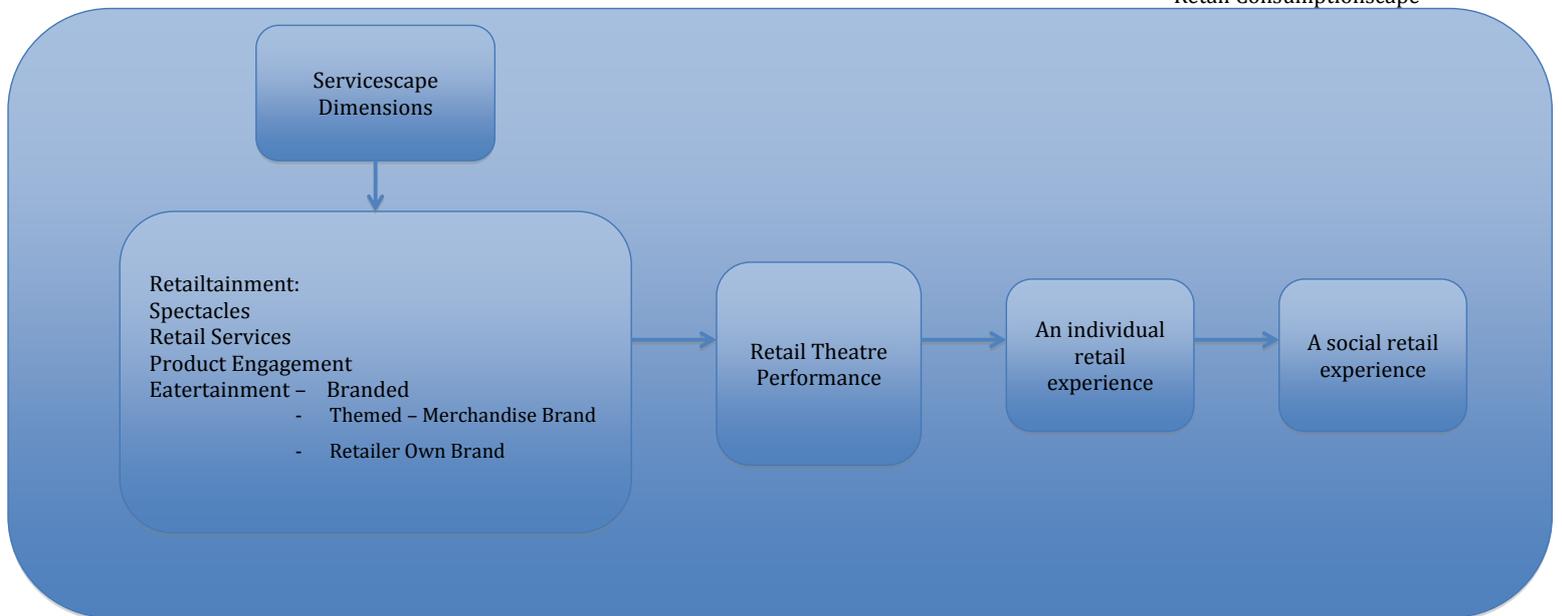
This research not only adds to the theoretical knowledge on the role of place but also has profound practical implications by offering such a comprehensive framework. Retailers can use this framework to create their own ultimate package of retailtainment and create not only a unique experience but by proxy also increase customer spending (Dawson, et al, 1990; Chang, et al, 2011).

### **Originality and Value:**

The work presented within this paper is clearly of original value and not only substantially adds to our understanding of the holistic customer experience but also has a practical benefit for retailers and their operations.

Appendix 1: Proposed Framework:

Retail Consumptionscape



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## **Antecedents of Internal Brand Commitment in Retailing: A Framework for Discussion and Research**

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### **Abstract**

*Recent increases in market concentration in developed markets is indicative of a decline in market share for independent retailers, and increasing market share for national and international multiples. This has effectively forced hitherto independent autonomous retailers to collaborate with one another, largely through the formation of collaborative independent retail networks (CIRNs). Consequently, there is a need for greater understanding of building independent store brands through such collaborative networks. The purpose of this research was to better understand the process of building internal brand commitment within CIRNs, a relatively unexplored area of both the corporate branding, retail and organisational studies literatures. Brand commitment studies have largely adopted an external consumer based perspective. Little attention has been given to the study of the antecedents of internal brand commitment, although several studies have identified variables that impact on internal brand commitment. Commitment and other relational constructs have predominantly been examined within the organisational studies literature, and in more recent times within the marketing relationship literature, but has been largely neglected within the retail and branding literatures. This research explored the potential antecedents of internal brand commitment in a Collaborative Independent Retail Network (CIRN) in the Republic of Ireland, using a multiple case methodology. Twelve mini-cases were developed using interviews, observation, company documentation and electronic materials. Four antecedents of internal brand commitment emerged from the study, one organisational antecedent (Organisational Commitment), one affective antecedent (Satisfaction), one cognitive antecedent (Brand Identification) and one relational antecedent (Trust). This paper presents a conceptual framework for building internal brand commitment within such a collaborative context, which will contribute to a better understanding of brand building in retailing.*

**Key Words: Corporate Brand, Internal Brand Commitment, Retailing, Internal Branding, Collaborative Independent Retail Network. Ireland.**

## **Introduction**

The Irish retail sector is experiencing significant change. Large national and international retail chains are making significant market share gains at the expense of independent retailers. The grocery sector is indicative of this trend, where the top 5 operators command 90 per cent market share (Kantar World Panel, 2016). The formation of independent retail networks and/or other forms of independent retailer collaboration has been one significant response to this changing trading landscape. These collaborative retail networks may vary in nature and structure, but share a common objective of improved competitiveness, either through more effective buying, pooled marketing and/or national branding. At a minimum, these networks have enabled independent retailers to achieve a relative degree of competitive parity with the more powerful multiple operators in terms of pricing and product offer, and often offer independent operators the opportunity to recapture lost market share, through participation in strategic brand building. Hunt et al, (2006: page 75) define a network as 'a group of independently owned and managed firms that agree to be partners rather than adversaries'. While, it is likely that the original motivation for joining a CIRN is financial and conceptually transactional in nature (Kumar, 1996), there are inevitable synergistic relational advantages to network membership, viewed as necessary for brand citizenship (Burmman & Zeplin, 2005; Burmann, Zeplin & Riley, 2009, 2009b) and the building of brand community (McAlexander et al, 2002). From a conceptual point of view, these inter-organisational relationships require an interpretation that goes beyond the transactional and rational financial lens of a supplier-retailer relationship (Coase, 1992) and/or emphasise contractual terms (Argyres & Mayer, 2007), to a relational interpretation, based on commitment, social exchange and organisational identification (Hunt & Morgan, 1994; Morgan & Hunt, 1994).

The strategic importance of internal branding has been acknowledged within the academic literature, evidenced by the increasing attention to the area, see for example (King & Grace, 2010; Burmann, Zeplin & Riley, 2009; Burmann, Jost-Benz & Riley, 2009; King & Grace, 2008; Punjaisri & Wilson, 2007; Vallaster & De Chernatony, 2005, 2006; Burman & Zeplin, 2005; De Chernatony 2006; Totsi & Stotz, 2001; Keller, 1999; Le Pla & Parker, 1999; Macrae 1996). Despite the importance attributed to internal brand management (Burmman, Zeplin & Riley, 2009; Aaker, 2002; Ind, 2003), a classic brand management model adopts an image based external customer view of brand building (Aaker, 2002), and a comprehensive conceptual analysis of internal brand management has not been developed (Burmman, Zeplin & Riley, 2009). Brand equity has largely been conceptualised as an external customer based construct (Baumgarth & Schmidt, 2010) and an external consumer based perspective dominates empirical brand commitment studies (Kates, 2000;

Chaudhuri & Holbrook, 2001, 2002; Ji, 2002; Aggarwal, 2004; Fullerton, 2003, 2005; Bansal, Irving & Taylor, 2004; Kates, 2000; Fournier, 1998; Beatty, Kahle & Homer, 1988; Beatty & Kahle, 1988). Similarly, while the relational construct of commitment has captured significant focus within the organisational studies literature (Meyer & Allen, 1984; O'Reilly & Chatman, 1986; Meyer et al, 1990) and the marketing literature (Salencik, 1977; Moorman et al, 1992, Morgan & Hunt, 1994; Gundlach et al, 1995; Kumar et al, 1995; Mohr et al, 1996), the application of the relationship marketing paradigm to business to business dimensions of retailing has been largely neglected (Egan, 2000; Doherty & Alexander, 2004). The nature and requirements for successful business relationships have been examined in a multitude of contexts including manufacturer-retailer channel relationships (Gilliland & Bello, 2002; Kim & Frazier, 1997; Kumar, 1996; Morgan & Hunt, 1994; Anderson & Weitz, 1992), buyers and sellers of market research (Cater & Zabkar, 2009; Moorman et al, 1992); and international retailing franchise networks (Sparks, 2000; Doherty & Alexander, 2004), empirical knowledge of relationship development for internal branding within a collaborative independent retailer network context has not previously been explored, and there is no clear understanding as to the antecedent factors to internal brand commitment.

This paper addresses this deficit by exploring the potential antecedents of internal brand commitment and proposing a possible framework for the study of internal brand commitment. The paper begins with a brief overview of the internal branding and relational commitment literatures. The importance of internal branding activities within the corporate brand building process is highlighted and the specific importance attributed to its role in the development of identity for service sector organisations. A review of the internal branding literature re-enforces the importance of internal branding for the development of internal brand commitment and corporate brand success. A review of the commitment literature offers alternative conceptualisations of brand commitment, in terms of affective, normative and calculative dimensions. The methodology's rationale is subsequently explained, following by findings and discussion, conclusions and managerial implications are presented. Future research possibilities are subsequently identified.

### **Research Context**

The retail network initiated an *Internal Branding Development Programme* in 2006, whereby all stores within the network were encouraged to develop a common store branding policy. The group decided that all new outlets would open as corporate branded stores within a specified time-frame, and would be required to meet more stringent store size, layout and stocking requirements. All existing stores were to receive greater support on store branding activities. This involved giving higher prominence to the new corporate logo on store exteriors and changing the interior store livery to the colours of

the new corporate brand. Two owner owner-manager groups were established, a marketing group and a buying group, to discuss issues related to the implementation of the brand development programme and buying strategy. The marketing group recommended the personalisation of signage in order to communicate core values of community, friendliness and service. An effort was also made to create a trustworthy and modern domestic atmosphere within the store network, through the use of lifestyle imagery. Owner-managers also constitute the majority of the board of directors of the corporate network. .

Three corporate directives are significant, the signage directive, the management accounts directive, and the store size directive. Firstly, the store signage directive requires the corporate network brand to be given greater prominence than the local family brand. Secondly, retailers are required to furnish management accounts, and thirdly, the store size directive requires all stores to have a minimum sales area of 4000 ft.<sup>2</sup>. Otherwise, each non-compliant retailer would be required to relinquish full membership of the store network, and become an 'associate member', effectively a second tier within the network, with significantly reduced financial and operational entitlements. A competitor network is available in the sector or retailers can return to complete autonomy.

At the formative stages of development of the store network, no formal vetting process existed for new members because of the perceived need to populate the network in as many areas of the country as possible. This was necessary in order to strengthen the group's negotiating stance, bring major suppliers on board, achieve significantly better financial trading terms, and achieve the requisite buying power so that buying economies of scale would accrue to retailers after joining the network. However, there is currently a more stringent vetting process, whereby the company sets out strict requirements for participation in the network based on turnover, location and trading history. As of December 2009, the company has refused admission to any potential new member if they did not have a minimum of 4000 ft.<sup>2</sup> of retail selling space. New members are required to commit to the network's core range, its' store branding and to meeting the store size requirement, before a case can be considered by the board. However, there is no formal contact governing membership of the network, and all directives require voluntary adherence. Members pay a monthly administration fee. Thereafter, the company generates the price points and achieves larger rebates on behalf of its retail network through more efficient purchasing.

### **Literature Overview**

The development of a successful corporate brand has emerged as one of the key ingredients of commercial success, and is reflected in the emerging literature on corporate brand management, for example see

{Balmer (1995, 1998, 2001, 2005); Ind, (1997); King, (1991); Macrae, (1996, 1999); Mitchell, (2002); Daffey & Abratt, (2002); Hatch & Schultz, (1997; 2001, 2003); Urde, (1999, 2003, 2009)}. Successful retailers recognise the strategic significance of corporate branding for unique and differentiated retail propositions. Moreover, the rise of the corporate retailer brand has been considered one of the most important trends in retailing (Burt & Davies, 2010; Grewal et al, 2004), with a growing strategic significance attributed to the retailer brands in building brand equity (Burt, 2000; Kapferer, 1997). While the ultimate aim of brand management is to deliver a consistent and distinctive customer experience, the increased difficulty of this task has been recognised for services brands (Mosley, 2007; Burt & Sparks, 2002). There is a perceived need to better understand not only the role of the corporate retailer brand in building brand equity, and the role of manufacturer brands in building retailer brand equity (Ailawadi & Keller, 2004; Grewal et al, 2004), but also the role of internal brand equity, given the view that brand equity has largely been conceptualised as an external consumer based construct (Baumgarth & Schmidt, 2010).

### ***Internal Branding***

Internal branding refers to the activities employed by a company to ensure internal intellectual and emotional commitment to the brand (Thomson & Hecker, 2000; Thomson et al, 1999). The task of internal branding has been viewed as convincing staff of the relevance of the brand, communicating brand value, and successfully linking every job in the organisation to delivery of brand essence (Bergstrom et al, 2002). Punjaisri & Wilson (2007) found that internal branding not only directly influences the extent to which employees perform their role in relation to the brand promise, but also influences attitudes towards the brand, which in turn affects employee performance. Internal branding has also been viewed as a process of ensuring that employees know and support brand identity (Aaker, 1996) to attain sustainable competitive advantage (Burmah, Zeplin & Riley, 2009; Jacobs, 2003) or as a means of creating powerful brands (Punjaisri & Wilson, 2007). King (2010: p.531) states that internal branding is a strategy that that allows organisations with an opportunity *'to stand out from the crowd'*. Internal brand commitment is posited as one of the primary objectives of an internal branding programme (Mahnert & Torres, 2007), and is the outcome of successful internal branding activities, whereby staff fulfil the brand promise to their customers (Vallaster & De Chernatony, 2005; Hankinson 2004; Thomson & Hecker, 2000; Thomson et al, 1999). It is argued that internal branding offers a multitude of benefits to the organisation, from the engendering of identification and commitment to the organisation (Meyer et al, 2002), loyalty to the brand (Papasolomous & Vrontis, 2006a, 2006b), the successful delivery of the brand promise (King & Grace, 2010; Punjaisri & Wilson, 2007; Miles & Mangold, 2004; Boone, 2000), to better internal communications (Asif & Sargeant, 2000). The

education and development of staff is seen as necessary for the development of brand values among staff, as well as providing support for the enactment of brand values (De Chernatony, 2006; Harris & Ogbonna, 2000). This is particularly important within a services context with an increased reliance on staff to deliver this brand reality for brand success (Lomax & Mador, 2006; De Chernatony & Segal-Horn, 2003; Bergstrom et al, 2002; De Chernatony & Segal-Horn, 2001; Harris and De Chernatony, 2001; Hatch & Schultz, 2001; Ind, 1997). Internal branding activities can also have a significant positive effect on desired forms of brand supporting behaviours (Baumgarth, 2010; King, 2010; Punjaisri et al, 2009; De Chernatony & Cottam, 2006; Hankinson, 2002; De Chernatony & Segal –Horn, 2001; Boone, 2000; Kotter & Heskitt, 1992), with empirical evidence of a positive link between brand supportive behaviour and brand commitment (King, 2010). While the development of commitment has been found to be crucial to the formation and durability of long term business relationships (Geyskens, Steenkamp, Scheer & Kumar, 1996; Gundlach, Achrol & Mentzner, 1995; Morgan & Hunt, 1994; Dwyer, Schurr & Oh, 1987), the development of long term relationships through internal branding has been viewed as an important means through which firms or networks can achieve competitive advantage (Morgan & Hunt, 1994; Hunt & Morgan, 1994).

### ***Internal Branding and Organisational/Brand Identity in Retailing***

While it is not clear who first articulated the concept of organisational identity, work by Boulding, (1956) appears to be the first to articulate the commercial importance of image and identity. He argued the primacy of a perception of reality, over reality itself, a view that was later adopted within seminal studies on retail store image (Linguist, 1974; Kunkel & Berry, 1968; Martineau, 1958). Brand identity development has been considered as a seminal activity in corporate brand building (Aaker, 2002; Keller, 1992), most notably for service sector organisations (Punjaisri et al, 2009; Sartain & Schumann, 2006; Jacobs, 2003; Totsi & Stotz, 2001). This internal organisational view conceptualises brand management as the management of change through identity led brand building (Burmam, Zeplin & Riley, 2009; Burmann, Jost-Benz & Riley, 2009; Burmann & Zeplin, 2005; Aaker, 1996) or leadership led brand building (Vallaster & De Chernatony, 2006; 2005). The rationale for this inside–out identity based perspective on corporate brand building rests with the general acceptance that the corporate brand building process starts with identity (Hulberg, 2006). The view that identity precedes image in a brand management context (Kapferer, 1997) reinforces the importance of internal branding processes that ensure consistency in the components of brand identity, so that there are minimal gaps between brand identity and brand image (Balmer & Greyser, 2002; De Chernatony, 1999). Drawing on earlier work on identity based brand management (Aaker, 1996; Kapferer, 1997), Burmann & Zeplin (2005) advocate the need for an inside-out

identity based perspective to be given equal importance to the outside-in image based perspective. Congruency between internal brand identity and external based image based on a committed workforce is perceived necessary (Mitchell, 2002), and aims to translate the internal brand promise into an external brand reality (Boone, 2000).

### ***Internal Brand Literacy***

Burmann, Zeplin & Riley (2009) view the ultimate goal of internal brand management as providing the means for strengthening the brand and the attainment of a unique and non-imitable market position. This is achieved through what has been viewed as high levels of internal brand literacy (King, 2010), which results in positive brand attitudes and behaviour, perceived essential for brand success within a services context (Papasolomou & Vrontis, 2006a). Such brand literacy or an understanding of core brand values is essential for corporate branding success (Vallaster & De Chernatony, 2006, 2005; Urde 2009), and requires internalisation of brand values by committed members at all levels of the organization. Mahnert (2005) argues that the goal is to ensure internal understanding and commitment to organisational objectives expressed through the organisational brand. The importance of such internalisation of brand values by staff and the alignment of attitudes and behaviour are further emphasised (Burmann, Zeplin & Riley, 2009; Burmann, Jost-Benz & Riley, 2009; Burmann & Zeplin, 2005), because the internalisation of brand values by organisational members is perceived as facilitating the transformation of the brand promise into brand reality for customers and stakeholders (Punjaisri & Wilson, 2007; Miles & Mangold, 2004; Totsi & Stotz, 2001; Boone, 2000). Gapp & Merrilees (2006) argue that that brand attitudes and brand behaviours can only come into alignment when genuine core brand values have been internalised by staff, resulting in greater satisfaction for customers. Others contend the internalisation of brand values delivers competitive advantage, through a well communicated unique selling proposition to customers, and is the key route to brand success (Jacobs, 2003; Totsi & Stotz, 2001). This internalisation of brand values is described by others as 'living the brand' (Ind, 2003; 2001; Pringle & Gordon, 2001) by delivering on the brand promise (De Chernatony & Segal-Horn, 2003). Mahnert & Torres (2007) view the development of internal brand commitment as a key objective of internal branding through the delivery and communication of core brand values to consumers by committed organisational members and the need to internally align behaviour and attitudes at all organisational levels. Similarly, Punjaisri & Wilson (2007, p.60) emphasise the internalisation of brand values so that '*employees transform espoused brand messages into brand reality*'

### ***Internal Brand Commitment***

The nurturing and development of internal brand commitment at all levels of the organisation emerges as a seminal activity for brand building in services sector organisations. Internal brand commitment has been defined as ‘the extent of psychological attachment of employees to a brand, which influences their willingness to exert extra effort towards reaching the brand’s goals, that is, to exert brand citizenship behaviour and hence generate a new quality of brand strength’, (Burmam, Zeplin & Riley, 2009: page 266). The literature on brand commitment within the marketing domain has almost exclusively adopted an externally based consumer perspective, with brand commitment often interpreted as brand loyalty (Bloemer & de Ruyter, 1998; Beatty & Kahle, 1988). Within both organisational and consumer contexts, brand commitment has is commonly referred as a psychological attachment to a brand (King & Grace, 2010; Burmann, Zeplin & Riley, 2009; Burmann, Jost-Benz & Riley, 2009; Beatty, Kahle & Homer, 1988). In the external consumer context, this has been viewed as an antecedent of behavioural loyalty (Beatty, Kahle & Homer, 1988). Within the internal organisational context, brand commitment is posited as a determinant of brand strength (Burmam, Zeplin & Riley, 2009). Themes that emerge from definitions of brand commitment include; brand identification (Kimpakorn & Tocquer, 2009); psychological attachment to the brand (King & Grace, 2010; Burmann, Zeplin & Riley, 2009; Burmann, Jost-Benz & Riley, 2009; Fournier, 1998; Beatty, Kahle & Homer, 1988); willingness to exert additional effort for the brand (Burmam, Zeplin & Riley, 2009; Kimpakorn & Tocquer, 2009); and long term disposition towards the brand (Kimpakorn & Tocquer, 2009; Chaudhuri & Holbrook, 2002; Gundlach et al, 1995).

O’Reilly & Chatman (1986) developed a multidimensional framework in which commitment was conceptualised in terms of three drivers, namely, compliance, identification and internalization, which have been found useful in the conceptualisation of internal brand commitment (Burmam, Zeplin & Riley, 2009; Burmann et al, 2005), although compliance commitment was interpreted as obedience commitment within the internal branding context. Obedience commitment refers to a willingness to adjust internal attitudes or behaviours in accordance with brand requirements. Commitment is interpreted as a calculative act, when the perception of the costs benefit relationship determines the level of internal brand commitment. Identification commitment measures the extent of organisational and brand identification. It is deemed to exist when an individual accepts influence to establish or maintain a satisfying relationship, and has a sense of belonging to a group with the view that the fate of all members of the group is intertwined (Punjaisri & Wilson, 2009). Brand identification has been considered as a determinant of brand commitment (O’Reilly & Chatman, 1986), and posited as an antecedent of employee brand commitment (Burmam & Zeplin, 2005). There is also empirical evidence that internal branding activities influence internal brand identification more than

any other factor (Punjaisri et al, 2009), and that brand identification has positive impact on brand commitment (Meyer & Allen, 1990). Internalisation denotes the degree to which the employee has incorporated the brand into his or her thinking and behaviour and is believed to exist when there is congruency between requisite organisational attitudes and desired behaviours and existing individual member values. References to 'commitment' have been common in the internal branding context (Ind, 2001). This commitment to the organisation and the brand is realised through an internalisation process. Internal brand commitment results from this internalisation process. Within the marketing domain, commitment is characterised within business-to-business relationships by both durability (Morgan & Hunt, 1994) and a long term perspective (Anderson & Weitz, 1992; Ganesan, 1994; Gundlach et al, 1995), although it has also been argued that many committed partners engage in short term relationships (Anderson and Weitz, 1992). The economic dimensions of commitment have also been emphasised within marketing studies, which result in the parties either remaining in the relationship (Morgan & Hunt, 1994; Iniesta & Sanchez, 2002) or leaving it (Kumar et al, 1995; Ganesan, 1994). Other factors deemed to influence commitment include the perceived benefits of remaining in the relationship (Ganesan, 1994; Moorman et al, 1992), a sense of obligation or mutuality (Gundlach et al, 1995; Kumar et al, 1995) and a perceived sense of stability within the relationship (Iniesta & Sanchez, 2002; Mohr et al, 1996; Gundlach et al, 1995; Morgan & Hunt, 1994; Anderson & Weitz, 1992; Dwyer et al, 1987). The internalisation of brand values is dependent on the effectiveness of internal brand communications, with empirical evidence that effective internal communication is the most significant determinant of internal brand commitment (Burmann, Zeplin & Riley, 2009).

