Hanna Schramm-Klein *Editor*

European Retail Research

2012, Volume 26, Issue II

Springer Gabler

European Retail Research

Hanna Schramm-Klein (Ed.)

European Retail Research

2012, Volume 26, Issue II

Springer Gabler

Editor
Hanna Schramm-Klein
Lehrstuhl für Marketing
Universität Siegen
Siegen, Germany

Preface

EUROPEAN RETAIL RESEARCH is a new bi-annual that is in the tradition of the reputable book series "Handelsforschung" (Retail Research) which has been published by Prof. Dr. Volker Trommsdorff in Germany for more than two decades. Since 2008, this publication is edited by a team of retail researchers from Austria, Germany, and Switzerland.

The aim of this book series is to publish interesting and innovative manuscripts of high quality. The target audience consists of retail researchers, retail lecturers, retail students and retail executives. Retail executives are an important part of the target group and the knowledge transfer between retail research and retail management remains a crucial part of the publication's concept.

EUROPEAN RETAIL RESEARCH is published in two books per year, Issue I in spring and Issue II in fall. The publication is in English. All manuscripts are double-blind reviewed and the book invites manuscripts from a wide regional context but with a focus on Europe. We respect the fact that for many topics, non-English literature may be useful to be referred to and that retail phenomena from areas different from the US may be highly interesting. The review process supports the authors in enhancing the quality of their work and offers the authors a refereed book as a publication outlet. Part of the concept of EUROPEAN RETAIL RESEARCH is an only short delay between manuscript submission and final publication, so the book is – in the case of acceptance – a quick publication platform.

EUROPEAN RETAIL RESEARCH welcomes manuscripts on original theoretical or conceptual contributions as well as empirical research – based either on large-scale empirical data or on case study analysis. Following the state of the art in retail research, articles on any major issue that concerns the general field of retailing and distribution are welcome, e.g.

- *different institutions in the value chain*, like customers, retailers, wholesalers, service companies (e.g. logistics service providers), but also manufacturers' distribution networks;
- *different value chain processes*, esp. marketing-orientated retail processes, supply chain processes (e.g. purchasing, logistics), organisational processes, informational, or financial management processes;
- *different aspects of retail management and retail marketing*, e.g. retail corporate and competitive strategies, incl. internationalisation, retail formats, e-commerce, customer behaviour, branding and store image, retail location, assortment, pricing, service, communication, in-store marketing, human resource management;
- *different aspects of distribution systems*, e.g. strategies, sales management, key account management, vertical integration, channel conflicts, power, and multichannel strategies.

Basically, we seek two types of papers for publication in the book:

- *Research articles* should provide a relevant and significant contribution to theory and practice; they are theoretically well grounded and methodologically on a high level. Purely theoretical papers are invited as well as studies based on large-scale empirical data or on case-study research.
- Manuscripts submitted as more *practice-oriented* articles show new concepts, questions, issues, solutions and contributions out of the retail practice. These papers are selected based on relevance and continuing importance to the future retail research community as well as originality.

In addition, the editors will invite articles from specific authors, which will also be double blind reviewed, but address the retailing situation in a specific country. Manuscripts are reviewed with the understanding that they are substantially new, have not been previously published in English and in whole, have not been previously accepted for publication, are not under consideration by any other publisher, and will not be submitted elsewhere until a decision is reached regarding their publication in EUROPEAN RETAIL RESEARCH. An exception are papers in conference proceedings that we treat as work-in-progress.

Contributions should be submitted in English language in Microsoft Word format by e-mail to the current EUROPEAN RETAIL RESEARCH managing editor or to info@european-retail-research.org. Questions or comments regarding this publication are very welcome. They may be sent to anyone of the editors or to the above mentioned e-mail-address.

Full information for prospective contributors is available at http://www.european-retail-research.org. For ordering an issue please contact the German publisher "Springer Gabler" (www.springer-gabler.de) or a bookstore.

We are very grateful for editorial assistance provided by Sascha Steinmann.

Graz, St.Gallen, Fribourg, Vienna, Trier and Siegen, Fall 2012

Thomas Foscht, Thomas Rudolph, Dirk Morschett, Peter Schnedlitz, Bernhard Swoboda
Hanna Schramm-Klein (managing editor for Volume 26 Issue II)

Contents

Country Reports

Brand-Driven Leadership for Change Management in Retailing

Günther Botschen, Ian Combe and Eva Thelen

Abstract

Change management theorists largely overlook using the brand as a vehicle for change. Similarly, while branding has become an increasingly popular research and business topic, the branding literature appears to neglect change management. Our research bridges this gap through the development of brand identity as the main driver of organizational renewal. In the article we provide insights into brand-driven leadership for change which have been developed by collaborative action research with CEOs and owners of retail firms over a twenty year period. In contrast to the usual planning of change attempting to fit the firm to external trends and considering internal resources our brand-driven approach is based on resonance with consumers by the use of external socio-cultural meanings in society. We highlight phases in the development of brand identity by reference to a prototypical retail case study and present a framework to help managers with brand-driven leadership for change.

Günther Botschen *(corresponding author)*
Department of Strategic Management, Marketing and Tourism, University of Innsbruck
School of Management, Innsbruck, Austria
(+43(0)512 507 7217, E-Mail: guenther.botschen@uibk.ac.at)

Ian Combe
Marketing Group, Aston University, Ashton, United Kingdom

Eva Thelen
Department of Strategic Management, Marketing and Tourism University of Innsbruck, Innsbruck, Austria

1   Introduction

Strategy for change has been historically portrayed as either a linear top-down rational ana-
lytical process involving planning to fit the firm to the external environment or a cyclical
emergent process which takes account of the implementation of any change (Wilson 1992).
From a rational planning perspective the main emphasis is on driving change within firms
through the analysis and identification of external trends and the assessment of resources in-
ternally which will be required for change to take place. More recent change theorists discuss
other processes as vehicles for change such as culture, productivity, efficiency, quality, and
leadership (Senge 2000, 2006; Kotter 2007; Krueger 2006). However, there is limited discus-
sion on using the brand as a vehicle for change. Similarly, while branding has become an in-
creasingly popular business topic, the branding literature appears to neglect change manage-
ment.

In stark contrast to the separate literatures addressing change and brand management, manag-
ers are currently asked to change their firms to lead or respond to external change as well as
develop and refresh the brands they manage. To do this they have to integrate change man-
agement and brand leadership and consider the impact of one on the other (Shelton 2003) but
there is limited advice on how they can do this. To address this limitation we aim to bridge
this gap through the development of a practice-centred understanding (Dougherty 1992)
which uses brand identity as the main driver of organizational renewal. Our practice-centred
approach emphasizes the intricacies of the day-to-day thoughts and actions that go into suc-
cessful brand development. Our insights into brand-driven leadership for change are based on
work to develop market leading firms using longitudinal action research conducted over
twenty years to put theory into practice. In this article our focus largely on brand leadership
because one of the most challenging tasks for leaders of change is choosing the future long
term brand identity for their firms. We contrast this leadership role with brand management
which is responsible for the consistent materialization of the brand identity at all relevant con-
tact points over the long term.

The remainder of this article is structured as follows. First, we describe our particular view of
brand identity and brand management. Second, we outline our research approach which is
focused on collaborative longitudinal action research to develop brand identity for retail firms
because this interaction enabled us to address the on-going issues associated with the imple-
mentation of change. We conclude by considering the implications of our research for future
research and for managers involved with leading change.

2   Brands, Brand Identity and Brand Management

Brands, brand identity and brand management play an increasingly important role in every organization and everyone's life. Brands and brand management have become crucial promoters of societal and individual development and prosperity. They secure the survival of firms; they help individuals to express their personality and to develop their self-identity, and they contribute to the growth of economies. Finally, of particular significance is the unique embedding of brands into the contextual meanings of any culture by locking into the functional and/or emotional facets of meaning systems.

Every culture is equipped with particular meaning systems, so called cultural codes, which enable the transfer of meanings (Botschen/Rigger 2003; McCracken 1986) by their relationship to each other as the basis for socio-cultural understanding. These codes contain cultural categories in the form of words, symbols, archetypes, gestures, mimics, behaviours or other signals. To achieve understanding it is necessary to know the categories and their relationships to other categories in a particular culture (Bauernfeind 2003).

Brands derive their resonance and energy from the occupation of attractive cultural codes in society. These might be codes which have not been used by companies so far. For example, "Red Bull" decided to conquer the socio-cultural meaning of energy through stimulating body and mind. Codes, which have been modified towards a new meaning system like "Yellow Tail" wine which is an alcoholic fruit drink to attract people who resist meanings inherent in traditional red or white wine. Other brands use codes which are new inventions, like innovations in the sports business such as "Burton" snow or skateboards for new ways to move you on snow or asphalt. Hence brands become and can be carefully defined as carriers of socio-cultural meanings in established or newly created contexts. The latter is of particular importance for our discussion of brand identity and brand management.

As a logical consequence of meaning transfer, brand identity is characterized as the particular combination of socio-cultural meanings an organization would like to represent and to be associated with in the long term. It should secure the long term focus for the whole firm and form the basis for enduring resonance with existing and potential customers and other important stakeholders such as employees.

It seems worthwhile to distinguish between brand leadership and brand management. Whereas the former is determining the future long term resonance based on the chosen brand identity the latter is responsible for the consistent materialization of the intended meaning system at all relevant contact points; where the brand comes into contact with its stakeholders. Brand management needs to compose and guide all interactive processes in a way that the

meanings attached to the brand can be experienced without any contradictions at contact moments. The more precisely the translation processes are guided and controlled the more unlikely there will be misinterpretation of the intended meanings. Also if the intended meanings are controlled there is less likely to be damage to the brand through different subjective interpretations by consumers and other stakeholders (Botschen/Kittinger 2010).

While brand management is important to guide interpretations by stakeholders at the contact points there is first a need to lead the development of any "new" brand identity. We first cover brand leadership and then brand management in this article, but before this we outline our method.

3   Method: Collaborative Inquiry in Action Research

When developing our understanding of change management we used a collaborative action research approach proposed by Argyris/Schön (1996) based on Dewey (1938). In various firms conditions for collaborative research were explored so that practitioners and academic researchers share an interest in building explanatory models of organizational worlds. Both are unavoidably concerned with issues of causality and causal inference. By seeing both organizational practice and academic research as forms of inquiry we can reframe the conventional view of their relationship in a way that promotes both usable knowledge and robust research. Central to this reframing is Dewey's idea of inquiry, which begins with a problematic (doubtful) situation. Problems block action but the inquirer seeks to unblock these to restore the flow of activity. Inquiry is tested by its success in resolving problems and how it addresses new problems the resolution creates.

The collaborative approach was agreed and involved interaction with the CEOs/owners of retail firms. All firms were privately owned and faced a similar motivational trigger as a starting point for the collaboration. They were all looking to develop and strengthen their whole organization as a brand. None of them had any financial problems and all CEOs/owners were willing to actively participate in their brand renewal over the long term. One example, which we refer to in this article, was MPREIS, a regional food retail chain with currently about 200 supermarkets situated in the western region of Austria.

We use the MPREIS case as a prototypical example of what we found and implemented during the collaborative process. The use of a single case enables us to outline in more detail what we have learned and explain the main phases required to complete any brand-driven leadership for change. We also particularly use the MPREIS case because it provides a visual example of a stark change in brand identity and therefore the change process and the out-

comes are more easily understood by readers. While we concentrate on a single case to explain the implementation of our ideas we also draw on another retail example to provide more analytically generalizable conclusions (see Yin, 2004).

We now describe the main phases and explain the process to complete the development of the renewed brand. Phases 1 and 2 are concerned with the leadership of change to brand identity while phase 3 explains how to manage the alignment of firm structure, processes, rules and behaviour of employees to the intended future brand identity.

3.1   Phase 1: Determination of the New Brand Identity

In all our collaborative cases the motivation behind the CEO/owner's involvement with brand renewal was a degree of dissatisfaction with the current strength of the "corporate brand" and an increasing lack of differentiation from their main competitors. For example, Anton Mölk, the CEO of MPREIS, was copying the format and pricing strategy of ALDI, the low price discounter, but found it difficult to complete with the larger competitor. He was also impressed by the story behind the energy drink brand "Red Bull" and was therefore looking for an attractive future brand profile to break with the increasing focus on low price competition within the retail supermarket industry.

Motivation of Staff

A main consideration at this early stage was to motivate as many employees as possible for the brand driven renewal process and to avoid any problems in the well-established organizational change formula suggested by the Dannemiller Tyson Associates (2000, 2005). In other words, to make sure that "D" (Dissatisfaction) x "V" (Vision) x "Fs" (First steps) are greater than "R" (Resistance). To do this a small brand development team (a microcosm of the firm) was brought together to analyse patterns of resonance with consumers in the past. A microcosm team follows the idea that you can model the culture and knowledge of a firm in a team of 10 to 50 representatives.

Motivation of staff is a concern in all our collaborations to renew brand identity. The size of the team may change from case to case due to the different size of the firms but in all cases the CEO and directors are obligatory participants otherwise the intended move lacks a clear priority. Also included in all cases are representatives from different departments so the process is as inclusive as possible. All hierarchical levels in the firm need to be represented and interviews are conducted so that critical thinkers with experience of the past are targeted to be included in the team.

In the MPREIS case the team consisted of 35 people recruited from different departments and hierarchical levels, ranging from the CEO and directors, to managers of stores and head office staff from personnel, logistics, marketing, control and service personnel.

Analysis of the Past

Under the guidance of an external moderator the team explored the historical brand identity and the development of the intended future brand identity for the firm. When exploring the established brand identity face-to-face in-depth interviews were conducted. The main purpose of these interviews is to identify historical patterns of positive or negative resonance which reveal the underlying meaning system of the brand. These interviews are conducted with all members of the team and additional experienced employees plus some external experts who know the company very well.

Experienced employees can remember which company activities continuously reproduce positive or negative customer or stakeholder resonance and they can also explain the causal link to underlying mechanisms within the firm which are responsible for these patterns of success or failure. Typically a qualitative content analysis of about thirty interviews by two or three independent analysts will allow the main patterns of resonance to be identified. The team then builds the basis for the intended future identity which are derived from and connected to the surrounding "culture".

The main task for the team at this stage is to see which existing meanings are to be taken into the future; which ones need to be modified, which need to be eliminated and which meanings could be added as complete new ones (Kim/Maubourgne 2005). We have found by experience that the use of a collage technique produces the best results for this task. Case teams of three to five members designed collages about their intended brand identity integrating the results from the exploration of the existing identity. To enrich and widen the results external experts might be invited into the team to add their ideas. All collages are presented to the team members and interested employees, explained and discussed in detail. Unfeasible proposals can be eliminated at this stage. All presentations are tape recorded or videotaped.

While we have found that the collage technique to be a very powerful way to highlight the intended change of identity to employees in a very visual format, several CEO's did not like the use of collage when it as first suggested. Resistance to the use of this technique needs to be overcome because it has been very useful in all our collaborations.

Developing Socio-Cultural Meanings for the Future

The next stage is to perform another content analysis to identify the most promising socio-cultural meanings proposed by the development team and these are discussed with the CEO or owner. The derived intended identity is then presented to a core team consisting of the CEO and the top executives. The presentation is supported by text and pictures and this helps secure the buy-in to the intended brand identity by the top team before it is presented to the development team members. From our collaborative work we have found that this procedure results in-buy in from all employees involved and only minor modifications have been necessary when developing the evolved future brand identity.

In the MPREIS case the shift from the historical brand identity in the early nineties to the intended future identity was a really challenging one. Whereas the identified historical meanings were driven by the specific conditions of the whole supermarket industry, the future brand identity represented a significant break with some of the established resonance patterns and related meanings of the past.

Table 1 and Figure 1 summarizes the results in terms of the historical past and future brand identity as a "big picture" (Kim/Maubourgne 2005) applying the above procedure to the MPREIS supermarket retail firm. We deconstructed the meanings associated with the old and new brand identity (Combe/Crowther/Greenland 2003) to emphasize the change both in text and pictorially. See Table 1 and Figure 1.

Table 1: Deconstruction of Past and Future Brand Identity of the MPREIS Company

Past Brand Identity	→	Future Brand Identity
Shabby Discount like Appearance	→	Aesthetic Store Atmospherics
Poor Freshness	→	Excellent Freshness
Price/Quality Focus	→	Pleasant taste and Savour Focus
Interchangeable Assortment	→	Exclusive Variety (only available at MPREIS)
Tyrolian Company	→	Regional and Organic
Boring Presentation	→	Zeitgeisty Communication

We find the pictorial deconstruction very powerful in aiding the buy-in from employees, especially in this particular case, because of the stark contrast between past and future identities.

In our other collaborations the same underlying process was followed but the changes for the future were typically much more subtle. For example, in the case of INTERSPAR, the Austrian hypermarket chain, the main change for the future was to bring the meanings associated with an open air market into the hypermarket. This change is more subtle and involved a rethink of the internal layout of the stores but little change externally. Transferring this idea into

the food retailing sections of the store was reasonably straightforward but was much more demanding in the non-food sections.

Figure 1: Past and Future Brand Identity
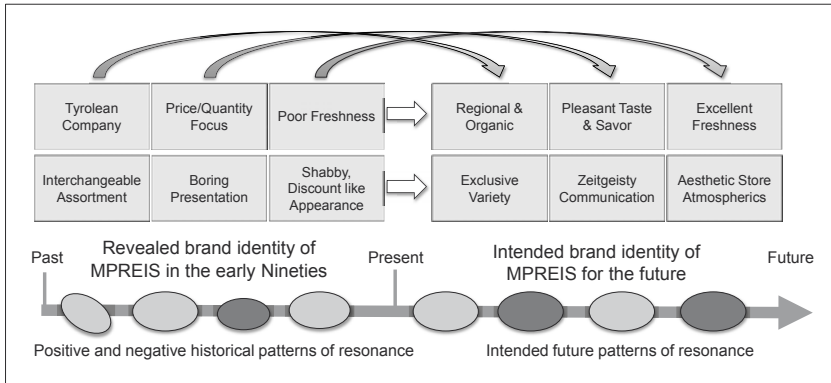
3.2   Phase 2: Translating the Intended Brand Identity into Concrete Results and Rules of Conduct at Contact Points

Although the future brand identity was carefully outlined in the brand development team and was starting to be a shared mental model within the members of this group it still remains too abstract. The future identity has no real relevance for those not involved in the team and this is especially so for employees who have direct customer contact. For these employees and for customers and other important stakeholders of the company the rather abstract meaning system needs to be concretized for every contact zone; where stakeholders come into contact with the brand. Zeithaml/Bitner (2000) propose a mechanism termed "digging deeper" which we use here to specify the concrete results and so called "rules of conduct" for important contact points between the firm and its customers. It is at these contact points that the intended brand identity will be materialized and perceivable by existing and potential customers. If the translation of the meanings is not clear and transparent and also consistent for the employees they will not adequately deliver high performance and this will result in disappointing contact experiences for customers.

Development of Concrete Behavioural Rules

In Figures 2 and 3 the process of digging deeper from the abstract level of aesthetics in the context of store atmospherics to concrete behavioural rules in the MPREIS case is shown. The meaning of "Aesthetic Store Atmospherics" was broken down into six dimensions and for each dimension various concrete results and behavioural rules were formulated.

Figure 2: Translating the meaning of "Aesthetic Store Atmospherics" into more concrete Customer and other Stakeholder Experiences
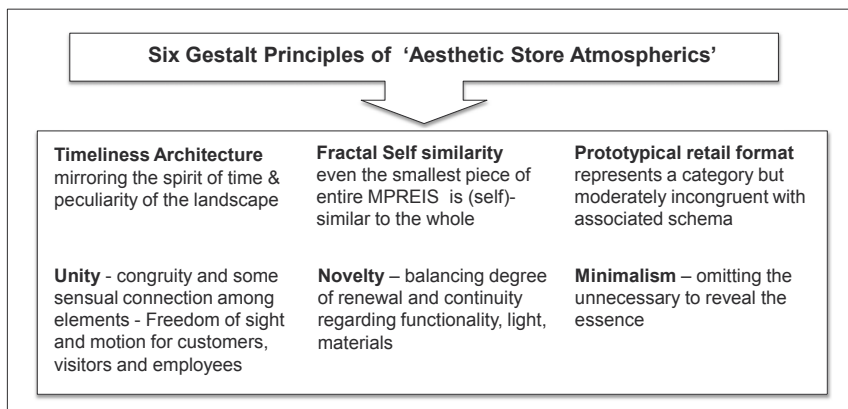
In Figure 3 the digging process is continued and a behavioural rule for the design of the contact zone store entrance is given. The illustration highlights how the rule is compared with a negative example from the entrance of a supermarket. By comparison with the past the impact of the new brand identity on the configuration of a specific contact zone can be more easily seen and the difference in the new design and behaviour can be recognized.

