COMPETITIVE RETAILING STRATEGIES IN GERMANY: AN EMPIRICAL STUDY

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1. Introduction

Ten years ago, most retailers in Germany were sceptical about long-term, strategic planning in the retail industry. They were convinced that the success of a retailer depends on the ability to adjust quickly to changes in consumer behaviour, legal developments, technology and competition. Some retailers were afraid that strategic plans could lead to inflexibility. Recently, however, this attitude has changed, probably because of rising competition, an increase in the concentration process in retail trade and international retailer expansion (Mueller-Hagedorn, 1987).

Furthermore, in times of increasing market saturation, stores tend to resemble one another and offer comparable products at comparable prices, thereby losing profile. Many retailers fear a "crowding-out of competition" in the nineties and the question frequently asked is how customer loyalty can be established. Store positioning becomes more and more important.

Porter's competitive strategies (1980) are now almost classical concepts that are often discussed with respect to periods of stagnating economic growth when the forces driving industry competition gain in importance. Porter discusses three potentially successful strategic approaches to outperforming other firms:
- overall cost leadership
- differentiation
- focus (serving a particular target group especially well either by differentiation or by lower cost).

According to Porter's concept, many retail specialists (Tietz, 1992) anticipate a polarization between low-price mass merchandisers[1] and "higher-priced", "high value offer"-retailers. The fundamental question posed by this paper is whether these two diametrical strategies are successful. The effectiveness of price leadership on the one hand and a differentiation strategy on the other is analysed. The following investigation takes into consideration both the retailer's as well as the consumer's evaluation of the different retail strategies.

2. Price Leadership and Differentiation Strategy

Porter (1980, p.3) declares that "the essence of formulating competitive strategy is relating a company to its environment". Key features that determine the strength of the competitive forces and hence profitability should be analysed. Structural determinants of the intensity of competition among retailers may be the:
- threat of new entrants in the same retail firm category or other types of retail firms which still exist on the market (efficient forms of retailing are imitated relatively rapidly)
- bargaining power of manufacturers (the higher the strength of the retailer's demand-based power the lower the intensity of competition)
- bargaining power and behaviour of consumers (do the retailers meet the needs and shopping motives of the consumers?)
- threat of substitute retail types (15 years ago, many retailers in Germany did not anticipate the emergence and success of teleshopping or factory outlets. Today some futurologists think that the "cyberspace" supermarket[2] will crowd out the traditional supermarket at the beginning of the new century (Popcorn, 1992, p.143)).

A "price-leadership" strategy in retailing entails the following considerations:
Retailers which attempt to achieve a price-leadership need a high market share. They must be able to offer price reductions: they either have to sell the same brands as their competitors or they have to offer a nearly equivalent assortment at lower prices. This objective indicates that retailers should:
- have an "efficient scale" for the purpose of exerting market power. "Efficient scale" does not only refer to the absolute amount of turnover of the company. The structure of the retail-portfolio must also be adequate. A "healthy portfolio" means that there is only a small number of retail outlets belonging to the segments of "dogs" and "question marks".
- consistently obtain rebates and special conditions, discounts on advertising costs, free rack jobbing etc.,
- explore cheap supply sources (e.g. re-imports, knowledge of brokers)
- have effective theft-controls,

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- have an efficient stock control, high rates of stock turnover,
- cut expenses on store design and services,
- select cheap, rented property,
- use electronic point of sales equipment and other state of the arts technology,
- and - in contrast to Porter - advertise extensively on price.

It is critical that a retailer's managerial policy stringently aims at a low price-leadership-strategy. This is, however, not sufficient. It should be emphasised that a retail firm which wants to be successful with a low cost (or price) strategy needs a high market share and a rapid stock turnover. Therefore a large number of consumers must recognise and remember the low prices. The influence of the price image on the choice and the evaluation of stores must be analysed.

Price image of stores

The price image of a store can be defined as the consumer's evaluation of the store as to whether it sells products at favourable prices or not (Nystroem, 1970). Simon (1989, p.251) emphasises that the price image in retail management is vital, because consumers do not remember the prices of all relevant products. If a customer plans to buy a product whose price he does not know, the price images of stores will often influence his choice of stores.