### **Methodology**

Given the paucity of research in the area, an exploratory approach was deemed appropriate (Stake, 1994; Eisenhardt, 1989). This allowed findings to emerge from the data, rather than *a priori* theorisation, allowing a theoretical framework to emerge (See Figure 1). Moore et al (2004) propose the case method as a valuable means to obtain rich and relevant data that reflect actual retail experience. The case study method was also chosen because of the objective of inductively building theory in a relatively un-explored research area. Twelve individual cases were developed on the basis of semi-structured interviews with owner-managers, many of whom organise the network regionally, are board members and have multiple outlets. The twin rationale for this group selection is that, firstly, owner-managers are the key intermediaries between corporate decision making and front line employees. Secondly, owner managers were also deemed an appropriate informant group given their role in decision making within the group for brand development. This manifests itself through their participation at three levels of decision making within the organisation: strategically at board level;

operationally at national sub-committee level on both the marketing and buying committees and; at store operations level. These interviews were supported by interviewer observation at the store locations and augmented by company documentation, in line with the recommended range of data collection methods for case development (Yin, 2003). Triangulation then involved personal observation and documentary evidence supporting the stated views of the owner-managers. Furthermore, the case method can draw from different data sources thus creating the potential for a more complete understanding of organisational phenomena (Eisenhardt, 1989). Finally, the case method is proposed as an appropriate methodology where limited previous academic research exists (Hutchinson, Quinn & Alexander, 2006; Perry, 1998). Given the almost complete absence of corporate branding studies in a retail context, the lack of theoretical understanding of internal brand commitment (Burmam, Zeplin & Riley, 2009; Burmam & Zeplin, 2005), allied to the conceptual chaos surrounding the commitment construct (Meyer et al, 1990; O'Reilly & Chatman, 1986; Meyer & Allen, 1984), a case study approach was deemed the most suitable methodology for this research study. Therefore, it was anticipated that a dominant reality (Gephart, 1984) would emerge from what might be considered paradoxically to be a group of homogeneous owner managers, but with heterogeneous characteristics. (See Theme sheet appendix 2)

### ***Procedure for Analysis***

All interviews were recorded with the respondent's permission, transcribed manually, and inputted into a word document on the computer using Dragon voice recognition software. These were subsequently analysed using a combination of *Template analysis* (King, 1998) and the guiding principles of *grounded theory* (Strauss & Corbin, 2008; Glaser & Strauss, 2006), which are recommended as particularly appropriate to under-developed research areas, because of an open approach to extracting themes from the data (Easterby-Smith et al., 2002). Similar to *Grounded Theory*, *Template analysis* requires the researcher to scrutinise the text with a view to identifying important themes within the data set. The process of induction, characteristic of this approach to the analysis, allowed for a total of 16 themes (Appendix 1) to emerge from the data, and these themes were subsequently used to write up each case. While all 16 themes did not feature in every case, there was constant comparative analysis across each case as it was written. These methods were chosen because the research aspired to derive new theoretical insights from the data within relatively virgin research territory. As recommended (Strauss & Corbin, 2008), multiple cases were developed and subsequently analysed to build theory with each case initially identifying issues relating to the brand building process. The grounded theory approach requires that data and theory to be constantly compared and contrasted throughout the data collection and analysis process. While there was no attempt to prescriptively

use the full suite of coding techniques of *Grounded Theory* (Strauss & Corbin, 2008; Glaser & Strauss, 2006), themes emerged from the open codes in line with fundamental principles of *Template Analysis*. The transcripts were coded using constant comparative analysis in which each issue was assigned to an emergent open coding scheme (Strauss & Corbin, 2008) until all interviews had been coded (Browning, 1978). A total of 70 codes emerged from the data and the data was subsequently reviewed thematically to highlight issues identified by informants (Lomax and Mador, 2006). This resulted in the codes being organised around 16 themes. The preliminary codes were continually modified to accommodate new evidence (see Appendix 1). These preliminary codes were subsequently organised around themes that emerged from the data.

### **Findings and Discussion**

Internal brand commitment, evidenced by the behaviour and attitudes of owner-managers within the retail store network provides empirical evidence for the strategic importance of internal branding activities, in line with previous studies (King & Grace, 2010; Burmann, Zeplin & Riley, 2009; Burmann, Benz & Riley, 2009; King & Grace, 2008; Punjaisri & Wilson, 2007; Vallaster & De Chernatony, 2005, 2006; Burmann & Zeplin, 2005; De Chernatony 2001; Totsi & Stotz, 2001; Keller, 1999; Le Pla & Parker, 1999; Macrae 1996). This case also presents empirical support for the role of internal branding enabling ‘disparate organisations to speak with one voice’ (Einwiller & Will, 2002: p.100). The internal branding programme has engendered identification (O’Reilly & Chapman, 1986; Meyer et al, 2002; Punjaisri & Wilson, 2009), commitment (Papasolomou & Vrontis, 2006a, 2006b) to the umbrella store brand, and has improved internal brand communications (Asif & Sargeant, 2000). Four factors emerged from the data as antecedents to internal brand commitment organisation, namely; organisational commitment, satisfaction, brand identification and trust, (Figure 1). These antecedents are now discussed in line with the existing academic literature. Power & control mechanisms and economic benefits moderated the antecedent of organisational commitment; perceived benefits, involvement in brand supports and perception of brand supports moderated satisfaction; shared goals, shared brand values, perceived social benefits and informal information sharing moderated the antecedent of brand identification; and fairness moderated the antecedent of trust. The model (figure) that emerged from the findings is discussed, and proposed as a suitable framework for the analysis of internal brand commitment within a CIRN context. The final section presents a discussion of the dimensionality of internal brand commitment.

**(Insert Figure 1 here)**

### ***Organisational Commitment***

This study indicates that organisation commitment, conceptualised in behavioural and calculative terms, is an antecedent of internal brand commitment with differing commitment characteristics to internal brand commitment. Organisational commitment appears to be primarily based on calculative and instrumental motivations, while brand commitment appears to be primarily composed of normative and affective dimensions. Economic & operational benefits appears to be the primary determinant of organisational commitment, and a pre-requisite to the development of internal brand commitment, with satisfaction mediating the relationship between the two constructs. Other determinants of organisational commitment included owner-manager's perceptions of alternatives to network membership, their perception of the power and control mechanisms, and the screening criteria used to evaluate potential new retailers for the network. The perceived lack of alternatives also appears to secure organisational commitment, but is unlikely to translate to internal brand commitment, at least in the short term, because of forced choice. As the network develops, screening criteria also appears to secure behavioural commitment to store size requirements, store branding and core product range, as do power and control mechanisms, such as the store size directive. A positive perception of the power and control mechanisms appears conducive to commitment, while a negative perception appears to have the opposite effect, often resulting in opportunistic behaviour.

#### *Economic and Operational Benefits*

The experienced economic and operational benefits appear to have a positive impact on organisational commitment. Economic factors appear to build commitment, in line with previous marketing studies (Iniesta & Sanchez, 2002; Morgan & Hunt, 1994). The perceived benefits of staying in the network relationship impact positively on internal brand commitment, in line with previous commitment studies (Ganesan, 1994; Moorman et al, 1992). The finding that economic and operational benefits may positively impact on satisfaction and organisational commitment is not surprising, given alternative calculative interpretations of commitment within both the organisational studies (Morgan & Hunt, 1994; Anderson & Weitz, 1992; Meyer et al, 1990; O'Reilly & Chapman, 1986) and branding literatures (Burmman, Zeplin & Riley, 2009; Burmann, Jost-Benz & Riley 2009). This is also contrary to previous findings that indicated a greater significance for non-material benefits over material benefits in building commitment (McMillan et al, 2005). Owner-managers within the retailer network clearly believe that manufacturer brands play a vital role in building retailer brand equity, in line with the role envisaged within the retail literature (Ailawadi & Keller, 2004; Grewal et al, 2004). One of the key stated motivations for joining the network was access to the major manufacturer brands. Clearly, suppliers are willing to work with a retailer network, something that they are for the most part unwilling to do with independents. The owner-manager 'Buy In' (Thomson & Hecker, 2000; Thomson et al,

1999) is effectively re-affirmed through the rebate system which encourages positive engagement with the group, active involvement, and generates loyalty and commitment to the store brand and the retailer network. Access to suppliers and supplier support is a given through network membership, and this is instrumental in securing the initial commitment to the network, which has both a behavioural and attitudinal dimension. (Burmans, Zeplin & Riley, 2009; Gundlach et al, 1995; Anderson & Weitz, 1990).

#### *Screening Procedures*

Screening procedures, which are primarily concerned with the intellectual rather than the emotional connection with the brand (Thomson & Hecker, 2000; Thomson et al, 1999) secure behavioural compliance for new members which are stringent, by comparison to the open door policy at network formation. New members currently have to 'fit the brand' (Ind, 2001) at time of entry, have the requisite store size, furnish financial records, open their business to scrutiny and commit to store branding and core ranging, . The CEO and board is effectively acting in a gate keeping role for the store network, and guardians of the emergent corporate brand. Such admittance criteria create a form of behavioural commitment that is synonymous to Becker's (1960) notion of 'side bets', whereby the commitment is best understood by past conformity. This does not necessarily indicate a psychological attachment to the brand that may be a pre-condition to the existence of internal brand commitment. However the admittance criteria allow for formal assessment of compatibility of retail partners.

#### *Power & Control Mechanisms*

Power and control mechanisms would appear to increase the level of calculative commitment among owner-managers, and are potentially a source of dissatisfaction, which may have a negative impact on internal brand commitment. Similar to other studies (Morgan & Hunt, 1994; Hunt & Morgan, 1994), power and control mechanisms condition partnership behaviour on the branding of the stores. The absence of formal long-term contracts could be viewed as both a strength and weakness. Its' strength lies in the voluntary nature of commitment to the network, which allows for the development of affective and normative commitment, and could be viewed as a necessary evil for the development of brand supporting behaviours and brand advocacy, in line with previous findings in a retail franchise context that successful business-to-business relationships are built on trust, support and effective communications, and not a threat of contractual obligation (Doherty & Alexander, 2004). This emphasis on a voluntary code fits with a view that non coercive sources of power are more likely to influence positive brand behaviour (Quinn & Doherty, 2000) and the view that compliance mechanisms are not conducive to the development of pro social behaviours including advocacy, viewed as necessary for successful internal branding (Burmans, Zeplin & Riley, 2009; Burmans, Jost-

Benz & Riley, 2009). However, coercive sources of power guarantee compliance and ensure consistency and coherency in the presentation of the store brand, in line with an agency theory perspective on franchise networks that advocates coercive power as an effective control mechanism (Doherty & Quinn, 1999; Quinn & Doherty, 2000). In the current case, exit barriers are low, but psychological and opportunity costs may be high, should normative and affective commitment be present.

### *Alternatives*

While the dominant perception is that remaining in the network is the best available option, a positive or negative perception of alternatives appears to affect the level of calculative commitment. Alternative networks are generally perceived negatively, which neither loss of control nor loss of independence appear to counteract. Many retailers express the view that operating as an independent retailer is not a viable strategic option, and that collaboration with other independent retailers is essential for competitiveness. This perceived lack of viable alternatives results in one of two outcomes; the owner-manager feels entrapped within the network, or alternatively, the lack of alternatives is instrumental in the generation of a positive disposition towards the corporate brand, regardless of satisfaction with network membership. A perception of entrapment is not conducive to brand supporting behaviours and/or advocacy (Burmam, Zeplin & Riley, 2009). While many owner-managers exhibit a strong desire to remain within the network, others believe that they had no viable alternatives, but to remain within the network, or view the cost associated with leaving to be too high, in line with Kanter's (1968) view that parties to a business relationship remain because of a perceived lack of alternatives, rather than a desire to remain within a relationship. The perceived absence of realistic alternatives is indicative of continuance commitment (Meyer & Allen, 1997). It could be argued that owner-managers are 'locked' into the emergent store proposition because of past investments, which would be forfeited if they were to leave the network, in line with Becker's (1964) notion of 'side bets'.

### *Satisfaction*

The findings of this study indicate that satisfaction is a possible antecedent of internal brand commitment, similar to previous studies that found a positive relationship between satisfaction and affective commitment (Vasudevan et al, 2006; Abdul-Muhmin, 2005; Tellefson, 2002; Wetzels, De Ruyter & Van Birgelen, 1998). Meeting expectations generates satisfaction, and the retail network has for the most part delivered on owner-manager expectations regarding improved margins, access to suppliers, and improved supplier supports. Owner-managers express satisfaction with brand structures, which leads them to compliment the professionalism of the network. Involvement in strategic brand decision making creates a sense of ownership within the network, and results in satisfaction,

all of which is conducive to the generation of internal brand commitment. The experienced economic, operational and social benefits impacts positively on satisfaction and internal brand commitment. Other factors contributing to satisfaction include the meeting of expectations, a positive perception of brand structures, a positive perception of power and control mechanisms, and involvement in brand decision making. This positivity of attitudes explains favourable brand supporting behaviour, similar to previous findings in a retail context (Loveman, 1998). Satisfaction generates an internal intellectual and emotional commitment to the brand (Thomson & Hecker, 2000; Thomson et al, 1999). However, owner-manager satisfaction does not result in a sense of obligation to the corporate group, in contrast to findings that found a positive relationship between satisfaction and normative commitment (De Ruyter & Semeijn, 2002). In addition, high levels of satisfaction do not appear to impact in any significant way on the level of calculative commitment, unlike previous findings which indicated that satisfaction decreased the level of calculative commitment (Cater & Zabkar, 2009).

#### *Financial & Operational Benefits*

Positive expectations about financial and operational benefits were cited as the principal motive for network membership. Satisfaction appears to be generated from meeting expectations, which facilitates the development of organisational and internal brand commitment. However, evidence suggests the benefits of membership should continually exceed both the actual financial and perceived non-financial costs of membership. Rational economic motives (Williamson, 1995) are the dominant motivation for joining the network, and are vital at network formation to achieve critical mass for supplier recognition, and achieve buying efficiencies and operational supports. This is a seminal objective at the embryonic stage of the CIRN. It creates satisfaction as a result of meeting (Oliver 1990), and has a positive impact on organisational and internal brand commitment.

#### *Social Benefits*

The social benefits of membership appear to have a positive impact on satisfaction and internal brand commitment (affective and normative commitment). The social dimension of network structures (participation on committees, board of directors, regional meetings and company seminars) appears to allow trust to develop among owner-managers through sharing information in informal social exchanges. Social benefits allow 'a sense of belonging' (Burmam & Zeplin, 2005: p.285) to emerge within the network, in line with previous organisational studies (Gundlach et al, 1995; Ganesan, 1994). Owner-managers appear to develop a sense of psychological attachment to the network brand through social engagement within the formal brand building support mechanisms. While owner-manager gatherings (regional meetings, organised seminars, national

committees or the board of directors) are an important mechanism for effective brand communications, they also appeared to be a useful means of developing social relationships, and a sense of social identification (Albert, Ashforth & Dutton, 2000; Ashforth & Mael, 1989) with the retailer network and corporate brand. This identification with other owner-managers appears to develop a sense of obligation (Meyer & Allen, 1991) to act in the interests of the network and conducive to the emergence of a spirit of collaboration and co-operation, as a form of psychological contract (Chang, 1999). The emergence of a social network facilitated a consensus of individual and organisational objective to develop over time, in line with Van Maanen & Schein's (1979) proposition that internalisation is developed through a process of organisational socialisation. The emergence of the social network also appeared to increase the perceived stability of network relationships (Iniesta et al, 2002; Mohr et al, 1996; Gundlach et al, 1995; Morgan & Hunt, 1994; Anderson & Weitz, 1992; Dwyer et al, 1987).

### *Brand Supports*

A positive perception and experience of the internal brand supporting mechanisms (financial, operational, technological, and educational) appeared to positively impact on satisfaction and internal brand commitment. Regional meetings were cited as an excellent forum for education, brand communications and information sharing (De Chertony, 2006; Harris & Ogbonna, 2000), which appeared to positively impact on both attitudes and behaviour, seen as the ultimate goal of internal branding (King, 2010). While a high attendance at regional retailer meetings might be interpreted as a calculative act, the accounts of informal information sharing and genuine engagement on the fringes of these meetings is indicative of a social motivation or affective dimension to the activity and brand structures. The national structures build collaborative communications, in line with a view of the corporate brand as an effective mechanism that provides clarity to the culture and core values inside the networked organisation (Aaker, 1996). The corporate brand building activities of the network sit comfortably with an identity based view within the services literature that 'getting it right on the inside' is vital for building long term brand equity (Burmann, Zeplin & Riley, 2009; Burmann, Jost-Benz & Riley 2009; Punjaisri et al, 2009; Sartain & Schumann, 2006; Jacobs, 2003; Totsi & Stotz, 2001).

### *Participation in Brand Supporting Mechanisms*

There was evidence that participation and involvement in the brand building structures increases satisfaction and is an important mechanism for effective internal brand communications, vital for the development of internal brand commitment. This re-enforces the importance of internal brand communications as a key determinant of internal brand commitment (Burmann, Zeplin & Riley, 2009), which has previously been found as a vital mechanism for the development

of organisational knowledge (Ballantyne, 2000). Brand supporting mechanisms are important because of their role in the alignment of positive owner-manager brand attitudes and behaviour, previously seen as an important objective of internal branding (Burmamann & Zeplin, 2005; Burmann, Zeplin & Riley, 2009). The degree of perceived democratisation within the network re-enforces positive attitudes and behaviour (Burmamann, Zeplin & Riley, 2009; Gundlach et al, 1995; Salencik, 1977). However, in terms of brand advocacy, the regional chairs who are members of the board did not perceive their role as disseminators of brand knowledge, previously found to have a significant impact on brand commitment and brand supportive behaviours (King, 2010).

### **Brand Identification**

This study indicates that brand identification is an antecedent to internal brand commitment, similar to previous studies that proposed brand identification as a key determinant of internal brand commitment (Kimpakorn & Tocquer, 2009; Burmann & Zeplin, 2005; O'Reilly & Chatman, 1986), and in line with the view of affective commitment as the strength of identification with an organization (Mowday et al, 1982). A perception of shared values, shared goals, common branding challenges and strategic fit with the emergent corporate brand appears to determine the level of brand identification. This allows social identification to develop among owner-managers, thereby providing fertile ground for internal brand commitment to develop. Alternatively, the absence of a social nexus for rational economic decisions results in opportunistic behaviour, which is indicative of a lack of commitment, and a purely individualistic and transactional interpretation of the relationship. Evidence suggests that a perception of shared goals among owner-managers has a positive impact on identification, collaboration and internal brand commitment.

### *Shared Goals*

The perception of shared goals and common brand building challenges appears to positively impact on brand identification and internal brand commitment. Network membership has shifted the balance of power between retailers and their suppliers. This original imbalance in the trading relationship was stated as key motivation for joining the network. Unsurprisingly, owner-managers now universally expect the network to 'squeeze the suppliers', and reflects Kumar's (1996) view of the outcome of a shifting balance of power within the traditional adversarial buyer-seller relationship. Retailers in the network have the shared goal of extracting maximum concessions from suppliers as a form of revenge for the perceived abuse of a previous dominant position. The brand structures have facilitated the development of a strong congruency between individual owner-manager goals and the collective objectives of the retailer network in terms of national store branding, coherency of offer, store presentation and centralisation of buying. This provides

empirical support for the importance of internal branding mechanisms for the development of greater congruency of values for brand building in a services context (De Chernatony, Drury & Segal-Horn, 2003).

#### *Strategic Fit*

It would appear that a perception of a good strategic fit between the owner manager's family brand and the emergent network corporate brand has a positive impact on internal brand commitment. Owner-managers cited core brand values of superior service, concern for the customer and personalised service to the local community, (characteristics of good independent retailers) as the core values of the emergent network brand. These organic core values were perceived to already exist, and did not need to be artificially created at a corporate level, and subsequently imbued within the network's value system. The majority of respondents acknowledge the future interdependency between the family and network brand, previously found to have a positive impact on relationship commitment (Williamson, 1985; Anderson & Weitz, 1992; Gundlach et al, 1995). Many owner-managers perceive their business and that of the retail network as inextricably intertwined (Punjaisri & Wilson, 2009; Burmann & Zeplin, 2005). They increasingly identify with other network managers, which helps to develop social identity (Ashforth & Mael, 1989) and psychological attachment, which is a seminal characteristic of internal brand commitment (King & Grace, 2010; Burmann, Zeplin & Riley, 2009; Kimpakorn & Tocquer, 2009). While the strength of this identification varies across the network (Albert, Ashforth & Dutton, 2000; Ashforth & Mael, 1989), it is extremely important for building internal brand commitment.

#### *Social Identification*

A lack of social identification was evident among some owner-managers, which negatively impacts on internal brand commitment and is not conducive to brand citizenship behaviour (Burmann, Zeplin & Riley, 2009). A perceived indifference to the network brand increases the likelihood of opportunistic, brand damaging behaviour. Congruency between individual and group objectives (De Chernatony, Drury & Segal-Horn, 2003; Hall et al, 1970) lies at the heart of the brand building process, with long term strategic group objectives prevailing over short term individualistic temporal objectives. Opportunistic behaviour represents a form of relationship asymmetry (Anderson & Weitz, 1992) among owner-managers and also between owner-managers and the overall retailer network. This contrasts with previous findings which found a lack of conclusiveness in the relationship between asymmetrical commitments and opportunistic behaviour (Gundlach et al, 1995). Owner-managers who engage in opportunistic behaviour are not influenced by perceptions of mutual dependence or shared destinies. Whether this indicates a lack of social identification (Albert, Ashforth & Dutton, 2000; Ashforth & Mael, 1989) with the network

or is the consequence of a lack of brand identification (Burmans, Zeplin & Riley, 2009) is open to question. Certainly, this relationship asymmetry also appears to be at odds with the concepts of mutual exchange and the basic tenets of exchange theory (Blau, 1964). While an individualistic orientation is to be expected among owner-managers, it has the potential to conflict with the desired collectivist principles associated with network membership. A strong feeling was found among some network members that a smaller, more committed group, might be preferable to the current situation where there is a lack of consistency in the presentation of the store brand. Such views emanate from members who are compliant with the store size directive, have committed significant financial resources and sometimes opened second stores in order to stay within the premier tier of the network. This compliant group fits with a view of commitment where owner-managers have a strong identification with the brand, a high involvement in brand structures and brand decision making, exhibit a willingness to exert effort on behalf of the brand, and possess a strong desire to remain within the network (Burmans, Zeplin & Riley, 2009; Mowday et al, 1982).