Figure 3: Translating the derived meaning Dimension of "Minimalism" into concrete Customer Experiences and behavioural Rules
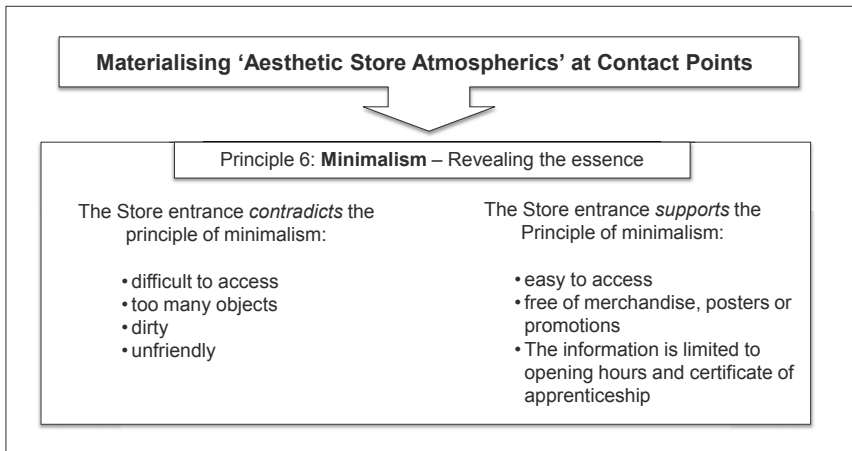
Integration of Employees in Brand Development

Employees need to be aware of the behavioural rules that relate to their own work and their impact on customer interaction. The translation exercise is a good opportunity to confront employees with the implications of the change for their daily routines and behaviour and to reflect with them on how the new identity impacts on concrete customer experiences. For this purpose one or two members of the development team are asked to select new team members for specific contact zones, discuss the intended brand meanings and translate them into concrete contact experiences and behavioural rules for their daily work. Facilitators then screen this catalogue of modified customer experiences and behavioural rules before it is presented to the whole brand development team. The team reflects again and the final version is printed into a "rule of conduct" booklet and handed to every employee.

The integration of employees in the brand development team to generate the rules of conduct allows the intended brand identity to enter their mental models and this can create an immediate impact on their behaviour. Some of the behavioural rules can be implemented directly after their acceptance without any specific training or additional resources. Many of them will need modification to the existing organizational structure and processes. Some others will require the development of new skills and capabilities. Others again will have an impact on the existing roles and responsibilities of executives and managers. Sometimes even modifications to the existing culture will be necessary to create identification and implementation of the decided "rules of conduct" into the daily routines and behaviour of all employees.

These activities can be summarized under aligning the whole organisation towards the intended new identity. Some of the most promising mechanisms are described in the next section termed phase 3 with examples from the MPREIS case.

3.3 Phase 3: Alignment of Structure, Processes, Roles and Behaviours

Figure 4 gives an overview of four crucial mechanisms to continuously support the implementation of the agreed rules of conduct.

Figure 4: Aligning the whole Organisation towards the New Brand Identity
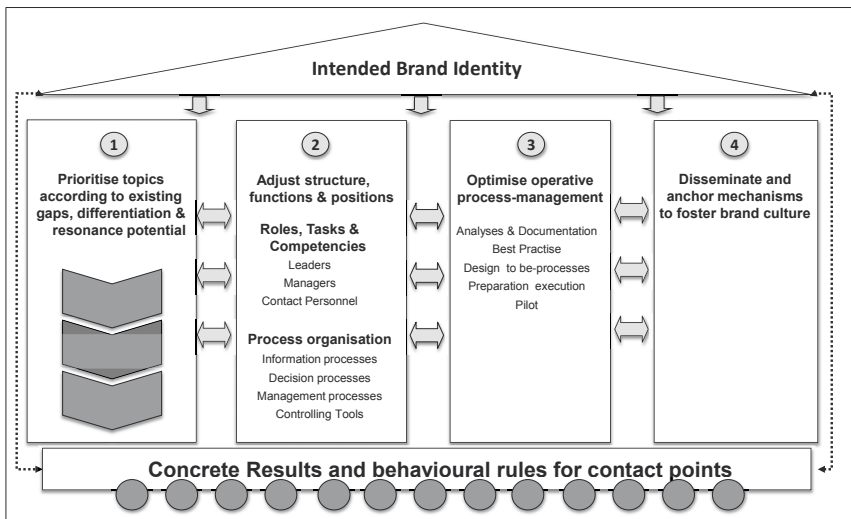
Prioritize Topics

The first mechanism deals with the prioritization of tasks by ranking of importance of meanings and contact zones. In the MPREIS case the meaning of "Aesthetic Store Atmosphics" in the interior and exterior design of new supermarkets received the highest priority. This was followed by a "Regional and Organic" focus in the product assortment and "Zeitgeisty Communication". As a consequence most of the available resources went into the development of the unique understanding of MPREIS in terms of store aesthetics. The specification and application of store aesthetics to the exterior and interior design of all new or converted sales premises through a pool of local and international architects and designers aimed to create a sensual experience to brighten up the daily routine of customers.

As a consequence of the change MPREIS's continuously adapting aesthetic outlets are repeatedly featured in respected architecture magazines and they have been represented at various international culture and art events. For example, the MPREIS case was presented at the 2004 Venice Architecture Biennale, the fashionable London magazine "Wallpaper" described MPREIS as "a seriously sexy supermarket" and according to the supplement of the Süddeutsche Zeitung it was highlighted as "the chicest shop to buy food and fresh produce".

As an example of the materialization of the meaning "Zeitgeisty Communication" MPREIS created modified food wrappers which include examples of poetry written by local poets. These stimulated customers' thoughts and became a source of constant amusement; they are even collected by devoted fans. The prioritizing of meanings and contact zones had paid off and the shopping public has endorsed the modern and refreshing character of MPREIS stores. MPREIS supermarkets are increasingly exercising a magnetic effect. Market research confirms that this brand enjoys more popularity and sympathy and gets more customers through its doors than any of its competitors.

In our other collaborations the same process was followed but of course emphasis is placed on different issues from one case to the next. In the case of INTERSPAR, for example, emphasis was firstly placed on the product assortment in the store. To ensure that the correct products are purchased for their customers the buying and selling functions were merged. Then work was undertaken on the design and layout of mini-markets within the hypermarket.

Adjust Structure, Functions and Positions

The second mechanism concerns necessary adjustments of structures, functions and positions. Here again the necessary modifications are driven by the derived concrete results for customers during contact moments. As a consequence the MPREIS headquarters was turned into a service centre to support store managers and their employees in the fulfilment of agreed behavioural rules. The role of buying managers was transformed into product assortment managers who directed their activities towards quality of goods and presentation on the shelves.

Optimize Processes

The third mechanism is to increase the knowledge about regional and organic food products and MPREIS had to rethink its buying philosophy and logistics to fit with this meaning. Some of the new suppliers were too small to satisfy the demand generated by 200 stores in the region. Hence a new logistical concept needed to be designed and implemented for suppliers who only delivered to some of the MPREIS supermarkets. To check the taste and flavour qualities of new products a tasting fair for employees was established.

Disseminate and Anchor Intended Brand Identity

The forth mechanism is responsible for dissemination and anchoring tools for the intended brand identity (Tomczak et al. 2008). In the MPREIS case training modules for "Aesthetic Store Atmospherics", "Excellent Freshness" and "Pleasant Taste and Savour" in train-the-trainer format were developed. Every employee attended these seminar modules and the CEO and top management team were more frequently present in the supermarkets. Slowly employees changed their view from discount driven price orientation to embrace the new brand identity. This way aesthetics, taste and freshness will constantly enter into the "culture" of MPREIS creating the expected resonance with customers and employees in the long term. A new meeting structure was designed to ensure that projects and feedback regarding the implementation progress of the intended brand identity are always on the agenda.

Table 2: Framework to Complete Brand-Driven Leadership for Change

Phase I **Determination of intended brand identity**	▪ Motivation and triggers for renewal ▪ Analysis of patterns of resonance – failings and success ▪ Identification of future patterns of success ▪ Development and specification of the new brand identity including the new core driver and central socio-cultural meanings
Phase II **Translation of the new brand identity into concrete experiences and rules of conduct at contact points**	▪ Identification of main contact zones for resonance ▪ Translating the brand meanings into concrete results and behavioural rules for employees
Phase III **Aligning structure, processes, positions and behaviours**	▪ Continuous work and projects to align and implement the intended brand identity ▪ Testing and experimenting, e.g. design of the prototypical market, optimizing a new degustation procedure, developing trainer modules for the implementation of new meanings ▪ Whole scale events which continuously confront and integrate all employees into the active support of the intended brand identity

In our collaborative case studies our work has revealed similar patterns for the three main phases of the brand driven renewal process. About six to twelve months were needed to develop and determine the intended new brand identity in each firm. Another six to twelve months proved necessary to translate the more abstract meanings into behavioural rules for employees and concrete results for customers. The alignment activities evolved as an ongoing procedure with a minimum time limit of twelve months. This was the minimum time required to create the desired positive resonance with existing and new customers and involving other stakeholders such as employees.

The meanings of the new brand identity are responsible for the continual attraction of the organization; the performance of the involved employees is responsible for the degree of customer satisfaction. If the new brand identity is not empathetically and clearly translated into concrete results and behavioural rules employees will not be able to recognize the relevance of the new brand meanings for their daily working routines. The understanding of the impact of the new brand identity is a must for everybody in the organization but does not guarantee that employees are automatically motivated and capable to perform the new rules of conduct (Vallaster 2007; Vallaster/de Chernatony 2006). In most cases they need support through training and the adaptation of structures and processes or alterations of their job profiles and responsibilities to successfully apply the new rules of conduct.

4   Summary and Outlook

In the introduction to this article we identified a research gap requiring an integration of the literature on change management with branding. Both streams of research foster a rather isolated view of their respective topics. Hence change management is lacking a clear focus where all renewal activities integrate and produce the maximum attraction for the whole organisation. The branding literature remains in the marketing corner without putting the brand in the centre of the organization and exploiting all the leadership of change potential.

In contrast we have put the brand into a role as the main driver and the centre of organizational change. For this purpose a brand is defined as a carrier of meanings, more explicitly socio-cultural meanings, and brand leadership is charged with developing these meanings for the future. Additionally, a requirement of brand management is to continuously adapt the right "activities" to produce the desired brand meanings. The description of the three phases in our framework is based on the established literature and the authors' observation and learning from many years of collaborative inquiry with various retail companies.

Phase one shows how a company can compose its own intended brand identity based on past success patterns and potential future meanings. Phase two shows how these meanings can be materialized at contact points of the whole organisation. And phase three summarizes the mechanisms to implement the intended materializations across all contact points.

4.1   Implications for Future Research

Further research is required to develop a model that can be generalizable to different retail contexts and we are working on this through further collaborative research with existing and new research partners. We have considerable experience of action research in supermarket and hypermarket retailing and have been involved with change to brand identity in other food retailing contexts such as in an independent bakery. However, arguably brand identity is even more important to consumers in clothing retailing because the brands we wear are more visible forms of consumption and are more closely associated with the "self". We aim to conduct more work in this retail context to see if the processes we have outlined above have to be modified.

One major theme for future research is to explore how meanings are co-created by different stakeholder groups. Due to co-creation of meanings, managers have to accept that they may have less control of brand identity than they did in the past. Simply attempting to control meanings through advertising or links to prevailing fashion (McCracken 1986) is problematic in socially networked societies. Meanings can change in various stakeholders for different reasons. For example, research into the existence of different meanings in consumer groups has found meaning can change due to different contexts (Kleine/Kernan 1991; Ritson/Elliot 1999), consumers possessing different knowledge (e.g. Berthon/Pitt/Campbell 2009) and narrative and emotional explanations relating to the "self" (e.g. Escalas 2004). We see the need to build on this work to not only explore the existence of different meanings in different stakeholder groups and why these occur but also to explore how to manage meanings in this complex environment.

We also see the need for further research on the topic balancing stability and flexibility in branding which is particularly important for retail firms that operate internationally or possess large branch networks. In such situations firms are likely to have to compete with different competitors and have to address different customer needs in different locations but this requires different strategies which may undermine brand consistency (Combe et al. 2012). In these situations retailers need a brand that is both stable and flexible at the same time. To

achieve this is a particularly challenging task for managers and one with limited empirical research to inform managers how this can be achieved.

While various research methods are likely to help develop knowledge on these topics we see the need for further use of the in-depth longitudinal action research based on collaboration between researchers and practicing managers. This type of research, we contend, provides a depth of knowledge that is both robust and useful at the same time.

4.2   Implications for Managers

We have outlined a framework to help managers put the brand at the centre of any organizational change process. Both the leadership and management of change in brand identity are particularly challenging for managers. The leadership of change outlined in phases 1 and 2 in our framework requires managers to be creative and inclusive not only to develop ideas for the future brand identity but also to obtain buy-in from employees. Another leadership role is to make sure that brand meanings drive processes within the firm and not the other way around.

The management of brand identity outlined in phase 3 is an on-going process and requires managers to take a long term perspective as it is still a "work in progress" at the premises of our collaborative partners. For example, MPREIS is still researching and considering adding products into their stores to further develop "Exclusive Variety" almost twenty years after the inclusion of this meaning into their brand identity. Another critical role for managers is translating the shared mental picture of the "new" brand identity into concrete employee behaviour so customers obtain a consistent experience.

References

Argyris, C.; Schön D. A. (1996): Organizational Learning II- Theory, Method, and Practice, Addison-Wesley Publishing Company, Reading Massachusetts.

Bauernfeind, R. (2003): The logical structure of cultural meaning system, in: Proceedings of the Brand Logic Recontre 2003, Branding: Activating and Engaging Cultural Meaning Systems, Editor: Botschen, G. (ed.): Institute of Brand Logic, Innsbruck.

Berthon, P.; Pitt, L. F.; Campbell, C. (2009): Does brand meaning exist in similarity or singularity? Journal of Business Research, Vol. 62, pp. 356-361.

Botschen, G.; Kittinger-Rosanelli, C. (2010): Markenorientierter Wandel in Organisationen, in: Change Leadership – den Wandel antizipieren und aktiv gestalten, Harald Pechlaner, Margit Raich, Silvia Schön, Kurt Matzler (eds.), Wiesbaden, Gabler, 1st Edition, 368-396.

Botschen, G.; Rigger, W. (2003): Cultural Meaning systems and their Relevance for Brand Creation, in: Branding: Activating and Engaging Cultural Meaning Systems, Proceedings of the Brand Logic Recontre 2003 - The Interdisciplinary Forum of Experts for Research in Brand Systems, Innsbruck, pp.15-23.

Combe, I. A.; Crowther, D. E.; Greenland, S. (2003): The Semiology of Changing Brand Image, in: Journal of Research in Marketing and Entrepreneurship, Vol. 5, Iss. 1, pp.1-24.

Combe, I. A.; Rudd, J. M.; Leeflang, P.S.H.; Greenley, G. E. (2012): Antecedents to Strategic Flexibility: Management Cognition, Firm Resources and Strategic Options, European Journal of Marketing, Special Issue, http://www.emeraldinsight.com/journals.htm?issn=0309-0566&volume=46&issue=10 (forthcoming September 2012)

Dannemiller Tyson Associates (2000): Unleashing the Magic in Organizations. San Francisco: Berett-Koehler.

Dannemiller Tyson Associates (2005): Whole-Scale Change Toolkit, 3rd edition Ann Arbor, MI: Dannemiller Tyson Associates.

Dewey, J. (1938): Logic: The Theory of Inquiry. New York, Holt, Rinehart and Winston.

Dougherty, D. (1992): A practice-centered model of organizational renewal through product innovation, in: Strategic Management Journal, Special Issue: Strategy Process: Managing Corporate Self –Renewal (Summer 1992), Vol. 13, pp. 77-92.

Escalas, J. E. (2004): Narrative Processing: Building Consumer Connections to Brands. Journal of Consumer Psychology, Vol. 14 (1&2), pp. 168-180.

Kim, W. Ch.; Maubourgne, R. (2005): Blue Ocean Strategy – How to Create Uncontested Market Space and Make the Competition Irrelevant, Boston, MA, Harvard Business School Press.

Kleine III, R. E.; Kernan, J. B. (1991): Contextual Influences on the Meanings Ascribed to Ordinary Consumption Objects. Journal of Consumer Research, Vol. 18, pp. 311-324.

Kotter, J. P. (2007): Leading Change: Why Transformation Efforts Fail, in: Harvard Business Review, January, pp. 94-103.

Krueger, W. (2006) Excellence in Change: Wege zur strategischen Erneuerung, 3. Aufl., Gabler.

McCracken, G. (1986): Culture and Consumption: A Theoretical Account of the Structure and Movement of the Cultural Meaning of Consumer Goods, in: Journal of Consumer Research, Vol. 13, June, pp. 71-84.

Ritson, M.; Elliot, R. (1999): The Social Uses of Advertising: An Ethnographic Study of Adolescent Advertising Audiences, Journal of Consumer Research, Vol. 26, pp.260-277.

Senge, P. M. (2006): The Fifth Discipline: The Art & Practice of the Learning Organization, Doubleday Business, New York.

Senge, P.M. (2000): The Dance of Change, Die 10 Herausforderungen tiefgreifender Veränderungen in Organisationen, Signum Verlag.

Shelton, S. J. (2003) Brand Driven Change - Using Brand as a Vehicle for Change Management, in: Dissertation, The Australian Graduate School of Entrepreneurship, Swinburne University.

Tomczak, T.; Esch, F. R.; Kernstock, J. ; Herrmann. A. (2008): Behavioral Branding, Wie Mitarbeiterverhalten die Marke stärkt, Gabler, Wiesbaden.

Vallaster, C. (2007): Markenbildung nach innen: Der Beitrag von Mitarbeiterauswahlprozessen beim Aufbau einer Unternehmensmarkenidentität, Marketing ZfFP, Vol. 29, pp. 261-273.

Vallaster, C.; de Chernatony L. (2005): Internalisation of Services Brands: The Role of Leadership during the Internal Brand Building process, in: Journal of Marketing Management, Vol. 21, pp. 181-203.

Vallaster, C.; de Chernatony, L. (2006): Internal brand building and structuration: the role of leadership, in: European Journal of Marketing, Vol. 40, No. 7/8, pp. 761-784.

Wilson, D. C. (1992): A Strategy of Change, Routledge.

Yin, R. K. (2004): Case Study Research, Sage.

Zeithaml, V. A.; Bitner, M. J. (2000): Services Marketing – Integrating Customer Focus Across the Firm, Irwin McGraw-Hill, Second Edition, Boston.

An Empirical Study of Store Environment Influence on Consumer Multi-Perceived Values toward Patronage Intentions

Tsuen-Ho Hsu, Yen-Ting Helena Chiu and Yi-Jung Lee

Abstract

Consumers seek not only the merchandise value, but also enjoy the shopping experience while purchasing. However, little is known about the impact of transactional and experienced values on patronage intentions. Further, in the past, merchandise and emotional value perceptions were mostly investigated as two separate issues. This study uses exploratory and confirmatory methodology to examine the interrelations among store environment, value content, multi-value perceptions, and patronage intentions. The findings suggest that the determinants of patronage intentions are hedonic and utilitarian shopping value that could be achieved effectively by mall tenant variety and store ambient dimensions. Moreover, an attractive store environment positively affects the perception of merchandise and service quality, induces a stronger monetary price perception, and reduces the evaluation of merchandise value. This research emphasizes the influence of an enjoyable store environment on perceived value, shopping experiences and consequently consumers' patronage intentions.

Tsuen-Ho Hsu (*corresponding author*)
Department of Marketing and Distribution Management, National Kaohsiung First University of Science and Technology, Taiwan
(+886 7 601 1000, E-Mail: thhsu@nkfust.edu.tw)

Yen-Ting Helena Chiu
Department of Marketing and Distribution Management, National Kaohsiung First University of Science and Technology, Taiwan

Yi-Jung Lee
Department of Marketing and Distribution Management, National Kaohsiung First University of Science and Technology, Taiwan

1   Introduction

Retailers are gradually switching from competitive strategies based on price and promotion to providing customers with a unique shopping experience. The reason can be seen in the fact that conventional pricing and promotion based strategies offer little possibilities in terms of differentiation. From the viewpoint of long-term customer profitability, this may even result in attracting the wrong customer segments (Reichheld 1996). Secondly, "shopping" itself has evolved into a popular leisure activity (Michon/Yu/Smith 2008; Rintamäki et al. 2006; Sweeney/Soutar 2001; Mathwick/Malhotra/Rigdon 2001; Chandon/Wansink/Laurent 2000; Holbrook 1994, 1999; Babin/Darden/Griffin 1994; Sheth/Newman/Gross 1991).