There are two competing hypotheses which attempt to explain consumers' formation of price images. The first thesis (which is prevalent in the older literature) contends that a consumer's price image of a store is affected by prices of a few products, particularly those that are on price promotion and/or that are advertised (Simon, 1989, p.252), i.e., promotions of well-known branded products give the impression that the rest of the stores assortment is low-priced as well. Recent research supports the second thesis that consumers are not deceived by price deals but that they perceive overall price levels of stores accurately. Consumers are able to differentiate between price promotions and the normal price-level (Diller, 1981, p.58).

For this reason, strategic thinking should not be directed toward individual products but toward building a good price image (i.e.generally favourable price perceptions) of the store (Simon, 1989, p.253).

Lenzen's (1984) empirical study showed highly significant positive correlation between price images and actual purchases. The influence was extremely strong when consumers had incomplete information on the prices charged for the same product by different stores. In such a situation, consumers must rely on the price image or must explicitly compare prices in different stores.

Most empirical investigations were conducted in the food sector (Diller, 1981; Lenzen, 1984, Hamm, 1993). In this sector, consumers know many different brands; they have a distinct perception of the real prices or they have a "feeling" for fair prices. In the non-food sector, knowledge of prices is not so strongly developed because people do not buy shopping goods as frequently as convenience goods in the food sector. Despite this fact, consumers also have clear price performance expectations in the non-food sector. Following the empirical findings mentioned earlier, it is to be supposed that non-food retailers not only have to offer price-promotions, but also have to offer a generally low price-level. In addition, consumers must perceive an economy-priced assortment. A non-food retailer who wants to pursue a price-strategy and tries to hold down cost, must be wary of a "junk-goods-image". Consumers should have a positive evaluation of the merchandise, the value for money-ratio. It is not sufficient only to sell cheap goods; quality must be adequate as well. Furthermore, it would be interesting to analyse if store design influences price-image perceptions.

The differentiation strategy

Porter (1989) argues that pursuing one of the three generic strategies is in essence, more successful than, as Porter puts it, being "stuck in the middle". Nevertheless, there are certain dangers which may cause the strategies to fail. Diller and Kusterer (1986, p.105) point out that, among other risks, the discount concept can easily be imitated by other competitors.

In contrast to price leadership, approaches towards differentiation can take many forms, but all with the aim of creating a distinct, clear and consistent image. Store image can be defined as the way in which the store is experienced in the shopper's mind, partly through its functional qualities and partly through an aura of psychological attributes (Berman and Evans, 1989, p.457). The price-image is only one attribute of the overall store image. Numerous non-price factors contribute to a store image:

- merchandise attributes (assortment, quality, brands, etc.),
- customer service attributes,
- communication attributes,
- personnel attributes (knowledge, personality, friendliness of personnel),
- physical attributes (store exterior, general interior, store layout, all forms of visual merchandising, theme- or ensemble setting, displays etc.)

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- general attributes (tradition of the firm, target market sought etc.).

The totality of these factors determines the overall image of a store. Due to the manifold possibilities of combining the marketing-mix instruments as discussed, many retailers have the chance to create a unique image. One differentiation-strategy is to offer a "specific emotional benefit": This is the subjectively experienced contribution to the quality of life of the consumer conveyed by the place of purchase (Weinberg, 1986; Groeppel, 1991). Shops that create buying experiences for their customers should be full of surprises, evoke a generally pleasurable atmosphere and should adjust the whole marketing-mix to the central values of consumers (like communication, nostalgia, nature, health, etc.)[3].

Differentiating means the creation of a unique store image, that is, in consumer's mind, a retailer has to be placed in a niche relative to competitors based on its perceived image. Store positioning maps (e.g. by multidimensional scaling) should lay the foundation for differentiation strategies[4].

Research problem
The price strategy as well as the differentiation strategy of retailers should be analysed from the point of view of consumers as well as from the point of view of retailers. The research hypo-theses are as follows:

From the retailer's perspective:
If retailers stringently follow either a strategy of price leadership or a strategy of differentiation, they will be more successful than those retailers who are "stuck in the middle".