### **Trust**

This study indicates that trust may be an important antecedent to internal brand commitment, synonymous with previous studies that reported a strong positive relationship between trust and commitment (Cater & Zabkar, 2009; Gounaris, 2005; De Ruyter et al, 2001; Geyskens et al, 1996). The belief that the corporate organisation will always act on behalf of owner-managers is important for the development of trust. Trust appears to exist at three levels within the retail store network. Firstly, trust in the 'credibility' (Doney & Cannon, 1997) and competency of the brand leader. Secondly, benevolent trust among the internal brand associates or owner-managers, and thirdly, trust among owner-managers in the system to deliver brand value, both internally and externally. Informal information sharing also appears to facilitate the generation of trust. This sharing commonly occurs either on the fringes of corporate events, and results in increased socialisation of the network. Trust in the network systems also appears important in communicating the message that the corporate network brand acts in its' members best interests. A perception of fairness also appears vital for trust to develop, otherwise opportunistic behaviour is likely.

#### *Trust in the brand leadership*

Trust in the competence of the brand leader (Anderson & Weitz, 1990; Dwyer et al, 1987; Schurr & Ozanne, 1985) appeared to have a positive impact on internal brand commitment. The current CEO fits the profile of a 'credible' leader, in whose expertise the owner-managers express trust (Doney & Cannon, 1997; Moorman et al, 1992). This case also found evidence for the importance of leadership based brand building, given owner-manager's views on

the importance of strong leadership for corporate brand building (Vallaster & De Chernatony, 2006, 2005).

### *Branding Structures*

Network structures (Committees, board of directors, regional meetings and company seminars) appear to facilitate the development of trust among owner-managers at an inter-personal level through the sharing of information in informal social exchanges. However, a perception of a lack of fairness in corporate brand systems (financial reward systems, mechanism for admission of new members) appear to have a negative impact on trust and internal brand commitment, and increase the likelihood of opportunistic behaviour.

### *Information Sharing*

Informal sharing of information appeared to nurture trust among owner-managers which appears to have a positive impact on internal brand commitment. Informal sharing of information was cited within this study as an important activity in organisational learning (Ballantyne, 2000), and a vital activity for the development of both trust and internal brand commitment (King & Grace, 2010; Burmann, Zeplin & Riley, 2009). When viewed as a social system, informal information sharing appears to be a seminal activity for relationship building, and for affective and normative commitment within the retail network, similar to previous findings for international retail franchise relationships (Doherty & Alexander, 2004). Sharing information on common issues appears to open a social discourse, and begins a process of socialisation and identification within the retail network (Burmann & Zeplin, 2005; Burmann, Zeplin & Riley, 2009), and also represents the birth of benevolent trust (Doney & Cannon, 1997). Much of this information sharing is on an informal one-to-one basis, and exhibits willingness on the part of individual owner-managers to rely on other retailers in whom they have confidence (Moorman et al, 1992). Informal information sharing arises from a perception of common goals and shared experience (Doney & Cannon, 1997). The informal sharing of information represents the initial stages of collegiality and identification within the network (De Ruyter et al, 2001), and is a formative activity for social identification (Ashforth & Mael, 1989). The informal sharing of information also appeared to allow discourse to develop in a non-threatening way, and appears to be a formative activity for the socialisation process to the network, advancing both personal and business relationships. Informal information sharing appears also to be an antecedent of trust and key to the development of a successful business relationship (Mohr & Spekman, 1994). Similar to previous studies (Anderson & Weitz, 1992), the open sharing of information, albeit informal information sharing, represents an important mechanism for the realisation of relationship benefits, and the development of internal brand commitment, and effective network collaboration (Hunt & Morgan, 1994). Therefore, it would appear

that there is a stages process to information sharing which is incremental, and there is a perceived need to control both the content and destination of specific information. This formal sharing of information exhibits a form of behavioural commitment, representative of collectivist network principles (Morgan & Hunt, 1994; Hunt & Morgan, 1994). Finally, it would appear that trust is earned over time, and essential for the development of internal brand commitment, and a movement from transactional towards the relational continuum.

#### *Transparency and Fairness in System*

Many owner-managers perceive a need for transparency and fairness (Cook & Emerson, 1978), in both the rebate system and admission criteria. A perception of fairness and equity (Telser, 1980) in brand support systems is an important antecedent of trust and brand commitment, and is likely to reduce the motivation for opportunistic behaviour (Anderson & Weitz, 1992). A perception of fairness in the business systems is crucial for the development of trust and a fully committed business partnership. It is also necessary for the development of group identity and advocacy among network partners. Perceptions of fairness and transparency of financial rewards also emerges as important issues for the development of internal brand commitment among owner-managers. The rebate system represents the administrative arm for the dissemination of the financial rewards for membership. Owner-managers perceive the rebate system as complex, and believe that significant numbers do not fully understand the system. This may indicate a deficiency in the communications strategy and/or a need for education and training, or reflects a less than favourable disposition or identification between members of the network.

Lack of trust among some owner-managers in the procedures for admitting new members, has a negative effect on the business relationship (Andersen & Weitz, 1992). Perception of a lack of fairness in the admission system for new members' results in a perception of unfairness, undermines trust and increases the likelihood of opportunistic behaviour (Anderson & Weitz, 1992), and has a negative impact on both organisational trust and brand commitment.

#### **Conclusions**

This study provides empirical evidence of an identity based internal branding programme being used both as a strategic management tool (Balmer & Soenen, 1999) and as an effective internal brand communications mechanism (Abratt, 1989; Van Riel 1995:36). While the network of retailers is a relatively new corporate entity in Ireland, there is clear evidence of the existence of an organic unplanned corporate identity (Bernstein, 2003). This unplanned identity reflects reality rather than invention (Kennedy, 1977; Urde, 2003), and has its roots in the common histories, longevity and heritage of independent family owned retail businesses. There is also

significant evidence of strong organisational self-awareness among owner-managers, deemed so important for corporate brand building (Balmer and Wilkinson, 1991; Balmer, 1995; Urde, 1999; Harris & De Chernatony, 2001). Owner-managers articulated this awareness in terms of what the store network represented in branding terms, but also what it did not represent. The findings indicate both a rational, emotional and cognitive aspect to the internal brand building process within the independent store network, which should be understood, valued and accommodated. The brand building process is an exchange process whereby the retailer and brand organisation exchange economic and organisational resources including communication flows, economic and social support, values, commitment and trust. The study concludes that a long term orientation (Ganesan, 1994) is necessary for internal brand commitment, which requires a relational rather than a transactional conceptualisation of commitment. Four antecedents of internal brand commitment emerged from the study, one organisational antecedent (organisational commitment), one affective antecedent (satisfaction), one cognitive antecedent (brand Identification) and one relational antecedent (trust).

### **Managerial Implications**

The ability of independent retailers to operate and develop umbrella corporate brands has strategic implication for independent retailing as a viable business strategy into the future. Retailers should therefore pay attention to internal brand commitment issues at the formative and developmental stages of corporate brand building, and should address each of the antecedents of brand commitment identified in the study. A number of implications arise from the findings. Firstly, organisational commitment must be secured before brand commitment can be developed. Secondly, there will always be a calculative dimension to internal brand commitment in a CIRN context, which need to be addressed on a continual basis so that the business model remains relevant and sustainable. Thirdly, managers should focus on trust building activities in order to build internal brand commitment. For example, brand supports must not only be equitable, but there is a continued need for transparency and minimization of ambiguity. Fourthly, while accepting the importance of achieving critical mass in retailer numbers at network formation, greater attention should be paid to issues such as shared values and expectations. Congruency of values, expectations and objectives among owner-managers would decrease the likelihood of divisions as the network develops, and when brand building is of greater strategic importance. Fifthly, the absence of contracts within the network relationship presents both advantages and disadvantages. Formal contracts are useful for clarity within the relationship, there is no ambiguity and a rational financial cloak underpins the relationship. However, in a brand building context, there is a minimum requirement that owner-managers have developed an affective psychological bond with the emerging brand, and perhaps feel a

moral obligation towards the network brand. This requires social identification which is the bonding mechanism for the nurturing and development of internal brand commitment resulting in pro-social behaviours and advocacy. Finally, management should continually formulate strategies for the development of affective commitment within the network, the key to internal brand commitment. Normative commitment is more likely to develop between owner-managers because of informal sharing of information, rather than a perceived need to reciprocate the benefits experienced as a result of network membership.

### **Future Research Directions**

This research study focused on internal brand building through an exploration of the antecedents of brand commitment, and the factors that mediate the relationship between internal branding activities and internal brand commitment, within a single research context, that of a CIRN in the Republic of Ireland. There are opportunities to test the model that emerged from the findings of this study in other retail contexts, for example, within a retail multiple or chain store environment, or within another CIRN context. Further studies would add to the body of knowledge of internal corporate brand building, which might support the empirical findings of this study or provide alternative models of internal brand commitment, thereby contributing to a richer and more comprehensive appreciation of internal brand building in a retail context. It is likely that alternative models of internal brand building would emerge from other research contexts that would make a significant contribution to the existing body of knowledge on the activity.

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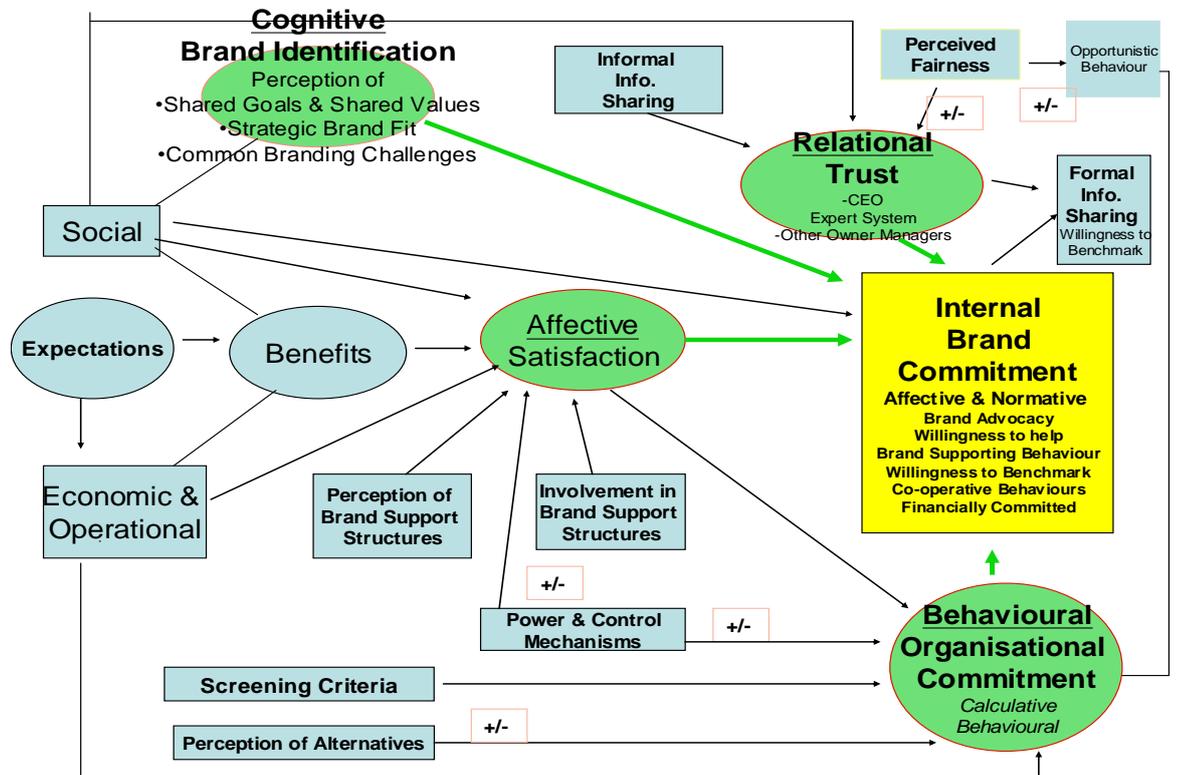
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**Figure 1: Proposed Framework on Antecedents of Internal Brand Commitment**



## Appendix 1

Themes	Open Codes
<b>Theme 1</b> Brand Building Blocks	Funding, Sharing Information/ Benchmarking, Committees, Meetings & Internal Communications, Support for Stores (Design, Layout, Product, Training, IT), Leadership from CEO, Rebates, Collaboration & Co-operation
<b>Theme 2</b> Advantages of Membership	Financial Benefits ( Better Margins, better overall profitability, rebate), Better more competitive price points, access to top suppliers, new brands, better supplier support, power extracted from suppliers, group knowledge, business more target driven, retailer co-operation, better branding, operational co-operation
<b>Theme 3</b> Competitive Positioning of Brand	Competitor Space, lack of clarity, service local & independent, consumer view expensive
<b>Theme 4</b> Exit Strategy	Group Buy Out
<b>Theme 5</b> Criteria for Admitting new Stores	No Monopolies, market share requirement, clarity of process, screening criteria
<b>Theme 6</b> Drawbacks of Expert Membership	Big Brother, loss of independence, loss of control (buying etc), loss of flexibility, dependence on other retailers,
<b>Theme 7</b> Inhibitors of Commitment	Lack of fairness in network systems, lack of transparency, lack of trust
<b>Theme 8</b> Brand Building Challenges	National Consumer Recognition, Brand Communications, maintenance of local distinctiveness, dual branding, Consistency (experience, presentation of stores, core ranging, store size, experience), Centralisation
<b>Theme 9</b> Business Philosophy of Manager	Continuous Improvement, customer and service oriented, personal responsibility, compelling business proposition
<b>Theme 10</b> Alternatives	Lack of realistic alternatives
<b>Theme 11</b> Satisfaction and	Transactional/ Relational

Dissatisfaction	
<b>Theme 12</b> Dual Branding	Family Brand vs. Corporate Brand
<b>Theme 13</b> Network Cohesiveness	Network Divide—Big vs. Small
<b>Theme 14</b> Triggering Factors for joining network	Inability to compete, supplier access, experience with suppliers, rebates, CEO, WOM, supplier joining network, other retailers in network
<b>Theme 15</b> Trust	Head office, CEO, Systems, Other retailers
<b>Theme 16</b> Expectations	Financial, operational

## Appendix 2 Theme Sheet for Owner Manager Interviews

### Theme Sheet for Interviews with Expert Owner Managers

*It is hoped that some or all of the following issues will be addressed during the course of the interview*

- History (*Year of joining the network group---circumstances etc – Expectations at time of joining the group? Has that changed? Has the ..... delivered on these expectations--why/why not?*)
- Perception of principal advantages/disadvantages of being part of a retail store network
- Personal Business Philosophy
- Perception of the .....Store Brand in the future, where is it going in the Irish electrical retail marketplace?
- Perceived Core Values of the ..... Store Brand
- View of the brand and what it stands for---where is it going---what market position should it occupy
- Satisfaction/ Dissatisfaction with the network organisation – underlying causes?? Any critical incidents that caused satisfaction/dissatisfaction
- Perception of

- ✓ Business Supports at individual/store level? Views on the rebate system
- ✓ Business Development and Training
- ✓ Reward Systems –how is success defined? And rewarded? View?
- Information Sharing----view?
- Alternatives? Dependence on network?
- Investment in corporate network Brand to date?
- Involvement in Direction of the Group
- Views on Directives on Management Accounts, store size, core ranging & interior signage --Reward Structure

# Article Title Page

## Impulsive Purchase and Sales Promotions: How They Interact

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### Structured Abstract:

**Purpose** – Impulse buying is increasingly salient among consumers across a broad range of product categories. Past research demonstrates that impulse buying is a reactive behaviour to an in-store stimulus, with price and sales promotions acting as major initiators of impulsive purchases (Kacen, Hess, & Walker, 2012). Despite several studies about impulse buying in retail settings, the important role of consumer psychological mechanisms has been understudied. With the aim to address this gap, the present paper investigates the mediating role of consumer affective and cognitive responses in impulse buying process of promoted products and examines whether these mechanisms play complimentary or redundant roles in predicting consumer impulsive purchases.

We define promotion emotions in terms of subjective feeling states experienced by consumers in a given point of time towards a sales promotion, while clusters of promotion emotions with the same polarity are referred to as either positive promotion affect or negative promotion affect. The literature reveals a positive link between positive affect and impulse buying. It is shown that impulse buying occurs when a consumer feels positive affect spontaneously on confrontation with a product or promotional stimulus; positive affect in turn gives rise to a sudden, irresistible sense of urgency to buy impulsively. Negative affect, on the other hand, prevents consumers from acting on their impulses and engaging in an impulsive purchase (Beatty & Ferrell, 1998). Thus, we hypothesize a positive (negative) relationship between positive (negative) promotion affect and impulse buying.

A cognitive construct traditionally featured in the behavioural pricing literature is “consumer perceived benefit”. Chandon, Wansink, and Laurent (2000) classify sales promotion benefits into utilitarian and hedonic benefits. According to the Appraisal theory (Lazarus, 1991), a stimulus relevant to the decision maker will result in emotions that are responses to cognitive appraisal of stimulus information, while the valence of these responses depends on whether the stimulus is consistent with decision maker’s motives and goals. Behaviours, in turn, are reactions that people perform to cope with their evoked emotions. Past research demonstrates a positive correlation between product hedonic features and consumer affective reactions. Chandon et al. (2000) argue perceived hedonic benefits lead to the experience of positive affect and explain hedonic aspects of an offer make consumers think of the pleasure and fun that they would derive out of the promotion associated with the purchase of the product. However, the pleasure of hedonic consumption does not come without a cost. When consumers seek to gain hedonic pleasure, even before the consumption they feel guilty, regretful, or ashamed, which adds a negative component to an otherwise completely pleasurable experience (Giner-Sorolla, 2001). Based on these observations, we hypothesize a positive link between perceived hedonic benefits and positive and negative promotion affect.

From a consumer perspective, paying less than the regular price and saving some money is better, so that events that are congruent with this concern produce more positive affect and less negative affect in consumers. A price decrease responds to this consumers’ concern, and thus generates higher levels of positive affect and lower levels of negative affect. We also argue, from a consumer perspective, consuming higher-quality products is better, so that events that are consistent with this concern produce more positive affect and less negative affect in consumers. The same is plausible for events that provide consumers with more convenient shopping or the opportunity to reaffirm their personal values. Since sales promotions provide consumers with these utilitarian benefits (Chandon



et al., 2000), we hypothesize a positive (negative) link between perceived utilitarian benefits and positive (negative) promotion affect.

Moreover, past research indicates a number of hedonic needs that motivate consumers to impulse buying, including the need for fun, novelty, variety, and surprise and demonstrates that impulsive behaviours are a result of hedonic or pleasure-seeking goals that cause an individual to experience strong desires for related objects or products (Hausman, 2000; Ramanathan & Menon, 2006). However, impulsive behaviours are not necessarily hedonically motivated. In exposure to a good deal, consumers may experience a strong urge to buy that pushes them to purchase on impulse in order to enjoy the deal, rather than due to a great desire for the product or to change their mood (Youn & Faber, 2000). Therefore, we hypothesize a positive link between perceived hedonic and utilitarian benefits and impulsive urge to buy and impulsive behaviour.

**Design/methodology/approach** – A thorough pre-test procedure was used to select product categories and individual products with expected characteristics. Eight different product categories were selected from an exploratory study on grocery products: eggs and tomatoes (impulsive utilitarian), chocolate and yogurt (impulsive hedonic), ketchup and margarine (nonimpulsive utilitarian), and pudding and pretzels and mix (nonimpulsive hedonic). The paired-samples t-test showed the impulsiveness of impulsive utilitarian and impulsive hedonic products is significantly higher than that of nonimpulsive utilitarian and nonimpulsive hedonic products, respectively ( $p < .000$ ). We used discounts (in dollar format) as monetary sales promotions and free gifts as nonmonetary sales promotions. The purchase decision process was modelled via a simulation approach using a structured questionnaire. The sample consisted of 415 participants. Each participant was randomly assigned to a promotional situation. Exploratory and confirmatory factor analysis supported the reliability and validity of the measurement model. The structural equation modelling was used to test the research model.

**Findings** – The results showed that the influence of sales promotions on impulsive purchases is mediated by promotion affect and perceived promotion benefits. Consistent with the Appraisal theory, a sales promotion induces positive or negative affect in consumers through changes in perceived hedonic or utilitarian benefits, promotion affect in turn mediates the influence of perceived benefits on consumer impulsive purchases. More particularly, perceived utilitarian benefits increase positive promotion affect and decrease negative promotion affect, whereas the influence of perceived hedonic benefits on both positive and negative promotion affect is positive. Negative promotion affect decreases impulsive purchases, whereas positive promotion affect is associated with the experience of more impulsive urges and making more impulsive purchases. The results also demonstrated promotion affect has a complimentary influence and improves the prediction of consumer impulsive behaviour beyond promotion cognitions. Based on these results we conclude promotion affect is a previously overlooked standalone predictor of consumer impulsive behaviours.

**Research limitations/implications** – The present paper contributed to the literature by demonstrating that affective and cognitive reactions elicited from observing a sales promotion mediate the influence of sales promotions on consumer impulsive purchases. Among all, it extends the growing research about consumer emotions in both behavioural pricing and impulsive literatures.

**Practical implications** – This paper offers practical implications for managers, related to the manipulation of the characteristics of sales promotions in order to encourage more positive affective and cognitive responses and avoid negative ones.

**Originality/value** – Although previous research emphasized that a significant percentage of impulsive purchases comes from sales promotions, the important role of the psychological mechanisms at the origin of this influence has been understudied. The present paper addresses this critical gap.

**Keywords:** Buyer behaviours, Impulse buying, Sales promotion, Emotional response, Promotion affect, Cognitive response, Perceived benefits

**Article Classification:** Research paper

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## How Smartphones Influence Shopper Behaviour? – The case of Serbia

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### Structured Abstract:

Smartphones are bringing changes in modern economy, as well as in the marketing and particularly in retailing industry (Awa et al., 2014). It is reasonable to suppose that equipped with smartphones, shoppers are better informed and ready to make better buying decisions. In addition, this technological innovation allows retailers to new tactics to attract shoppers (Grewal et al., 2016). Possibility to read codes using smartphone's applications, allow retailers to introduce new retail formats, placing virtual stores in metro stations and other public areas, enabling customers to place an order and pick it up on the way to their destination (Almehairi and Bhatti, 2014). Smartphones also, generate tremendous flow of data, contributing to the big data phenomenon (McAfee and Brynjolfsson, 2012). New sources of data caused the new evolution of customers' research, after first phase (Business Intelligence 1 i.e. BI 1) when the structured data from POS prevailed, and the second phase (BI 2) where prevailing data came from the social networks to BI 3 phase, characterized by a growing influx of data from mobile devices, particularly smartphones. (Cheng et al., 2012).

Shopper marketing, as the new approach is actually based on the holistic view on the customer decision making process from the first moment when thinking about shopping intent until the shopping execution (Shankar et al., 2011). Smartphones are significantly contributing to these deep insights in customer's behavior (The Economist, 2013), that are necessary to develop sound shopper marketing approach (Anderson, Elf, 2015, p.40). In some cases mobile applications are already considered as a promising tool for the influence on the shopping decisions (Gilbride et al., 2013, p.30).