Previous research on consumer value (Michon/Yu/Smith 2008; Rintamäki et al. 2006; Baker/Parasuraman/Grewal 2002; Chandon/Wansink/Laurent 2000; Babin/Darden/Griffin 1994; Zeithaml 1988), all define clearly that trade value (i.e. merchandise perceived value) or/and emotional value (i.e. hedonic shopping value, utilitarian shopping value) positively influence consumers' patronage intentions. However, none of the studies have focused on both consumers' perceived merchandise value and emotional value to explain patronage intentions. Extant research of store environment impact on consumer behaviour can be categorized into two groups: one is the efforts of store environment upon consumers' emotions found positively (Lin/Wang/Zhang 2010; Baker/Levy/Grewal 1992; Wakefield/Baker 1998); the other is the effects of store environment upon the consumers' merchandise perceived value (Baker/Parasuraman/Grewal 2002; Sirohi/McLaughlin/Wittink 1998) and the purchasing decision-making (Hsu/Lin 2011).

In recent studies, value is considered to be a key indicator for consumer's patronage intentions (Parsuraman/Grewal 2000). Despite the multitude of research about this topic, none can offer a satisfactory explanation for consumer patronage. Although, devoting to the research of in-store image characteristics and their influences on both hedonic and utilitarian shopping value (Weitzl/Zniva 2010), the perceptions of value content were not included. In fact, so far, there is no research to examine store environment via value content impact on trade value (i.e. merchandise value) and consumer experienced value (i.e. emotional value includes hedonic shopping value and utilitarian shopping value), simultaneously.

In view of this research gap, this study attempts to investigate the concept of multiple value perceptions and build a comprehensive model to describe the relationships between store environment, consumers' value perception (i.e. merchandise, hedonic, utilitarian), value content, and patronage intentions. Based on a mixed methodological approach, the research tools include expert interviews, literature review, and a questionnaire survey to empirically validate the proposed research model.

The theoretical contributions of this study can be seen in clarifying the differences among merchandise value, hedonic shopping value, and utilitarian shopping value, as well as integrating these constructs into different levels and establishing a comprehensive research framework. The practical contribution is to provide suggestions to practitioners on how to create a better store environment in order to enhance consumers' perceived value and their patronage intentions.

2   Theoretical Background and Research Hypotheses

2.1   Store Environment

With increased competition in the retail industry in recent years, retail practitioners are searching for effective strategies to attract and retain the right customers (Sirohi/McLaughlin/Wittink 1998). Retailers find it gradually difficult to create sales advantages solely through their marketing mix variables. In the three stages of the marketing strategic alliances, the second stage "long-term relationship development" is the most important in determining the success or failure of long-term relationships and further gain competitive advantages (Hsu/Tang 2010). Therefore, changing the store environment offers a new possibility to differentiate oneself from competition (Baker/Levy/Grewal 1992). Most of the previous research about store environment is focused on how store environment influences consumers' experiences and shopping response (Hsu/Lin 2011; Lin/Wang/Zhang 2010; Babin/Attaway 2000; Wakefield/Baker 1998; Baker/Levy/Grewal 1992; Zeithaml 1988). This research indicates that store environment has an impact on consumers' staying length and patronage intentions.

Due to the growing importance of consumer value, researchers emphasize the influence of store environment on consumers' multiple perceived value and thus toward patronage decision. Grönroos (2002) differentiated between core value and added value, the former means the benefits of a core solution paid for, and the latter is created by additional services in the relationship costs. Interpersonal services (e.g. employees' quick delivery, attentive, supportive services) are an important source of added value; hence, we adopt this concept as store social dimension to influence customers' perceptions in this study. Baker/Parasuraman/Grewal (2002) classified the three dimensions of store environment as social, design, and ambient dimensions. The social dimension includes employees' well-dressed, friendliness, and helpfulness. The design dimension includes pleasing colour scheme, attractive facilities, and organized merchandise. The ambient dimension includes pleasant music, appropriate music, and bothersome music. Wakefield/Baker (1998) proposed the environment can be differentiated from mall tenant variety, mall physical environment, and involvement with shopping as ante-

cedent factors. The retail responses such as excitement, desire to stay, and re-patronage inten-
tion are positively influenced by the physical mall environment (i.e. architectural design, lay-
out, music, interior decor) and mall tenant variety (i.e. an excellent variety of stores, food,
entertainment).

Based on the research of Baker/Parasuraman/Grewal (2002), Grönroos (2002), and
Wakefield/Baker (1998), this study included four dimensions of store environment which
effects on shopping response. Therefore, we classify store environment into four dimensions
as design, ambience, society, and mall tenant variety to examine their influence on
consumers' perceived values and toward their patronage intentions.

2.2   Perceived Values

The concept of perceived value is one of the major strategies for enterprises to enhance com-
petitive advantage; and it is the most important index of patronage intentions. In addition,
some scholars utilize the concept of perceived value to explain the influence of store envi-
ronment on patronage intentions and patronage decision (Michon/Smith 2008; Rintamäki et
al. 2006; Baker/Parasuraman/Grewal 2002).

Multi-Value Perception

Parasuraman/Grewal (2000) considered that the components of perceived value as a dynamic
model consists of four value types: 1) acquisition value describes the benefits relative to
monetary cost that buyers gain by acquiring a product/service; 2) transaction value describes
the pleasure of getting a good deal; 3) in-use value reflects the utility derived from using the
product/service; and 4) redemption value describes the residual benefit at the time of trade-in
or end of products life or services termination. Sweeney/Soutar (2000) divided value into four
dimensions, namely emotional, social, quality/performance, and price value for money, are
significant in explaining attitudes and behaviour. Emotional value is the enjoyment or
pleasure derived from product and social value address in terms of its consequences of what
the product communicates to others. Consumers can obtain two kinds of values from
shopping. One is experience value such as in-use value (Parasuraman/Grewal 2000),
emotional value, social values (Sweeney/Soutar 2000), hedonic shopping value, and
utilitarian shopping value (Babin/Darden/Griffin 1994; Babin/Attaway 2000). The other kind
of value is trade-based value such as acquisition, transaction, redemption
(Parasuraman/Grewal 2000), quality/performance, and monetary price (Sweeney/Soutar
2000).

When the consumer has the different ideas about shopping, the experience about shopping would be different. Babin/Darden/Griffin (1994), Babin/Attaway (2000) believed that consumers might consider shopping as a work or an enjoyment. Hedonic shopping value and utilitarian shopping value summarize as perceived shopping value and can be employed to explain the shopping experience (Michon/Smith 2008; Chandon/Wansink/Laurent 2000; Babin/Attaway 2000; Babin/Darden/Griffin 1994). Utilitarian shopping value takes a more rational viewpoint as problem solution (Bettman 1979) and more task orientation by emphasizing efficiency (Blackwell/Miniard/Engel 2000; Babin/Attaway 2000). In contrast, hedonic shopping value is characterized as self-oriented (Holbrook 1999; Babin/Darden/Griffin 1994) and subjective, and it inherently also focuses on the potential of acquiring enjoyment and other sensual delights derived from the shopping task (Chandon/Wansink/Laurent 2000; Blackwell/Miniard/Engel 2000). According to the above classified criterion, the multi-value perceptions stimulated by store environment can be firstly classified into two groups in consumer's shopping experience: one is trade value (i.e. merchandise value perception), the other is experience value (i.e. hedonic shopping value, utilitarian shopping value).

Value content

Academic discussion on customer perceived value is becoming broader in scope and the value content goes beyond quality and price (Sweeney/Soutar 2000). In this study, we discuss value content in terms of three multi-value perceptions at the store environment such as service quality perception, merchandise quality perception, monetary price perception, time/effort cost perception, and psychic cost perception. As such, the components of value content are integrated with other constructs to develop the interrelated research framework.

Sirohi/McLaughlin/Wittink (1998) found in their research on supermarket channels that the service quality constructs is composed of store operations perceptions, personnel service perceptions, and store appearance perceptions. Service quality perception has a highly positive effect on perceptions of merchandise quality, but the perceived value for money does not play an important role in customers' perception of merchandise quality. Baker/Parasuraman/Grewal (2002) concluded that perceived value is mainly influenced by merchandise quality perceptions and monetary price perception.

Since perceived value is an abstract concept, the formalization of this concept mainly comes from perceived quality and perceived sacrifice. Perceived quality is inferred by the inner and outer attributes, i.e. service quality perception, and merchandise quality perception. Perceived sacrifice mainly comes from the consumers' monetary price perceptions and non-monetary perceptions, i.e. time/effort cost perception, psychic cost perception. Price for consumer is what is given up or sacrificed to obtain a product, however Ahtola (1984) argued that mone-

tary price is a lower level attribute in multi-attribute models because price is a "give" component rather than a "get" component. Dodds et al. (1991) indicated that actual price is an objective external characteristic of merchandise that consumers perceived as a stimulus in the model of the conceptualization of value perception (Monroe/Krishnan 1985). Thus, price for consumers means both objective external properties and subjective internal representations that are derived from monetary price perception.

Often consumers' perceived value depends on the price of the desired product or service (e.g. a lower price increases the perceived value). In this context consumers' price perceptions will equal their value perception. But, this perspective is very limited and does not cover all necessary dimensions which could have an impact on consumers' value perceptions. As the results of Zeithaml (1988) show the consumers' perception of value refers to a balance between quality and price. Furthermore, other shopping costs such as non-monetary price perceptions (i.e. time/effort cost perception, psychic cost perception) could have an impact on value perceptions. The consumers' evaluations of these dimensions are often influenced by store environment (Zeithaml 1988; Baker/Parasuraman/Grewal 2002). Customers respond negatively to factors such as poor store environment, improper interpersonal service-quality, long searching time, and too much effort spending.

Therefore, to cover all important aspects which are relevant for the consumers' perception and evaluation of value content we used the dimensions proposed by Zeithaml (1988) and Baker/Parasuraman/Grewal (2002) and included them as mediator variables in our conceptual model (Figure 1). Value content, hence, is composed of "the gain" - that is, service quality perception and merchandise quality perception - and "the sacrifice" - that is, monetary price perception and non-monetary price perception. Overall, the four dimensions of store environment as antecedents affect three multi-value perceptions, which are mediated by five components of value content. Based on this understanding of consumer's shopping experience, customers' perceived value is stimulated by store environment and will affect customers' patronage intentions.

Figure 1: The Conceptual Model
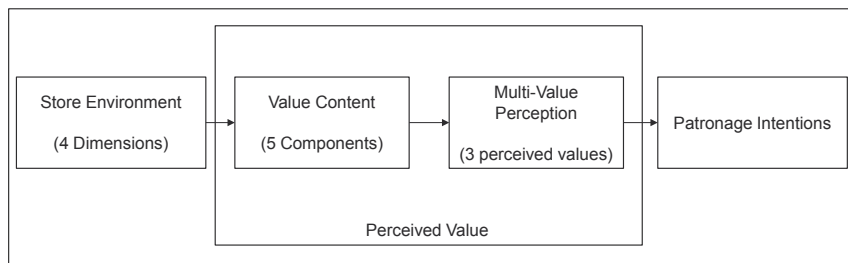
2.3   Research Hypotheses: Influence of Store Environment on Value Content

Influence of Store Environment on Service Quality Perception

The consumers' evaluation for the service personnel and service environment is an important factor in formulating service quality perception (Sirohi/McLaughlin/Wittink 1998). As discovered by Bitner (1990), service personnel's attitude and behaviour have an enormous influence on consumers' functional quality perception. Besides, service is intangible and it requires customers' involvement in the process so that the surrounding environment has a prominent impact on the quality perception of the overall tangible service (Bitner 1992). Also, the shopping environment and employee service positively influence retailer perceived quality which leads to consumer's biased behavioural response (Wu 2009). Interpersonal service has the largest influence on communicating service quality perception (Bitner/Booms/Mohr 1994). From the above discussion, the general consensus is that store social dimension is a major factor to shape service quality perception. Store design dimension concludes a positive influence on service quality perception, but the influence of the store ambient dimension could not be supported (Baker/Parasuraman/Grewal 2002). Store design and store ambient dimensions bring impact on service quality and associated cognitions which can lead to beliefs and attributions associated with the organization, its people and its products (Bitner 1992; Sirohi/McLaughlin/Wittink 1998). Service quality was examined in four service industries and was found to be highly correlated to physical environment quality, including ambient conditions, design, and social factors (Brady/Cronin Jr. 2001). Wakefield/Baker (1998) pointed out that better mall tenant variety and mall physical environment have positive effects on customer excitement and desire to stay, also influence re-patronage intentions. Based on the above discussion, we propose the hypothesis as follows:

H 1: Store environment positively effects service quality perception.

Influence of Store Environment on Merchandise Quality Perception

Retail store environmental design provides an important foundation for consumers' merchandise quality evaluation. As Areni/Kim (1993) found out in an observational research, when a liquor store played classical music instead of the Top-20 songs, consumers purchased more expensive wine. That is, when an attractive and pleasant ambient atmosphere is created in a store environment, consumers will purchase higher value merchandise. Besides, the store layout could serve as a base to evaluate merchandise quality (Mazursky/Jacoby 1986). When consumers appreciate store environment especially for store design, they will tend to have higher merchandise quality perceptions and therefore higher patronage intentions (Baker/Parasuraman/Grewal 2002). Perceptions of service environment and personal service formulate service quality, which administrates a direct and positive impact on overall merchandise quality (Sirohi/McLaughlin/Wittink 1998). Moreover, consumers can compare product offerings at one-stop shopping when shopping malls provide store comparison and store variety (Berman/Evans 1995). Based on the above discussion the following hypothesis is proposed:

H 2: Store environment positively effects merchandise quality perception.

Influence of Store Environment on Monetary Price Perception

Store atmosphere can create value belief and price differentials between products with no differences. When consumers perceive and evaluate the store atmosphere as pleasant and positive, this could have a positive effect on their willingness to pay and the acceptance of higher prices (Grewal/Baker 1994). Therefore, the atmosphere of store environment will impact consumers' evaluation of monetary price perception (Areni/Kim 1993). Baker/Parasuraman/Wittink (2002) also confirmed that the store design dimension has a positive impact on the monetary price perception. Additionally, mall tenant variety and mall physical environment positively impact on customer perceptions and behaviour (Wakefield/Baker 1998). Grönroos (2002) proposed better service employees will positively contribute to consumers' total perceived value. Based on the above discussion the following hypothesis is proposed:

H 3: Store environment positively effects monetary price perception.

Influence of Store Environment on Time/Effort Cost Perception

When consumers favour a store design, they have lower time/effort cost perception (Baker/Parasuraman/Wittink 2002). Mall tenant variety and mall physical environment also positively impact on excitement of the mall and desire to stay at the mall (Wakefield/Baker

1988). Besides, if shopping malls provide store comparison and store variety, it enables the consumers who are looking for one-stop shopping to compare product offerings (Berman/Evans 1995). Hence, product searching efforts are perceived to be lower by these consumers and a better store environment will negatively impact consumers' subjective evaluation of time and effort.

Furthermore, not necessary or unexpected relationship costs from additional services will cause negative effects (Grönroos 2002). Customers respond negatively to non-monetary price perceptions such as time/effort cost perception and psychic cost perception (Zeithaml 1988), also the four dimensions of store environment have a negative impact on time/effort cost perception (Baker/Parasuraman/Grewal 2002; Berman/Evans 1995). Therefore, the fourth hypothesis is proposed as follows:

H 4: Store environment negatively effects time/effort cost perception.

Influence of Store Environment on Psychic Cost Perception

When a store's environmental design is poor, it could possibly reduce the shopping stimuli and would lead to worsening the shoppers' moods (Spies/Hesse/Loesch 1997). As the consumer appreciates store environment such as design and ambience, the consumer will have lower psychic cost (Baker/Parasuraman/Grewal 2002). Mall tenant variety and stores' physical ambience will stimulate consumers, who are more willing to spend more time in shopping malls under such circumstances (Wakefield/Baker 1998). When shopping malls provide store comparison and store variety this could possibly attract more shoppers and translate positive emotions into lower psychic cost (Berman/Evans 1995). Based on the above discussion, a pleasant store environment can portray positive emotional reactions or reduce negative emotional reactions. On the contrary, store environment indeed has a negative impact on negative psychic cost perceptions, therefore the hypothesis is proposed as follows:

H 5: Store environment negatively effects psychic cost perception.

2.4   Influence on Multi-Value Perception

Influence of Value Content on Hedonic Shopping Value

When consumers favour the physical environment of stores, they will have positive emotions, and these affective and pleasure states are in turn found to have a positive relationship with consumers' willingness to buy (Baker/Levy/Grewal 1992). Babin/Darden/Griffin (1994) regarded positive emotional reactions, such as happiness, inspiration, imagination, excitement

and interest, as standards of hedonic value. Based on this, we can infer that the physical store environment will have a positive impact on hedonic shopping values. Besides, when a shopping mall has a splendid variety of stores, food and drinks, and entertainment choices, it is likely to provide a positive stimulation, such as excitement, interests, and attraction, etc. (Wakefield/Baker 1998). Base on the above discussion, the hypotheses are proposed as follows:

H 6a: Store design positively effects hedonic shopping value.

H 6b: Store ambience positively effects hedonic shopping value.

H 6c: Mall tenant variety positively effects hedonic shopping value.

According to the research result of Baker/Parasuraman/Grewal (2002), psychic cost means the level of atmosphere of displeasure, dislike and discomfort; these reactions are basically negative emotions. Research in the past did not distinctively show the negative psychic cost of consumers' evaluation on hedonic shopping value, but did point out that hedonic shopping value was related to positive emotions (Babin/Darden/Griffin 1994). Zeithaml (1988) believed that non-monetary cost will only impact negative price perception. Furthermore, Babin/Darden/Griffin (1994) found that hedonic shopping value and time pressure are negatively correlated. This means that when consumers have lower time/effort cost, they will perceive higher hedonic shopping value. Based on the above discussion, the paper hypothesizes that negatively psychic cost perception should undermine consumers' hedonic shopping evaluation. Therefore:

H 6d: Time/effort cost perception negatively effects hedonic shopping value.

H 6e: Psychic cost perception negatively effects hedonic shopping value.

Influence of Value Content on Utilitarian Shopping Value

Titus/Everett (1995) addressed that many consumers exist whose goal is convenience and who value quick in-and-out shopping and the ease to locate the merchandise they need. Among store ambience factors, store layout has an impact on the consumers' efficiency of moving around. In the research of Berman/Evans (1995), they found there is an impact on shopping efficiency. When a shopping mall provides store comparison and store variety, it makes it easier for the consumers who are looking for one-stop shopping to conveniently compare product offerings. From this viewpoint, we can tell that the surrounding factors, specifically store ambience and mall tenant variety, will have a positive impact on utilitarian value. Based on these researches findings, the hypotheses are proposed as follows:

H 7a: Store ambience positively effects utilitarian shopping value.

H 7b: Mall tenant variety positively effects utilitarian shopping value.

Babin/Darden/Griffin (1994) pointed out that utilitarian value is positively related to these positive emotions such as pleasure. This means, when consumers have lower psychic cost, they will have higher utilitarian value. Besides, Babin/Darden/Griffin (1994) also found that the higher consumers' time/effort cost perceptions and psychic cost perceptions, the lower their perception of merchandise value will be. This means that when consumers have lower time/effort cost, they will have higher utilitarian shopping value. However, this research did not include an operationalisation, nor has it been assessed empirically. Based on this research finding, it is hypothesized that:

H 7c: Time/effort cost perception negatively effects utilitarian shopping value.

H 7d: Psychic cost perception negatively effects utilitarian shopping value.

Influence of Value Content on Merchandise Value Perception

According to Monroe/Krishnan (1985) who used the concept of Monroe (1979) on value perception to provide models about price, consumers generate price perceptions from the actual prices of products, which further will have positive influences on quality perception and perception sacrifice. Quality perception and perception sacrifice finally complement each other to form value perception, which has a positive correlation with purchase intentions. Furthermore, Wu (2009) indicated the perceived price positively affects the retailer perceived quality. The result is also in line with the concept of Dodds et al. (1991). Zeithaml (1988) suggested that consumers' value perception evaluation is positively impacted by quality perception, but negatively impacted by monetary price and non-monetary price perception. Based on this research conclusion, hence, merchandise quality perception indeed has a positive impact on merchandise quality perception. However, monetary price perception has a negative impact on merchandise value perception. Additionally, Sirohi/McLaughlin/Wittink (1998) found out in their supermarket research that service quality will impact consumers' evaluation on merchandise quality, and further, positively impact consumers' evaluation on price perception. Besides, service quality also has a direct and positive impact on consumers' price perception. Because shopping malls offer a variety of merchandise in the service category such as stores, food stores and entertainment alternatives, we can conclude that service quality is a component of merchandise value perception. Therefore, the following hypotheses are proposed:

H 8a: Service quality perception positively effects merchandise value perception

H 8b: Merchandise quality perception positively effects merchandise value perception.

H 8c: Monetary price perception negatively affects merchandise value perception.