Independent variables: Business managers' attitudes towards each strategy
Dependent variables: Key numbers (e.g.: turnover per square meter)

From the consumers' perspective:
Consumers will favour those retailers who follow either a strategy of price leadership or a differentiation strategy over those retailers who are "stuck in the middle".
Independent variables: Strategies of the retail firms
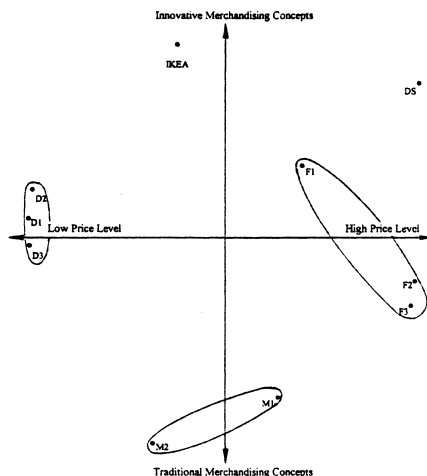Dependent variable: Consumers' images of the firms

3. Empirical findings
3.1 Results of the research on consumers

In July 1992, nearly 500 consumers in Paderborn, Germany, were interviewed, firstly, about the perceived similarity of 10 furniture retail stores belonging to different retail categories and secondly, more detailed about their impressions and attitudes towards one only of the 10 furniture retailers. Rating scales formed the basis of the research instrument. The surveys were conducted in the homes of the test subjects. The statistical procedures were executed with the programs SPSS/PC+ and UCINET 3.0.

3.1.1 Multidimensional scaling

The MDS-procedure was conducted with UCINET 3.0. A two-dimensional solution was chosen. The stress value of Kruskal is 0.03 and can be characterized as excellent. Figure 1 shows the plot of stimulus space.

Figure 1

Legend: D = Discounters   M = "In the Middle"   F = Specialized Retailers   DS = Design Shop
     D1 = SB-Moebel   M1 = Osthoff   F1 = Finke   (= Wohnen&Ideen)
     D2 = Roller   M2 = Voss   F2 = Ruhe
     D3 = Suedring   F3 = Schoppe

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The horizontal axis of the stimulus plot can be labelled as the price dimension, the vertical as the intensity of innovative merchandising concepts. Furthermore, this store positioning map suggests a classification of the 10 stores into five segments according to their plotted proximity. The first group consists of the three discounters Roller, SB-Moebel and Suedring, the second group of only one member: IKEA and the third group consists of the firms Osthoff and Voss[5] which are two furniture warehouses.

Although the group membership of Finke may be arguable, Finke, Schoppe and Ruhe are grouped in one segment[6]. These three retailers belong to the traditional category of specialized retail trade. The differences between Finke on the one hand and Schoppe and Ruhe on the other hand are discussed later. Finally, one store, Wohnen & Ideen, a design-oriented furniture shop, comprises the fifth group.

The MDS-analysis was conducted mainly to analyse the similarity of the 10 different retail firms and to classify the objects into discrete market segments. As mentioned before, all discounters are perceived similarly. IKEA as well as Wohnen & Ideen (the "design-shop") have outstanding positions in the plot. Osthoff and Voss, the retailers of the third group, can be characterized as those firms who are "stuck in the middle" because they can neither be classified with the low price retailers, nor do they offer innovative merchandising concepts. Of course, it is easier to explain a MDS-plot when information about not only the overall similarity but about the detailed evaluation of various image dimensions of the firms is derived as well. Therefore, in the following section, the images of the new formed segments will be investigated.

3.1.2 Analyses of the different images of the retailers

The test subjects were given a large number of different questions on their impressions of and attitudes towards the stores. Each test subject had to evaluate only one of the 10 stores.

Initially, factor analyses[7] were applied to all item- and statement batteries to avoid implicit weighting and to establish primary dimensions (see the following table). The denotation of the different factors is in boldface.