Smartphones are very present in Serbian student population. Research done on 128 active students in Belgrade showed that 95.5% of them use smartphones. Still, not so many of them bought something using mobile applications (20.3%). Their behavior on mobile web is not so much impulsive, but rather careful, characterized by intent to postpone mobile online buying for the future. Male and female respondents are very similar in their reaction, being restrained toward mobile shopping. There is only one difference in their attitude towards mobile shopping and that is when female students are more hesitating than male students to use mobile applications in order to review the offer of the retailers running physical stores.

Young customers in Serbia are not ready to pay in order to use mobile applications. Decisive majority (88.3%) of the respondent does not pay any fee for mobile applications and 71.9% of them intend to continue so. Even if they are willing to pay some compensation for the mobile application use, all of them (99.2%) agree to pay less than 5 Euro for download. Actually, it is strong warning for the future mobile merchants about major barriers they are facing with. First one is that even young customers are suspicious toward mobile shopping and the second one is that they expect the mobile application to be free of charge.

Smartphones seems to be not a suitable tool for impulse shopping. Unplanned shopping depends on various factors. Among them, overall shopping goal (immediate consumption, promotions, fill-in trip), can be factor where mobile shopping can fit, but travel mode as out-of-store variable (Bell et al., 2011) actually may prevent impulse buying through smartphone. Majority of Serbian shoppers, 84.4% of the surveyed students responded that they



are not impulsive when buying over the mobile application. Similarly, they denied that it can happen that they buy something while browsing the web sites. On the other side, 54.1% of them intent to buy over mobile applications in the near future, showing curiosity, but still not commitment to buy using new devices.

People can use smartphones in shopping for different purposes. Serbian shoppers most often use them in order to compare prices in regular stores or to check availability of desired products. What is interesting is that only 24.6% of surveyed responded that they would use mobile applications in order to save money and travel cost for buying something available only abroad. If that can be discussed as the matter of curiosity (to travel abroad), the fact that only 36.9% of surveyed students confirmed that they use smartphones during store visit, obviously is not. Particularly if compared with US customers who, according to the big survey covering 12,000 randomly accessed smartphones users, in overwhelming percentage (over 90%) use their devices while shopping (Sterling, 2015). Serbian young shoppers are still conservative, preferring in-store experience, interested to prepare for shopping (searching for price, availability, store location), but still not resolved to change their shopping habits.

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*For internal production use only*

**Running Heads: Smartphones and Shopper Behaviour**

# **Contemplation and Analysis of current retail logistics concepts and technologies – A German perspective**

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## **Purpose of this paper**

This paper deals with current logistics concepts and technologies that are in use by German grocery and drug store retail companies. The focus is on concepts and technologies for warehouse and instore logistics. The overall goal is to identify a practical state of the art of the German market.

## **Design/methodology/approach**

The paper is based on the qualitative benchmarking approaches by Camp (1989) and Watson (1993). The identification of concepts and technology was based on literature from academic and practitioner oriented journals. The results were further qualitatively assessed towards their contribution to the achievement of central objectives of retail logistics.

## **Findings**

Current must-have retail logistics concepts refer to warehouse solutions including central distribution centres well as cross docking facilities and operations. From a supply chain perspective we identified electronic data interchange (EDI), vendor managed inventory (VMI), efficient consumer response (ECR) and collaborative planning, forecasting and replenishment (CPFR) as important drivers for supply chain efficiency within a retail context. When it comes to warehousing technologies, we were able to recognize manual, ergonomic and fully automated warehouse and commissioning systems, fully automated high bay warehouses, automated small parts storage and retrieval systems as well as shuttle services. On a store level we identified lean retailing as well as shelf ready packaging as important retail store-based logistics operations. Other developments refer to cash-desk systems on a self-scan and tunnel scanner basis, the automated receipt of empties, automated shelf replenishment systems and electronic shelf labels.

## **Research limitations/implications**

Our research focuses on the development of/in the German drugstore and grocery retailing. We did not examine other retail segments as well as ecommerce or multi-channel logistics structures.

**Practical implications**

Our findings present a highly relevant state of the art of retail technology which is currently in use.

**What is original/value of paper**

The paper examines new and innovative approaches in retail logistics management.

*Keywords: Retail logistics, retail logistics technology, instore logistics, material handling systems*

# **Contemplation and Analysis of current retail logistics concepts and technologies – A German perspective**

## **Introduction**

### **Starting point of considerations**

Trade is the third largest economic sector in Germany with an annual turnover of more than 1,500 billion Euro. In 2013, German retail trade achieved a total sales volume of around 450 billion Euro and employed more than 2 million employees. About 50 per cent of this sales volume refers to the grocery and drugstore sector (Seeck et al. 2014). Looking at the total logistics costs in Germany, we are able to see that German retailing occupies about 1/3 of those representing 64 billion Euro every year. Consequently retail logistics is an important issue for the German economy (Seeck 2014). According to the head of the largest German grocery retailer it is important to organize retail logistics in an efficient manner, otherwise money is wasted (Semmann 2014).

Current trends such as growing consumer demands, increasing globalisation and global competition as well as price pressure and a dynamic of retail store formats are changing the tasks and requirements for retail logistics (Krings 2010, Kempcke 2012). Just-in-time deliveries and an ever growing product range offered by brand manufacturers as well as an increasing range of private labels are affecting the complexity of retail supply chains which are controlled by logistics (Arndt 2013). The transition from a seller's to a buyer's market require even more efforts for retailing companies in order to remain competitive (Hofer, 2009). In order to meet those requirements, retailers need to be more and more flexible and be able to continuously adapt their logistics processes to the new requirements. Conventional logistics systems and technologies are no longer capable to achieve economic

results. Consequently innovative methods and new technology is needed for achieve this required level of flexibility as well as to achieve competitive advantages against other competitors in the retail sector (Krings 2010, Kempcke 2012).

## **Research questions**

The paper at hand examines the current developments within the field of German retail logistics and analyses the concepts and technologies that are currently in use by German grocery and drugstore retail chains. The focus of our research is on the evaluation of logistics issues on a retail warehouse as well as retail store level. We study thereby not only the implemented software/retail merchandise information solutions but also technological hardware solutions as well as innovative logistics methods based on the analysis of current literature from business practice. The goal of the paper is to present a categorisation of methods as well as their evaluation, which leads to the subsequent research questions:

*What are the current logistics concepts and technologies that are used by German drugstore and grocery retailers in the field of distribution centre and retail stores? How can these concepts and technologies be characterized?*

The overall character of our research is applied and practitioner-oriented as we want to present an overview of methods and technologies which allows decision makers in the field of retail logistics to gain new knowledge. Momentarily we can observe a kind of ‘trial-and-error’ behaviour when it comes to the development and implementation of innovations in this sector. With our work, we would like to contribute to diminish this issue.

The remainder of the paper is as follows. After a presentation of the problem background and the research question we define our object of reflection. There we present our

understanding of retailing and retail logistics as well as warehousing and instore logistics as crucial parts of retail logistics. Afterwards we present our methodological considerations where we present the benchmarking approach that we have chosen in order to answer our research questions. Then we present the findings of our analysis by characterising the concepts and technologies that are mainly used in the selected fields. Next we critically reflect our findings and close our argumentation with a summary of our results and the presentation of our limitations and an outlook for future studies.

## **Defining the object of reflection**

### **Retailing**

Retailing is an activity that takes place in the downstream parts of a supply chain and is closely connected with the concept of marketing channels (Coughlan et al. 2006). From an academic point of view, retailing can be explained in two different ways (Levy/Weitz 2004) either as a set of functions that add value to products/services sold to end users (= functional understanding of retailing) or as special firms in a marketing channel that execute retail functions (= institutional understanding of retailing) (Kotzab/Bjerre 2005).

Taking the institutional understanding, we can identify a huge range of different retailing firms depending on the location of their activities differentiating between non-store based, store-based and semi-store based retailing (Kotzab/Bjerre 2005). While the share of non-store based retailing in form of e-commerce increased due to the growing use of the Internet technology, the largest market share still holds for store-based retailers. Within this segment, retail chains play a major role and the largest segments within this part of retailing is taken by grocery and drugstore followed by personal usage, fashion, electronics, furniture, DIY and others (Seeck et al. 2014).

## **Retail logistics and goals of retail logistics**

Logistics in a retailing context takes place in a multi-echelon logistics system setting with , many nodes from the original supplier to a final store destination (Kotzab/Bjerre 2005). Following Figure 1 presents a retail logistics system as a very complex system, which is impacted by internal as well as external factors.

Insert here Figure 1

External factors refer to the structure of suppliers (e.g. number and size of suppliers), the competitive situation within the segment (e.g. different retail formats) and other contingency factors like IT, legal situation and environmental/sustainability issues. The internal factors include procurement and distribution instruments that influence the quality of the logistics system and refer to the location of the stores (e.g. store networks, size of stores, etc.) and the assortment (range of products, number of products, etc.). As such, retail logistics can be defined as part of business logistics including the integrated planning, design, organization and control of all flows of goods and related information within a retailing company its suppliers and its internal customers and end-users (Kotzab 2012).

The tasks for retail logistics include order management, stock keeping, warehousing, commissioning (picking/packing, packaging) and transportation as well as the provision of an efficient product availability at store level (Kotzab 2012,Gudehus/Kotzab 2012). Thereby we can distinguish between four standard performances of retail logistics that are presented in Figure 2 and include procurement, warehousing, physical distribution and instore logistics.

Insert here Figure 2

Procurement is responsible for the sourcing of merchandise from suppliers, while warehousing includes all processes at a distribution centre level with the goal of preparing the deliveries to the stores. Physical distribution is responsible for the delivery to the stores while instore-logistics refers to all logistics activities in the backroom areas and sales areas of a retail store (Kotzab/Teller 2005). Retailers who are able to perform these activities in a successful manner achieve a competitive advantage against others which is why retail logistics is considered to be a critical success factor for retailing companies (Gudehus/Brandes 1997, Haka et al. 2006). However in order to gain these advantages, retailers are apply adequate concepts as well as technologies.

The major goals of retail logistics refer to the efficient design of flows of goods and related information, flexibility, responsiveness and reliability in order to reduce inventory levels, transport, handling and other related costs while guaranteeing an adequate product availability (Barth et al. 2007, Hahn-Woernle 2008). Another requirement pinpoints to the customer-driven execution of processes for achieving a high customer satisfaction represented by an avoidance of out-of-stock levels (Zentes/Schramm-Klein 2008). Furthermore it is necessary to achieve economies of time meaning that retailers are able to react to demand fluctuations in a very fine manner (Dangelmaier 2004). The high level of process quality though can be reached by the use of technologies (Heusler 2004). All goals are mutually dependent.

### **Warehousing as part of retail logistics**

Warehousing is that part of retail logistics that ensures the demand-driven supply of required goods and includes the timely, spatial and quantitative utilisation of distribution centres for replenishing customers. In our case, the stores of a retail chain represent the customers. One major objective of distribution centres are the harmonisation of fluctuating

demands with the steady supply of goods as well as the creation of correct assortments for the retail stores (Wannenwetsch 2008).

Warehousing tasks include the optimal design of all warehousing systems spanning from the goods entry to the goods delivery as well as the commissioning, in-storing and out-storing of goods, the selection of locations as well as the transportation of goods (Gudehus/Kotzab 2012). Warehousing includes also the optimal organisation and the selection of the appropriate technologies for completing warehousing tasks (Corbat 2009). Consequently warehousing technology is an important instrument of warehousing and includes warehousing systems, operating devices for transport and in-storing and out-storing processes as well as the applied information technology (Miebach 2012). As such, warehousing logistics refers to the planning, organisation and control of internal transports of goods, in-storing and out-storing, depalletising and palletising of goods during commissioning as well as the dispatch of the merchandise aiming at efficient execution of all process steps (Martin 2011, Gudehus/Kotzab 2012).

As merchandise needs to be prepared for efficient instore logistics, the goods need to be ready-made for being made available at the point-of-sale. This requires also the optimisation of reaction times and delivery ability (Pfohl 2013). The challenges thereby are the huge number of different package sizes, varieties, forms with different weights and volumes (Prieschenk 2009). The requirements for warehousing logistics, especially in terms of responsiveness and performance are expected to grow beyond the increasing cost pressure and increasing service expectations in this retail segment. This is why more flexible and capable concepts and technologies that are able to optimize warehousing logistics, are expected to be used by retailing companies in the future (Miebach 2012).

### **Instore-logistics as part of retail logistics**

Another important part of retail logistics refers to instore logistics that is characterised as the intralogistics system of a retail company at store level (Gudehus 2005, Kotzab/Teller 2005, Hofer 2009). The ratio of instore logistics to the total costs of a retail company can be up to 50 per cent which is why instore logistics can be seen as a major profit driver for retailers (IML 2013).

Instore logistics includes the processes starting with the receipt of goods at the goods entry of a retail store, the logistics processes within the store and ends when the good is dispatched at the cash-desk of the store (Kotzab/Teller 2005). It also includes the provision of goods up until the real demand occurs as well as the reverse logistics processes and handling of returned goods (Gerking 2009, Holweg et al. 2015). The internal logistics processes refer to the storage of goods in a backroom and the presentation of the goods in the shelves in the sales area too.

Overall, instore logistics represents the interface between deterministic retail logistics and stochastic end user demand (Kotzab/Teller 2005, Hofer 2009). This leads to the major objective of instore logistics which is the provision of the appropriate product availability in order to minimise out-of-stock situations (Zentes/Schramm-Klein 2008).

### **Frame of reference for further analysis**

In this paper we focus on the warehousing and instore logistics of retail chains in the grocery and drugstore segment. Due to the mutual interaction between the different parts of retail logistics, we consider all processes in an integrated manner as for instance a concept of warehousing logistics can affect positively and/or negatively the further processes in the downstream supply chain at a store level. Nevertheless we concentrate on those concepts and

technologies which are relevant for assisting warehousing and instore logistics. Following Figure 3 shows how we are going to look at the various issues.

Insert here Figure 3

The major goals of retail logistics in general and of warehousing and instore logistics in particular refer to the reduction of costs, maximisation of flexibility and process quality as well as the ensuring a quick response to changing end-user demand in order to provide a steady product availability of required goods at the point of sale. In case of achieving these goals, retail companies are able to gain competitive advantages. Based on this approach, we are going to assess the identified concepts and technologies.

## **Methodology**

In order to answer our research questions we opted for a qualitative approach, as there is a lack of research in the relevant literature when it comes to the assessment of the current application of retail logistics concepts and technologies. Following Camp (1989), we opted for a qualitative benchmarking method in order to identify kind of ‘best practices’ (Mertins/Kohl 2009).

Qualitative benchmarking builds upon observations, experiences or qualitative comparisons without referring to specific standards or key performance numbers. It also allows the comparison of complete value adding processes (Reisbeck/Schöne 2009). We applied the benchmarking method by Watson (1993) as a frame of reference for our paper. We collected and analysed data based on the presentation of retail logistics examples as presented in trade journals and web-pages of identified companies (either retailers or manufacturers of retail logistics software and/or hardware). We concentrated on retail chains

in the segment of grocery and drugstore retailing being the largest sub segments in the German retail market and known for their investments into retail logistics (Kotzab 2008). We differentiated the identified concepts from the perspective of the single retail company as well as from the perspective of the supply chain. We put electronic data interchange as a combination of technology and concept into the group of concepts which were seen from a supply chain perspective. Retail logistics technologies were further grouped into warehousing and instore technologies. Following Figure 4 summarizes our collection of methods and technologies.

Insert here Figure 4

After a short characterization we confronted the recognised concepts and technologies with the major goals of retail logistics and assessed them in regards to their power to achieve these goals.

## **Current concepts and technologies and their practical relevance of retail logistics**

### **Warehousing logistics**

#### **Warehousing concepts from a retail company point of view**

Our analysis revealed the concepts of central distribution centres and cross docking as the most applied ones even though both concepts are well known and integrated in retail logistics knowledge (Kotzab 2012). Instead of operating a number of regional distribution centres, retailing companies consolidate their stocking points to a central distribution centre in order to achieve bundling effects and thus saving potentials (Haka et al. 2006).

The operation of a central distribution centre also allows retailing companies to move their products to the retail stores on their own which also increases the flexibility of their operations (Zentes/Schramm-Klein 2008). Loderhose (2005) mentions that many retailers aim at a flexible design of their logistics structures, which is realised by centralisation in partly combination with regional warehouse structures. Within the central distribution centre, retailers are able to prepare store-based deliveries by using the concept of roll cage sequencing where the loading is not following the layout of the warehouse but the layout of the store (Haka et al. 2006, Krieger 2014).

Bender (2014) reports on the reduction of transport distances as well as the increase of timeliness of deliveries to 98 % which was made possible through the centralisation efforts of Barilla. Rossmann, of the largest German drugstore retailers, invested 50 million Euro in 2007 into the installation of a central distribution centre. DM Drogeriemarkt, another drug store retailer, invested 140 million Euro in the installation of a new central distribution centre. Looking at grocery retailing, we were able to recognize the efforts by Edeka Südbayern (125 million Euro investment) and by Rewe (more than 550 million Euro investment) (Loderhose 2009, 2011a, 2014a). Loderhose (2013) presents a study showing that 60 per cent of the value of goods are stored in central distribution centres as the large retailers such as Edeka, Rossmann, Metro, Müller, Lidl or Kaufland are more and more tending to reduce the share of direct deliveries by suppliers to their stores.

Cross docking was made popular by Wal-Mart in 1992 (Kotzab 1997) and is today one of the most applied logistics concepts that allow just-in-time deliveries as stock keeping activities are replaced by handling and internal transport processes (Kotzab/Bjerre 2005, Krings 2010). Depending on the quality of the incoming goods, whether they are already store-ready mixed or not, we can distinguish between single-stage and double-stage cross docking (Gudehus/Kotzab 2012).

In 2006, cross docking was the logistics trend in German retailing (Kapell 2006a). In 2008, nearly all of 48 major retailers indicated that they are going to expand their cross docking activities (Zentrum für Logistik und Unternehmensplanung 2013). Today, Lidl operates more than 30 transit terminals and five cross docking centres all over Germany (Kapell 2012). Edeka uses cross docking for its fresh goods logistics (Kapell 2012).

Interestingly enough, Edeka Minden-Hannover planned to decentralise its activities while Edeka Südwest planned to increase their centralisation efforts (Lützen/Kümmerlen 2013, Loderhose 2008a). In 2012, Lekkerland has shifted its distribution from regional warehouses to central distribution centre with three cross docking stations. This allowed the company to significantly reduce its ramp contacts and an increase in the utilization of their vehicle load capacities (Loderhose 2012a). Rewe, Metro or DM are using single-stage as well as double-stage cross docking for parts of their assortment. A recent study shows that the value of goods handled by cross docking increased from 19 per cent in 2011 to more than 25 per cent in 2013 (Loderhose 2013), which shows the increasing importance of this concept.

### **Instore logistics concepts from a retail company point of view**

We spotted lean retailing and shelf ready packaging (SRP) as the most important instore logistics concepts from the perspective of a retail company. Thonemann et al. (2005), Womack/Jones (2005) or Abernathy et al. (1999) identify lean retailing as the application of the lean management approach to the field of retailing, especially to those processes that occur in retail stores. Thonemann et al. (2005) have shown that the majority of internal processes in a store are executed in an inefficient manner thus generating a lot of waste.

Using the notions of lean manufacturing can help to improve this situation and Thonemann et al. (2005) show how retailers were able to lower their logistics costs by simultaneously increasing their sales volume. Abernathy et al. (1999) refer to the application

of lean retailing by Wal-Mart and JC Penney. One of the major application areas is the process of shelving which is allowing the intensification of product availability, known as optimal shelf availability (Placzek 2007).

SRP also known as retail ready packing or ready-to-shelf packaging can be seen as an important lever for the efficient realisation of shelving processes as the packaging dimensions are considering the logistical requirements of retail shelves. This allows a significant reduction of the relevant costs (Klein 2013). As such, SRP is an optimisation tools for instore logistics (ECRE 2006) as SRP allows through its retail store ready packaging a less complicated shelf replenishment (Hertel et al. 2011).

SRP refers to the five sub areas of easy identification, easy opening, easy disposal, easy shelving and easy shopping (Bergmann 2008). When applying SRP instore logistics processes are executed in a more efficient manner as personnel is able to identify more quickly the merchandise, as the necessary information is more visible on the packing. Trays can be opened and put on shelf more easily as well as empty trays can be quickly disposed. Furthermore are consumers much more able to locate and take the required products. Overall, SRP helps to speed up the filling processes (ECRE 2006).

Contrary to the wide use of warehouse logistics concepts we were not able to see a similar pattern for lean retailing and SRP. This area is first on its introduction stage in the German market. Dünnebacke (2013) means that this is due to the fact that decision makers have only recently identified the savings potentials at a retail store level. Loderhose (2012b) describes the efforts by DM who wants to achieve a more demand-driven inventory management at store level where lean retailing can make a difference. The largest German grocery retailer EDEKA also tries to implement in its more than 4,000 outlets (operated in retail chains as well as by independent retailers) lean retailing in order to reduce total logistics costs (Semmann 2014).

When it comes to SRP application it is interesting to see that discount stores such as Aldi and Lidl have ever since used SRP even before the concept was introduced (Zeilhofer-Ficker 2007). Edka, Rewe, DM or Rossmann are trying to install SRP via a working group at GS1-Germany as this allows the cooperation with large manufacturers such as Procter & Gamble or Beiersdorf (Loderhose 2014b). Rokohl (2013) shows that SRP might play a more important role in the future as today, less than 50 % of all merchandise is not following SRP-standards. Current studies show however that SRP allows an efficiency improvement of packaging relevant processes up to 80 per cent.

### **Retail logistics concepts and technologies from the perspective of the supply chain**

Here we identified electronic data interchange (EDI) (as a combination of technology and concept), Vendor Managed Inventory (VMI), Efficient Consumer Response (ECR) and Collaborative Planning, Forecasting and Replenishment (CPFR) as most prominent application areas in the field.

EDI is the most applied technology and concept for a harmonized and standardized and highly structured electronic transmission of business data and exists for more than 30 years (Georg 2006). Within the grocery industry (as well as drugstore retailing), EANCOM as a subset of EDIFACT (Electronic Data Interchange for Administration, Commerce and Transport) is mostly applied (GS1 Germany 2009b). EDI is seen as the most important enabler for the concepts of VMI, ECR and CPFR (Anonymous 2013a).

Looking at some EDI-relevant German retail examples we can pinpoint to EDEKA who uses EANCOM standard messages with all their 4,500 suppliers (Liegl 2014). EDEKA has recently implemented an SAP Information Exchange in addition to EDI that allows the integration with those suppliers that were so far not able to use EDI (SAP News 2010, Loderhose 2011b). Also Lidl is using EDI while Aldi still remained EDI-less up until 2015

(Liegl 2015). In the drugstore segment we can observe the use of EDI by DM (Loderhose 2011c), especially in the area of advanced shipping notifications.