2.5   Influence of Multi-Value Perceptions on Patronage Intentions

Positive merchandise value perceptions will positively impact consumer patronage intentions (Baker/Parasuraman/Grewal 2002). Following Zeithaml (1988), through substitution of gaining and sacrificing, the resulting value perception will have a positive impact on the purchase. Sirohi/McLaughlin/Wittink (1998) also found evidence of the largest impact of value perception on behavioural intention. Besides, Baker/Parasuraman/Grewal (2002) discovered a prominent influence of merchandise value perception on patronage intentions. Babin/Darden/Griffin (1994) pointed out in their research results that hedonic and utilitarian shopping value both have a positive influence on consumers' purchase intentions. Hedonic shopping value is positively related to impulsive buy and unintentional purchasing. Moreover, Sullivan/Heitmeyer (2008) found generation Y with regard to future retail patronage is more interested in entertainment. Based on the above recap, the hypotheses are proposed as follows:

H 9a: Merchandise value positively effects patronage intentions.

H 9b: Hedonic shopping value positively effects patronage intentions.

H 9c: Utilitarian shopping value positively effects patronage intentions.

The above proposed hypotheses are summarized in our research framework in Figure 2.

3   Methodology

3.1   Measurement of Constructs

A preliminary list of measurement items was initially developed on the basis of an extensive literature review concerning the definition of constructs and hypotheses derivations in this research framework. In order to confirm reported validity of dimensionality and inter-correlation for the items of each construct, a pre-test was conducted first before undertaking a full-scale survey. It's noted that the items were translated into Mandarin for the survey. Furthermore, we conducted expert interviews to get deep insights into the relevant dimensions for each of the constructs. Table 1 addresses the final measurement items for each construct of

our study: four dimensions of store environment of the shopping mall, five components of value content, three multi-value perceptions, and patronage intention.

3.2 Research Design

Research Subject

Using mixed methodology, expert interviews were first conducted to explore the constructs, and an extensive literature review was carried out to develop an understanding of their interrelationships. A shopping mall intercept study was used to empirically validate the proposed model. Following the expert's suggestions, this research only focuses on metropolitan shopping malls as the research subject due to demographic and clinical characteristics, its majority population living in cities. The survey was conducted in one of the most representative shopping malls in Taipei, Taiwan.

Figure 2: The Research Framework
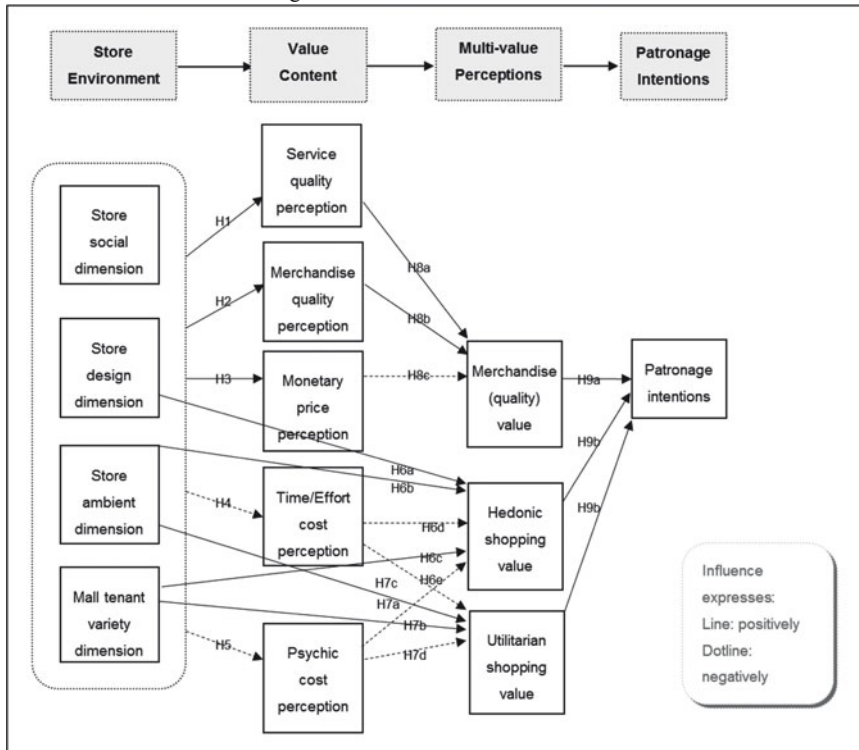
Pre-test

Following the results of an expert interview, a preliminary survey was conducted. Here, 13 constructs consisting of 56 measurement items were revised (Table 1). The pre-test was carried out with consumers who had continuously shopped over three times at a mall within few months. Every measurement index of consumers' reaction is based on a seven-point scale, ranging from "strongly agree" to "strongly disagree".

Table 1: Measurement Items

Construct	Measurement Item	Reference
Store Environment		
Store social dimension	1. Employees are well-dressed; 2. Employees' friendliness; 3. Employees' helpfulness; 4. Employees' professional knowledge for merchandise.	Baker et al. 2002
Store design dimension	1. Great architectural design; 2. Attractive interior design; 3. Suitable facilities; 4. Creative decoration; 5. Pleasing colour of the mall; 6. Attractive design for individual stores.	Wakefield/Baker 1998
Store ambient dimension	1. Pleasant music; 2. Proper volume; 3. Appropriate lighting; 4. Comfortable public area; 5. Accessible floor plan (i.e. layout).	Wakefield/Baker 1998
Mall tenant variety dimension	1. Excellent variety of stores; 2. Excellent variety of food & service; 3. Excellent variety of entertainment; 4. Merchandise alternatives.	Wakefield/Baker 1998
Value Content		
Service quality perception	1. Well-treated; 2. Personal attention; 3. Prompt service; 4. Consistent high-quality service.	Baker et al. 2002
Merchandise quality perception	1. High-quality of food court; 2. High-quality of entertainment alternatives; 3. High-quality of merchandise; 4. High-quality of all mall products.	Baker et al. 2002 Sweeney/Soutar 2001
Monetary cost perception	1. Above price range of foods; 2. Above price range of entertainment alternatives; 3. Above price range of merchandise; 4. Above price range for all mall products.	Baker et al. 2002 Dodds et al. 1991
Time/effort cost perception	1. Devotion of a lot of effort; 2. Sacrifice of plenty of time; 3. Searching effort.	Baker et al. 2002 Zeithaml 1988
Psychic cost perception	1. Unpleasant atmosphere; 2. Unpleasing atmosphere; 3. Uncomfortable atmosphere	Baker et al. 2002
Multi-Value Perception		
Merchandise quality value	1. Average range price for foods; 2. Average range price for entertainment alternative; 3. Average range price for merchandise; 4. Below price range for foods; 5. Below price range for entertainment; 6. Below price range for merchandise.	Baker et al. 2002 Dodds et al. 1991
Hedonic shopping value	1. Joyful and enjoyable; 2. Excitement of bargaining; 3. A lot of fantasy for this journey; 4. A sense of adventure; 5. Shopping experiential value; 6.Forget problems; 7. Happier in compared with other tasks.	Babin et al. 1994
Utilitarian shopping value	1. Finding the merchandise one was looking for; 2. A successful shopping trip; 3. The shopping task can be completed quickly.	Babin et al. 1994
Patronage intention	1. Willingness to visit; 2. Willingness to buy; 3. Willingness to recommend.	Baker et al. 2002 Dodds et al. 1991

According to the substantive-validity coefficient as suggested by Anderson/Gerbing (1991), a minimum measurement items for per construct is three at least or four preferably. Validity of

dimensionality and inter-correlation were assessed using factor analysis. The result showed that all questions were significant with Cronbach's $\alpha > 0.5$, $p < 0.1$, standard deviation larger than 0.5.

3.3   Data Analysis

Sample and Methodology

We directly conducted this research survey onsite in order to accurately evaluating consumers' perception experienced inspired by store environment in their shopping trip. Besides, judgment sampling was utilized, based on three times of shopping experiences at this selected mall within the past few months. With 320 valid questionnaires retrieved, the sample size is sufficient for models with three or more items per construct based on the guidelines (Anderson/Gerbing 1984; Grewal/Cote/Baumgartner 2004; Kim 2005). Ratio of men versus women is 35 % to 65 %; married versus unmarried ratio is 26 % to 74 %. Dominant age group is 21-30 (about 68 %) and the second largest group is 31-45 years olds (about 25 %). Education level is mostly university and graduate school (about 54 %) and then college and high school (about 45 %). The major income level is at USD 670-1,350 (about 63 %); occupation is mostly service, business, and student groups (about 74 %).

Analysis

To examine the structural model for this research and to verify the related hypotheses, this research was analysed using Structural Equation Modelling (SEM), mainly because SEM can simultaneously examine two, or more than two related independent relationships. In the analysis, we used factor analysis and Cronbach's alpha to evaluate the appropriateness of benchmark and to examine the related hypotheses. Each construct was analysed separately, and then the overall measurement model was examined (Anderson/Gerbing 1988). The reliability of the measurement scale resulted in Cronbach's alpha coefficients larger than 0.7. The results indicate that these refined measurement items that are used in this study are quite acceptable and reliable (Nunnally/Bernstein 1994). As results of overall measurement model, GFI = 0.933, NFI = 0.919, TLI = 0.939, and CFI = 0.960 all indicate adequate fit. Also, RMR is 0.053, which is a good sign. Besides, the index RMSEA = 0.072 is between 0.05 and 0.08, which shows a good match. In sum, the results show acceptable goodness fit indices in the structural model. The validity test showed Cronbach's alpha is larger than 0.7 and its credibility result showed each is larger than 0.7 so there is good internal consistency.

4   Research Results

4.1   Hypothesis Testing

As shown in Table 2, there are 23 statistically significant relationships out of 35 relationships.

Impact of Store Environment on Value Content

Store social dimension has the largest impact on service quality perception (correlation: 0.439), mall tenant variety has the largest impact on merchandise quality perception (correlation: 0.335) and store ambient perception has the largest impact on monetary price perception (correlation: 0.254). Only store ambient perception has impact on time/effort cost perception (correlation: -0.213); store design perception has the largest impact on psychic cost perception (correlation: -0.345).

Impact on Multi-Value Perceptions and Patronage Intentions

Mall tenant variety has the largest impact on hedonic shopping value (correlation: 0.361); store ambient dimension has the largest impact on utilitarian shopping value (correlation: 0.386). Service quality perception has the largest impact on merchandise value perception (correlation: 0.343), and monetary price perception has a negative impact (correlation: -0.399). Hedonic shopping value with a correlation of 0.456 has a positive impact on patronage intentions and second largest impact comes from utilitarian shopping value with a correlation of 0.353.

Table 2: Hypothesis Testing Results

Independent variable	Dependent variable	Direct effects		R²	Expected relation	Results
		Path coefficient （Standardized）	t-value			
H1a：Store social dimension	Service quality perceptions	0.439（0.434）	6.369***	0.438	+	Supported
H1b：Store design dimension		--	--		+	Not Supported
H1c：Store ambient dimension		0.177（0.181）	2.257**		+	Supported
H1d：Mall tenant variety dimension		0.201（0.191）	2.531**		+	Supported
H2a：Store social dimension	Merchandise quality perceptions	0.250（0.273）	3.964***	0.427	+	Supported
H2b：Store design dimension		--	--		+	Not Supported
H2c：Store ambient dimension		0.159（0.179）	2.228**		+	Supported
H2d：Mall tenant variety dimension		0.335（0.352）	4.696***		+	Supported
H3a：Store social dimension	Monetary price perceptions	0.184（0.195）	2.493**	0.166	+	Supported
H3b：Store design dimension		--	--		+	Not supported
H3c：Store ambient dimension		0.254（0.277）	3.404***		+	Supported
H3d：Mall tenant variety dimension		--	--		+	Not supported
H4a：Store social dimension	Time/Effort cost perceptions	--	--	0.041	−	Not supported
H4b：Store design dimension		--	--		−	Not supported
H4c：Store ambient dimension		-0.213（-0.202）	-2.605***		−	Supported
H4d：Mall tenant variety dimension		--	--		−	Not supported
H5a：Store social dimension	Psychic cost perceptions	-0.150（-0.137）	-1.744*	0.266	−	Supported
H5b：Store design dimension		-0.345（-0.304）	-3.842***		−	Supported
H5c：Store ambient dimension		-0.202（-0.191）	-2.327**		−	Supported
H5d：Mall tenant variety dimension		--	--		−	Not supported
H6a：Store design dimension	Hedonic shopping value	--	--	0.364	+	Not supported
H6b：Store ambient dimension		0.152（0.157）	1.922*		+	Supported
H6c：Mall tenant variety dimension		0.361（0.347）	4.363***		+	Supported
H6d：Time/Effort cost perceptions		--	--		−	Not supported
H6e：Psychic cost perceptions		-0.232（-0.254）	-4.500***		−	Supported
H7a：Store ambient dimension	Utilitarian shopping value	0.386（0.414）	5.118***	0.354	+	Supported
H7b：Mall tenant variety dimension		0.242（0.242）	2.994***		+	Supported
H7c：Time/Effort cost perceptions		--	--		−	Not supported
H7d：Psychic cost perceptions		--	--		−	Not supported
H8a：Service value perceptions	Merchandise quality value	0.343（0.384）	4.430***	0.270	+	Supported
H8b：Merchandise quality perceptions		0.168（0.170）	1.872*		+	Supported
H8c：Monetary price perceptions		-0.399（-0.355）	-4.397***		−	Supported
H9a：Merchandise value perceptions	Patronage intentions	0.138（0.103）	1.861*	0.575	+	Supported
H9b：Hedonic shopping value		0.456（0.463）	6.562***		+	Supported
H9c：Utilitarian shopping value		0.353（0.363）	4.144***		+	Supported

*Significant at $p < 0.05$; **Significant at $p < 0.01$; ***Significant at $p < 0.001$.

4.2   Direct and Indirect Effects

Direct and Indirect Effects of Store Environmental Dimensions

We found that store ambience and mall tenant variety, among other store environment dimensions, have the widest impact in the direct and indirect results of store components. As shown in the correlations in Table 3, both store ambient dimension and tenant variety have the larger positive impact on hedonic and utilitarian shopping value.

Table 3: Direct and Indirect Results of Store Environmental Dimensions

	Store society	Store design	Store ambience	Mall tenant variety
Direct effect				
Service quality	0.439 （0.434）	--	0.177 （0.181）	0.201 （0.191）
Merchandise quality	0.250 （0.273）	--	0.159 （0.179）	0.335 （0.352）
Monetary price	0.184 （0.195）	--	0.254 （0.277）	--
Time/Effort cost	--	--	-0.213 （-0.202）	--
Psychic cost	-0.150 （-0.137）	-0.345 （-0.304）	-0.202 （-0.191）	--
Indirect effect				
Hedonic shopping value	0.035 （0.035）	--	0.152 （0.157）	0.361 （0.347）
Utilitarian shopping value	--	--	0.386 （0.414）	0.242 （0.242）
Merchandise quality value	0.130 （0.144）	--	0.001 （0.001）	0.125 （0.133）
Patronage intentions	0.044 （0.016）	0.044 （0.036）	0.285 （0.245）	0.310 （0.248）

( ) Standardized path coefficient

However, it has to be noticed that the influence of store ambience on utilitarian shopping value is stronger than on hedonic shopping value. On the contrary, the influence of mall tenant variety on hedonic shopping value is stronger than on utilitarian shopping value. Mall tenant variety and store society have relatively high positive influence on merchandise quality value. As for the indirect effect on patronage intentions, mall tenant variety has the largest impact on it, and store ambient also has larger influence on it, but store design and store social dimensions have quite feeble influence on patronage intentions.

Direct and Indirect Effect of Value Content Components

From Table 4, we discovered, among direct and indirect effect of value content components, service quality perception has the largest positive impact on merchandise value perception. The secondary effect is that of merchandise quality perception. On the other hand, monetary price perception has a quite strong negative impact on merchandise value perception. Psychic cost has the largest negative impact on hedonic shopping value, whereas time/effort has no

influence at all. Of all value content components that impact patronage intentions, only psychic cost perception has a negative impact.

Table 4: Direct and Indirect Effect of Value Content

	Service quality perceptions	Merchandise quality perceptions	Monetary price perceptions	Time/Effort cost perceptions	Psychic cost perceptions
Direct effort					
Hedonic shopping value	--	--	--	--	-0.232（-0.254）
Utilitarian shopping value	--	--	--	--	--
Merchandise quality value	0.343（0.384）	0.168（0.170）	-0.339（-0.355）	--	--
Indirect direct					
Patronage intentions	--	--	--	--	-0.129（-0.117）

( ) Standardized path coefficient

Direct and Indirect Effect of Multi-Value Perception Components

From Table 5, we learned that the ultimate patronage intention is based on multi-perceived values, specifically hedonic shopping value and utilitarian shopping value. Also, the influence of hedonic shopping value is found to be slightly stronger than that of utilitarian shopping value on patronage intentions. Besides, there is a small influence from merchandise quality value.

Table 5: Direct and Indirect Effect of Multi-Value Perceptions

	Merchandise quality value	Hedonic shopping value	Utilitarian shopping value
Patronage intentions	0.138（0.103）	0.456（0.463）	0.353（0.363）

( ) Standardized path coefficient

4.3   Discussion

A consolidated view of the research results tells us that there are some inconsistencies in the sole relationship of store environment dimensions and value content components. The inconsistency originates from the investigated mall itself due to its unique store environment. Besides, the experts also think that stores in this particular mall indeed have distinctive differences. The rest of the components show consistent impact relationships. This proves that our

research is based on model structure and measurement that are suitable for the particular type of retailer of shopping malls.

Influence of Store Environment on Service and Merchandise Quality Perceptions

Evidence from testing shows that store social, store ambient, and mall tenant variety dimensions positively influence on service quality perception and merchandise quality perceptions. Among these factors, store society has the largest impact and mall tenant variety rank second largest on service quality perception. Oppositely, mall tenant variety has the largest impact and store society as the second impact on merchandise quality perception. Also, we discovered a special condition for the store ambient dimension exhibited a significant impact on all dimensions of value content and an indirect impact on multi-value perceptions and even toward patronage intention. However, store design perception has no impact at all. This result is inconsistent with the research result of Baker/Parasuraman/Grewal (2002), who concluded that store design has the largest impact on store quality perception. The reason could be that the stores in Baker/Parasuraman/Grewal (2002) based on individual gift shops, unlike shopping malls as the other retailer type in this study. As a result, we can infer that consumers evaluate service quality perception and merchandise quality perception under the influence of mall tenant variety, which also consolidates the overall feeling they get from the store personnel.

Influence of Store Environment on Monetary Price Perception

From the results, we found that both store social and store ambient dimensions generate positive influence on monetary price perception. Yet, store design has no significant relationship with monetary price perception, nor does mall tenant variety. This result is partially consistent with the research result of Baker/Parasuraman/Grewal (2002) except for these two dimensions. Therefore, consumers are mainly influenced by store society and ambience when evaluating price. Whether store design and tenant variety have an impact is an issue worth of advance investigation.

Influence of Store Environment on Time/Effort Cost Perception

From the testing results, we indicated that only store ambient perception has a negative impact on time/effort cost perception. The rest factors of store environment have no impact. According to experts' perspectives, the reason is because this selected mall has a poor layout, which is perceived as an ambient dimension. It is hard to move along the traffic line because consumers have to pass by the same stores repeatedly. It causes consumers to spend more time and efforts in the product searching process. When consumers sense inferior store

ambient perception, they will also have higher time/effort cost perception. Hence, establishing a better store environment does not effectively reduce consumers' time/effort cost perception. This result is inconsistent with the research result of Baker/Parasuraman/Grewal (2002). The reason could be that Baker/Parasuraman/Grewal (2002) utilized testing tools such as videotapes to simulate store environment. Consumers were not able to truly perceive the time and fatigue from shopping journals. Our survey is consumers' actual shopping experiences so that they truly feel the time spent and fatigue generated from the shopping trip. Besides, this could also be due to different retailer types, which provide differentiation of services and a wider range of merchandise categories from shopping malls. Based on these two reasons, our research results seem to be rational. Then, building a good store environment cannot effectively reduce consumers' time/effort cost perception.

Influence of Store Environment on Psychic Cost Perception

The test results showed that store social, store design, and store ambient dimensions have negative influences on psychic cost perception. Store design dimension, among other factors, has the largest negative impact. We also found that the store ambient dimension ranks second in terms of negative influence and then store social dimension on psychic cost perception. This result is consistent with the results of previous research (Berman/Evans 1995; Spies/Hesse/Loesch 1997; Wakefield/Baker 1998). Therefore, pleasant music and proper volume, appropriate lighting, and convenient store layout for mobility when shopping around will enable consumers to sense the better atmosphere. Furthermore, the employees' training could reduce their psychic cost perception.