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The furniture retailer:	
- offers high-quality products - has distinctive, unique products - offers the latest fashion - does not offer "junk goods" - offers goods that are not available in other shops	"special assortment"
- offers a reasonable supplementary assortment (i.e. goods related to the main assortment) - customers are not kept waiting	"good service"
- invites browsing - has an appealing shop design / product presentation - presents the furniture in its daily environment - has exciting attractions - it is easy to find one's way around the store	"exciting shop-design"
- offers competent and friendly advice - could be my employer if I were engaged in the furnishing trade - is a traditional and respected firm - has skilled personnel	"advice and PR"
- offers consistently low prices - offers "fair" prices to the customers - does not demand excessively high prices - serves people who want to save money but do not need to do so	"price level"
- has good special offers	

Table 2: Results of the factor analysis of the impression profile (items)

extraordinary, original, striking, appealing, full of life, special, varied, intimate, compelling, relaxing	"unique"
assorted, clear	"easy to orientate"
well-priced	"well-priced"

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In a second step, an analysis of whether the consumers have different attitudes towards the 5 retailer groups was undertaken. If the same importance is attached to all image dimensions that were derived from the factor analyses the following ranking can be stated (1=best image, 5=worst image):

1. Specialized retailers (Schoppe, Finke, Ruhe; n=85)
2. Design-shop (Wohnen & Ideen, n=42)
3. IKEA (n=44)
4. "In the middle" = (the "uncommitted") (Osthoff, Finke; n=85)
5. Discounter (Roller, SB-Markt, Suedring; n=130).

This result shows that the discounters which follow a low price strategy are inferior to all other retail categories. According to this ranking, on "superficial inspection", the thesis "Consumers will favour those retailers who follow either a strategy of price leadership or a differentiation strategy over those retailers who are 'stuck in the middle'" cannot be confirmed.

A closer look at the results shows that price leaders do indeed have to be aware of a "junk goods image". This result is in keeping with Porter's warning that a low price strategy can easily translate into a "junk goods image" unless adequate attention is paid to quality. In other words, price alone is not decisive. IKEA which can be counted to the category of discounters as well, is evaluated

Table 3: Image Comparison between discounters, "in the middle", IKEA (oneway)

Independent Dependent	Mean Group D "Discounters"	Mean Group M "in the middle"	Mean Group I "IKEA"	Total Group D	Total Group M	Total Group I	Comparisaon of Significance Group D -Group M	Comparisaon of Significance Group D - Group I	Comparisaon of Significance Group M - Group I	Homogeneous variances
unique atmosphere	-0,936	-0,204	0,334	139	88	46	0,000	0,000	0,000	yes
easy to orientate	-0,060	0,109	-0,277	139	88	46	n.s.	n.s.	0,033	no
well-priced	0,442	-0,326	0,750	139	88	46	0,000	0,044	0,00	yes
special assortment	-1,043	-0,079	0,057	127	76	46	0,000	0,000	n.s.	no
service	0,048	0,136	-0,781	127	76	46	n.s.	0,000	0,000	no
exciting store-design	-0,763	-0,149	0,565	133	80	40	0,000	0,000	0,000	yes
price promotions	0,638	-0,081	0,626	133	80	40	0,000	n.s.	0,000	yes
advice and PR	-0,798	0,314	-0,311	99	70	37	0,000	0,002	0,000	yes
price level	0,670	0,148	0,394	99	70	37	0,000	n.s.	n.s.	es

significantly more positively than the other discounters and those retailers who are "stuck in the middle". IKEA is not only perceived as fairly priced, but the assortment and the store atmosphere are also evaluated positively. Store atmosphere and assortment are very important image dimensions. A regression analysis between all image dimensions (including all price aspects) (= independent variables) and the statement "I do not like the shop at all ...I like the shop very much" (= dependent variable) shows that the shop-appeal is influenced only by the uniqueness of the assortment, by an exciting store atmosphere and by the evaluation of the communication-mix (evaluation of the advice of the sales personnel, public relations). The multiple regression coefficient is 0.805. Due to these results, it is more sensible to formulate the following relation:

If a store's low price strategy is to be successful it needs to differentiate itself in some significant way (in the minds of consumers) from other discounters.