VMI or Continuous Replenishment (CRP) are special cooperative forms of an automated, inter-firm replenishment program with goal to implement an automatic reinforcement of the supply of goods and the transfer of the burden of responsibility for storage from retailers to their suppliers (Vergin/Barr 1999, Kotzab/Bjerre 2005, Klaus et al. 2012). VMI allows an improved control of inventory levels and replenishment processes. The first prominent example of VMI or continuous replenishment programs (CRP) was Procter & Gamble with Wal-Mart (Phillippart et al. 2005). Kotzab/Bjerre (2005) identified VMI as a specific form of a streamlined distribution partnership (Buzzell/Ortmeyer 1995) that helps to minimise the timely distance between sales, ordering and replenishment processes.

Fuchs et al. (2012) have identified VMI as a complementary service of suppliers to their product offerings. DM uses VMI with L'Oréal, Henkel or Procter & Gamble (Werner 2010). In 2006, 17 DM-suppliers have applied VMI already representing a share of 20 per cent of the total sales volume. For Rode (2006) this share represents the critical mass for continuing with VMI. Globus is also using VMI and had in 2004 a 40 per cent share of the total sales volume being controlled by VMI. This made Globus a pioneer in this field (Biehl 2004). An opponent to VMI can be seen in EDEKA Minden who sees VMI as the wrong strategy for replenishment and therefore remains with their buyer-oriented replenishment systems (Anonymous 1999b). According to a study by the German Logistics Association, only 20 % of German retailing companies are applying VMI (Seeck 2014). However, due to the increasing competition pressure in the market, VMI is expected to be more applied in the segment (Semmann 2012).

The ECR concept was introduced in 1993 by Kurt Salmon Associates (KSA) for the US-American grocery industry and in 1994, ECR was formed in Europe by the Coca Cola Retail Research Group Europe (CCRRGE) (CCRRGE 1994). ECR is a strategy of "how

partners in the supply chain can best synchronize the flow of product through the distribution pipeline from point of manufacture to point to final sale“ (Martin 1994). Svensson (2002) recognizes ECR therefore as a business philosophy that centers explicitly on a vertical marketing channel perspective. The vision of ECR is to set up a consumer-driven distribution system in which production is permanently managed by the consumers' POS-activities (KSA 1993).

The realization of this strategy is based on different methods which refer to marketing, IT and logistics areas and are grouped into demand side (= marketing) and supply side (= logistics/IT) methods including efficient store assortment, efficient replenishment, efficient promotion and efficient new product introduction (ECRE 1996). Their application leads to increased productivity (Kotzab 1999).

ECR was introduced in 1995 to the German market starting with supply side cooperations (Biehl 1995). Within the drugstore segment, DM plays a major role for ECR-implementation (Rode 2013). Also Rossmann uses successfully parts of ECR especially with its supplier Henkel (Kurtz 2014). DM and Rossmann got awarded for their efforts with the German ECR-Award (Rode 2013, Kurtz 2014). When it comes to grocery retailing, EDEKA is following an ECR approach together with ABInBev and Coca-Cola (Anonymous 2014).

CPFR was first introduced in 1995 as a pilot project among Wal-Mart, Warner-Lambert, Benchmarking Partners, SAP and Manugistics (Cooke, 1998). CPFR can be understood as a further development of VMI as it is also based on customer demand (Kotzab/Bjerre 2005). CPFR is able to co-ordinate demand processes with supply processes with respect to the creation of value for the end-customer. Consequently, CPFR transforms the supply chain planning from being 'push' to being 'pull' controlled, as delivery plans are being crafted in accordance with common demand prognoses, which are regularly updated with the latest data (Kotzab/Bjerre 2005).

While CPFR is widely used in the Austrian market (Anonymous 2013), we are not able to see a wide application of CPFR in the German retail market. Seeck (2014) refers to a current study showing that only 10 per cent of German retailers are using the concept. Kranke (2005) means existing CPFR approach is too complex and therefore the main barrier for the low implementation rate.

### **Technologies for retail warehousing logistics**

Kempcke (2012) presents the results of a trend study that shows that only a third of all examined retail companies do not use automated systems for their warehouse logistics. Automation at the goods receiving/entry area, internal transport as well as commissioning is seen today as a 'must-have' (Hübner 2013). We identified in our data commissioning systems, material handling systems and rack systems as the most important technological areas for warehousing logistics.

Gudehus/Kotzab (2012) identify the commissioning process to be one of the most difficult tasks of intra-logistics. Commissioning is defined as the composition of articles from a provided assortment of goods based on predetermined orders (Gudehus/Kotzab 2012). There exist a lot of different commissioning methods, techniques and combination possibilities and we differentiate between manual, ergonomic and fully automated commissioning.

Furthermore we can distinguish between static and dynamic commissioning depending on whether the good flows to the commissioning station (= dynamic) or the station moves to the good (= static) (Wannenwetsch 2008). The units that need to be put together refer to different packaging levels including primary packaging (= single sales unit), secondary packaging (= tray) or tertiary unit (= pallet) (GS1 Germany 2014b). The commissioning performance is the important benchmark for the quality of a delivery as it aims to be fast

while keeping errors low (Heidenblut 2006). Commissioning costs need to be kept at the lowest level possible though (Pulverich/Schietinger 2009).

Because of its complexity, commissioning was very much considered as a low-automation area and experts see still the manual processes in this part as crucial (Nave 2009). However there are already some examples of fully automated commissioning systems visible such as the system in place at EDEKA Rhein-Ruhr who uses a fully automated solution since 2006 for their dry goods assortment (Kapell 2006a, Kapell 2006b). In the field of manual commissioning pick-by-scan, pick-by-terminal as well as pick-by-voice technologies play a major role in easing and speeding up the process (Krebs 2009, Singer 2004, Hofmann 2004, Piazza 2004).

Pick-by-Voice was first used in Germany in 1999 (Wieprecht 1999). Rossmann is using Pick-by-Voice since 2004 in all its warehouses followed by Globus in 2004 and Aldi Süd in 2007 (Rode 2007, Rode 2008a, Skau 2004b). The example of Globus showed that the error rate was reduced by more than 70 per cent. By 2013, EDEKA is using Pick-by-Voice in all its warehouse locations (Kapell 2013). Also Pick-by-Light is very much in use in Germany as Rossmann, DM and EDKA are applying this technology (Hofmann 2004, Jörgl 2011, Kapell 2013).

Today more and more ergonomic systems are used in the commissioning process too as employees are ageing and it is difficult to find qualified personnel in this area (Bennühr 2012). Also legal requirements stipulate mechanical assistance for lifting heavy weights (Kapell 2010b). One solution in this area is 'EcoPick' which is a part-automated solution by Gebhardt where the machine helps the picker in lifting the units (Wöhrle 2010). The leading German warehouse technology manufacturer Witron introduced its solution 'Ergonomic Tray Picking' (ETP) which assists the commissioning in automated high bay rack areas with a pick-shuttle (Kiewitt 2010, Bennühr 2012). Besides the ETP, Witron also developed the 'dynamic picking system' (DPS) which allows a combination of static and dynamic

commissioning as well as the ergonomic treatment (Witron 2014a, Witron 2014b, Witron 2014c). The Swiss Swisslog offers the 'Caddy Pick' which is an electric monorail conveyor (o.V. 2008a). Automated commissioning systems can be used in a 365/24/7 mode and are able to deal best with the complexity of grocery and drugstore retailing (Martin 2011, Wannewetsch 2014). Witron developed for this purpose the 'Order Picking Machinery' (OPM).

The ergonomic EcoPick solution is used by Aldi Süd (Wöhrle 2010, Loderhose 2010a). The ETP as well as the OPM is used by EDEKA in its Bavarian warehouse in Berbersdorf for commissioning delicacies and frozen goods (Kiewitt 2013). Rewe is using the OPM since 2014 as the average age of employees at the warehouse locations was above 50 years (Loderhose 2012c). The DDP is used by EDEKA in various regions (Kapell 2013, Kiewitt 2013) and by Rewe (Weber 2012). The Caddy Pick is used by DM since 2004 which improved the efficiency of the whole process by 35 per cent (Kohagen 2005, Anonymous 2008a). By 2008, 229 case OPM were in use (Walter 2008). The EDEKA central warehouse Hamm uses this technology since 2006 and experienced an increase of commissioning productivity as the machine generated 400 pallets per hour which is double as much as compared to manual commissioning (Kapell 2011a). Meanwhile EDEKA is using this technology in two more warehouse locations (Loderhose 2014c).

The internal transport processes within a warehouse are executed by material handling or conveyor technology (Martin 2011). We differentiate thereby between roller conveyor, belt conveyors, electric monorail conveyor systems which all belong to the group of continuous conveyors (Gudehus/Kotzab 2012). These systems are able to move different types of logistics units including primary, secondary as well as tertiary packaging units. We focus on those systems which carry primary packaging units only.

Rossmann uses for their internal processes a special roller and belt conveyor system that is able to transport up to 2,000 containers per hour. Furthermore a electric monorail

conveyor is also installed which combines goods entry with goods dispatch (Anonymous 2005a, Anonymous 2008b). Roll container conveyor belt technologies are also in use at Rewe, EDEKA, Lidl and DM (Pohle 2012) while monorail conveyor systems are not so much in use. One exemption is the drugstore Müller and DM (Frank 2011, Anonymous 2012a, Loderhose 2009).

When it comes to rack systems we can see that retail companies rely on automated high-bay warehouses that allow the automatic storage and retrieval of pallets. These systems require the utilisation of storage and retrieval machines or rack feeders (Gudehus/Kotzab 2012). For smaller logistics units, automated small parts storage systems are used (Koether 2012) and within this segment, special shuttle systems are applied (Barck 2012). Hereby the ‘3D-Matrix solution’ by SSI Schäfer allows the automated commissioning of small units, trays or even pallets (SSI Schäfer 2013).

Automated high-bay racks are used by all major German retailers such as Rossmann (37,000 pallets capacity), Lidl (15,000 pallets capacity), Müller, Rewe and EDEKA (Loderhose 2007, Loderhose 2012d, Anonymous 2008b, Jörgl 2001, Irrgang 2014). Small parts storage systems are used by Rossmann (22,000 storage lots), Rewe, EDEKA, Müller (45,000 and 38,000 storage lots) and Kaufland (Jörgl 2001, Anonymous 2006, Wiemer 2009, Semmann 2010, Loderhose 2014b). Innovative shuttle systems are used by Lidl (16,000 storage units) and Müller (Anonymous 2014c, Knapp 2014) as well as by EDEKA in their fresh meat segment (45,000 storage lots) (Pieringer 2013).

### **Technologies for instore logistics**

The most important technologies which we were able to distinguish refer to cash-desk systems, especially self-scanning/checkout systems, electronic price tags, automated reverse vending machines and automated shelf-replenishment systems.

Cash desk systems are considered as very important elements of instore logistics as they are connected to the ERP systems of the retail company (Hofer 2009). Scanner technology at the cash desk has improved the efficiency of the check-out area in retail stores dramatically (Weber 2006a) where so far consumers put their purchased items on a conveyor belt and an employee scans the items for price-look-up and cashing purposes (Anonymous 2007).

The recent developments in this area refer to self-scanning/check-out systems where the whole process is put into the responsibility of the consumer (Spaan 2007). There are different solutions existing such as the use of mobile devices which the consumer has during the whole process or the separation of scanning and payment processes (Loderhose 2008b). Lambertz (2007) distinguishes between a scan&bag and scan&pass model. Tunnel scanners also allow the immediate scanning of purchased goods without the use of internal personnel (Flier 2012). All identification, weighing and other processes are done by intelligent scales, cameras and spectroscops (Ochs 2011).

A current study in 2012 amongst 139 retail companies shows that self-scanning cash desks are used in most of the companies and its outlets. Metro started with the introduction in 2006 and is one of the pioneering companies in this field in Germany (Weber 2006a). The Real markets, which are part of Metro have had 70 out of 350 markets equipped with self-scan check out systems (Granzow 2011). Lidl is using since 2014 the 'EasyFlow' system which is a tunnel scanner with a payment machine ( 2014a). The technology is however tested in Sweden, while in Germany, Rewe nd EDEKA are testing such systems (Widl 2014).

The use of automated reverse vending machines is a very important technology for German retailers due to the specific legal requirements when it comes to the return of empties (Weber 2006b). These machines are able to identify the type of bottles and whether they are used for reverse logistics or not (Schwirten 2010).

After the introduction of the non-reuseable packaging system in Germany in 2006, German grocery and drugstore retailers are obliged to have reverse vending machines in their outlets. In 2005, Aldi Süd had already more than 1,600 of such machines in use. They are able to collect 40 cans or bottles per minute (Krost 2005).

Electronic price tags are radio-frequency controlled displays that are connected with a central system which indicates the necessary information to the displays. Display technology refers to LCD, e-paper and electronic ink (Sjurts 2011) as well as Near Field Communication (Jagusch 2014b). The application of electronic labels eliminates the complicate process of shifting paper price tags from the shelves (Flier 2014).

Rewe is using electronic price tags for more than 3 years and they use segment-displays that show only the price information (Flier 2013a, 2013b). This technology is based on e-paper-technology and led to better results as the previous LCD-displays. Also Metro and EDEKA are using such systems by testing them in single outlets before rolling out to the total store network (Flier 2013a, Heiermann 2014).

Walter (2008) presents a fully automated system, developed by Witron, with which shelves can be automatically refilled. The shelf replenishment system is suited for dry goods and frozen goods and can help to reduce out-of-stock situations. The system consists of a shuttle and replenishment aisles with passive racks which are used for the replenishment (Pieringer 2009, Kapell/Loderhose 2010). This system was tested for more than one year in one EDEKA outlet (Kapell 2010a) but the results were not that promising so that the further implementation has been postponed.

### **Critical reflection of the identified results**

The previous sections showed the results of our benchmarking study and dealt with the identification and utilisation of various concepts and technologies for retail logistics purposes.

In a next step, we are going to confront our results with the major goals of retail logistics as presented in our Figure 3. The assessment is based on a qualitative judgement and refers to the theoretical understanding as well as to the practical relevance of the concepts and technologies. Table 1 shows the results of our assessment for warehouse logistics concepts.

Insert here Table 1

Here we see that only the collaboration-oriented concepts of VMI, ECR and CPFR contribute to all major objectives while central warehouse and cross docking refer mainly to the reduction of inventory, increase of flexibility and/or the elimination of storing processes and ensuring product availability. Lean retailing is not directly capable to affect flexibility as well as not helping to improve the overall logistics process quality. In Table 2 we evaluate the level of implementation based on an ordinal scale from 0 (= not existing) to 4 (very strongly manifested in business practice).

Insert here Table 2

The concepts of central warehouse and cross docking can be considered to be the most utilized concepts in German retailing. Lean retailing and SRP are so far not very much implemented but considered to play a more important role in the future (IML 2013). The results however show the shift in responsibility in the supply chain from a manufacturer-driven logistics to a more and more retail-driven logistics (Lucke/Wölfel 2006).

Table 3 presents the results of the evaluation for the field of technologies for warehousing logistics.

Insert here Table 3

Here we see that the goals of automation is mainly the reduction of staff costs, but we need to consider additional maintenance, repair and installation costs as well as investments into such systems. Process quality refers here to the minimisation of picking errors. Flexibility is however limited due to the standardized procedures which are required for automated process execution.

Finally, Table 4 shows the results of the confrontation of the technologies for instore logistics with the major goals of retail logistics.

Insert here Table 4

Here we can observe that most of the developments, except the automated reverse vending machines, are in an early stage of usage. Thereby it is important to examine the acceptance of such technologies by the end users as well as the internal acceptance by store managers and free merchants (Dünnebacke 2013).

## **Conclusion and outlook**

The overall objective of our paper was to examine the state-of-the art of current logistics concepts that are used by German drugstore and grocery retailers in the field of distribution centre and retail stores. Furthermore we wanted to characterize these concepts and technologies.

Figure 4 shows the results of our collection of analysed concepts and technologies. We were able to identify various cooperation and non-cooperation based concepts which aim at optimize the total supply chain or only parts of a retail supply chain (e.g. SRP). Our results

showed that automation plays an important role for German retailers, which helps them to reduce costs, mainly by reducing the number of employees. Currently the main focus is on concepts and technologies on warehouse logistics rather than on instore logistics.

Limitations of our work refer to the chosen segment of grocery and drug store retail chain. We did not analyse e-commerce as well as multi or omni-channel systems as the market share of these distribution channels is currently very low in Germany (Seeck et al. 2014). We were also not looking at furniture or electronics retailing which may have other requirements for their logistics than the fast moving goods sector. From a logistics point of view, we were not looking at transport systems, where we can observe interesting developments in the use of more sustainable transport solutions as well as driver-less transport systems. These areas need to be examined in more detail in the future.

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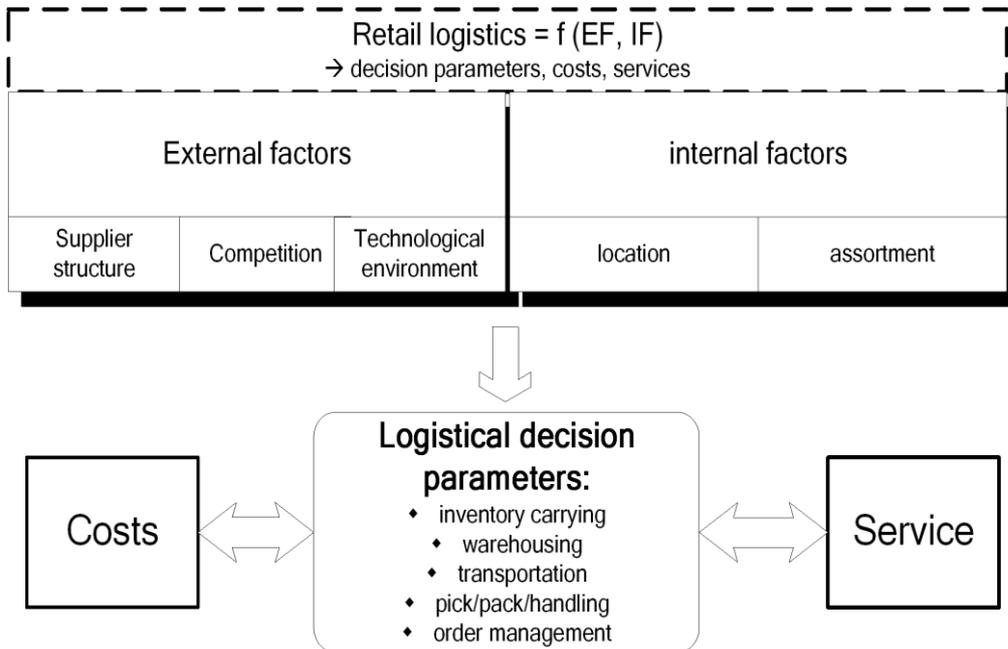


Figure 1: Retail logistics system and its internal and external factors

Figure 2: Standard performances of retail logistics in the context of a retail supply chain

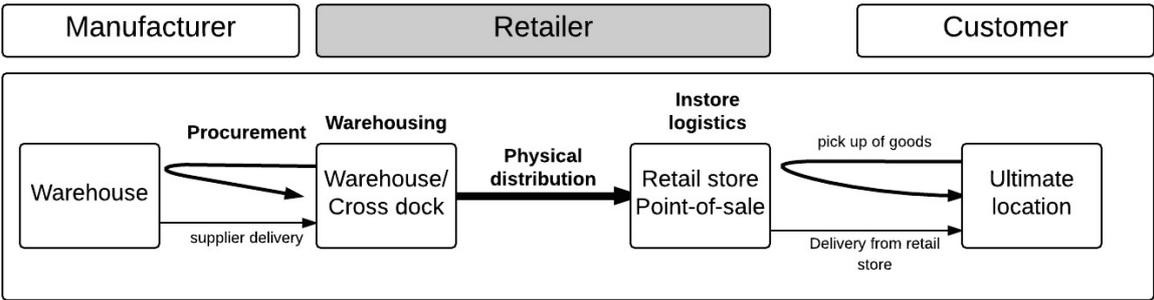
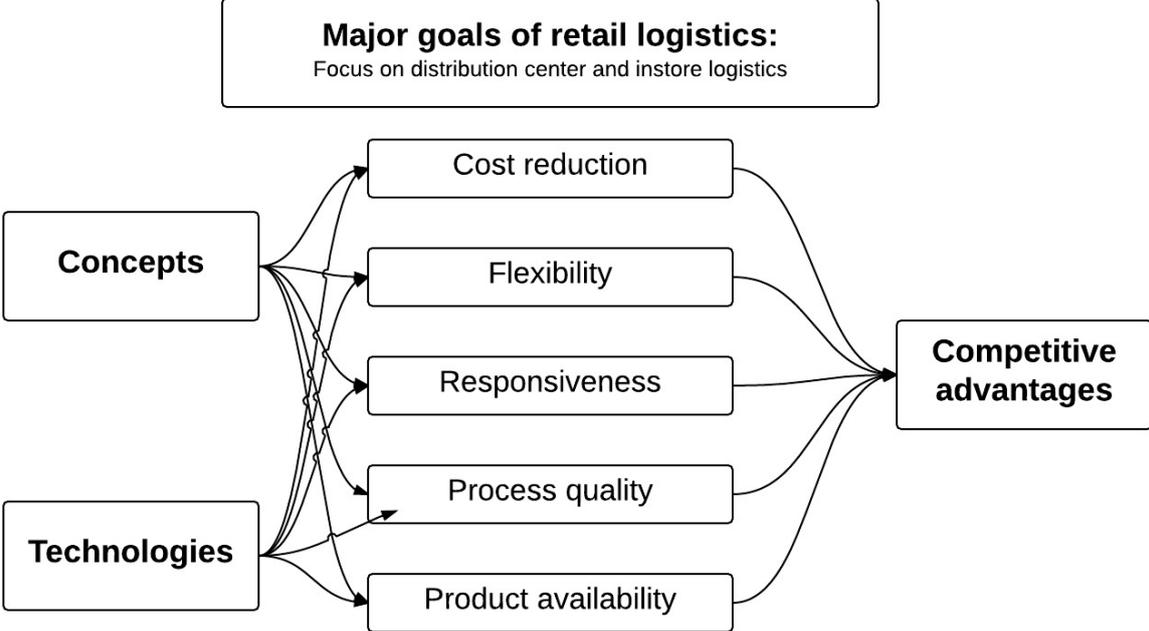


Figure 3: Major goals of retail logistics



# Disabled Frontline Employees and Service Quality

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**Purpose** – This article investigates the impact of disabled service providers on customers' evaluations of service quality and behavioral intentions.

**Design/methodology/approach** –We conducted a qualitative analysis of online reviews from samples collected in a “dining-in-the-dark” restaurant, which employs blind waiters, and from a restaurant that employs deaf servers. Also, we put forth three quantitative analyses that use survey methodology.

**Findings** – Based upon word clouds generated by online data, the findings show customers treat the hiring of disabled service providers as the most prominent clue in their perceptions of organizational service quality. The quantitative results further illustrate that customers who hold more favorable attitudes towards disabled employees are more likely than other customers to spread positive word-of-mouth. Another analysis reveals that attitudes towards disabled employees is a separate construct from feelings of human compassion.

**Research implications** – Customers' attitudes toward disabled frontline service providers represent a service quality driver. We offer researchers an exploratory scale on consumer attitudes toward the disabled to further refine and develop for future validation.