Influence of Store Environment and Value Content on Hedonic Shopping Value

Testing results shows consistently that store ambient and mall tenant variety dimensions both have a positive influence on hedonic shopping value, in contrast to the store design dimension. Especially, mall tenant variety has the largest impact among other dimensions on hedonic shopping value, and store ambient dimension ranks second. This result is consistent with the result of Wakefield and Baker (1998), and partial consistent with the result of Baker/Levy/Grewal (1992). Psychic cost perception negatively influences hedonic shopping value, whereas time/effort cost perception has no effort on hedonic shopping value. This result is inconsistent with the research result of Babin/Darden/Griffin (1994), probably because store environment itself has a high influential relationship with hedonic shopping value. A better store environment cannot reduce the time and fatigue consumers spend and feel. As a result, under the influence of store environment, time/effort cost perception does not exhibit a significant influential relationship with hedonic shopping value in this research.

Influence of Store Environment and Value Content on Utilitarian Shopping Value

From the testing results, we illustrated that store ambient and mall tenant variety dimensions have positive influence on utilitarian shopping value. Store ambient dimension among other factors has the largest impact on utilitarian shopping value and mall tenant variety ranks second. This result is consistent with the results from Titus/Everett (1995) and Berman/Evans (1995). Neither psychic cost perception has an impact on utilitarian shopping value, nor does time/effort cost perception have an influence on consumers' evaluation on utilitarian shopping value. This result is inconsistent with the research result of Babin/Darden/Griffin (1994), probably because this selected mall has a large scale and requires more square footage than other types of retailer. Consumers need to spend quite a lot of time and efforts on their shopping tours. However, this does not mean that consumers receive inferior transaction results. Consumers could spend quite some time and effort on searching for products, and obtaining entertainment or a rather satisfactory transaction result such as good quality and low prices. Therefore, researchers in the future on utilitarian shopping value can consider dividing shopping efficiency and results into two concepts to clarify the relationship of time/effort cost perception, shopping efficiency, and shopping results.

Influence of Value Content on Merchandise Value Perception

The results show that merchandise quality perception and service quality perception both have a positive impact on merchandise value perception. Monetary price perception reduces consumers' evaluation of merchandise value. As a result, consumers' evaluation of merchandise value perception will be under a positive impact from merchandise quality and service quality, and a negative impact on reducing merchandise value. This result is consistent with the research results from Monroe/Krishnan (1985), Zeithaml (1988), Sirohi/McLaughlin/Wittink (1998), and Wu (2009).

Influence of Multi-Value Perception on Patronage Intentions

The findings show that hedonic shopping value and utilitarian shopping value both have significantly positive influence on patronage intentions in this case of retailer type, a shopping mall. Comparing with these two determining factors, hedonic shopping value has the larger influence than merchandise value. Merchandise value perception has less significant impact on patronage intentions. Therefore, consumers could value hedonic and utilitarian shopping value more due to their leisure, social purposes, and entertainment shopping motives. This result is consistent with the research results from Babin/Darden/Griffin (1994), Zeithaml (1988), Baker/Parasuraman/Grewal (2002), and Sullivan/Heitmeyer (2008) regarding hedonic shopping value and utilitarian shopping who have an influence on patronage intentions.

However, it is partially consistent with Baker/Parasuraman/Grewal (2002), Sirohi/McLaughlin/Wittink (1998), and Sullivan/Heitmeyer (2008) concerning merchandise value perception's influence on patronage intentions. The results show a significant impact on patronage intentions. Nevertheless, merchandise value perception apparently has less significant impact in comparison to hedonic and utilitarian shopping value's impact on patronage intentions. This is our great finding in this study because there is no previous research that compares these three multi-value perceptions, simultaneously. For obtaining the robust support, the relationship between merchandise value perception, hedonic shopping value, and utilitarian shopping value on patronage intentions are worthy further investigation.

5   Conclusions and Implications

5.1   Research Conclusions

This study makes two main theoretical contributions. First, we clarified the influence that store environment has on transaction value (i.e. merchandise value perception) and emotional value (i.e. hedonic shopping value and utilitarian shopping value). According to our research findings, establishing a pleasant store environment can effectively enhance consumers' shopping experiences, and as a result, increase hedonic and utilitarian shopping value and patronage intentions. Relatively speaking, creating a better store environment is not the major reason to make consumers perceive higher merchandise value. From this viewpoint, we understand that establishing a good store environment, consequently, can not only enhance consumers' experiential value while shopping, but also cannot restrictively influence on upgrading merchandise quality value.

Our second contribution is the clarification of the influence of transaction value (i.e. merchandise value perception) and experience value (i.e. hedonic shopping value and utilitarian shopping value) on behavioural intentions. However, this research result cannot be generalized to apply to all retailer types. It is only limited to metropolitan shopping malls because of the district character. These findings should be encouraging for developers to investigate on some particular positioning stores, e.g. department stores, individual stores, theme stores, metropolitan shopping malls, suburban shopping malls, etc. Besides, only one representative shopping mall in a metropolitan area was studied. Hence, the findings of this study cannot be generalized due to limited external validity. Regardless, this study focuses on multi-value perceptions and cannot thoroughly describe value obtained by consumers in their shopping experiences. Researches in the future as regards consumers' various values and diverse motivations in their shopping journals can possibly follow the three value dimensions distin-

guished by this research to explore other retailer types or re-examine for generalization. All in all, further researches can compare and clarify their relative importance and interrelationships within different circumstances or/and different types of retailers.

5.2   Implications and Suggestions

This research finds that establishing a pleasant store environment can indeed have a positive influence on multi-value perception. The largest positive impact on service quality perception originates from store social dimension; the largest positive impact on merchandise value perception is mall tenant variety, followed by store social dimension; the largest positive impact on hedonic shopping value is mall tenant variety and then is store ambience; the largest positive impact on utilitarian shopping value comes from store ambience and then mall tenant variety. Overall, store ambient environment and mall tenant variety have the wider-spread impact as the most powerful store environmental dimensions to ultimately affect patronage intentions.

The other critical finding is that hedonic shopping value, followed by utilitarian shopping value, are key determinants for perceived value. In comparison, merchandise value has the smallest influence on patronage intentions. This shows that the consumers mainly care about the shopping experience. In other words, even when consumers do not perceive high merchandise quality value they would still be willing to visit the mall. One reason may be that offering merchandise value has become a basic prerequisite. In any way, consumers are looking to obtain a pleasant shopping experience and strive for both hedonic and utilitarian shopping value. Consumers are looking to attain good moods through an enjoyable shopping experience, while at the same time achieving high efficiency in the searching process, and also to obtain the merchandise and services they wish to purchase with efficiency above a certain level.

Consequently, we suggest that retailers firstly should offer a merchandise value that is above the minimum acceptable level for consumers. Secondly, in order to provide a better shopping experience, retailers should focus on establishing a decent and pleasant store atmosphere. This would include, for example, a convenient layout, attractive ambience, professional and enthusiastic service personnel, an excellent variety of tenants, entertainment alternatives, and food choices. This can effectively increase hedonic and utilitarian shopping value for customers, which in turn shape hedonic and utilitarian shopping value, and finally results in customers' higher patronage intentions.

References

Ahtola, O.T. (1984): Price as a "Give" Component in an Exchange Theoretic Multi-Component Model, in: Advances in Consumer Research, Thomas C. Kinnear, ed., Ann Arbor, MI: Association for Consumer Research, Vol. 11, pp.623-6.

Areni, C.S.; Kim, D. (1993): The Influence of Background Music on Shopping Behavior: Classical versus Top-Forty Music in a Wine Store, in: Advance in Consumer Research, Vol. 20, pp. 336-340.

Anderson, J. C.; Gerbing, D. W. (1984): The Effect of Sampling Error on Convergence, Improper Solutions, and Goodness-of-fit Indices for Maximum Likelihood Confirmatory Factor Analysis. In: Psychometrika, Vol. 49, pp. 155−173.

Anderson, J.C.; Gerbing, D.W. (1988): Structural Equation Modeling in Practice: A Review and Recommended Two-Step Approach, in: Psychological Bulletin, Vol. 103, No. 3, pp. 411-423.

Anderson, J.C.; Gerbing, D.W. (1991): Predicating the Performance of Measures in a Confirmatory Factor Analysis with a Pretest Assessment of their Substantive Validities, in: Journal of Applied Psychology, Vol. 76, No. 5, pp. 732-740.

Babin, B.J.; Attaway, J.S. (2000): Atmospheric Effect as a Tool for Creating Customer Value and Gaining Share of Customer, in: Journal of Business Research, Vol. 49, No. 2, pp. 91-99.

Babin, B.J.; Darden, W.R.; Griffin, M. (1994): Work and/or Fun: Measuring Hedonic and Utilitarian Shopping Value, in: Journal of Consumer Research, Vol. 20, No. 4, pp. 644-656.

Baker, J.; Grewal, D.; Parasuraman, A. (1994): The Influence of Store Environment on Quality Inferences and Store Image, in: Journal of the Academy of Marketing Science, Vol. 22, No. 4, pp. 328-339.

Baker, J.; Levy, M.; Grewal, D. (1992): An Experimental Approach to Making Retail Store Environmental Decisions, in: Journal of Retailing, Vol. 68, No. 4, pp. 445-460.

Baker, J.; Parasuraman, A.; Grewal, D. (2002): The Influence of Multiple Store Environment Cues on Perceived Merchandise Value and Patronage Intentions, in: Journal of Marketing, Vol. 66, No. 2, pp. 120-141.

Berman, B.; Evans, J.R. (1995): Retail Management: A Strategic Approach, 10th eds., Prentice Hall International London.

Bettman, J.R. (1979): An Information Processing Theory of Consumer Choice, Reading, MA.

Bitner, M.J. (1990): Evaluating Service Encounters: The Effects of Physical Surroundings and Employee Responses, in: Journal of Marketing, Vol. 54, Apr., pp. 69-82.

Bitner, M.J. (1992): Servicescapes: The Impact of Physical Surroundings on Customers and Employees, in: Journal of Marketing, Vol. 56, No. 2, pp. 57-71.

Bitner, M.J.; Booms, B.H.; Mohr, L.A. (1994): Critical Service Encounters: The Employee's Viewpoint, in: Journal of Marketing, Vol. 58, No. 4, pp. 95-106.

Blackwell, R.D.; Miniard, P.W.; Engel, J.W. (2000): Consumer Behavior, Mason, OH.

Brady, M.K.; Cronin Jr., J.J. (2001): Some New Thoughts on Conceptualizing Perceived Service Quality: A Hierarchical Approach, in: Journal of Marketing, Vol. 65, No. 3, pp. 34-49.

Chandon, P.; Wansink, B.; Laurent, G. (2000): A Benefit Congruency Framework of Sales Promotion Effectiveness, in: Journal of Marketing, Vol. 64, Oct., pp. 65-81.

Dodds, W.B.; Monroe, K.B.; Grewal, D. (1991): Effects of Price, Brand, and Store Information on Buyers' Product Evaluations, in: Journal of Marketing Research, Vol. 28: No. 3, pp. 307-319.

Gale, B.T.; Wood, R.C. (1994): Managing Customer Value: Creating Quality and Service that Customers can see, The Free Press, New York, NY.

Greenland, S.J.; McGoldrick, P.J. (1994): Atmospherics, Attitudes and Behavior: Modeling the Impact of Designed Space, in: The International Review of Retail, Distribution and Consumer Research, Vol. 4, No. 1, pp. 1-16.

Grewal, D.; Baker, J. (1994): Do Retail Store Environmental Factors Affect Consumers' Price Acceptability? An Empirical Examination, in: International Journal of Research in Marketing, Vol. 11, No. 2, pp. 107-115.

Grewal, R.; Cote, J. A.; Baumgartner, H. (2004): Multicollinearity and Measurement Error in Structural Equation Models: Implications for Theory Testing, in: Marketing Science, Vol. 23, No. 4, pp. 519-529.

Grönroos, C. (2000): Service Management and Marketing: A Customer Relationship Approach, 2nd ed., Wiley, Chichester.

Holbrook, M.B. (1994): The Nature of Customer Value: An Axiology of Services in the Consumption Experience, in: Service Quality: New Directions in Theory and Practice, Rust, R.T.; Oliver, R.L. eds., CA, pp. 21-71.

Holbrook, M.B. (1999): Introduction to Customer Value, Customer Value: A Framework for Analysis and Research, in: Holbrook, M.B. ed., Routledge, London, pp. 1-28.

Hsu, T.H.; Tang, J.W. (2010): A Model of Marketing Strategic Alliances to Develop Long-Term Relationships for Retailing, in: The International Journal of Business and Information, Vol. 5, No. 2, pp. 151-172.

Jacoby, J.; Olson, J.C. (1977): Consumer Response to Price: An Attitudinal, Information Processing Perspective, in: Moving Ahead with Attitude Research, Wind, Y.; Greenberg, M. eds., Chicago: American Marketing Association, pp.73-86.

Kim, K. (2005): The Relation among Fit Indexes, Power, and Sample Size in Structural Equation Modeling, in: Structural Equation Modeling, Vol. 12, No. 3, pp. 368−390.

Lin, G.; Wang, L.; Zhang, X. (2010): Social Construction Functions of Consumption Space under Stratification: The case of Guangzhou, in: Chinese Geographical Science, Vol. 20, No. 5, pp. 450-460.

Lin, L.Z.; Hsu, T.H. (2011): A Modular Fuzzy Inference System Approach in Integrating Qualitative and Quantitative Analysis of Store Image, in: Quality & Quantity, July, Online First™.

Mathwick, C.; Malhotra, N.; Rigdon, E. (2001): Experiential Value: Conceptualization, Measurement and Application in the Catalog and Internet Shipping Environment, in: Journal of Retailing, Vol. 77, No. 1, pp. 39-56.

Mazursky, D.; Jacoby, J. (1986): Exploring the Development of Store Images, in: Journal of Retailing, Vol. 62, No. 2, pp. 145-165.

Michon, R.; Yu, H.; Smith, D. (2008): The Influence of Mall Environment on Female Fashion Shoppers' Value and Behavior, in: Journal of Fashion Marketing and Management, Vol. 12, No. 4, pp. 456-468.

Monroe, K.B.; Krishnan, R. (1985): The Effect of Price on Subjective Product Evaluations, In Perceived Quality, Lexington.

Monroe, K.B. (1979): Pricing: Making Profitable Decisions, McGraw-Hill Book Co.

Nagle, T.T.; Holden, R.K. (1995): The Strategy and Tactics of Pricing: A Guide to Profitable Decision Making, Prentice Hill.

Nunnally, J.; Bernstein, I. (1994): Psychometric theory, 3rd ed., New York: McGraw-Hill.

Parasuraman, A.; Grewal, D. (2000): The Impact of Technology on the Quality-Value-Loyalty Chain: A Research Agenda, in: Academy of Marketing Science. Journal, Vol. 28, No. 1, pp. 168-174.

Reichheld, F.F. (1996): Learning from Customer Defections, in: Harvard Business Review, Vol. 74, No. 2, pp. 56-67.

Rintamäki, T.; Kanto, A.; Kuusela, H.; Spence, M.T. (2006): Decomposing the Value of Department Store Shipping into Utilitarian, Hedonic and Social Dimensions, in: International Journal of Retail & Distribution Management, Vol. 34, No. 1, pp. 6-24.

Sheth, J.N.; Newman, B.I.; Gross, B.L. (1991): Why We Buy What We Buy: A Theory of Consumption Values, in: Journal of Business Research, Vol. 22, No. 2, pp. 159-170.

Sirohi, N.; McLaughlin, E.W.; Wittink, D.R. (1998): A Model of Consumer Perceptions and Store Loyalty Intentions for a Supermarket Retailer, in: Journal of Retailing, Vol. 74, No. 2, pp. 223-245.

Spies, K.; Hesse, F.; Loesch, K. (1997): Store Atmosphere, Mood and Purchasing Behavior, in: International Journal of Research in Marketing, Vol. 14, No. 1, pp. 1-17.

Sullivan, P.; Heitmeyer, J. (2008): Looking at Gen Y Shopping Preferences and Intentions: Exploring the Role of Experience and Apparel Involvement, in: International Journal of Consumer Studies, Vol. 32, pp. 285-295.

Sweeney, J.C.; Soutar, G.N. (2001): Consumer Perceived Value: The Development of a Multiple Item Scale, in: Journal of Retailing, Vol. 77, No. 2, pp. 203-220.

Titus, P.A.; Everett, P.B. (1995): The Consumer Retail Search Process: A Conceptual Model and Research Agenda, in: Journal of the Academy of Marketing Science, Vol. 23, No. 2, pp. 106-119.

Wakefield, K.L.; Baker, J. (1998): Excitement at the Mall: Determinants and Effects on Shopping Response, in: Journal of Retailing, Vol. 74, No. 4, pp. 515-539.

Woodruff, R.B. (1997): Customer Value: The Next Source for Competitive Advantage, in: Journal of Academy of Marketing Science, Vol. 25, No. 2, pp. 139-153.

Wu, J.F. (2009): Effects of Perceived Marketing Stimuli on Retailer Loyalty: Perspective of Store Knowledge, in: Management and Service Science, MASS '09, International Conference on, pp. 1-3.

Weitzl, W.; Zniva, R. (2010): The In-store Antecedents and Consequences of Perceived Shopping Value for Regularly Purchased Products, in: European Retail Research, Vol. 24, No. 1, pp. 121-148.

Zeithaml, V.A. (1988): Consumer Perceptions of Price, Quality, and Value: A Means-End Model and Synthesis of Evidence, in: Journal of Marketing, Vol. 52, No. 3, pp. 2-22

Developing a Value Chain for Fashion Retailers: Activities for Competitiveness

Julie McColl and Christopher Moore

Abstract

It is recognised within the branding literature that strategic and operational activities associated with the development and portrayal of the fashion retailer brand are essential to creating value and maintaining its competitiveness. The literature, however, is fragmented and brand building activities are rarely considered as a coherent process. These activities are proposed within this paper to be essential to the creation of value for fashion retailing companies. A model of value chain activity for fashion retailers, based upon Porter's value chain, has been developed. The model is theoretical and the concepts drawn from the literature. For future research, empirical studies may consider its application in the fashion retailing sector.

Keywords

Julie McColl *(corresponding author)*
Department of Business Management, Glasgow Caledonian University, Glasgow
(+441413318234, E-Mail: j.mccoll2@gcal.ac.uk)

Christopher Moore
Department of Consumer Studies, Glasgow Caledonian University, Glasgow

1 Background and Introduction to Brand Management

In the past decade there has been a significant reappraisal of the role, function, form and strategic value of the brand, from the perspective of both the brand as a business asset expressing the company's core values and beliefs, previously articulated in the academic domain of strategic management and in terms of the impact of the brand upon consumer behaviour (Balmer/Grey 2003). Additionally, a move towards globalisation, such as that which has occurred in fashion retailing (Moore/Fernie/Burt 2000) has led to a shift in emphasis from product brands to corporate brands, that is the brand as a company, as central to the creation of brand value and a focus for the communication of corporate ideology and image (Ind 1997; de Chernatony 1999; Aaker/Joachimstaler 2000; Knox/Malkan/Ryals 2000; Olins 2000; Balmer 2001; Harris/de Chernatony 2001; Hatch/Schultz 2003; Kapfer 2004; Cornelissen/Christiensen/Kinutha (2012). Although there is a paucity of literature, the brand is particularly pre-eminent in fashion retailing, as measured by brand physicality and visibility, investment costs and consumer awareness (Grime/Diamantopoulos/Smith2002; Hines/Cheng/Grime 2007). Furthermore, in the fashion sector, the clear interplay between the brand at corporate level with that of brand manifestations at the level of the product, marketed and defined as the private label brand is pronounced and is strategically critical (McColl/Moore 2011a; McColl/Moore 2011b). Brand credibility, value and survival are each inextricably dependent upon the level at which the corporate and the private label brand are inter-created, inter-positioned, inter-controlled and inter-managed (Ailawadi/Keller 2004; Burt/Davies 2010).

In retail marketing terms, it is proposed that value is added through the chain of activities which occur in the operationalisation of the brand strategy, implemented in retail stores through the interface of the retail mix of merchandise strategy, trading format, customer communications and customer service (Cook/Walters 1991). These elements are portrayed through the image of the store (Kent 2003; Kerfoot/ Davies/Ward 2003) and conceptualised in the store image literature. It is this chain of activities therefore, and the effective operation and control of these activities, which are critical in the implementation of corporate brand strategy and which create strategic and competitive advantage for fashion retailers. Despite the prominence of Porter's (1985) value chain analysis in the corporate strategy literature, analysis of value chain activities for fashion retailers is rare (Richardson 1996; Swoboda/Foscht/Cliquet 2008). The aim of this paper therefore, is to propose a chain of management processes for fashion retailers developed from the existing literature, the implementation and control of which are critical in adding value to fashion retailer activities. This research provides direction for empirical research in the general retail and fashion retail sectors and offers practitioners a model of value adding activities to be applied in the industry.