As far as the comparison between retailers who pursue the differentiation strategy and retailers who are uncommitted ("stuck in the middle") is concerned, the hypothesis from the consumers' perspective can be confirmed. Table 4 shows that the traditional specialized retailers are evaluated significantly better than the retailers who "stuck in the middle". The same applies to the designer-shop that holds a special position in the MDS-Plot. Wohnen & Ideen received the best evaluation with regard to the uniqueness of the assortment and the poorest marks with regard to the price level. This retailer pursues the differentiation strategy very consistently. The success of this retail policy is dependent on two prerequisites: The retailer has to offer permanently distinct and unique products which are not available in other shops. In addition, the firm needs enough consumers who are willing and able to pay the required high prices.

Table 4: Image Comparison between "in the middle", specialized traders, the "design shop" (oneway)

Inde-pendent / Depen-dent	Mean Group M "in the middle"	Mean Group F "Specia-lized traders"	Mean Group DS "Design-Shop"	Total Group M	Total Group F	Total Group DS	Compa-risaon of Signi-ficance Group M - Group F	Compa-risaon of Signi-ficance Group M - Group DS	Compa-risaon of Signif-icance Group F - Group DS	Homo-geneous variances
unique atmos-phere	-0,204	0,655	1,013	88	133	45	0,000	0,000	0,003	yes
easy to orientate	0,109	0,259	-0,510	88	133	45	n.s.	0,001	0,000	no
well-priced	-0,326	-0,2736	-0,686	88	133	45	n.s.	0,029	0,008	yes
special assor-tment	-0,079	0,782	0,968	76	118	45	0,000	0,000	n.s.	no
service	0,136	-0,036	0,528	76	118	45	n.s.	0,019	0,000	no
exciting storedesign	-0,149	0,607	0,394	80	123	41	0,000	0,001	n.s.	yes
price promo-tions	-0,081	-0,499	-1,023	80	123	41	0,000	0,000	0,000	yes
advice and PR	0,314	0,615	0,213	70	99	36	0,020	n.s.	0,013	yes
price level	0,148	-0,503	-1,152	70	99	36	0,000	0,000	0,000	yes

Table 5: Image Comparison between Schoppe, Finke, Ruhe (oneway)

Independent Dependent	Mean Schoppe	Mean Finke	Mean Ruhe	Total Schoppe	Total Finke	Total Ruhe	Comparisaon of Significance Schoppe - Finke	Comparisaon of Significance Schoppe - Ruhe	Comparisaon of Significance Finke - Ruhe	Homogeneous variances
unique atmosphere	0,805	0,504	0,681	43	50	40	0,036	n.s.	n.s.	yes
easy to orientate	0,312	0,365	0,068	43	50	40	n.s.	n.s.	0,037	no
well-priced	-0,662	0,348	-0,633	43	50	40	0,000	n.s.	0,000	yes
special assortment	1,085	0,605	0,818	36	43	32	0,000	0,022	n.s.	no
service	0,237	-0,530	0,303	36	43	32	0,000	n.s.	0,000	yes
exciting store-design	0,577	0,850	0,423	37	42	38	0,05	n.s.	0,11	yes
price promotions	-0,785	-0,057	-0,765	37	42	38	0,000	n.s.	0,000	yes
advice and PR	0,928	0,340	0,592	33	32	33	0,003	n.s.	n.s.	yes
price level	-0,591	-0,117	-0,801	33	32	33	0,014	n.s.	0,000	yes

As mentioned before, retailers have many means at their disposal which can create a unique image. Table 5 demonstrates the differences between Schoppe, Ruhe and Finke. All are evaluated very positively, but, the MDS-solution should be borne in mind, Ruhe and Schoppe lie very close to each other whereas Finke is located further away from them. Table 5 shows that Finke is evaluated more positively than the other two competitors with regard to the price dimension, the service activities and the store design.

3.2 Results of the research on retailers

Again, factor analyses were applied initially to the statement batteries that measure the attitudes of retail managers towards different marketing strategies in order to avoid implicit weighting and to establish primary dimensions. The denotation of the different factors is in boldface.