**Practical implications** – Retailers may be able to obtain a competitive advantage by employing front-line disabled people via customer word-of-mouth communications. These communications are linked to positive organizational outcomes.

**Originality/value** – Service researchers know considerably little about customers' perceptions of interacting with disabled employees. This paper represents original research that encourages retail and service organization to employ disabled front-line employees.

**Keywords** disabled employees, workforce diversity, people with disabilities, disability inclusion, service quality, dining in the dark, DINSERV, deaf employees

**Paper type** Research paper



## **CHANGING ASSORTMENT COMPOSITION: CONSUMERS' REACTION TO THE NUMBER OF BRANDS AND NATIONAL BRANDS' PRESENCE**

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# **CHANGING ASSORTMENT COMPOSITION: CONSUMERS' REACTION TO THE NUMBER OF BRANDS AND NATIONAL BRANDS' PRESENCE**

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*Research paper*

## **Purpose**

To analyse how consumers react to different assortment compositions, based on two different aspects: (1) total number of brands, and (2) the absence or the greater or lesser presence of National Brands (NBs). Consumer response will be measured throughout store image, store switching intentions and Private Label (PL) purchase intention.

In doing so, the following hypotheses are defined:

- H1. The higher the consumer's price consciousness the better the store image
- H2. The more favourable the consumer's attitude towards PL the better the store image
- H3. The greater the consumer's perceived variety of the retailer's assortment the better the store image
- H4. The higher the greater the consumer's product category involvement the stronger the PL purchase intention
- H5. The more favourable the consumer's attitude towards the PL the stronger the PL purchase intention
- H6. The stronger the consumer's value consciousness the stronger the PL purchase intention
- H7. The better the store image the stronger the consumer's store switching intentions
- H8. The stronger the consumer's value consciousness the stronger the consumer's store switching intentions
- H9. The greater the consumer's perceived variety of the retailer's assortment the stronger the consumer's store switching intentions
- H10. The stronger the consumer's PL purchase intention the weaker the consumer's store switching intentions
- H11. The better the store image the stronger the consumer's PL purchase intention
- H12. The greater the consumer's perceived variety of the retailer's assortment the stronger the consumer's PL purchase intention.

## **Design/methodology/approach**

To test the hypotheses formulated above, we have developed an online experiment with a sample of 1,400 individuals belonging to a large panel of consumers in Spain, owned by IRI, consisting of 322,883 individuals, aged between 24 and 65, responsible for buying for their homes for food products, cleaning and personal care products in supermarkets and hypermarkets. IRI panel is statistically representative of the Spanish population, both in terms of socio-demographic variables and geographical distribution. To measure the different variables of the theoretical model proposed we used Likert scales, widely used in the literature on assortment and brands.

In the experiment, two important aspects of the variety of assortment are handled, size and composition. We considered three different sizes of assortment: one, four and ten brands. The definitions of small and large assortments are based on previous experiments (e.g. Chernev, 2003, 2006). As to the composition of the assortment, this includes PL-only (one brand) or mixed assortment with PL and NB (four and ten brands).

The experiment was carried out in four product categories: yogurt, fresh bread, detergent and toilet paper. These categories were selected based on the classification by Dhar et al. (2001), which responds to the penetration/frequency relationship (staples, niches, variety enhancers and fill-ins). Brands were classified and selected according to their market share in Spain and the rating of each brand by the consumer panel members.

To carry out the analysis firstly it is carried out a confirmatory analysis of all measurement scales by using the methodology of structural equations offering satisfactory results in the three scenarios. SEM statistical

technique is considered the most appropriate for analysing the relationships identified in the model proposed. Results confirm that the different indicators show a good fit to the data, with right values for  $R^2$  of store image, PL purchase intention, and change store intention and all estimates are significant in all or some of the three scenarios analysed.

### **Findings**

Results obtained show that the composition of the assortment, either according to their size or their structure influences consumer behaviour in an obvious way.

In PL-only (single-brand) assortments our results show that price consciousness and favourable attitude towards PL improve the image of the establishment. Furthermore PL purchase intention is benefiting from a positive attitude towards the PL and a good store image. Finally store switching intention decreases when consumers perceive a wider variety in the assortment and when they have a strong PL purchase intention.

In mixed assortments (NB and PL), we have found significant differences between medium and large assortments. Regarding the former, store image is directly related to price consciousness and perceived variety of the retailer's assortment. PL purchase intention is influenced by the type of product and by a favourable attitude towards PL. According to the findings, store switching intentions is diminished by store image, a higher value consciousness and the perceived variety of the retailer's assortment.

In large assortments, store image improves when consumers are highly price-conscious and they show a high perceived variety of the retailer's assortment. Several factors affect PL purchase intention (e.g., product category, a positive attitude towards PL, value consciousness and perceived variety of the retailer's assortment). Finally, store switching intention is lower when store image is positive, consumer's value consciousness is high, consumer's perceived variety of the retailer's assortment is high. In the same way, store switching intentions are positively affected by PL purchase intention.

### **Research limitations/implications**

This research is not exempt from some limitations. First, research has been limited to Spanish context. Secondly, the methodology based on an online experiment. Third, we do not differentiate between high and low value PL. Finally, the store image is a multidimensional construct that is affected by many variables some of which have not been considered in this work.

### **Practical implications**

Those retailers opting for PL-only assortments should note that the image of their store is set mainly by the consumers' price consciousness and their attitude towards PL. So they should offer their own brand at a competitive price level as a key to differentiate themselves from other retailers. At the same time, consumer's PL purchase intention is strongly influenced by store image and a favourable attitude towards PL. It stands to reason that if retailers have a favourable image, customers will transfer this brand value to their PL and trust it. Customer loyalty strategies should be aimed at making consumers clearly perceive that the retailer's assortment offers value and consumers can meet all their needs. When PL is perceived in this manner, customers will not switch or search for alternative stores. Therefore, this type of retailer is advised to give the best priority to their PL. Additionally to provide a higher margin, PL allows them to improve their own image and to bring value to its customers.

Regarding mixed assortments, price is found as a key element in creating a good store image for retailers. So retailers should take care of their assortment, in order to provide real value to customers. When consumers perceive that the store has the capacity to eliminate unnecessary costs and offer competitive prices the store image is highly favoured, regardless of the composition of its assortment. Moreover, attitude towards PL it is very important in terms of PL purchase intention, but not for the store image. Although it is true that PL has significantly improved its image in recent years, we believe that it has not yet reached the level of emotional attachment that certain NB have developed. According our results, store image (mixed assortments) are more conditioned by the consumers' perceived variety of the retailer assortment than by other aspects such as attitude towards PL or PL purchase intention.

Overall, our recommendation is to find the right size of assortment, depending on market segments that retailer wants to reach, and bearing in mind that the consumer's perceived variety of the retailer's assortment is highly conditioned by his/her perception of value instead of by the mere fact of simply increasing the number of items. The retailer should, therefore, consider addressing PL integrated development strategies in order to earn a profit margin and create brand image, provide consumers with competitive differences, increase product warranty and, ultimately, a higher value.

Our results do not support PLs ability for generating a genuine consumer loyalty towards them, nor towards the store itself. While many consumers buy the PL, it does not necessarily mean they are loyal customers. Therefore, retailers must find a balance in the assortment sought by its customers, strengthen relationships with them and improve their image to attract customers, rather than basing their strategy in developing loyalty through its PL.

### **Originality/value**

Analysing consumer behaviour in different scenarios of assortment composition is essential to success in retail management. In this work we bring value to analysing consumer behaviour facing assortments of different size (single brand, medium and large) and facing assortments with different composition (PL-only and mixed assortments). We conducted a very thorough research on assortment, to include numerous factors and three dependent variables analysis, which represents an important contribution to the literature. For this purpose we conducted an online survey to 1,400 individuals, considering four product categories including real brands.

**Keywords:** *Private label, Retailer, National brand, Assortment*

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# Loyalty cards and point collection programs reinforcing retail patronage behavior

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## Introduction

One of the most important tasks of retailers is to acquire new customers and to achieve high levels of customer retention. Retailers want their customers to return to their stores. But what can be done to induce this desired loyalty? In any case, loyalty, at least when it goes hand in hand with profitability, is a top priority for any retailer. Similar to other countries the current retail situation in Austria and Germany is dominated by transactional loyalty schemes which provide great price offers, but are dependent upon ever increasing price discounts. Hence, retailers have to find new ways of retaining customers if they want to prevent an ongoing cost to their bottom lines. This study investigates loyalty programs with a special focus on short-term point collection programs in the food retailing industry. References will be made to factors such as preferences, attitudes towards program characteristics, digital components, desired rewards and shopper characteristics.

Until now little academic research has been done on short-term loyalty programs. Given these facts, the decision was taken to engage in the current situation of loyalty programs in Austria and Germany, with a special focus on the recently evolving short-term loyalty programs. Specifically, the focus will be on the food retailing industry. The first part of the thesis will focus mainly on existing literature about long-term loyalty programs and also include a section about short-term loyalty programs. This literature review is followed by an empirical part which will be conducted through quantitative research, in form of a consumer survey. It will be of special interest to make a thorough investigation of short-term loyalty programs and to compare them with long-term programs. The main focus of the thesis will be on preferences of loyalty programs and on the attitudes consumers have towards them. Reward characteristics will be examined as well with a special focus on digital components. Of special interest are differences among different kinds of consumers. Therefore shopper characteristics, comprised of demographic, socio-economic and other characteristics, form the heart of the empirical research.

Specifically, the following the research question has been selected to be the focus of this study:

*“How do shopper characteristics influence the attitudes towards point collection program characteristics and how do they influence the preferences of loyalty programs?”*

The quantitative survey has been conducted in Austria and Germany with a total number of 801 completed questionnaires. Findings show a stronger preference for loyalty card programs in Austria and point collection programs in Germany. Particularly shopper characteristics such as age, gender and online shopping behavior significantly influence perceptions and attitudes.

## Findings

### Type of reward

*“Do you prefer tangible or digital rewards in short-term point collection programs (assuming that they have the same value)?”*

One of the questions dealing with reward components of loyalty programs was about the types of rewards. Most of the rewards which are offered by loyalty programs are of tangible nature and positioned somewhere in the store. It was of special interest how digital rewards perform compared to tangible ones. The stunning results show digital rewards stand no chance against tangible rewards in Austria and Germany. Even though some respondents are undecided, it is clear that digital rewards are of minor importance at the moment. This finding is also confirmed by a recent study which found that immediate and tangible rewards are of high importance for low involvement sectors, whereas delayed and intangible results have more positive effects in high-involvement settings ( Pearson Chi-Square test of (p: 0,001) indicates that significant differences exist between both countries. German shoppers are even more intrigued by tangible rewards, whereas a larger portion of Austrian shoppers was undecided.

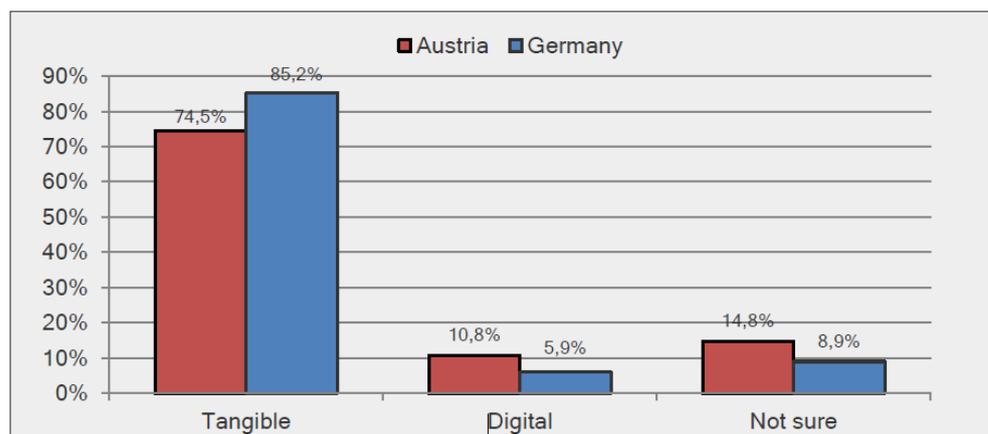


Figure 1. Type of reward (A: n=400 , G: n=405)

### Program preference

*“Which type of loyalty program do you prefer?”*

Probably one of the most interesting questions for loyalty program managers was about the preferred type of loyalty scheme. Ultimately the respondents were directly approached with a question regarding their preference. This was a single choice question so respondents had to state their preferred program. Both samples were compared with each other and the Pearson Chi-Square test indicates that significant differences exist between both countries (p: 0,000). Again, the German sample surprised by slightly preferring short-term point collection programs followed by loyalty cards with immediate discounts and a distant trading stamp program. This result is in accordance with the primary reasons for participation for both samples. The Austrian sample clearly prefers loyalty cards with immediate discounts. This also reflects the previous

result of saving money as the primary reason for participation in Austria. Still, the combination of loyalty cards and point collection programs scored also very high which supports the assumption that is not an "either-or" question when it comes to loyalty programs and rather an "as-well-as" question, which is especially true for Germany.

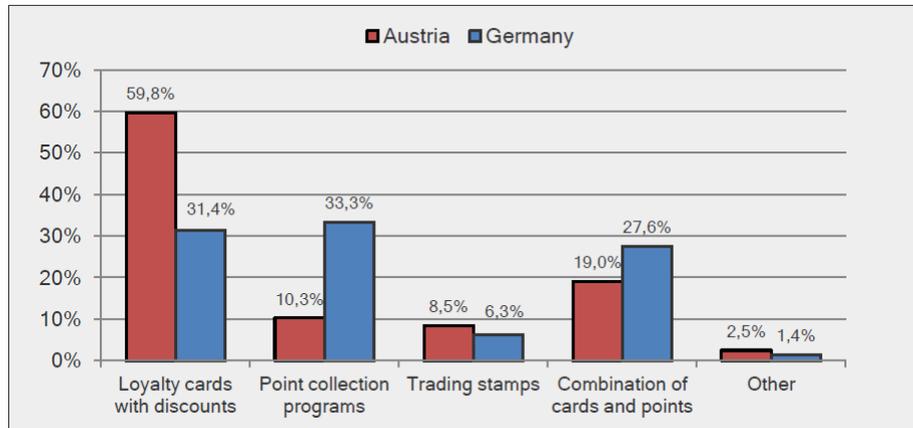


Figure 2. Loyalty program preference (A: n=400; G: n=427)

Further findings highlight the continued existence of privacy concerns in the minds of grocery shoppers. Digital components were found to be of minor importance as the majority of respondents prefers loyalty programs with traditional characteristics.

# Article Title Page

[Mixing the right retail tenant mix: Assessing young consumers shopping centre patronage]

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**Structured Abstract:**

- **Purpose:** The purpose of this paper is to analyse and give the overview of retail tenant mix in shopping centres in the City of Zagreb, the capital of Croatia. Further on, this study explores young shopping centre patrons preferences towards retail tenant mix.
- **Design/methodology/approach:** Paper is based on an extensive literature review, followed by explorative analysis of retail tenant mix in the shopping centres in the City of Zagreb. Empirical research was conducted on the convenience sample of young consumers in City of Zagreb.
- **Findings:** The findings of the study imply which shopping centres in City of Zagreb have the ideal retail tenant mix from the perspective of young shoppers. It is expected that findings of the study will be useful



to shopping centre managers and they could serve as useful insights for further retail tenant mix adjustments.

- **Research limitations/implications:** The paper is limited with respect to geographical area, as it provides insights from shopping centre market in the City of Zagreb. Another limitation arises from the survey sample, as in the focus of the empirical research were only young consumers.
- **Originality/value:** This paper provides novel insights into shopping centre market development, with special focus on the City of Zagreb, the capital of Croatia. Further on, it contributes to the existing literature by focusing on the retail tenant mix as a factor of shopping centre patronage. It is expected that research results will help in better (re)positioning of shopping centres in City of Zagreb in relation to the needs of young customers.

**Keywords:** retail agglomeration, shopping centre, retail tenant mix, shopping behaviour, young consumers, Croatia.

**Article Classification:** Research paper

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## **The Role of Cooperation and Competition between Nodes in Service Networks**

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## **The Role of Cooperation and Competition between Nodes in Service Networks**

*Purpose:* Nodes in the form of retail and service stores in geographically bounded service networks, such as high streets, town centres, shopping malls, compete with each other for customers. Yet they collaborate with each other in relation to operational and marketing matters within their service network. The aim of this research is to investigate the impact of both competition and cooperation, i.e. coopetition, on network and node performance.

*Methodology:* Drawing on the service network debate, this paper develops a conceptual model and tests it in three distinctive settings, namely a dominant first order high street, a mid-sized town centre as well as a town centre based market. A total of 348 store managers served as key informants in our survey.

*Findings:* Variance-based structural equation modelling reveals that in the dominant first order high street both competition and cooperation improve the performance of the service network directly. Despite competition having a negative direct effect on stores' performance, the overall effect is insignificant. Cooperation affects store performance positively but only indirectly. In both other smaller networks, i.e. the town centre and the town centre based market, competition does not play a significant role in enhancing the performance of the network or the nodes themselves. Cooperation though has the same positive effect as in the dominant high street. In all three settings we see a strong performance spill-over effect from the network to the nodes.

*Contribution:* The contribution of this paper is to reveal and substantiate the complex nature and benefits of the effects of the competition as opposed to cooperation of retail and service outlets located within geographically bounded service networks. More widely it underlines the importance of managers of service networks understanding the differing effects of competition and cooperation and using this understanding in their management decision making.

**Keywords:** Retailer competition; retailer cooperation; high street; town centre; service network; agglomerations;

**Article Classification:** Extended Abstract

# **Food Waste, Root Causes and Store Formats**

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# Food Waste, Root Causes and Store Formats

## Purpose

Food waste has become a highly contentious political, societal, and commercial issue. In the retail industry, food waste refers to products that are unsaleable and thus need to be discarded or recycled. Despite its relevance, food waste in retailing, and in particular its root causes, are addressed in few studies. Our research therefore aims (1) to identify the root causes of food waste occurrence at a retail store level and based on that (2) to propose measures through which to avoid and reduce the occurrence of food waste.

## Methodology

The research design adopts a 3-step approach: In a first study we investigate the phenomenon of food waste through embedded case study research involving 28 cases across dominant retail store formats, i.e., convenience stores, discount stores, supermarkets, and hypermarkets. In order to investigate the impact of the respective roots causes and the dependencies between them, we underlie the results in a process simulation modeling approach alongside other secondary data in the second study. The third study features semi-structured interviews with 12 food waste experts and critically reflects on the practical implications of the research findings and the related solutions.

## Findings

The first two studies reveal sets of root causes for the occurrence of food waste that are related to three main spheres of responsibility: (1) the *retail store* where food waste is caused by e.g., inefficient store operations and replenishment policies, or certain store format-specific characteristics, (2) the *parent retail organization* influencing the occurrence of food waste by e.g., standards of product quality and on-shelf availability, marketing and promotions, or packaging units, and (3) *customers* who contribute to food waste at a store level by undesirable customer (shopping) behavior and erratic demand (pls. refer to figure 1).

The findings from our expert interviews further emphasize that a significant reduction of food waste can only be achieved through the joint effort of the store's managers, its employees, the retail parent organization and customers. Accordingly, we define the following measures based on the before three spheres of responsibility. (1) At *retail store level* these include e.g., training and motivating store personnel to increase awareness and raise skills, further a more precise measurement of food waste, and official process for the redistribution of edible food waste to charitable institutions. (2) At *retail parent organization level* measures relate to a strategic reduction of a store's product range, or a limitation of in-store promotions. (3) At *customer level* measures require to make be customers aware of their responsibility and contribution to food waste generation and opportunities for its reduction. These social marketing activities, however, would need to be communicated through a neutral third party, e.g., a ministry or charity, to stimulate a change in the way customers consider, purchase, and value food in general.

## Value

The main value of the present research is that provides a comprehensive and in-depth understanding of the occurrence of food waste at store level across all main types of store formats. Based on that it presents a range of areas for improvement and measures for reducing and preventing food waste occurrence. To the best of our knowledge, this research is the first of its kind investigating the phenomenon at store level - that is where most of the volume of food waste at the retail stage occurs – and by building on the experience and

insights of store managers. In general, the topic is delicate and hardly spoken of by retailers since food waste is directly linked to shrinkage as a key performance indicator of retail companies.

**Keywords**

Store operations, process simulation, case study research, food waste

# What Affects Online Retail Patronage - A Meta Analysis

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## Abstract

This paper aims to identify the major antecedents of online retail patronage. Pan and Zinkhan (2006) were the first to provide a structured overview on retail patronage research using a meta-analysis. We extend their view and develop a conceptual model of online retail patronage based on Sheth's (1999) integrated theory of patronage behaviour and Finn and Louviere's (1996) specification in a retail patronage context. The model proposes direct effects between antecedents (stimuli), i.e. mainly manageable attributes of online retailers, and the retail patronage (response or shopping predisposition). We conducted a meta-analysis of 160 empirical studies based on the notions of Hunter and Schmidt (2004). The analysis reveals that the medium-related attributes, such as *ease of use*, *interactivity* and *information quality*, are key to all three investigated dimensions of retail patronage, i.e. satisfaction, loyalty and patronage behaviour. Service offer-related attributes are determinant for satisfaction and loyalty, in particular *customer service* and *fulfilment/reliability*, whereas the product offer-related attribute *value* significantly impacts patronage behaviour. This research makes a theoretical as well as practical contribution as it provides an overview on, and detailed insights into, more than fifteen years of online retail patronage research and its antecedents.

## Keywords

Retail patronage, meta-analysis, online, antecedents;

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**Running after square meters vs. customer service:  
the case of “click and collect” in France**

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**Running after square meters vs. customer service:  
the case of “click and collect” in France**

**Abstract:**

**Purpose-** Using data from French food retailers and in depth interviews, this study answers the following questions: Why do French food retailers develop click and collect system? Is that to improve their territory coverage? The second question concerns imply that click and collect can bring additional sales by targeting specific customer segments attracted by e-commerce convenience.

**Design/methodology/approach-** We describe the click and collect system called curiously “drive” by French retailers, explain the strategic interest of the territory coverage and measure it for French hypermarkets. The propositions are tested in a hypermarket setting. This article is illustrated using real data; the cluster consists of 1576 hypermarkets and 1039 isolated drives. To complete the results in-depth interviews with retailers were conducted.

**Findings-** The results indicate that the “drive” system brings nothing to retailers in terms of territory coverage. It is made evidence that extensive growth does not create value for retailers that’s why the second part of the research focuses on a customer viewpoint leading to study benefits retired (by the customer) from the click and collect choice.

**Originality/value-** This paper has introduced relative entropy measures to evaluate the relevance of the development of the click and collect system in a French context. It sets conditions for a successful drive regarding consumer benefits.

**Keywords:** France, Click and Collect, Territory coverage, Relative entropy, Customer service, Retailing,

## **Running after square meters vs. customer service: the case of “click and collect” in France**

### **Introduction**

The click and collect system, called “drive” by French retailers, is a natural consequence of retail format evolution. The drive responds to societal imperatives and pressed consumer is in the logic of development of multi-channel distribution networks. Real internal growth potential for networks, this new system can be up to 30% of the growth of a retailer!