2   Porter's Value Chain Model

Brand management activity is conventionally based upon the theories and concepts proposed in the marketing literature. Porter's competitive strategies and value chain activities have traditionally been the means of analysis for competitive strategic development and have, in this sense, made a valid contribution to the development of the marketing (Hooley/Greenly/Fahey 2001; Blankson/Kalafatis 2004) and retail marketing (Cook/Walters 1991) literature. They have also had a noticeable impact upon the branding literature (Keller 1993), in terms of the need to differentiate, position and create value for the brand in a highly competitive market. Indeed, Zinkhan/Pereira (1994) consider Porter to have been "the first to take a comprehensive approach to the issue of competitive advantage", and responsible for establishing its centrality in strategic planning.

Porter's (1985) value chain model is a chain of activities for a company operating in a specific industry. It consists of nine value adding activities of which five are primary activities and four are considered to be secondary activities. These are what Porter considers as the value adding activities through which the product passes, gaining value at each stage. The execution of the value chain activities therefore contributes to the successful or unsuccessful implementation of the corporate strategy.

Table 1 illustrates the value adding activities proposed by Porter. The primary activities are the operational aspects of the strategy concerned with supply chain and manufacturing processes as well as marketing, sales and service activity. These activities are enabled by a number of secondary activities which support primary activity and influence their success in adding value. These are in a sense providing the necessary infrastructure for the primary activities to take place. The secondary activities are those of procurement, human resource management, technological development and infrastructure, that is functions which service the needs of activities across the company.

Grundy (2006) proposes that Porter's work "propelled strategic management to the heart of the management strategic agenda" (p. 213) in providing models which have been highly influential in academic fields, providing a powerful set of concepts for practice, which are proposed by Karagiannopoulos/Georgopoulos/Nikolopoulos (2005) to be focused on profit maximisation. Accordingly, a large number of companies have successfully adopted the use of Porter's framework (Wheelen/Hunger 1998) and Porter's competitive strategies continue to be the subject of empirical studies to the present day (Dess/Davies 1984; Bonn/Christodoulou 1996; Kumar/Subramanian 1998; Darrow/King/Helleloid 2001; Grundy 2001; Kim/Nam/Stimpert 2004; Akan/AllenHelms/Spralls 2006) in terms of their applicability in current markets and in different industry situations.

Table 1: Porter's Value Chain Activities

Primary activity	Description
Inbound logistics	Relationships with suppliers including all activities necessary to receive, store and disseminate inputs
Operations	Activities required to transform inputs into outputs
Outbound logistics	Activities required to collect, store and distribute the input
Marketing and sales	Activities which inform buyers about products and services, induce buyers to purchase them and facilitate their purchase
Service	Activities required to keep the product or service working effectively for the buyer after it is sold and delivered
Secondary activity	
Procurement	Acquisition of resources for the firm
Human resource management	All activities involved in recruitment, hiring, training, developing, compensating and dismissal
Technological development	Equipment hardware, software, procedures and technical knowledge brought to bear on the firm's transformation of inputs and outputs
Infrastructure	Serves the company's needs and ties its various parts together, consisting of functions or departments such as accounting, legal, finance, public affairs, government relations, quality assurance, and general management

Source: Porter (1985).

Porter's value chain model examines the activities performed in the company and offers a means of examining the sources of competitive advantage. As such, it helps provide a conceptual basis for the evaluation of strategic brand management activity in the fashion retailing sector.

3   Overview of the Fashion Retailer Value Chain

The fashion retailer value chain is based upon the activities, drawn from the literature, which form the basis of fashion retailer brand strategy (McColl/Moore 2011a; McColl/Moore 2011b), and add competitive value to fashion retail operations. The value chain proposed consists of four primary and four secondary activities. As proposed by Porter (1985), the primary activities are those concerned with the delivery of brand strategy at store level, those activities concerned with the design, sourcing and delivery of brands sold in the stores, the communication and delivery of the brand image and customer service. The secondary activities, the functions which serve the needs of actions across the company, support the primary activities and influence their success in adding value are proposed to be those of visionary leadership, corporate blueprint and positioning development, central support functions and evaluation and control. Figure 1 suggests the value chain activities.

Figure 1: Fashion Value Chain
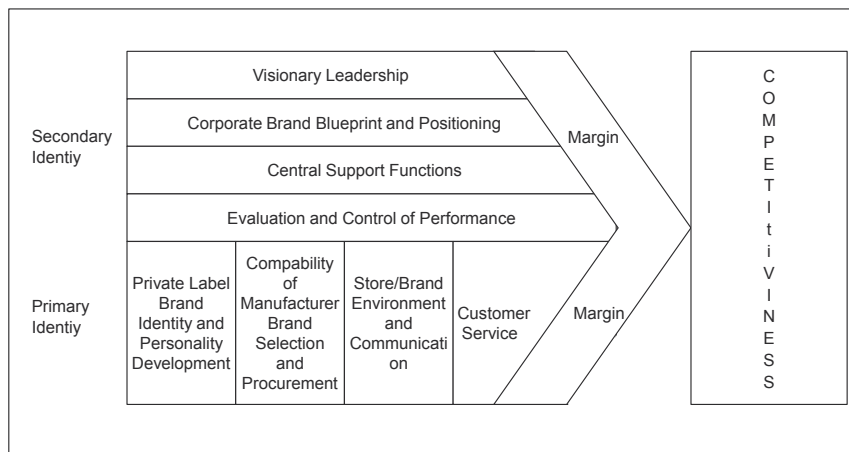
It is further suggested in this paper that the value added to the fashion retailer brand is through the successful interactivity and co-ordination of these activities. An analysis of the literature shows commonality among fashion retailers in the development and delivery of brand strategy and evidence of the value added at each stage through the interactivity which occurs (McColl/Moore 2011a; McColl/Moore 2011b). Table 2 offers a characterisation of each activity. Evidence which supports the contribution of the activities to fashion retailer competitiveness is drawn from the literature. It is a descriptive model which aims to provide a basis for the evaluation of fashion retailer brand strategy. This paper will analyse each of the primary and secondary activities which exist in the successful implementation of value chain activities. The concluding section discusses the potential of future research.

Table 2: The Fashion Retailer Brand Value Chain Model

Primary activity	Description
Private label identity and personality development	Design and delivery of the fashion retailer private label based upon the principles of the corporate brand
Compatible manufacturer brand selection and procurement	Procurement and delivery of manufacturer brands consistent with corporate and private label philosophy. Goodness of fit with private label identity
Store/brand environment and communication	Delivery and communication of store brand image consistent with corporate and private label image
Customer service	Adding value to brand image particularly through employee behaviour
Secondary activity	
Visionary leadership	Strong, centralised and visionary leadership
Corporate brand blueprint and positioning	Corporate strategy which considers the brand to be pivotal to company success
Central support functions	Marketing, product design and buying, supply chain management, human resource management to allow for quality of brand delivery
Evaluation and control of performance	Consistently assessing the value of the brand and redeveloping as necessary

3.1   Primary Knowledge Based Activities

3.1.1   Private Label Identity and Personality Development

The significance of private label development to corporate brand strategy in the retail sector is addressed in the literature (Ailawadi/Neslin/Gedenk 2001; Ailawadi/Harlam 2004; Chan Choi/Coughlan 2006; Whelan/Davies 2006; Haelsig et al. 2007; Zielke/Dobbelstein 2007). It is suggested that because of a lack of differentiation in retail markets, the strategic significance of private labels has increased dramatically in recent years (Laforet 2007; Zielke/Dobbelstein 2007; Esbjerg/Bech-Larsen 2009; Massa/Testa 2012). Of particular importance is the use of the corporate brand name in the creation of private label brand identity and personality (Martensen 2007) in transferring the existing trust and values (Laforet 2007), in portraying the corporate brand image aspects of retailer brand strategy (Burt/Sparks 2002) and in contributing to store differentiation (Sudhir/Talukdar 2004). According to Martensen (2007), retailers following a corporate branding strategy will use their own name across their own, private label brands, the important issues being the quality of the product and the credibility of the types of product sold.

The success and development of private label brands in the retail sector is therefore conceptually (Burt/Sparks 2002; Burt/Davies 2010) and empirically (Richardson/Jain/Dick 1996; Richardson 1997; Massa/Testa 2012) apparent. A small body of literature has evolved which emphasises the importance of private labels in the fashion retailing sector, particularly in car-

rying the corporate brand name into the store and onto the high street (Moore 1995; Carpenter/Moore/Fairhurst 2005; Forney/Park/Kim 2005; Vahie/Paswan 2006; McColl/Moore 2011a; McColl/Moore 2011b). These studies have established the centrality of private label development to corporate identity as a means of differentiation in the fashion retail sector, and serve to highlight the extent of private label production in the fashion retailing sector (Carpenter 1989; Birtwistle/Freathy 1998; Forney/Park/Kim 2005; Vahie/Paswan 2006).

A small number of empirical studies have emerged which highlight the disadvantages of private label development in the retail sector. The function of these studies is not to discourage the development of private labels but to make academics and practitioners aware of these issues. The key points to emerge are that negative perceptions of the corporate brand may be generated by failure of the private label (Vaidyanathan/Aggarwal 2000). Damage can also be caused if there is a poor fit in terms of customer perceptions of quality with existing brand (Ambler/Styles 1997). Private labels offer higher profit margins (Ailawadi/Harlam 2004; Sudhir/Talukdar 2004), however, they are often sold at lower prices (Zielke/Dobbelstein 2007), an issue that they propose needs to be considered when deciding upon a private label strategy. Finally, customer perception of private labels has, at times, been found to be lower in terms of quality than perceptions of manufacturer brands, that is which are sold independently of retail companies (Richardson/Jain/Dick 1996; Sheinin/Wagner 2003; Laforet 2007), which can affect in turn, perceptions of product performance and ultimately customer loyalty (Erdem/Zhao/Valenzuela 2004). A recent study by Juhl et al. (2006) found that if customer perceptions of the private label were poor, it would affect perceptions of the corporate brand. Consumers who prefer private labels are proposed by Baltas/Argouslidis (2007) to be price sensitive and value conscious, indicating strategic issues for companies in terms of pricing. Examples of private label brand activity are common and fashion retailers such as Zara, H&M and GAP amongst others sell only private label products which carry the corporate brand name and through the use of corporate brand image dimensions, represent the corporate brand philosophy and personality in the store. Additionally, stores such as Top Shop have been able to develop a brand personality for private label products by using for example celebrities such as the model Kate Moss to represent them (McColl/Moore 2011b).

3.1.2   Compatible Manufacturer Brand Selection

Other researchers have identified the brands carried by the store and the images these portray (Baker/Grewal/Parasuraman 1994; Porter/Claycomb 1997; Collins-Dodd/Linley 2003; Carpenter/Moore/Fairhurst 2005; Broyles et al. 2011; Aurier/Sere de Lanauze 2011) as major influences upon consumer behaviour, attitudes and loyalty and store image, proposing this as

an important area of study because of the priority given to merchandise in consumer evaluations of store image. Porter/Claycomb (1997) propose:

"The images associated with the brands a store carries influences a stores image, which in turn influences consumer's decision making processes." (p. 373)

They stress the importance of an "anchor brand" or a main brand as offering opportunities to build positive consumer store image attitudes by using packaging, merchandising and advertising strategies to reinforce the links between these.

Porter/Claycomb (1997) propose that the stronger the anchor brand and the more recognisable brands the store carries, the more favourable the store image perception carried by consumers. In addition, they propose that brand name is a particularly important cue when evaluating merchandise quality, and the merchandise they propose projects an image of the brand itself, and of the store as a whole. Overall, they propose that the image of the brands sold through the store has a major influence on consumer perceptions of store image. Additionally, according to Juhl et al. (2006), a company strategy may become confused and the company may "cannibalise" the sale of its manufacturer brand name products, if private label production becomes a more dominant element of company strategy, and where different names are used, there may be confusion over the ownership of the products sold and confusion in terms of corporate image. It is easy to control the image portrayed through the private label, however, it is essential that where fashion retailers carry both manufacturer and private label brands that these are consistent with the corporate brand image and if fashion retailers sell only manufacturer brands, as is the case with some department stores, that these again are consistent with the image portrayed by the corporate brand. For example, department stores such as Harrods and Selfridges in the UK carry manufacturer brands which represent their luxury brand image. Where these stores carry private label products, these are of a similar price, quality and design standards to the manufacturer brands sold (McColl/Moore 2011b).

3.1.3   Store Brand Environment and Communication

Store image is the means by which the retailer positioning strategy is portrayed to the customer in the store (Cook/Walters 1991), and the means by which the brand is portrayed, reinforced and managed in the store (Kent 2003; Kerfoot/Davies/Ward 2003; Davies/Ward 2005). For retailers it offers an opportunity to positively influence in-store behaviour and build store loyalty, and in contrast to the literature on retailer brand strategy, retail store image is an area which has received considerable research attention (Martineau 1958; Kunkel/Berry 1968; Jolson/Spath 1973; Doyle/Fenwick 1974; Lindquist 1974; Marks 1976; Schiff-

man/Dash/Dillon 1977; Sirgy 1982; Mazursky/Jacoby 1986; Zimmer/Golden 1988; Gagliano/Hathcote 1994; Lee/Johnson 1997; Thompson/Chen 1998; Birtwistle/Clark/Freathy 1999; Kumar/Karande 2000; Leszczyc/Timmermans 2001). A summary of store image attributes identified from the literature are outlined in Table 3.

A small, but valuable, body of literature has emerged which evaluates store image and brand image congruency from the perspective of the retailer (Baker/Grewal/Parasuraman 1994; Doyle/Broadbridge 1999; Kent 2003; Davies/Ward 2005; Kent 2007; Kent/Stone 2007) and the consumer (Porter/Claycomb 1997; Collins-Dodd/Linley 2003; Kerfoot/Davies/Ward 2003; Carpenter/Moore/Fairhurst 2005; Vahie/Paswan 2006). These studies propose that retailers draw not only upon the traditional elements of brand identity, those of name, symbol, packaging and advertising, but also from the dimensions identified in the study of store image. Thus they carry the brand image and logo onto the facade of the store into the store itself through the signage, in store photography, packaging and labelling of private labels, store layout and staff behaviour, stressing the importance of creativity as store appearance and in-store experience become integral to the core brand values (Backstrom/Johansson 2006; Kent 2007).

Retailers, they propose therefore, have a wide range of issues to consider and manipulate when developing the retailer as one coherent brand, particularly the design elements of merchandise, visual merchandising, display and packaging, in-store promotion, location, environment and atmosphere and space which have been given prominence in recent studies (Doyle/Broadbridge 1999; Kent 2003; Kerfoot/Davies/Ward 2003; Davies/Ward 2005) as methods of communicating and managing the retailer brand strategy. Other researchers have identified the brands carried by the store and the images these portray (Baker/Grewal/Parasuraman 1994; Porter/Claycomb 1997; Collins-Dodd/Linley 2003; Carpenter/Moore/Fairhurst 2005) as major influences upon store image and consumer behaviour, attitudes and loyalty, proposing this as an important area of study because of the priority given to merchandise in consumer evaluations of store image.

Table 3: Store Image Attributes

Attribute	Author
Advertising	Berry (1968), Stephenson (1969), Jolson/Spath (1973), Marks (1976)
Delivery	Jolson and Spath (1973), Lee/Johnson (1997)
Displays	Jolson /Spath (1973), Bawa/Landwher/Krishna (1989), Iyer (1989)
Dressing rooms	Mazursky/Jacoby (1986), Grise/Harver (1990), Lee/Johnson (1997)
Design and communication of brand image	Baker/Grewal/Parasuraman (1994), Porter/Claycomb (1997), Doyle/Broadbridge (1999), Collins-Dodd/Linley (2003), Kent (2003), Kerfoot,/Davies/Ward (2003), Carpenter/Moore/Fairfirst (2005), Davies/ Ward (2005)
Fashion ability and appropriateness of merchandise	Fisk (1961), Rich/Portis (1964), Dommermuth/Cundiff (1967), Berry (1968), Stephenson (1969), Jolson/ Spath (1973), Bearden /Woodside (1976), Marks (1976), Bearden (1977), Schiff-man/Dash/Dillon (1977), Mazursky/Jacoby (1986), Schim/ Kotsio-pulos (1992), Stanforth /Lennon (1997)
Merchandise information	Mazursky /Jacoby (1986)
Merchandise quality	Berry (1968), Mazursky / Jacoby (1986)
Store appearance	Marks (1976), Sirohi/Kotsiopulos (1992)
Parking	Jolson /Spath (1973), Bearden /Woodside (1976), Bearden (1977), Mazursky/Jacoby (1986), Leszczyc/Timmermans (2001)
Post transactional satisfaction	Fisk (1961)
Pricing strategies	Fisk (1961), Berry (1968), Jolson/Spath (1973), Bearden/Woodside (1976), Bearden (1977), Mazursky/Jacoby (1986), Bawa/Landwher/Krishna (1989), Iyer (1989), Sirohi/ Kot-siopulos (1992), Stanforth /Lennon (1997), Leszczyc / Timmer-mans (2001)
Rest rooms	Berry (1968)
Returns policies on adjustments	Berry (1968), Jolson/ Spath (1973), Mazursky/Jacoby (1986), Dotson /Patton (1992), Schim/Kotsiopulos (1992), Lee/Johnson (1997)
Sales personnel	Fisk (1961), Rich/ Portis (1964), Berry (1968), Stephenson (1969), Jolson/Spath (1973), Marks (1976), Bearden (1977), Mazursky /Jacoby (1986), Dotson/Patton (1992), Schim/Kotsiopulos (1992), Sirohi/Kotsiopulos (1992), Lee/Johnson (1997), Reynolds/Beatty (1999), Leszczyc/Timmermans (2001)
Store atmosphere	Berry (1968), Stephenson (1969), Jolson/Spath (1973), Bearden (1977), Mazursky/Jacoby (1986), Schim/Kotsiopulos (1992)
Store hours	Jolson /Spath (1973), Mazursky/ Jacoby (1986)
Store layout	Mazursky /Jacoby (1986)
Store location	Fisk (1961), Berry (1968), Stephenson (1969), Jolson/Spath (1973), Bearden (1977), Schiffman/Dash/Dillon (1977), Mazursky / Jacoby (1986)

Source: adapted from Paulins/Geistfield (2003).

Vahie/Paswan (2006) propose that private labels in the fashion retail sector not only attract more customers and build store loyalty, but also that private label image and store image are intrinsically linked to fashion retailer differentiation strategy. They propose that in terms of

customer perception, private label quality is strongly linked to the quality of the store in terms of store ambience and employee presentation. If these are appealing, customer perception of private label quality is likely to be higher, thus creating congruence in the customer's mind. Carpenter/Moore/Fairhurst (2005) propose of the retailer private label, that the consumer tends to associate it with an element of exclusivity because the unique shopping experience and the merchandise are only available at a particular retail store or chain of stores. They recommend that retailers using the store name as the brand name should invest in creating a unique shopping experience for their target customer. In creating that shopping experience, Carpenter/Moore/Fairhurst (2005) propose that while the trend towards retail branding continues to penetrate the clothing sector, it is critical that industry practitioners understand the hedonic values i.e. fun, excitement, and escapism that their target market values when shopping for fashion brands, and use these in creating an exclusive shopping experience for the consumer, whilst stressing the importance of the marketing mix to consumer decision making.

3.1.4   Customer Service

Particular emphasis in the corporate branding literature is placed upon the role of employees and their commitment in delivering the brand as brand ambassadors, and in supporting the brand image in their interface between the internal and external environments (Bickerton 2000; Hatch/Schultz 2003; King/Grace 2005; Morsing 2006; Chun 2007). According to some (de Chernatony 2001; Aurand 2005; Morsing 2006), the successful enactment of the brand will only occur where corporate brand values are aligned to employees values, as a means of delivering a consistent and coherent brand message. Customer service is a key element of store image in retailing (Timmerman 2001), and in fashion retailing (Birtwistle/Freathy 1998), and is a significant issue in brand choice (Chun 2007). It is clearly necessary therefore to address the issue of customer service, in terms of staff training and motivation, which according to de Chernatony/Segal-Horn (2003), Chun (2007) and Gilani (2007) are central to the success of the corporate brand. A growing body of literature highlights the need for retailers to evaluate their brand strategies to allow for improvements to dimensions such as product, store image and customer service policies (Arnett/Laverie/Meiers 2003; Mohd Yasin/Nasser Noor 2007). The importance of customer service to the success of the retailer private label is highlighted in the literature (de Chernatony/Segal-Horn 2003; Carpenter/Moore/Fairhurst 2005; Vahie/Paswan 2006), while a number of authors (Ind 1997; de Chernatony/Segal-Horn 2003; Morsing 2006; Chun 2007) stress the need for effective customer service and staff training in promoting the retailer as a brand. As proposed by Birtwistle/Clark/Freathy (1999), customer service is an important dimension of fashion retailing. It is recognised therefore that improving employee ability to fulfil their roles is the

key to company success (Hatch/Schultz 2003; Chun 2007). British based companies such as Marks and Spencer and John Lewis, conscious of the importance of individual staff members in representing the brand, include customer service as one of their core brand values and have rigorous staff training and development policies (McColl/Moore 2011a).