Table 6: Results of the factor analysis of business managers' attitudes
"Attitude towards market segmentation"
I would like to serve only one or a few customer segments in an optimal fashion, even if I run the risk of alienating a large segment of the clientele.
The broader and more conventional the line of products, the better.
I have to cater for a broad spectrum of tastes. (-)*
I would like to please as many customers as possible by my business policy. (-)*
A furniture retailer should not sell furniture, but life styles.

"Attitude towards a cost-intensive service"

The setting-up and repair service of my firm is trained continuously, despite higher costs.
My furniture store rejects offering specific services and guarantees and instead sells furniture at lower prices. (-)*
I feel more like an indoor decorator who offers his customers complete solutions, and les like a trader.
Thorough quality controls by my personnel are a matter of course for me, despite costs and time.

"Attitude towards a pleasant shop atmosphere"

My shop should be a place of purchase for my customers. They can spend their spare time in a more reasonable way elsewhere. (-)*
We gather information on other social areas as well, like on the latest fashion, on new art, etc.
The more extraordinary the shop design and the presentation of the goods,the better.
My motto: To strike a happy medium is always appropriate. (-)*

"Attitude towards trademarks and brands"

This furniture store should only deal with branded goods.
You pay more unnecessarily for branded goods.We buy only imitation goods. They are as good as branded items.

"Attitude towards trends"

In this furniture store, the assortment is always oriented towards the latest fashion trends.

"Attitude towards price setting and conditions"

We are a furniture store for customers who want to save money but do not <u>need</u> to do so.
My motto: Sell the furniture at the lowest possible price.
When selecting my manufacturers, the terms of sale (e.g. discounts) play the most important role.
I like buying furniture from Eastern Europe or South-East Asia. Despite the fact that I have to expect a higher number of substandard goods, the furniture is still cheaper.
I constantly observe my competitors and adjust my prices and my line of products in relation to the strongest competitor.

"Attitude towards related assortment"

Nowadays, a house furnishing firm has to offer supplementary lines of products (such as glass or porcelain).
(-)* = negative factor loading

Table 7: Final Cluster Centers

Factor	"In the middle" n=14	"Price-leaders" n=12	"Differentiators" n=9
market segmentation	-0,430	-0,500	0,764
service	0,619	-0,866	0,425
store atmosphere	-0,729	0,140	0,688
trademarks/brands	-0,062	-0,518	0,923
trend orientation	0,612	-1,046	-0,107
prices/conditions	0,242	0,514	-1,107

As a second step, a hierarchical cluster analysis (Ward algorism) was used to classify the different retailers into discrete market segments. The following table shows the results of the cluster analysis.

Interpretation of the cluster analysis

Three clusters can be differentiated. The first cluster can be regarded as the **"Price-leaders"**. The retailers of this segment are interested only in selling their furniture at the lowest possible price. The strategic thinking is stringently adjusted to this target. These retailers need to cater for the taste of a broad clientele. They are neither interested in cost-intensive service nor do they like to offer expensive branded goods. The second segment, the **"Differentiators"**, can be characterized as quite the reverse of the "price leaders". These retailers want to sell high-quality goods which meet the life-style of the clientele. In addition, they like to create an appealing store atmosphere and try to offer generally good service. Yet, members of this cluster do not follow the latest fashion. In the third group there are retailers who cannot decide between the price- and the differentiation strategy. They are **"stuck in the middle"**.

In a third step, the thesis about the economic success must be analysed:

If retailers stringently follow either the strategy of price leadership or the strategy of differentiation they will be more successful than those retailers who are "stuck in the middle".

It is not possible to use an analysis of variance to investigate significant differences in economic ratios between the three clusters due to the small sample and due to the fact that not all of the retailers disclosed their turnover. Nevertheless, according to tendency, in the retailing sector, Porter's thesis can be confirmed (see the following table).

Porter (1980, p.43) points out that in some industries, the "problem of getting caught in the middle may mean that the smaller (focused or differentiated) firms and the largest (cost leadership) firms are the most profitable, and the medium-sized firms are the least proftibale. This implies a U-shaped relationship between profitability and market share". Though today this controversial thesis is still discussed, - according to the empirical findings - it can be applied to this investigation.