Retailers are questioning the location of their click and collect points and consistency of their network, multi-channel as a whole. Ten years after the first opening, France registers nowadays more than 3325 click and collect food services that is to say nearly twice as hypermarkets! As Cliquet (1998) and Rulence (2003), in this article we aim to highlight the importance of the spatial dimension in the management of points of sales networks. We analyze in particular the case of food drives and ask if they are effective tools to enable networks to optimize their territorial coverage. Can the implementation of the drives increase the territorial coverage of the networks? Are the drives evenly located on the territory? Can drives allow to conquer yet undeveloped areas?

The aim of this paper is to study “drive” expansion strategies within retail networks and understand their development. Indeed at a time when retailers run after square meters many questions are raised: Why do French food retailers develop drives? Is that to improve their territory coverage?

We first describe the French retailers’ click and collect system and ask the following question: why do French retailers open drives? Based on this framework, section 2 presents the territory coverage and its measurement. The relative entropy is used to measure the

retailers' spatial dispersion and assess the contribution of the drives and territorial coverage. It is made evidence that the "drive" system does not allow French retailers to improve their territorial coverage. So, section 3 focuses on a customer viewpoint leading to study benefits retired (by the customer) from the click and collect choice.

### **French retailers' drive and territory coverage**

We describe the drive system called curiously "drive" by French retailers, explain the strategic interest of the territory coverage and measure it for French hypermarkets.

#### ***The click and collect system or "drive"***

*Argos*, a UK retailer and a subsidiary of *Home Retail Group* with 809 shops in 571 towns in the UK and in Ireland<sup>1</sup>, was the first to open a click and collect system in the early 2000. In the food retail sector, *Tesco* was the pioneer and the first to be really successful (Colla and Lapoule, 2011). Then the French *Groupe Auchan* launched *Chronodrive* in 2004: this system consists for consumers in ordering products by Internet and picking them up in specific warehouse isolated from any other *Groupe Auchan* stores.

The click and collect system is composed of a two-step process: 1) the consumer visits a retail website to browse, buy and pay for the selected products; 2) s/he drives to the store or to any place, in case of a where s/he can pick up the products unlike cybermarkets which are based on a home delivery system. "Drive" prices are either similar to the store or sometimes even lower to attract new customers. Customers are not willing to pay to drive a higher price than in stores (Colla and Lapoule, 2015).

A "drive" can be either located close to a store or isolated from any store of the same chain. In the first case, customers using Internet to order their products and pay for them,

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<sup>1</sup> <http://www.timeo.co.uk/argos-opening-times/> and [www.argos.co.uk/webapp/wcs/stores/servlet/ArgosStoreLocatorMainMobile?langId=110&storeId=10151](http://www.argos.co.uk/webapp/wcs/stores/servlet/ArgosStoreLocatorMainMobile?langId=110&storeId=10151)

drive to the store to pick them up at least two hours after the order. It is called a “drive in” system. In the second case, called “drive out”, there is no physical store, but only warehouses, serving as collecting points.

Chronodrive (*Groupe Auchan*) is in this logic, since the entire network is in the form of “drives out”. This development strategy is mainly used in logic of offensive conquest of a territory (Colla and Lapoule, 2012). Regarding the “drive in”, it consists in locating near a point of sale a bonded warehouse and order picking. In this context, the retailer implements here a defensive logic (Colla and Lapoule, 2012), without real motivation to conquer territories, rather it seeks to maintain its position in a given geographic area.

Whatever the “drive” implemented, this new distribution channel allows networks to raise the issue of the final kilometer (Picot Coupey et al., 2009; Colla, Lapoule, 2011) and to meet the requirements current shopper: break free from physical store and shopping chore (Colla and Lapoule, 2015) and master the management of its purchase time.

In 2007 in France, one member of the *Centres Distributeurs E. Leclerc* decides to open a “drive” in Toulouse. The word “drive” probably stems from *Chronodrive* of *Groupe Auchan* and by analogy with the McDonald’s drive through system. As one of the authors of this paper was present in the *Leclerc* headquarters in Ivry (Paris southeast suburb), this opening happened without any preliminary market study. We did it for the group *Leclerc* and strived to show to Leclerc top managers that it would be difficult to make this drive system profitable (Picot-Coupey et al., 2009). Profitability is a true stake for e-retailers and in the years 2000 in France only 2 cybermarkets from 13 were profitable (Bray, 2008). Actually finding a profitable market segment is a real challenge: young women with young children seem to be the main target. This problem of profitability was confirmed when we interviewed in October 2013 in Paris during a retail conference several managers from the main French

retail companies: *Auchan, Carrefour, Casino, Intermarché* and *Leclerc*. All of them admitted that most of “drives” are not profitable. In 2015, 34 click and collect closed and a third experienced a decline in revenue and only 30% are profitable<sup>2</sup>.

Retailers scarcely seek for long term profits. However we wonder why they decided to open so many “drives” within the French territory: in January 2016, there were 2832 food “drives” in France! <sup>3</sup>.

*Insert Figure 1 about here*

Figure 1 represents a map that shows that “drives” are mainly located in the west part of France. The reason is that Leclerc is very strong in the west and this retail cooperative started first to develop the “drive” system whereas for instance Carrefour opened its own “drives” much later.

### ***Why do French food retailers open “drives”?***

Invading a market with its products is an, probably the, usual ambition of any company. As for retail companies, their products are their stores (Dicke, 1992). Hence, invading a retail market means covering a territory with stores (Cliquet, 1998).

Once settled in a specific market, retail companies seek for adding new units as one of challenges a retail and service chain tries to meet (Bradach, 1998). But time is passing and in these conditions finding attractive locations become harder and harder with a hinder: sales cannibalization and/or encroachment with already settled units. Sales cannibalization means that the opening of a new unit decrease sales of other units of the same company-owned chain. Encroachment deals with territory overlapping of a new unit vis-à-vis franchisees of the same chain (Emerson, 2010; Kalnins, 2004; Vincent, 1998). Several models strive to help

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<sup>2</sup> Source: Nielsen Trade dimensions, April 2015.

<sup>3</sup> Source : Nielsen Trade Dimensions, January 2016.

decision makers to impede cannibalization to jeopardize chain units (Ghosh and Craig, 1991; Kaufmann and Rangan, 1990; Pancras, Sriram and Kumar, 2012).

Hence, two research questions arise: 1) Are “drives” dedicated to avoid sales cannibalization or encroachment? 2) Are “drives out” able to complete territory coverage of chains?

The first question deals with the territory coverage. It is a strategic option. A retailer can either do business within one retail store and some very old ones are still successful like *Maison Lempereur* in Marseille, the oldest French hardware dealer created in 1827! Another option can be to spatially expand through a chain of stores: this strategic choice started with in France Félix Potin created in 1845 and which started expanding from 1860 (Camborde, 1997), in the UK with Sainsbury from 1869, or in the USA with Woolworth from 1875. Now the retailers’ expansion throughout the world is probably one of the main economic feature of the second part of the 20<sup>th</sup> century and today retailers are among the largest companies of the world overtaking former huge manufacturers. But when a territory is more or less saturated or when opening new stores is impeded by law like it is the case in many European countries like France, the temptation to develop a new format is strong to use it for increasing the presence in the market and hence the territory coverage. It should be said that a new law is studied by the French government to limit the “drives” expansion but it is probably too late!

The second question concern implies that “drives” can bring additional sales by targeting specific customer segments attracted by e-commerce convenience. But as this service is free for customers, to make this new activity profitable needs to attract as many consumers as possible which has been far from being true so far (see above what retailers said to one of the authors). A reason for that can stand in the productivity shift entailed by the “drive” system. A century ago, Clarence Saunders was perfecting his self-service system

which revolutionized retail activities: self-service consists in transferring the job from the retailer to the customer. The “job” means searching for products, bringing them to the check-out point and putting them in a basket or in a bag. The “drive” transfers exactly the same “job” from the customer to the retailer: hence, the retailer’s productivity decays. And an interview of a Carrefour manager told us that a “drive” needs an automatic internal logistic system to pick up products within the warehouse and this system costs between 1 and 3 million euros according to its size. So a “drive” cannot make profit but can be a burden for a store! Another problem deals with the decreasing customer patronage vis-à-vis physical (“brick and mortar”) stores in general.

The “drive” concept stems from the idea of ROBO (Research Online Buying Offline) or ROPO (Research Online Purchase Offline) (Kalyanam and Tsay, 2013). We can quickly conclude that “drives”, when they attract consumers enough, may have a long term effect by cannibalizing physical store sales without raising global turnover especially if every contender opens a “drive” either (and it is the case presently). This cannibalization can reach 10 to 30% of sales from one store business (Colla and Lapoule, 2015). The problem will then be to bring back customers within the store. New services will probably have to be offered in the store which will be more and more costly to re-enchant (Firat and Venkatesh, 1995) and also added to the “drive” system to differentiate from competitors.

We deal with the first question of territory coverage in the following section to see whether territory coverage can be increased through “drive” settlements. The second question is treated in section 3 of this paper.

### **The “drive” territory coverage: measurement and results**

As seen above, covering a territory can be of great interest to retail chains for strategic reasons. Ingram and Baum (1997) have shown the interest of being affiliated to a chain even

though Usher (1999) predicts a higher profit for specialists over generalists; and we are dealing with generalists.

### ***Territory coverage: methodology and tools***

A territory can be covered in various ways. Davidson, Sweeney and Stampfl (1988) defines five spatial sub-strategies within market expansion strategy for retail chains: 1) contiguous expansion when units are located close one to the others as did German hard discounters; 2) establishing beachheads when some units are opened in other territories; 3) market clustering when a retail group enter a market with a multistore offering; 4) skim sub-strategy when targeted segments are far from the others like for luxury stores; 5) acquisition of another chain which speed up territory coverage if the retailer can afford it.

The territory coverage is usually measured through the number of stores per cell of a specific geographic division of the territory: Chung and Kalnins (2001) used the number of hotels within Zip Codes to measure agglomeration effects whereas Kalnins (2004) employed a 25-mile cutoff to deal with encroachment problems.

Entropy has been used to measure concentration and performance among large U.S. firms (Hexter and Snow, 1970; 1973; 1974). Geographers used it also to measure the phenomenon of rural depopulation (Chadule, 1997). A method of territorial coverage measurement based on relative entropy evaluates the gain in spatial value (Cliquet, 1998b) whenever a retail network intends to acquire another chain (Cliquet, 1998a). It also explains longitudinally (over time and depending on the network life cycle phase) how the spatial strategies of the network change (Cliquet, 2000).

The relative entropy measures the spatial dispersion, as followed.

$$E = - \sum_{i=1}^k f_i \cdot \text{Log} (f_i)$$

Where  $E$  = entropy;  $k$  = number of geographical areas;  $n_i$  = number of stores in the  $i$  area;  $f_i$  = store frequency in an area ( $f_i = n_i/N$ );  $N$  = number of stores.

We can then measure relative entropy as followed:

$$\text{Relative entropy} == E/\text{Log } k,$$

The relative entropy varies from 0 to 1. The closer it is to 1, the better the territorial coverage is.

### ***Territory coverage: results***

In this article, we aim to highlight the importance of the spatial dimension in the management of POS systems. We analyze the particular case of food drives and ask if they are effective tools to enable hypermarkets networks to optimize their territorial coverage. Are the drives evenly located on the territory? Can drives allow to conquer yet uncovered areas? The propositions are tested in a hypermarket setting. Can the drives localization increase the territorial coverage of the hypermarkets networks? According to INSEE (French national institute for statistics), in France, a hypermarket is a self-service retail store deriving more than one-quarter of its sales from food and having a sales floor area of 2,500 m<sup>2</sup> or more. This article is illustrated using real data; the cluster consists of 1576 hypermarkets and 1039 “drives in” and 434 “drives out”.

*Insert Table 1 about here*

All retailers do not have the same strategy regarding the development of the drives. Thus, the *Cora* does not develop the drives out while each of its hypermarkets offers a drive-

in. In the same vein, the company *Intermarché* outfits nearly 75% of its hypermarkets with a drive in so that there are only two drives out. *Carrefour* and *system U* companies are also part of this trend and focus on the drives in by disregarding the deployment of drives. Conversely the company *Leclerc* has more “drives out” than “drives in”. What does this strategy imply? Is it to conquer a new territory or to strengthen the group's presence in a given area?

The French “département” will be our geographical reference area. We used more specifically the 94 “départments” of Metropolitan France (excluding Corsica). Table 2 depicts relative entropy results for each retailer.

*Insert Table 2 about here*

It is made evidence that the “drive” system does not allow French retailers to improve their territorial coverage. Overall, no significant change occurs between relative entropy considering only hypermarkets and relative entropy including hypermarkets and “drives out”. If we focus only on “drives out”, *Leclerc* has the highest entropy with a value of 0.9246. Although with only 61 drives out the *Auchan* group gets entropy of 0.688 on the drives out. However, the deployment of drives out does not allow it to improve its territorial coverage. Thus, the mere presence of its hypermarkets confers relative entropy of 0.84. This measure reaches 0.843 when drives out are added. Regarding *Leclerc*, the French retailer that has the most drives, the relative entropy slightly decreases regarding the location of the “drives out” and hypermarkets. It means that drives out are located in the same “départements” as traditional hypermarkets.

If the “drive” system brings nothing to retailers in terms of territory coverage, we should seriously wonder why they do so. Previous literature and in depth interviews with French retailers allow us to answer the following question: if no matter with territory coverage, what is the “drive” system for?

## **Expressed and potential consumers benefits**

From previous results, extensive growth does not create value for retailers. Hence, it could be interesting to focus our research on a customer viewpoint leading to study benefits retired (by the customer) from the click and collect choice. In other words, which benefits could be satisfied by the click and collect service enabling to create a sustainable value?

To answer this question many retailers' interviews have been conducted together with an analysis of the existing literature. Our exploratory qualitative study based on in-depth interviews with drives manager and drive network managers. The interview guide is structured around the three consumer benefits: functional, experiential and relational.

Based on a customer viewpoint, three benefits exist: functional, experiential and symbolic benefits (Keller, 1993). Once a retail format reaches maturity, benefits from functional expectations to the consumer are insufficient. They become basic requirements not creating value. Thus it becomes interesting to study all expected benefits by consumers: functional, experiential and symbolic or relational in a specific service perspective.

### ***Functional benefits already reached***

Functional benefits have already emerged from the "drive" format by relieving the consumer purchasing constraints like time pressure for instance (Colla and Lapoule, 2011; Mevel and Morvan, 2015). Retailers are well aware of the issues of the drive's practicality as an explanation for the growth of this new distribution model. According to a drive network manager "*drive is ideal in terms of convenience for time-saving and shopping convenience. No longer carries four times the products*".

Retailers' efforts to reduce the time of preparation and removal illustrate the answer to this functional need. In most cases, the delivery time is reduced from two hours to thirty

minutes. Retailers can go even further when competitive issues are at stake. This is so a way to counteract a competitor by reducing the delivery times to zero, especially a drive in competitor: *“Delivery time is reduced to zero in some drive especially in the offensive drives. This is our competitive advantage over drives in picking. That's how you kill a Carrefour drive».*

Adapted from Keller (1993), *“Functional benefits are the more intrinsic advantages of service consumption and usually correspond to the tangibles attributes. These benefits are often linked to fairly basic motivations”* (p.4). This need is expressed concretely through the purchase of low involvement products such as water, milk, laundry, canned products. These products represent 59% of click and collect sales<sup>4</sup>.

Mevel and Morvan (2015) added that functional benefits played a more important role than other benefits when the “drive” is new (customers don't have a long experience with the format). The satisfaction based on functional benefits is neither perceived nor conscious to the consumer leading to "basic requirements", easily imitable. However, based on our in-depth interviews, the drives must remain vigilant on two aspects: the choice and stock outs.

Drive's assortments are wide and deep. They provide a huge quantity of products (not only regarding food items but also regarding to non-food products) in a huge quantity of categories in order to satisfy the functional needs of the consumer. However, retailers are aware of proposing a more limited choice particularly in terms of drives out even if they aim at satisfying daily needs: *“The choice is ok. It is less than in hypermarket but it meets all the necessary units”* confirms the drive network manager.

Even though it does not create any value, stock outs can damage the drives in the same way as traditional outlets in which the repeated lack of the branded-product will cause

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<sup>4</sup> Source : Kantar Worldpanel, November 2012

dissatisfaction leading to the store change (Connan Ghesquière, 2011; Campo et al., 2000).

The drives must therefore ensure to offer a complete assortment to satisfy functional benefits.

*“We have not all products at time due to stock outs. The stock out rate is not explosive but when there are stock out it is seen much more than in hypermarket».*

More than functional benefits, consumers can search for experiential and relational benefits. Satisfying these benefits retailers ensure a differentiated and unique image (Keller, 1993), difficult to imitate by competitors and therefore creating significant value.

### ***Experiential benefits***

According to Keller (1993), experiential benefits provide a sensory pleasure or cognitive stimulation, and are part of a hedonic consumption of the customer. Holbrook and Hirschman (1982) precise that *“this experiential perspective is phenomenological in spirit and regards consumption as a primarily subjective state of consciousness with a variety of symbolic meanings, hedonic responses, and esthetic criteria”* (p.132).

Then, Filser (2002), and Dupuis and Le Jean (2004) enrich knowledge to generate experience. Filser in 2002 offers a synthesis of various past contributions, dedicated to experiential marketing. These two major contributions (Filser, 2002; Dupuis and Le Jean, 2004) show that marketing oriented in an experiential dimension generates creative solutions, original and additional opportunities untested by retailers.

Experiential marketing is a key variable in this uniqueness positioning thus maximizing customer service. Finally, retailers have to offer a unique shopping service that engages the consumer in a positive experience to satisfy experiential needs. In the drive approach, we can imagine that it would begin by taking orders from the Internet through an exciting navigation and a redefined e-merchandising, and would continue when removing

goods (by new additional services). In the case of drives, the presence of tablets generates an additional service that makes the delivery immediate: « *Some drives are equipped with a tablet at the drive reception. It's possible to order some last minute products. It's possible* ». “*The future objective is to improve the experience lived on the drive with adding music, interactive terminals for instance. We are thinking to enrich the physical collect point in exposing non-food products to create specific atmosphere; in making pancakes and tastings to animate more for instance; we are thinking also to extend services on the collect point in providing deli, bakery, steackhouse...Adding new services.*”

In addition, retailers work on the aesthetic dimension of physical collect points. This is a topic that largely concerns the drives managers today as stated by a drive network manager: “*The appearance is not terrible. We're in a warehouse sometime it's creepy there is nothing around. We have to work on experiential. “Our efforts will have to be concentrated on this variable; it is clearly our future priority”.*

More than experiential benefits, relational benefits lead to sustainable relationship between customers and retailers. They emerge from the retailer side, specifically a higher consumer confidence.

### ***Relational benefits***

All researches focused on the relationship marketing confirm that confidence is a mediating concept of the relationship between the consumer and the brand (Sirieix and Dubois, 1999; Frisou, 2000 Gurviez and Korchia, 2002). The concept of trust in the relational paradigm, gives a central role to the brand (or to the retailer), since the consumer relies on it to reduce uncertainty and make a decision. Gurviez and Korchia (2002) provide a clear and concise reading of the concept. Thus brand confidence could be defined as “*psychological variable that reflects a set of accumulated presumptions about the credibility, integrity and goodwill*

*that the consumer attributes to the brand."* In drives system, the consumer is connected to the brand and the product and can expressed his opinion in many ways as explained by a drive network manager. *"On the website consumers can request a product they want to see in the assortment. In addition, there are suggestion boxes in the reception of drives. Finally it is possible to write directly to the drives, we answer all emails»*

Note that the measure of this concept is difficult because the consumer uses his past experiences to infer beliefs and future behaviors (Gurviez and Korchia, 2002). In other words, trust is both a cause and a consequence of the value created.

Based on this brand confidence work, we propose to define the retailer confidence as a psychological variable that reflects a set of accumulated presumptions about the credibility, integrity and goodwill that the consumer assigns to the retailer. The firm works trust through reinsurance to develop a more human image of the drive. *"We need to animate permanently collect points. We need a deliveryman especially during rush hours to represent the quality of the group... It is not developed enough. That's to say reinsurance during the waiting time."* *"The relation with customers and their confidence towards us are more intense than in hypermarket. We try to personalize the relation with customer in taking into account his personal requirements – for instance, one of our customers wants imperatively green bananas; another wants to be delivered with box (instead of bags). We save these specific needs to satisfy customers all the time. In the case of troubles, we take time to call personally the customer to listen him, to explain and to find a positive issue."*

To conclude, we can suggest the following figure showing how value could be created in a customer viewpoint.

Figure 2 illustrates the synthesis of previous work to suggest the "drive" value creation.

*Insert Figure 2 about here*

One way of dealing with these problems of productivity and profitability could be to wait for some closings. In retail groups like *Leclerc*, *Intermarché* or *Système U* which are retail cooperatives, members can one day decide to stop the “drive” experience if they become aware of the absence of appropriate customers as Picot-Coupey *et al.* (2009) highlighted that in their study.

## **Conclusion**

Using data from French food retailers and in depth interviews, this study answers the following questions: Why do French food retailers develop click and collect system? Is that to improve their territory coverage?

This paper has introduced relative entropy measures to evaluate the relevance of the development of the click and collect system in a French context.

The results indicate that the “drive” system brings nothing to retailers in terms of territory coverage. It is made evidence that extensive growth does not create value for retailers. The second part of the research focuses on a customer viewpoint leading to study benefits retired (by the customer) from the click and collect choice.

Based on in depth interviews, the paper sets conditions for a successful drive regarding consumer benefits. Nevertheless, this study encounters many limits. First of all, it has been conducted in a French context. Second, we focused only on food retailers. Since click and collect is developing in all sectors (pharmacy, bakery, opticians...) it could be interesting to reply this study in another context.