3.2   Secondary Activities

3.2.1   Visionary Leadership

Recent developments in the branding literature extend beyond the philosophy of marketing to the incorporation of the brand image and identity into the strategic process, adding value to the brand as an embodiment of the strategic vision, values and mission of the company, developed as a result of strong and directional leadership, inherent in the culture of the organisation, and expressed in employee behaviour and marketing communications (King 1991; de Chernatony/Dall'Olmo Riley 1998; Ind 1997; McEnally/de Chernatony 1999; Harris/de Chernatony 2001; McDonald/de Chernatony/Harris 2001; Van Riel 2001; Balmer/Grey 2003; Knox/Bickerton 2003). The leadership literature focuses on strategic decision making and strategy formulation as a vision which is often the responsibility of a single leader (Schumpeter 1950; March/Simon 1958; Druker 1970; Mintzberg 1973; Pettigrew 1977). This literature proposes that strategy formulation is based upon the visionary leadership of the chief executive rather than as a precise design. Planning therefore is a visionary process, based on the intuition of the chief executive, and internalised in his or her own behaviour. By its very nature, it is deliberate in its vision and emergent in how the details unfold, and reflects a full knowledge of the organisational situation allowing for flexibility and adaptation because of the need for only one person to take the initiative (Schumpeter 1950; March/Simon 1958; Druker 1970; Mintzberg 1973; Pettigrew 1977; Mintzberg/Lampel 1999). In the redevelopment of the Marks and Spencer brand in the early years of the new millennium, hierarchical management structures were flattened so that key individuals were able to make decisions rapidly and successfully in response to environmental developments (McColl 2011a).

3.2.2   Corporate Brand Blueprint and Positioning

Researchers in the body of corporate branding literature propose that branding strategy and corporate strategy are a single entity, portrayed in the strategic vision and mission statement of the company, thus allowing marketers to use vision and culture as their unique selling point

and providing a vision driven approach (Balmer/Soenen 1999; Hatch/Schultz 2003; Knox/Bickerton 2003; Urde 2003). Corporate brands, it is therefore proposed, have become a strategic issue rather than simply a marketing management issue, and rather than simply targeting customers, they contribute to images formed by various stakeholders such as investors, partners and suppliers as well as organisational members (Ind 1997; de Chernatony 1999; Aaker/Joachimstaler 2000; Knox/Malkan/Ryals 2000; Olins 2000; Balmer 2001; Harris/de Chernatony 2001; Hatch/Schultz 2003).

According to Tollin (2007), however, there remains considerable uncertainty over the meaning and complexity of corporate branding. To this end, Balmer/Grey (2003) suggest a symbiosis of thought in the corporate branding literature and propose a growing consensus as to the basic tenets of the concept. In an analysis of the corporate branding literature therefore they have attempted to reflect the distinctive attributes of the corporate brand, presenting the similarity of thought in the literature. These are outlined in Table 4.

Table 4: Characteristics of the Corporate Brand

Characteristics Of Corporate Brands	Referred To In The Literature By
Cultural: corporate brands tend to have strong cultural roots. An organisation's distinctiveness invariably finds one of its sources is the mix of subcultures found in organisations. These consist of corporate, professional, national and other types of culture.	Balmer (1999), de Chernatony (1999), Hankinson/Hankinson (1999), Johansson /Hirano (1999), Mitchell (1999), Bickerton (2000), Balmer (2001), Hatch/Schultz (2003)
Intricate: inherently intricate in nature, it is multidisciplinary and multidimensional in that it impacts your many stakeholder groups and methods and is made known via multiple channels of communication.	King (1991), de Chernatony (1999), Keller (1999), Mitchell (1999), Schmitt (1999), Urde (1999), Olins (2000), Balmer (2001), Balmer/ Grey (2003), Hatch/Schultz (2003), Urde (2003)
Tangible: includes product/service quality, business scope, geographical coverage, performance-related issues, profit margins, pay scales etc. Also includes architecture, logos etc.	King (1991), de Chernatony (1999), Johansson/Hirano (1999), Schmitt (1999), Urde (1999), Balmer (2001)
Ethereal: includes elements such as lifestyle and style of delivery. Also encompasses brand associations. For instance, there are often emotional responses to elements associated with the brand such as country of origin.	de Chernatony (1999), Johansson/Hirano (1999), Keller (1999), Mitchell (1999), Schmitt (1999), Urde (1999), Balmer (2001), Hatch/ Schultz (2003)
Commitment: from all personnel. Senior management need to devote sufficient in resources, such as on-going financial and communications support. An important aspect of this characteristic is that a corporate brand should elicit commitment from a variety of stakeholder groups and networks.	King (1991), de Chernatony (1999), Johansson/Hirano (1999), Urde (1999), Bickerton (2000), Balmer (2001), Harris/de Chernatony (2001) Hatch/Schultz (2003), Aurand (2005), King/Grace (2005), Morsing (2006), Chun (2007)

Source: updated and adapted from Balmer/Grey (2003).

According to Roberts/Dowling (2002), the corporate brand becomes a valuable intangible asset which is difficult to imitate. This is because the organisational associations, such as those proposed by Balmer/Grey (2003), provide a value proposition for the customer and help to build relationships with internal and external stakeholders (Aaker 1991). Balmer/Grey

(2003) propose, firstly, that the corporate brand is rooted in the corporate culture, making it a distinctive entity which requires a multidisciplinary approach to its enactment. According to Noble et al. (2002), organisations who have developed successful brands have done so by creating a culture of commitment throughout the organisation, aligning the organisational culture with the brands values (Harris/de Chernatony 2001) and by ensuring that the culture is appropriate, adaptive and attentive to the needs of all stakeholders (Kotter/Heskett 1992). Secondly, it is evident in the literature that the corporate brand is intricate in that it is multidimensional and multidisciplinary in its enactment, relying on the skills, not just of the marketing function, but those of all employees in delivering and portraying the brand to the internal and external environment (Balmer/Grey 2003; Hatch/Schultz 2003; Aurand 2005; Yu Xie/Boggs 2006). For example, it relies upon the skills of the human resource function in recruitment and selection of the appropriate staff, and in the training and development of those staff members (Aurand 2005).

Thirdly, Balmer/Grey emphasise the importance of the tangible aspects of the brand, that is those portrayed in the generic branding literature, as well as those of pay scales, profit margins, and performance related issues, important to the motivation of staff (Aurand 2005). This involves uniform delivery across stakeholder groups (Harris/de Chernatony 2001). Fourthly, they propose that the corporate brand is composed of ethereal dimensions, such as lifestyle, which are portrayed in brand communication and which help to form brand associations in the mind of the customer (Keller 1993). Recent examples of this are the American Abercrombie and Fitch and Hollister stores where the brand becomes an experience for the customer portrayed through the atmospherics such as music, scents, merchandising and activities such as photographing customers with attractive members of staff, which are designed to appeal to the target market. Additional associations may be found by ethereal elements such as brand heritage and country of origin (de Chernatony/Dall'Olmo Riley 1998), and brand mantras, short three to five word phrases that capture the essence of the brand positioning (Keller 1999). For example, Marks and Spencer's "Your M&S" campaign which personalises the brand for the customer. Finally, they propose that a characteristic of the corporate brand is the level of necessary commitment from all personnel and a variety of stakeholders and other relevant partners (Bickerton 2000).

A strong and well defined brand offers strategic opportunities for companies in the creation of value through the development of private labels and brand extensions (Davies 1992; Moore 1995; Fernie/Moore/Burt 1997; McDonald,de Chernatony/Harris 2001; Grime/Diamantopoulos/Smith 2002; Martinez/de Chernatony 2004), corporate brands adding economic value to the products and services offered by the company (Olins 1995; Ind 1997; Knox/Bickerton 2003) through their contribution to value chain activity. Recently, an increasing number of studies have evolved which focus on the corporate brand in the retail sector (Helman/De

Chernatony 1999; Burghausen/Fan 2002; Davies/Chun 2002; Girod/Mitchell 2003; Girod 2005; Papasolomou/Vrontis 2006), particularly in terms of the organisational and social construction of the retailer as a brand (Girod 2005) and the role of employees in delivering and in building the strength of and adding value to the corporate retail brand (Girod 2005; Papasolomou/Vrontis 2006). Whilst only a small number of studies have sought to identify the importance of corporate branding in the fashion retail sector (Moore 1995; Grime/Diamantopoulos/Smith 2002; Hines/Cheng/Grime 2007), others have suggested that fashion retailers must translate their core values into a coherent brand positioning strategy in order to establish their competitive advantage (Birtwistle/Freathy 1998).

According to Grewal/Levy/Lehmann (2004), the evolution of the retailer as a brand is one of the most important trends in retailing in recent years. They propose that many retailers have such a strong brand name that most customers make no distinction between the store and the brands sold in the store. According to Martensen (2007), some of the most successful corporate brands in the world are retail brands and an important part of their branding strategy is to launch private label brands, the type and range of which is, according to Ailawadi/Keller (2004), directly related to the retailer's overall brand image. Further empirical studies of retailer branding provide evidence to suggest that the development of private labels is implicit to the strategic development of the retailers corporate brand (Moore 1995; Burghausen/Fan 2002; Burt/Sparks 2002; Martensen 2007), however, this is an emergent area of research, deserving of further research attention. Despite this paucity of research, Mitchell (1999) and Burghausen/Fan (2002) suggest that retailers face greater challenges and complexities in terms of corporate branding than those expressed in the generic corporate branding literature. Retailers, they suggest, are extending and utilising the corporate brand at a decidedly higher level than companies in many other industries. Similarly, Burt/Sparks (2002) propose that retailing is different from other sectors because of the need to manage a wider range of corporate components. Additionally, they suggest that retailer power has increased dramatically in the past few decades and that retailers engage with a greater variety of stakeholders, particularly in their relationships with customers, which are developed not just through the brand but through the store, the service delivery and employee interactions. It is suggested in the literature therefore, that retailers are managing and deepening their relationships, often in a more complex and efficient manner than companies in other industry sectors (Mitchell 1999; Burt/Sparks 2002).

3.2.3   Central Support Functions

For fashion retailers, the development of private labels offers opportunities to capitalise on the corporate brand name and reinforces the brand position, allowing for standardisation and transferability of communications, merchandising, distribution and pricing to develop a distinctive corporate image, as a basis for market differentiation. Clearly, the development of private labels offers opportunities for retailers to differentiate themselves, not only through the merchandise design (Davies 1992; Moore 1995; Ailawadi/Neslin/Gedenk 2001; Sheinin/Wagner 2003; Juhl et al. 2006), but also in terms of carrying the corporate image into the store onto the merchandise, and the packaging and labelling design (Burt 2000; Wells/Farley/Armstrong 2007). It also allows for control over strategic issues such as pricing levels (Burt 2000; Davies/Brito 2004; Carpenter/Moore/Fairhurst 2005), quality (Burt/Sparks 2002; Davies/Brito 2004) and advertising (Richardson/Jain/Dick 1996; Ambler/Styles 1997; Juhl et al. 2006), as well as operational issues such as store image (Burt 2000; Sheinin/Wagner 2003; Juhl et al. 2006), inventory control, use of technology, involvement in fast fashion (Ko/Kincade 1997; Guercini 2000) control of fashion and design (Moore 1995), manufacturing capability and quick response (Ko/Kincade 1997; Guercini 2000). As such, retailers have greater control over aspects of positioning in the market place (Davies 1992; Burt 2000) and are in a better position to build customer loyalty (Corstjens/Rajiv 2000; Ailawadi/Neslin/Gedenk 2001; Erdem/Zhao/Valenzuela 2004; Labeaga/Lado/Martos 2007). The development of private labels therefore offers a number of key dimensions, which Moore (1995) proposes serve to guide their successful management and offer them strategic advantage in the market place.

Effective support strategies therefore can help with sourcing and production opportunities, and economies of scale in production in for example China and the Far East where employment costs are low (Mintel 2010), allowing for price control and premium price opportunities (Moore 1995). Ultimately, given the importance of fast fashion and the lack of differentiation in the high street imitation styles can be introduced more quickly (Birtwistle/Clark/Freathy 1999).

3.2.4   Evaluation and Control of Performance

The strategic planning literature highlights the need for environmental scanning, competitor analysis, formal planning and market positioning to the successful implementation of company strategy and the continual evaluation and control of that strategy to assess the potential effectiveness of future strategic decisions (Ansoff 1965; Porter 1980, 1985; Mintzberg 1985). A body of literature has evolved on the evaluation of brand and retailer brand strategy (Aaker

1991; Keller 1993; de Chernatony/McDonald 1998; de Chernatony 2000; Yoo/Donthu 2000; Kapfer 2004; Pappu/Quester 2006; Mohd Yasin/Nasser Noor 2007; Cuneo/Lopez/Yague 2012). This body of literature proposes that the measurement of brand success and ultimately brand value, allows companies to review and improve their marketing strategy according to consumer needs. From a review of the retail store image literature, Ailawadi/Keller (2004) propose five key dimensions of retailer image which will build brand value and are key to the evaluation of retailer performance. These are location, store atmosphere, price and promotion, cross category assortment and in category assortment, a particularly important aspect of merchandise assortment being private label products in engendering retailer loyalty, providing higher gross margins and emerging as a key business asset.

4   Conclusion

In the current economic climate and in the face of price deflation in fashion retailing (Mintel 2010), high street fashion retailers must maintain and increase their competitiveness through not only their sales activity, but also through the activities which support the operationalization of their brand strategy. Fashion retailers strive to differentiate themselves in an increasingly homogenous market, and can only do so successfully when they are able to implement a brand strategy which offers consumers a unique brand experience, not only through the design and choice of private label and/or manufacturer merchandise but also through the store environment and customer service experience. This demands strong and visionary leadership which can react quickly to changing consumer preferences and volatile environmental forces. It also requires efficiency and effectiveness of centralised policies and functions in delivering the brand experience in a coordinated and efficient manner to an audience who have a wealth of choice, as well as requiring a willingness by managers to make both short and long term changes in the face of any negative or positive evaluation which may occur. Indeed, the fashion retailing environment offers fertile opportunities for innovative management practices in creating a brand experience and in the short term, brand loyalty for what is often a young and impressionable customer who will purchase a variety of high street brands and will develop new brand preferences over a sustained period of time. Such a model highlights areas of necessary development and coordination and helps prevent the management myopia which can occur for a large variety of reasons, when evaluating strategic effectiveness.

This paper has presented a model of eight value chain processes or activities which contribute to the competitiveness of fashion retailers and are the building blocks of their brand strategy. The model contends that the interactivity of these processes is a major contributory factor in the design implementation of value chain activity. In bringing together fragmented aspects of

the retailing and fashion retailing literature, the model provides a structure for researchers and practitioners and offers areas of competitive advantage. That is not to say that these are the only areas that fashion retailers must consider. Fashion retailers are subject to dynamic environmental and resource based influences which have a vital effect on the success of any strategic processes Future research should include empirical studies which apply the model in the retailing and fashion retailing sector and test the concepts in the context of fashion retailer brand strategy. The model can also be used by practitioners to evaluate their brand management activities and as a measure of potential improvement to brand strategy. Additionally the model can be used over time to identify best practices for fashion retailers in brand management and value creating activity.

References

Aaker, D. (1991): Managing Brand Equity: Capitalising on the Value of a Brand Name, New York.

Aaker, D.; Joachimstaler, E. (2000): The brand management relationship spectrum: the key to the brand architecture challenge, in: California Management Review, Vol. 42, No. 4, pp. 8-23.

Ailawadi, K. L.; S. A. Neslin.; Gedenk, K. (2001): Pursuing the value-conscious consumer: store brands versus national brand promotions, in: Journal of Marketing, Vol. 65, (January), pp. 71-89.

Ailawadi, K.L.; Harlam, B. (2004): An empirical analysis of the determinants of retail margins: the role of store-brand market share, in: Journal of Marketing, Vol. 68, No. 1, pp. 147-165.

Ailawadi, K.L.; Keller, K.L. (2004): Understanding retail branding: conceptual insights and research priorities, in: Journal of Retailing, Vol. 80, No. 4, pp. 331-342.

Ailawadi, K.L.; Neslin, S.A.; Gedenk, K. (2001): Pursuing the value-conscious consumer: store brands versus national brand promotions, in: Journal of Marketing, Vol. 65, No. 1, pp. 71-89.

Akan, O.; Allen, R.; Helms, M. M.; Spralls, S. A. (2006): Critical tactics for implementing Porter's generic strategies, in: Journal of Business Strategy, Vol. 27, No. 1, pp. 43-53.

Ambler, T.; Styles, C. (1997): Brand development versus new product development: towards a process model of extension decisions, in: Journal of Product and Brand Management, Vol. 6, No. 1, pp. 13-26.

Ansoff, H. (1965): Corporate Strategy, Harmondsworth, Penguin.

Arnett, D. B.; Laverie, D. A.; Meiers, A. (2003): Developing parsemonious retailer equity indexes using partial least squares analysis: a method and applications, in: Journal of Retailing, Vol. 79, No.3, pp. 161-170.

Aurand, T. W. (2005): Human resource management's role in internal branding: an opportunity for cross-functional brand message synergy, in: Journal of Product and Brand Management, Vol. 14, No 3, pp. 163-169.

Aurier, P.; Sere de Lanauze, G. (2011): Impacts of in-store manufacturer brand expression on perceived value, relationship quality and attitudinal loyalty, in: International Journal of Retail and Distribution management, Vol. 39, No. 11, pp. 810-835.

Backstrom, K.; U. Johansson (2006): Creating consuming experiences in retail store environments: comparing retailer and consumer perspectives, in; Journal of Retailing and Consumer Services, Vol. 13, pp. 417-430.

Baker, J., Grewal, D.; Parasuraman, A. (1994): The Influence of store environment on quality inferences and store image, in: Journal of the Academy of Marketing Science, Vol. 22, No. 4, pp. 328-339.

Balmer, J. M. T.; G. Soenen (1999): The acid test (TM) of corporate identity management, in: Journal of Marketing Management, Vol. 15, pp. 69-92.

Balmer, J.M.T. (2001): Corporate identity, corporate branding and corporate branding. Seeing through the fog, in: European Journal of Marketing, Vol. 35, No. 3/4, pp. 248-291.

Balmer, J.M.T.; Grey, E. R. (2003): Corporate brands: What are they? What of them? in: European Journal of Marketing, Vol. 37, No. 7/8, pp. 972-997.

Baltas, G.; Argouslidis, P. C. (2007): Consumer characteristics and demand for store brands, in: International Journal of Retail and Distribution Management, Vol. 35, No. 5, pp. 328-341.

Bawa, K.; Landwehr, J.T.; Krishna, A. (1989): Consumer response to retailer's marketing environments: an analysis of coffee purchase date, in: Journal of Retailing, Vol. 65, No. 4, pp. 471-495.

Bearden, W. D.; Woodside, A. G. (1976): Commentaries on Belk, situational variables and consumer behaviour, in: Journal of Consumer Research, Vol.2, pp. 165.

Bearden, W. D. (1977): Determinant attributes of store patronage: downtown versus outlying shopping centres, in: Journal of Retailing, Vol. 53, No. 2, pp. 15-32.

Berry, L. L. (1968): The Components of Department Store Image: A Study of Three Selected Department Store in Phoenix, Arizona. Tempe, Arizona State University.

Bickerton, D. (2000): Corporate reputation versus corporate branding: the realist debate, in: Corporate Communications: An International Journal, Vol. 5, No. 1, pp. 42-48.

Birtwistle, G.; Freathy, P. (1998): More than just a name above the shop: a comparison of the branding strategies of two UK fashion retailers, in: International Journal of Retail and Distribution Management, Vol. 26, No 8, pp. 318-323.

Birtwistle, G.; Clark, I.; Freathy, P. (1999): Store image in the UK fashion sector: consumers versus retailer perceptions, in: The International Review of Retailing, Distribution and Consumer Research Vol. 9, No.1, pp. 1-16.

Blankson, C.; Kalafatis, S. P. (2004): The development and validation of a scale measuring consumer/customer driven generic typology of positioning strategies, in: Journal of Marketing Management, Vol. 20, pp. 5-43.

Bonn, I.; Christodoulou, C. (1996): From strategic planning to strategic management, in; Long Range Planning, Vol. 29, No. 4, pp. 543-551.

Broyles, S.A.; Ross, R.H.; Davis, D.; Leingpibul, T. (2011): Customer's comparative loyalty to retailer and manufacturer brands, in: Journal of Product and Brand Management, Vol. 20, No. 3, pp. 205-215.

Burghausen, M.; Fan, Y. (2002): Corporate branding in the retail sector: a pilot study, in: Corporate Communications, Vol. 7, No. 2, pp. 92-99.

Burt, S. (2000): The strategic role of retail brands in British grocery retailing, in: European Journal of Marketing, Vol. 34, No. 8, pp. 875-890.

Burt, S.; Davies, K (2010): From the retail brand to the retail-er as a brand: themes and issues in retail branding research, in: International Journal of Retail and Distribution Management, Vol. 38, No. 11/12, pp. 865-878.