4. Final discussion

The following findings can be noted:
- The primary attitude dimensions towards different marketing instruments are suitable criteria to classify retailers.
- The research on retailers supports Porter's thesis that managers have to decide either to pursue the differentiation strategy or price-leadership. It is advisable, of course, to emphasize this result by bigger samples or by other branches.
- The image analysis on consumers does not yield such a clear picture. Research on consumer behaviour indicates that indviduals are becoming more self centered and show a greater need for self expression. Demographic, economic and life-style changes have led to a "new type of a consumer" who strives after self-actualization and attempts to demonstrate and realize individuality through his/her purchases. In

Table 8: Economic ratios and retailer segments (qm = squaremeter)

Economic ratios	"In the Middle"	"Price-Leaders"	"Differentiators"
Turnover	DM 6.787500,-	DM 33.233.333,-	DM 4.328570.-
Total area	5618 qm	9268 qm	2241 qm
Turnover/total area	DM 1208 per qm	DM 3585 per qm	DM 1932 per qm
Sales area	4107 qm	5884 qm	1592 qm
Turnover/sales area	DM 1653 per qm	DM 5648 per qm	DM 1892 per qm
Sales personnel (n)	24	61	13
Turnover/personnel	DM 282812 per p.	DM 544809 per p.	DM 332967 per p.
Sales area/personnel	171 qm per p.	97 qm per p.	122 qm per p.

addition, the new consumers wish to conduct their shopping in an out-of the oridinary ambience. Probably, this new life-style is the reason for consumers' negative evaluation of cheap furniture discounters. For this reason, from the consumers' point of view, it is not sufficient only to offer low prices. IKEA has an outstanding position in the MDS-plot because IKEA (in Germany) does not only offer cheap goods but an intimate and extraordinary store design as well.

- Ruhe and Schoppe have very positive images. Nevertheless, both retailers should try to develop a more distinguished profile, as they have nearly the same position in the MDS-plot. The competitive situation of Finke can be characterised as promising if Finke does not neglect to offer high-quality, unique products in the future and if Finke continues to develop an extraordinary shop atmosphere.

Prospects for further investigations:

In this paper, only the most important results could be discussed. Space limitations prohibit an analysis of statistical details[8]. In the future, separate investigations from the consumers' perspective as well as from the retailers' perspective should be conducted. From the consumers' perspective new studies should investigate the relationship between store-atmosphere, store design and the evaluation of the price-level. From the retailers' point of view studies about the effectiveness of various differentiation-strategies will be useful (Esch, 1992). Retailers who are uncommitted need information about the influence of different marketing instruments on store-positioning maps in order to choose the right strategy.

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[1] Of course, "overall cost leadership" cannot simply be equated with "price leadership". A low cost retailer does not have to sell at a low price - he simply has to operate at the lowest relative cost. In contrast to that, a price-leader must have very low costs - otherwise this retailer is unable to offer price benefits. Price-leaders in retailing have to cut their costs by securing the best possible conditions of delivery and payment.

[2] The key word is "virtual reality". Computer-controlled pictures and perceptions create a synthetic, 3-dimensional, interactive world which can be seen, felt, heard and touched by the human being. Consumers do not have the feeling of sitting in front of a computer at home, but - by the so-called "Home-Reality-Engine" - they can call up different programs and get the impression of real-life shopping in a supermarket or in the most exotic shops of their preference.

[3] A famous example for a successful emotional benefit strategy in retailing is the "BodyShop". Because we have to contend with problems of pollution, energy shortage and the depletion of natural resources, the BodyShop shows concern for these natural factors and sells cosmetics made entirely of natural ingredients (animal testing of products is not allowed).

[4] Store positioning enables a retailer to determine how consumers perceive the company relative to its competitors.

[5] In August 1992, one month after the interviews, the retail firm Voss was taken over by Osthoff.

[6] In fact, the distance between Finke and Rube is smaller than the distance between Finke and Wohnen & Indeen.

[7] This and the following statistical procedures were conducted with SPSS\PC+.

[8] For further information see Groeppel (1993).