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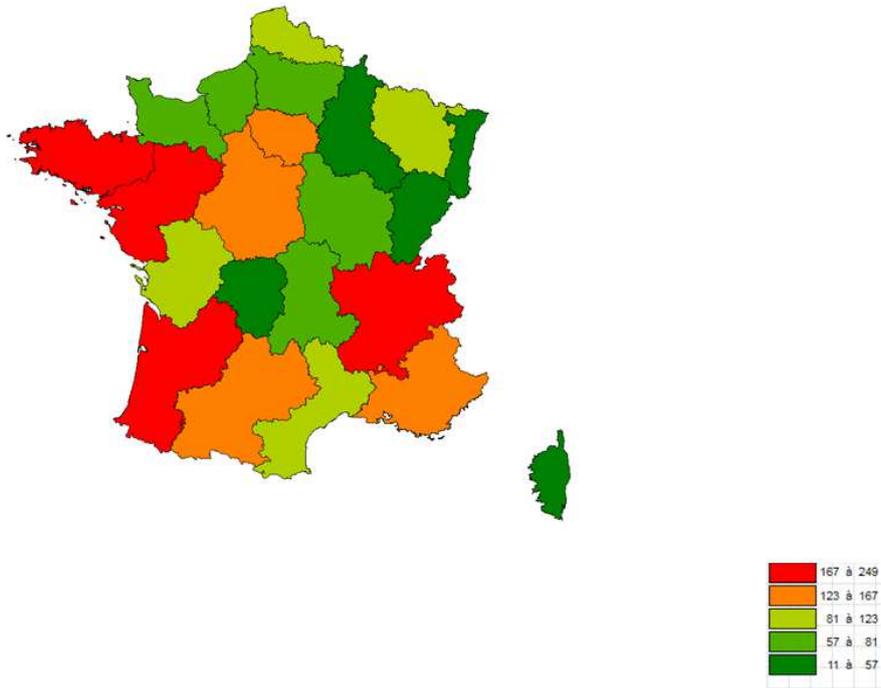
Table 1: French retailers database

	Hypermarkets	« Drives in »	« Drives out »
Carrefour	309	221	14
Leclerc	530	225	342
Hyper U	345	307	3
Cora	58	58	0
Auchan	135	62	61
Géant/casino	108	98	12
Intermarché	91	68	2
Total	1576	1039	434

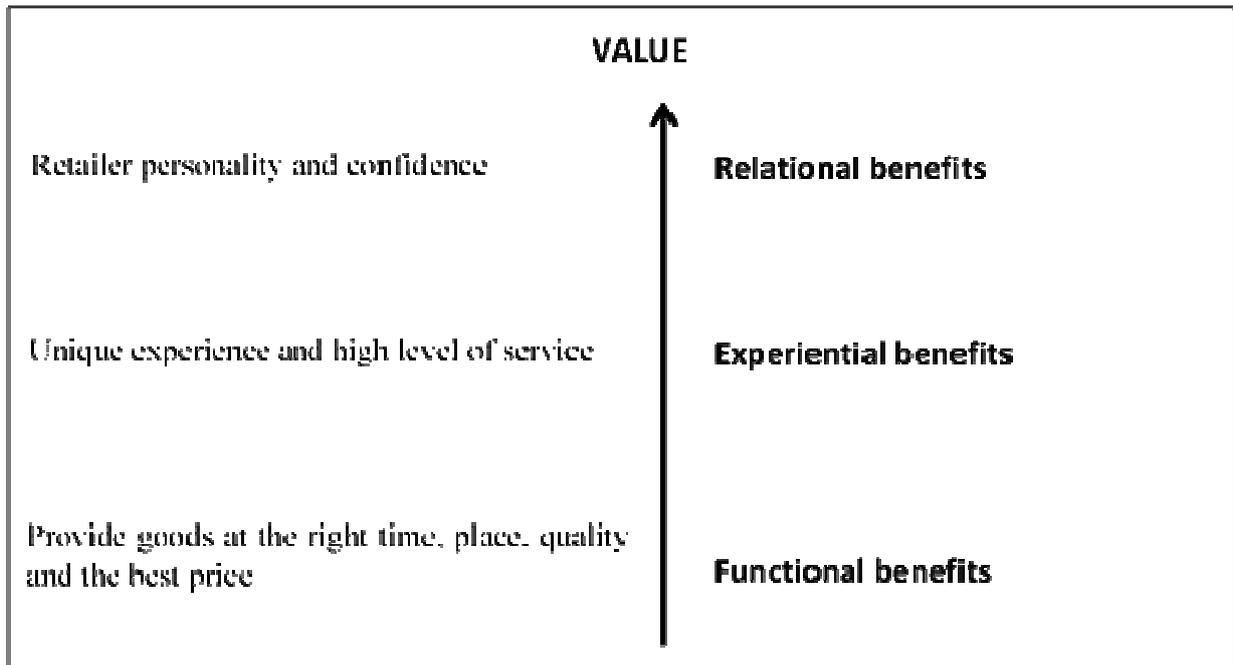
Table 2: French retailers relative entropy

	Relative entropy			
	Stores	Drive in	Stores + drive out	Drive out
<i>Carrefour</i>	0.923	0.91	0.920	0.53
<i>Leclerc</i>	0.950	0.898	0.949	0.9246
<i>Hyper U</i>	0,846	0,831	0,847	0,241
<i>Cora</i>	0,719	0,719	0,719	0
<i>Auchan</i>	0,840	0,733	0,843	0,688
<i>Géant/casino</i>	0,869	0,856	0,874	0,546
<i>Intermarché</i>	0,815	0,799	0,818	0,152

Figure 1: Number of food drives in France



Source: Map made from the LSA Database Expert



**Figure 1:** Components of the Click and collect format

# Touching the void: Sensory-enabling technologies in online retailing

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## Structured Abstract:

**Purpose.** A major factor hampering the continuing and explosive rise of e-commerce, particularly for experience goods, is the lack of sensory (and mainly tactile) information that could help to reduce uncertainty in consumer purchase decision making online.

**Methodology.** By means of a systematic literature review of the ACM (Association for Computing and Machinery) database, a comprehensive inventory of sensory-enabling technologies (SETs) is compiled. This inventory is enriched with illustrations of particular applications for online retail marketing purposes. The SETs have been classified according to their specific marketing application potential by three researchers.

**Findings.** This study provides an inventory of 30 touch-enabling technologies as distilled from the IT field of academia, enriched by particular application ideas for online retailing to address the forgotten sense of touch online.

**Research limitations/implications.** We formulate a research agenda targeted at marketing academia specifying directions for future empirical validation of the inventoried SETs.

**Practical implications.** This study aims to raise awareness among online retailers of marketing opportunities comprised in touch-enabling technology. We shed light on *how* computer-mediated retail channels can enrich the vividness of presenting their offerings and enhance online interactions with customers by addressing the largely forgotten sense of touch.

**Originality.** This article is unique in that it infuses the academic retail marketing literature with insights from the IT discipline, contributing to a sensory enrichment of online shopping experiences, both from a utilitarian and from a hedonic consumer motivational perspective.

**Keywords:** Sensory-enabling technology, touch, haptic, online retailing, online atmospherics, sensory marketing

**Article Classification:** literature review



# Social, Local and Mobile Commerce Practices in Omni-Channel Retailing: Insights from Germany and Turkey

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## Purpose of this paper

The advances in information technology have driven retailers to incorporate consumers into internet-based communication tools. These tools include numerous social networks, such as social media sites. As a result of the interactions between information technology and social media sites, social commerce has evolved. In addition, retailers use local and mobile commerce practices as an innovative way to enhance customer loyalty. These trends result in a new conception, called "SO-LO-MO", which derives from the practices of social, local and mobile commerce. The SO-LO-MO conception encompasses customer touch-points and also provides seamless shopping experience and numerous available channels to customers by using omni-channel management. In this paper we assessing the retail-based SO-LO-MO conception by providing insights from 16 retailers selected from two geographically different markets: Germany and Turkey. The examined retailers operate in different categories: shoe, perfumery, electronics, home furniture, cds & books, duty free and grocery.

### 0.0.1 Design/methodology/approach

Approaches to data collection involve retrieving information from the web sites, mobile applications and physical retail store visits. The research findings enable a comparison of the SO-LO-MO conception in the two countries, revealing similarities and differences, and an analysis of omni-channel management specifically focused on the SO-LO-MO conception.

### 0.0.2 Findings

In view of a limited theoretical understanding and empirical grounding on the SO-LO-MO conception, our findings provide empirical evidence from the local and international retailers.

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The practices performed in terms of SO-LO-MO conception vary according to different types of retailers in terms of industry segment. Our findings further support the perspective of the adoption of SO-LO-MO according to country specific variables (e.g. internet penetration rate, consumer preferences, and demographic variables of the market).

### **0.0.3 Research limitations/implications**

Our research focuses on a small sample of retailing companies in two markets. Practical implications Our findings present the current state of the art of SO-LO-MO in Germany and Turkey. What is original/value of paper This paper assesses innovative omni-channel-management practices of leading retailers in various segments of the industry and presents a country comparison between Germany and Turkey.

*Keywords: Social Commerce, mobile commerce, local commerce, SO-LO-MO, Germany, Turkey*

## **Street markets – A retail format for the elderly?**

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**Purpose:** In the next two decades, substantial growth in the population segment of older adults is expected in Europe: Persons aged 65 or over represent the fastest-growing demographic segment, estimated to peak at around 164 million in the European Union in 2050 (Vienna Institute of Demography, 2012). Due to this increasing relevance of senior consumers, retailers in particular must be aware of the trends, needs and wants of older consumers to secure this increasing share of retail expenditure over the next decades (Myers and Lumbers, 2008). Especially in food shopping - which is a routine activity and can be classified as one of the most basic elements of consumer behaviour (Bawa and Ghosh, 1999) - the elderly consumer is considered a valuable research topic (Meneely, Burns, and Strugnell, 2008, 2009). Up until now retail research concentrated predominantly on the investigation of the shopping behaviour of elderly consumers in 'well-researched retail formats' such as supermarkets, discounters or hypermarkets. As there is a need to further investigate other niche retail formats (Teller, Gittenberger and Schnedlitz 2013), our research focuses especially on street markets. The aim of the study at hand is to shed some light on the shopping experience of the elderly at different food retail formats, focusing on street markets in a Western European metropolitan city.

**Design/methodology/approach:** To answer the proposed research question we implemented a qualitative study in a metropolitan area in the western European Union (EU). Data was collected using focused interviews with consumers (total sample size: n=54; shopping experience at street markets, n=30; shopping experience at store-based food retailers, n=24). As a research technique within the focused interview a sequential incident technique (SIT) was used, which is a variation of the critical incident technique (CIT) (Stauss and Weinlich, 1997). As a chronological age threshold, to separate young consumers from old consumers, the age of 55 years was chosen. We applied a structuring content analysis approach defined by Mayring (2004) to analyze the data.

**Findings:** By conducting this qualitative study, we were able to exploratively investigate the shopping experience of elderly consumers in different food retail formats. All interviewed respondents (n=54) mentioned 593 incidents, whereby half of them can be interpreted as negative events. The majority of positive incidents were stated by the elderly, showing a generally more positive connotation of older consumers in their shopping experience.

Interestingly, all respondents talking about their shopping experience at street markets mentioned noticeable less negative events during their shopping trip compared to those buying food at other retail formats. This is clearly evident when focusing solely on older respondents. Having a closer look at the associated sub-categories (e.g. retail marketing mix instruments) it can be seen that qualitative discrepancies in e.g. the experience of the sales communication do exist. Elderly consumers especially value the friendliness and high competence of sales personnel at street markets, although there were some negative incidents, e.g. regarding aggressive selling practices.

**Originality/value:** The aim of the study at hand is to shed some light on the shopping experience of the elderly at different food retail formats. Based on our first results, older consumers especially experience shopping at street markets more positively than shopping at other retail formats, such as supermarkets.

**KEYWORDS:** Retail format choice, Elderly consumers, Street markets

# Impact of preshopping factors on impulse buying: a structural equation model

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**Purpose** – Environmental changes, specifically the economic crisis and the growing penetration of digital technologies, have produced significant changes in shopping habits designed to create new paradigms for impulse buying behavior. A new scenario seems to be opening up where customer enters the store much more prepared than in the past searching for products they had planned to buy. The purpose of this paper is to explore the determinants of impulse buying in a context of more planning and preparation for shopping.

**Design/methodology/approach** – The data were obtained using a structured questionnaire from 316 respondents interviewed instore thanks to the cooperation of a leading Italian retail chain. We conducted a two-stage approach mall-intercept survey method to collect data. Firstly, we interviewed customers before entering the store, enquiring them about the pre-shopping preparation and shopping enjoyment tendency. Secondly, we interviewed the same customers at the end of their shopping trips, asking them to indicate which purchases were unplanned. Then, shoppers answered to questions regarding their general tendency to engage in impulse buying, the urges experienced to make impulse purchases, the level of positive and negative affect experienced during the shopping trip.

**Findings** – In the structural model tested with LISREL 8, we found that pre-shopping tendency influences directly impulse buying: confirming our hypotheses, a higher pre-shopping preparation lead to lower levels of impulse buying. Results also showed that the personality variables (shopping enjoyment tendency and impulse buying tendency) influenced impulse buying through positive affect and urge to purchase. Our research did not find support for the relationship between negative affect and urge. Finally, higher levels of urge to buy impulsively lead to higher levels of impulse buying

**Originality/value** - From the review of past and recent literature, we have not found a model that considers the influence of pre-shopping tendency on impulse buying behavior. This paper addresses this major gap in extant literature by including pre-shopping tendency among the individual characteristics (impulse buying tendency and shopping enjoyment tendency) taken into consideration by past contributions.

**In-Store Proximity Marketing:  
Experimenting with Digital Point-of-Sales Communication**

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**KEYWORDS:** In-store proximity marketing, Temporal construal level theory, Digital signage, Narrowcasting, Experiment

**ARTICLE CLASSIFICATION:** Research paper

**EXTENDED ABSTRACT:**

## **In-Store Proximity Marketing: Experimenting with Digital Point-of-Sales Communication**

**Purpose:**

The present paper examines the effectiveness of in store marketing communication appeals via digital signage applying the Construal Level Theory (CLT) in a field experiment. The ultimate goal of this pilot study is to determine appropriate location based content for in-store proximity marketing.

As the majority of purchase decisions is still made in-store (POPAI, 2014), the digital advertising medium “Digital Signage”, also known as “Narrowcasting” is increasingly implemented at point-of-sales environments. The flexibility of the medium and decreasing hardware costs stimulate retail managers to convert advertising messages onto digital screens (Müller et al., 2009). Nonetheless, it is not digital technology *in se* that will provide traditional retailers with a sustainable competitive advantage, but *how* they use it to optimize the customer’s shopping experience (Wojciech, P., & Cuthbertson, R., 2014; Pantano and Timmermans, 2014). In order to fully capitalize on this powerful communication tool, it should be used properly. In particular, customers should be targeted with personal, situation-specific and location-aware relevant information.

According to the “construal level theory” (CLT), ‘psychological distance’ influences the customer’s decision making process and the effectiveness of marketing communication message appeals (Thomas et al., 2006). Psychological distance incorporates several dimensions such as temporal, social, hypothetical and spatial (Zhang & Wang, 2009). CLT suggests that the closer a customer is to the purchase decision (i.e. temporally low distance); the more responsive this person is to the communication of ‘concrete’ product attributes. On the contrary, CLT hypothesizes that customers are more responsive to the communication of ‘abstract’ product attributes when the purchase decision is more distant (i.e. temporally high distance). Construal effects can evoke increased attention and recall of product attributes, as well as augmented purchase intent (Dhar & Kim, 2007). For in-store communications, this implies more concretely that, in order to increase ad effectiveness, the content of the message should correspond to the temporal distance of the consumer’s purchase decision.

Accordingly, we hypothesize that implementing point-of-sale marketing communications according to the construal level theory positively influences the ability of customers to recall or recognize features of the displayed advertisement and subsequently their purchase intent.

**Design/methodology/approach:**

A field experiment was conducted in collaboration with digital signage provider Digitopia NV ([www.digitopia.be](http://www.digitopia.be)), examining temporal distance effects in a natural retail/service environment. A 2x2 between-subjects quasi-experimental design is implemented (i.e., low vs. high temporal distance x cost vs. brand appeal), examining the impact on marketing communication effectiveness. Effectiveness measures registered included (1) noticing the digital screen, (2) noticing the advertisement on the screen, (3) advertisement recall, (4) purchase intentions (PI), and (5) actual purchase. All measures were self-reported and binary (0/1) apart from PI which was operationalized in a 3-item 7-point Likert scale, by Putrevu and Lord (1994). Our sample consisted of 100 respondents (mean age= 35.8, s.d. =13.9; % female =82), with age and gender distributed evenly over the conditions.

In the experimental setting, a coffee shop, two digital signage screens were set up: one at the entrance, which was considered as ‘temporally high distance’ (i.e. consumers are still evaluating alternatives), and the other at the place to order (the cash register), which is regarded as ‘temporally low distance’ (i.e. consumers need to readily decide what to order). A special of the house cappuccino was promoted, differentiating the content of the messages on the screens, being either cost oriented, offering a price reduction or brand/experience oriented, emphasizing the “powerful” taste of the double shot espresso inside.

### **Findings:**

In this study, the temporally low distance message (i.e. register) drew significantly more attention towards the digital screen (noticed by 27,8%) as compared to the temporally high distance message (i.e. entrance), which was only noticed by 8,7% (Pearson  $\chi^2$ ,  $p=.015$ ). Also the cost message drew more attention to the screen (noticed by 25.5%), as compared to the brand message, which was noticed by 11,1% (Pearson  $\chi^2$ ,  $p=.069$ ). Contrary to expectations, especially at the entrance the screen with the cost message appeared to get noticed more than the one with the brand message.

In terms of purchase intentions, an independent samples t-test was conducted comparing the average PI of the samples in temporal construal level ‘congruent’ conditions (i.e., cost x register, brand x entrance) and the ‘incongruent’ conditions (i.e., cost x entrance, brand x register). A marginally statistically significant difference was noticed ( $p = .068$ ) with higher PI in the *congruent* digital signage conditions ( $m = 5.08$ ,  $s.d. = 2.07$ ) than in the *incongruent* ones ( $m = 3.56$ ,  $s.d. = 1.63$ ). Albeit the interaction between ‘location’ (entrance vs. register) and ‘appeal’ (brand vs cost) was not found to be statistically significantly affecting PI, a visual inspection does point out that indeed, a cost appeal at the register ( $m = 5.37$ ,  $s.d. = 1.79$ ) and a brand appeal at the entrance ( $m = 4.22$ ,  $s.d. = 3.02$ ) result in the highest of all PI over the four conditions.

**Research limitations/implications:**

Only 63% of the participants that noticed a digital screen reported to have noticed the related advertisement. These results confirm the issue of ‘display blindness’, an important limitation of digital signage addressed by Müller et al. (2009). Because customers expect information on displays to be irrelevant, they pay no or selective attention to them.

Moreover, 58% of the consumers also reported that they were already pretty sure about what they were planning to order, which suggests that they were probably already more in the ‘purchase decision’ phase rather than still ‘evaluating alternatives’ (i.e. low temporal distance anyway, regardless of the location). Reassuringly, the price appeal did appear to attract significantly more attention, confirming the expected CLT effect that the closer towards a purchase decision, the more receptive customers are for price promotions. In general, the digital screen at the register (i.e. close to purchase) appeared to generate more successful effects, an observation which may be considered specific to the service setting of a coffee bar.

**Practical implications:**

Based on this research we can offer some initial advice on effective location based content for in-store proximity marketing purposes. At locations close to the purchase decision, commercial messages that focus on concrete product attributes (e.g. price) are advised to be shown.

As the temporal distance is specific to each consumer, depending on the stage in the path-to-purchase he/she is in, it should be interesting to try to determine it in advance (e.g. based on his online or in-store search behavior via sensors or tracking) in order to be able to display more targeted messages, in order to avoid display blindness.

**Originality/value:**

While the impact of digital signage at the point-of-sale has already been researched from an environmental psychology perspective (Dennis et al., 2010; Dennis et al.,

2014), we investigate how Construal Level Theory can be applied to generate more effective location based content for in-store proximity marketing, building on earlier conceptualizations and findings of Sheehan and Van Ittersum (2013).

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# Exploring patterns of loyalty program participation: new implications for research and practice

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## Purpose

In the 21st century, loyalty programs (LPs) have seen significant growth in many countries (Ferguson and Hlavinka, 2009a). Economic crisis has boosted consumer involvement in LPs (Burness et al., 2009; Ferguson and Hlavinka, 2009b). Retail LPs display a growing amount of digital features and companies exploit opportunities offered by new digital media and related customer insight, such as personalization (Leeflang et al., 2014; Breugelmans et al. 2015). At the same time, online retailers have started employing promotional strategies that have been traditionally used offline, including LPs (Lim and Lee, 2015). The present paper aims to identify current patterns of Loyalty Program (LP) participation in a retail industry that is undergoing rapid digital revolution. The work explores the relationship between LP participation patterns and consumers' online behaviour and characteristics. It aims to provide exploratory insights in line with the call for research in Breugelmans et al. (2015) on consumer participation in LP and impact of new technologies.

## Design/methodology/approach

A survey of more than three thousand customers belonging to the Nielsen Consumer Panel in Italy was used. These customers are members of their preferred grocery retailer's loyalty program. Customers were asked which of the following LP elements they used in the last year:

- In-store deals for LP members only
- Targeted check-out coupons (check-out coupons based on customer loyalty card information)
- Points to be converted into non-monetary rewards
- Points to be converted into vouchers
- Services for LP members only
- LP communications.

LP members are segmented based on usage of LP elements by combining a hierarchical cluster analysis on variables with a PAM (Partitioning around Medoids) cluster analysis on subjects. Inference tests reveal differences between segments in terms of online browsing, online purchase behaviour and consumer characteristics. Online browsing and purchase activity are measured by means of frequency of visit and purchase across different types of

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websites (e-commerce retailers, online travel agencies, daily deals websites, online promotional intermediaries). Consumer characteristics are measured in terms of: age, gender, affluency, city size, loyalty to the LP - measured on a Likert scale from Yi and Jeon (2003) - and LP customization - measured on a Likert scale adapted from Srinivasan et al. (2002).

## **Findings**

Five clusters emerge, with clear differences in terms of usage of specific LP elements. The first cluster - "Traditional loyals" - represents 17% of the total sample. "Traditional loyals" state that they mainly use in-store LP deals and redeem points for non-monetary rewards. The second cluster - "Low-engaged" - represents 27% of the sample. "Low-engaged" display extremely low usage levels for five out of six LP elements. They are only interested in converting points into vouchers. The third cluster - "Average Loyals" - is 27% of the surveyed subjects. "Average Loyals" consistently display an average level of usage for all LP elements, but do not use LP communications. The fourth cluster - "Smart Loyals" - represents 16% of respondents. "Smart Loyals" display high levels of usage across all LP elements considered. They are keen to benefit from each aspect of an LP. The fifth cluster - "Rewards Lovers" - is 13% of the sample. This segment seems to be oriented towards an exclusive use of points to redeem non-monetary rewards (e.g. kitchenware and appliances from a reward catalogue).

The profiling of the different segments or clusters of consumer reveals important differences. The clusters significantly differ in terms of: loyalty to the LP, LP customization, age, city size, affluency and online browsing and purchase behaviour across the majority of the considered websites. Interestingly, customers labelled "Smart Loyals" display the highest levels of loyalty to the LP, LP customization, online browsing and purchasing behaviour and the lowest age.

## **Research limitations/implications**

Findings reveal that customers who use many LP elements are also very active in online browsing and purchase behavior. They are more loyal to the LP and perceive it as customized to their needs. Further research is needed to explore the common drivers of high online activity (browsing and purchase) and high level of LP participation.

This study offers descriptive inference about the relationship between LP participation, consumer characteristics and online consumer behaviour. It is not intended to provide insight on causal relationships. We measure LP participation dichotomically. The study might be influenced by the actual availability of LP elements at different retailers.

## **Practical implications**

The present work offers insights for companies on how they can target LP activities to specific customer segments. It also offers valuable insights on how customers are likely to react differently to company actions. For instance, if a retailer decides to shift the reward system away from non-monetary rewards vouchers only, 13% of the LP members might be at risk of churning. Another practical implication is in the area of LP partnerships: as "Smart Loyals" are very active online, retailers could enhance their LP proposition by partnering with their favourite websites (e-commerce platforms, online travel agencies etc.) for points exchange, deals and more.

## **Originality/value**

We offer insights on patterns of LP participation that will be useful for LP design and improvement, and for exploring opportunities for partnership with emerging online players.

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