Burt, S.; Sparks, L. (2002): Corporate branding, retailing and retail internationalisation, in: Corporate Reputation Review, Vol. 5, No. 2/3, pp. 194-226.

Carpenter, G. S. (1989): Perpetual position and competitive brand strategy in a two dimensional, two brand market, in: Management Science, Vol. 35, No. 9, pp. 1029-43.

Carpenter, J. M.; Moore, M.; Fairhurst, A.E. (2005): Consumer shopping value for retail brands, in: Journal of Fashion Marketing and Management, Vol. 9, No. 1, pp. 43-53.

Chan Choi, S.; Coughlan, A.T. (2006): Private label positioning: quality versus feature differentiation from the national brand, in: Journal of Retailing, Vol. 82, No. 2, pp. 79-93.

Chun, R. (2007): Do happy staff mean happy customers? testing the links between staff and customer satisfaction. Thought Leaders International Conference on Brand Management, Birmingham.

Collins-Dodd, C. and T. Linley (2003): Store brands and retail differentiation: the influence of store image and store brand attitude on store own brand perceptions, in; Journal of Retailing and Consumer Services, Vol. 10, pp.345-352.

Cook, D.; Walters, D. (1991); Retail Marketing Theory and Practice, Hertfordshire, Prentice Hall International.

Cornelissen, J.; Christiensen, L.; Kinuthia, K. (2012): Corporate brands and identity: developing stronger theory and a call for shifting the debate, in: European Journal of Marketing, Vol. 46, No 7, pp. 2-20.

Corstjens, M.; Rajiv, L. (2000): Building store loyalty through store brands, in: Journal of Marketing Research, Vol. 37, No. 3, pp. 281-292.

Cuneo, A.; Lopez, P.; Yague, M. J.; (2012): Measuring private labels' brand equity: a consumer perspective, in: European Journal of Marketing, Vol. 46, No. 7, pp. 2-24.

Darrow, W. P.; King, A.B.; Helleloid, D. (2001): David vs. Goliath in the hardware industry: Generic strategies and critical success factors revealed, in: The Mid-Atlantic Journal of Business, Vol. 37, No. 2/3, pp. 97-109.

Davies, B.J.; Ward, P. (2005): Exploring the connections between visual merchandising and retail branding, in: International Journal of Retail and Distribution Management, Vol. 33, No. 7, pp. 505-513.

Davies, G. (1992): The two ways in which retailers can be brands, in: International Journal of Retail & Distribution Management, Vol. 20, No. 2, pp. 24-34.

Davies, G.; Brito, E. (2004): Price and quality competition between brands and own brands: a value system perspective, in: European Journal of Marketing, Vol. 38, No. 1/2, pp. 30-55.

Davies, G.; Chun, R. (2002): Gaps between the internal and external perceptions of the corporate brand, in: Corporate Reputation Review, Fall.

de Chernatony, L. (1999): Brand management through narrowing the gap between brand identity and brand reputation, in: Journal of Marketing Management, Vol. 15, pp. 157-179.

de Chernatony, L. (2001): Would a brand smell any sweeter by a corporate name? In: Corporate Reputation Review, Vol. 5, No 2-3.

de Chernatony, L.; Dall'Olmo Riley, F. (1998): Defining a brand: beyond the literature with experts interpretations, in: Journal of Marketing Management, Vol. 14, No. 5, pp. 417-443.

de Chernatony, L.; Segal-Horn, S. (2003): The criteria for successful services brands, in: European Journal of Marketing, Vol. 37, No. 7/8, pp. 1095-1118.

Dess, G. G.; Davies, P. S. (1984): Porters (1980) generic strategies as determinants of strategic group membership and organisational performance, in: Academy of Management Journal, Vol. 27, No. 3, pp. 467-88.

Dommermuth, W. P.; Cundiff, E. W. (1967): Shopping goods, shopping centres, and selling strategies, in: Journal of Marketing, Vol. 31, (October), pp. 32-36.

Dotson, M.; Patton, W. I. (1992): Consumer perceptions of department store service: a lesson for retailers, in: The Journal of Service Marketing, Vol. 6, No. 2, pp. 15-28.

Doyle, P.; Fenwick, I. (1974): Shopping habits in grocery chains, in: Journal of Retailing, Vol. 50, pp. 39-52.

Doyle, S.; Broadbridge, A. (1999): Differentiation by design: the importance of design in retailer repositioning, in: International Journal of Retail and Distribution Management, Vol. 27, No 2, pp. 72-82.

Druker, F. P. (1970): Entrepreneurship in the business enterprise, in: Journal of Business Policy, Vol. 1, No.1, pp. 10.

Erdem, T.; Zhao, Y.; Valenzuela, A. (2004): Performance of store brands: a cross-country analysis of store brand preferences, perceptions, and risk, in: Journal of Marketing Research, Vol. 41, No. 1, pp. 86-100.

Esberg, L.; Brech-Larsen, T. (2009): The brand architecture of grocery retailers: setting material and symbolic boundaries for consumer choice, in: Journal of Retailing, Vol. 16, No.5, pp. 414-423.

Fernie, J., Moore, C.; Burt, S. (1997): The internationalisation of the high fashion brand: the case of central London, in: Journal of Product and Brand management, Vol. 6, No. 3, pp. 151-162.

Fisk, G. (1961): A Conceptual Model for Studying Customer Image, in: Journal of Retailing, Vol. 37, No. 4, pp. 1-8, 54.

Forney, J. C.; Park, E. J.; Kim, E. (2005): Effects of evaluative criteria on fashion brand extension, in: Journal of Fashion Marketing and Management, Vol. 9, No.2, pp. 156-165.

Gagliano, K. B.; Hathcote, J. (1994): Customer expectations and perceptions of service quality in retail apparel speciality stores, in: Journal of Services Marketing, Vol. 8, No.1, pp. 60-69.

Gilani, H. (2007): Determinants of retail corporate branding: a case of living the brand. Thought Leaders International Conference on Brand Management, Birmingham.

Girod, S. J. G. (2005): The human resource management practice of retail branding, in: International Journal of Retail and Distribution Management, Vol. 33, No 6/7, pp. 514-530.

Girod, S. J. G.; Mitchell, B. (2003): Branding in European retailing: a corporate social responsibility perspective, European Retail Digest, Vol. 38, pp. 1-6.

Grewal, D.; Levy, M.; Lehmann, D. (2004): Retail branding and customer loyalty: an overview, in: Journal of Retailing, Vol. 80: ix-xii.

Grime, I.; Diamantopoulos, A.; Smith, G. (2002): Consumer evaluations of extensions and their effects on the core brand. Key issues and research propositions, in: European Journal of Marketing, Vol. 36, No. 11/12, pp. 1415-1438.

Grise, K. A.; Harver, M. A. (1990): Customer service preferences, in: FTI Review, Vol. 7, No 1, pp. 16-22.

Grundy, T. (2001): Competitive strategy and strategic agendas, in: Strategic Change, Vol. 10, No. 5, pp. 247-25.

Grundy, T. (2006): Rethinking and reinventing Michael Porter's five forces model, in: Strategic Change, Vol. 15, pp. 213-229.

Guercini, S. (2001): Relationship between branding and growth of the firm in new quick fashion formulas: Analysis of the Italian case, in: Journal of Fashion Marketing and Management, Vol. 5, No. 1, pp. 69-79.

Haelsig, F.; Swoboda, B.; Morschett, D.; Schramm-Klein, H. (2007): An intersector analysis of the relevance of service in building a strong retail brand, in: Managing Service Quality, Vol. 17, No. 4, pp. 428-448.

Hankinson, P.; Hankinson, G. (1999): Managing successful brands: an empirical study which compares the corporate cultures of companies managing the top 100 brands with those managing outsider brands, in: Journal of Marketing Management, Vol. 15, pp. 135-155.

Harris, F.; de Chernatony, L. (2001): Corporate branding and corporate brand performance, in: European Journal of Marketing, Vol. 35, No. 3/4, pp. 441-456.

Hatch, M.J.; Schultz, M. (2003): Bringing the corporation into corporate branding, in: European Journal of Marketing, Vol. 37, No. 7/8, pp. 1041-1064.

Helman, D.; de Chernatony, L. (1999); Exploring the development of lifestyle retail brands, in: Service Industries Journal, Vol. 19, No. 2, pp. 49-68.

Hines, T.; Cheng, R.; Grime, I. (2007): Fashion retailers desired and perceived identity, in: Hines, T.; Bruce, M. (eds.): Fashion Marketing: Contemporary Issues, Oxford.

Hooley, G; Greenly, G.E.; Fahey, J. (2001): Market-focused resources, competitive positioning and firm performance, in: Journal of Marketing Management, Vol. 17, pp. 503-520.

Ind, N. (1997): The Corporate Brand, London.

Iyer, E. S. (1989): Unplanned purchasing: knowledge of shopping environment and time pressures, in; Journal of Retailing, Vol. 65, No 1, pp. 40-57.

Johansson, J. K.; Hirano, M. (1999): Brand reality: the Japanese perspective, in: Journal of Marketing Management, Vol. 15, No 1-3, pp. 93-105.

Jolson, M. A.; Spath, W. F. (1973): Understanding and fulfilling shopper's requirements: an anomaly in retailing, in: Journal of Retailing, Vol. 49, No. 2, pp. 38-50.

Juhl, H.J.; Esbjerg, L.; Grunert, K.G.; Bech-Larsen, T.; Brunso, K. (2006): The fight between store brands and national brands: what's the score, in: Journal of Retailing and Consumer Services, Vol. 13, No. 5, pp. 331-338.

Karagiannopoulos, G. D.; Georgopoulos, N.; Nikolopoulos, K. (2005): Fathoming Porter's five forces model in the internet era, in: Journal of Policy, Regulation and Strategy for Telecommunications, No. 7, No. 6, pp. 66-76.

Keller, K.L. (1993): Conceptualising, measuring, and managing customer-based brand equity, in: Journal of Marketing, Vol. 57, No. 1, pp. 1-22.

Keller, K. L. (1999): Brand Mantras: rational, criteria and examples, in: Journal of Marketing Management, Vol. 15, pp. 43-51.

Kent, T. (2003): 2D23D: Management and design perspectives on retail branding, in: International Journal of Retail and Distribution Management, Vol. 31, No. 3, pp. 131-142.

Kent, T. (2007): Creative space: design and the retail environment, in: International Journal of Retail and Distribution Management, Vol. 35, No. 5, pp. 734-745.

Kent, T.; Stone, D. (2007): The Body Shop and the role of design in retail branding, in: International Journal of Retail and Distribution Management, Vol. 35, No. 7, pp. 531-543.

Kerfoot, S.; Davies, B.; Ward, P. (2003): Visual merchandising and the creation of discernable retail brands, in: International Journal of Retail and Distribution Management, Vol. 31, No. 3, pp. 143-152.

Kim, E., Nam, D.; Simpert, J.L. (2004): Testing the applicability of Porter's generic strategies in the digital age: a study of Korean cyber malls, in: Journal of Business Strategies, Vol. 21, No1, pp. 19-45.

King, S. (1991): Brand building in the 90's, in: Journal of Marketing Management, Vol. 7, No. 1, pp. 50-56.

King, C.; Grace, D. (2005): Exploring the role of employees in the delivery of the brand: a case study approach, Qualitative Market Research, Vol. 8, No 3, pp. 277-29.

Knox, S.; Malkan, S.; Ryals, L. (2000): Building the unique organisational value proposition. The Expressive Organisation. M. Schultz, M. J. Hatch and M. H. Larsen. Oxford, Oxford University Press.

Knox, S.; Bickerton, D. (2003): The six conventions of corporate branding, in: European Journal of Marketing, Vol. 37, No. 7/8, pp. 998-1016.

Ko, E.; Kincade, D.H. (1997): The impact of quick response technologies on retail store attributes, in: International Journal of Retail and Distribution Management, Vol. 25, No. 2, pp. 90-98.

Kotter, J. P.; Heskett, J. L. (1992): Corporate Culture and Performance, New York, The Free Press.

Kumar, K.; Subramanian, R. (1998): Porter's strategic types: Differences in internal processes and their impact on performance, in: Journal of Applied Business Research, Vol. 14, No 1, pp. 107-124.

Kumar, V.; Karande, K. (2000): The effect of retail store environment on retailer performance, Journal of Business Research, Vol. 49, No. 2, pp. 167-181.

Kunkel, J.; Berry, L. (1968): A Behavioral Conception of Retail Image, in: Journal of Marketing, Vol. 32(October), pp.21-27.

Labeaga, J.M.; Lado, N.; Martos, M. (2007): Behavioural loyalty towards store brands, in: Journal of Retailing and Consumer Services, Vol. 14, No. 5, pp. 347-356.

Laforet, S. (2007): British grocer's brand extensions in financial services, in: Journal of Product and Brand Management, Vol. 16, No. 2, pp. 82-97.

Lee, M.; Johnson, K.K.P. (1997): Customer expectations for service at apparel retail outlets, in: Journal of Family and Consumer Services, Vol. 89, Vol. 4, pp. 26-30.

Leszczyc, P. T. L. P.; Timmermans, H. (2001): Experimental choice analysis of shopping strategies, Journal of Retailing, Vol. 77, No. 4, pp. 493-509.

Lindquist, J. D. (1974): Meaning of Image, in: Journal of Retailing, Vol. 50, No 4, pp. 29-38;116.

March, J. G.; Simon, H. A. (1958); Organisations, New York, John Wiley.

Marks, R. B. (1976): Operationalizing the concept of store image, in: Journal of Retailing, Vol. 52, No. 3, pp. 37-46.

Martensen, R. (2007): Corporate brand image, satisfaction and store loyalty, in: International Journal of Retail and Distribution Management, Vol. 35, Issue 8, pp. 544-555.

Martineau, P. (1958): The Personality of the Retail Store, in: Harvard Business Review, Vol. 36, No.1, pp. 47-55.

Martinez, E.; de Chernatony, L. (2004): The effect of brand extension strategies upon brand image, in: Journal of Consumer Marketing, Vol. 21, No. 1, pp. 39-50.

Massa, S.; Testa, S. (2012): The role of ideology in brand strategy: the case of a food retail company in Italy, in: International Journal of Retail and Distribution Management, Vol. 40, No. 2, pp. 109-127.

Mazursky, D.; Jacoby, J (1986): Exploring the development of store images, in: Journal of Retailing, Vol. 62, No. 2, pp. 145-165.

McColl, J.; Moore, C. (2011a): An exploration of fashion retailer own brand strategies, in; Journal of Fashion Marketing and Management, Vol. 15, No. 1, pp. 91-107.

McColl, J.: Moore, C. (2011b): Creating, developing and managing the dimensions of the retailer own brand: A study of UK fashion retailing, in: European Retail Research, Vol. 25, No 2, pp.63-92.

McDonald, M. B. H.; de Chernatony, L.; Harris, F. (2001): Corporate marketing and service brands: Moving towards the fast moving consumer goods model, in: European Journal of Marketing, Vol. 35, No. 3/4, pp. 335-352.

McEnally, M.; de Chernatony, L. (1999): The evolving nature of branding: consumer and management considerations, in: Academy of Marketing Science Review, Vol. 1999, pp. 1-26.

Mintel (2010): Women's Fashion Lifestyles – UK, London, Mintel Research.

Mintzberg, H. (1973): Strategy-making in three modes, in: California Management Review, Vol. 16, (Winter), pp.44-53.

Mintzberg, H. (1985): The organization as political arena, in: Journal of Management Studies, Vol. 22, No. 2, pp. 133-154.

Mintzberg, H.; Lampel, J. (1999): Reflecting on the strategy process, in: Sloan Management Review, Vol. 40, No 3, pp. 21-30.

Mitchell, A. (1999): Out of the shadows, in: Journal of Marketing Management, Vol. 15, No. 1-3, pp. 25-42.

Mohd Yasin, N.; Nasser Noor, M. (2007): Does image of country of origin matter to brand equity?, in: Journal of Product and Brand Management, Vol. 16, No.1, pp. 38-48.

Moore, C. (1995): From rags to riches-creating and benefiting from the fashion own-brand, in: International Journal of Retail and Distribution Management, Vol. 23, No. 9, pp. 19-27.

Moore, C.; Fernie, J.; Burs, S. (2000): Brands without boundaries. The internationalisation of the designer retailer's brand, in: European Journal of Marketing, Vol. 34, No 8, pp. 919-937.

Morsing, M. (2006): Corporate moral branding: limits to aligning employees, in: Corporate Communications: An International Journal, Vol. 11, No 2, pp. 97-108.

Noble, C. H.; Rajiv, K.S.; Kumar, S.; Kumar, A. (2002): Marketing orientation and alternative strategic orientations: a longitudinal assessment of performance implications, in: Journal of Marketing 66, No.4, pp. 25-39.

Olins, W. (2000): How brands are taking over the corporation. The Expressive Organisation. M. Schultz, J. M. Hatch and M. H. Larsen. Oxford, Oxford University Press: 51-65.

Paulins, V. A.; Geistfield, L. V. (2003): The effect of consumer perceptions of store image attributes on apparel store preferences. Journal of Fashion Marketing and Management 7(4): 371-85.

Papasolomou, I.; Vrontis, D. (2006): Building corporate branding through internal marketing: the case of the UK retail bank industry, in: Journal of Product and Brand Management, Vol. 15, No. 1, pp. 37-47.

Pappu, R.; Quester, P. (2006): A consumer based method for retailer equity measurement: results of an empirical study, in: Journal of Retailing and Consumer Services, Vol. 13, pp. 317-329.

Pettigrew, A. M. (1977); Strategy formulation as a political process, in: International Studies of Management and Organisation, (Summer), pp. 78-87.

Porter, M. E. (1985): Competitive Advantage; Creating and Sustaining Superior Performance, New York, Free Press.

Porter, S. S.; Claycomb, S. (1997): The influence of brand recognition on retail store image, in: Journal of Product and Brand management, Vol. 6, No. 6, pp. 373-387.

Reynolds, K.; Beatty, S. E. (1999): Customer benefits and company consequences of customer-salesperson relationships on retailing, in: Journal of Retailing, Vol. 75, No.1, pp. 11-32.

Rich, S. U.; Portis, B. D. (1964): The 'imageries' of department stores, in: Journal of Marketing, Vol. 28(April), pp10-15.

Richardson, P.; Jain, A.K; Dick, A. (1996): The influence of store aesthetics on evaluation of private label brands, in: Journal of Product and Brand Management, Vol. 5, No. 1, pp. 19-28.

Roberts, P. W.; Dowling, G. R. (2002). "Corporate reputation and sustained superior financial performance." Strategic Management Journal 23: 1077-1093.

Schiffman, L., Dash, J.; Dillon, W.J. (1977): The Contribution of Store-Image Characteristics to Store-Type Choice, in: Journal of Retailing, No.53, Vol. 2, pp. 3-14, 46.

Schim, S.; Kotsiopulos, A. (1992): Patronage behaviour of apparel shopping: Part 1. Shopping orientations, store attributes, information sources and personal characteristics, in: Clothing and Textiles Research Journal, Vol. 10, No. 2, pp. 48-57.

Schmitt, B. (1999): Experimental Marketing, in: Journal of Marketing Management, Vol. 15, No. 1-3, pp. 53-67.

Schumpeter, J. A. (1950): Capitalism, Socialism and democracy, New York, Harper and Row.

Sheinin, D.A.; Wagner, J. (2003): Pricing store brands across categories and retailers, in: Journal of Product and Brand Management, Vol. 12, No. 4, pp. 201-219.

Sirgy, M. J. (1982): Self-concept in consumer behaviour: a critical review, in: Journal of Consumer Research, Vol. 9, (December): pp. 287-300.

Sirohi, N.; Kotsiopulos, A. (1992): The contribution of store image characteristics to store-type choice, in: Journal of Retailing, Vol. 53, No. 2, pp. 3-14.

Swoboda, B.; Foscht, T.; Cliquet, C. (2008): international value chain processes by retailers and wholesalers-A general approach, in: Journal of Retailing and Consumer Services, Vol. 15, pp. 63-77.

Stanforth, N. F.; Lennon, S.J. (1997): The effects of customer expectations and store policies on retail salesperson service, satisfaction and patronage, in: Clothing and Textiles Research Journal, Vol. 15, No. 2, pp. 115-124.

Stephenson, P. R. (1969): Identifying determinants of retail patronage, in: Journal of Marketing, Vol. 33 (July), pp. 57-61.

Sudhir, K.; Talukdar, D. (2004): Does store brand patronage improve store patronage?, in: Review of Industrial Organisation, Vol. 24, No. 2, pp. 143-160.

Thompson, K. E.; Chen, Y. L. (1998): Retail Store Image: A Means-end Approach, in: Journal of Marketing Practice: Applied Marketing Science, Vol. 4, No. 6, pp. 161-173.

Timmerman, E. M. (2001): Starting from scratch: Rethinking brand image research and identifying cues and context as influential factors, in: Asia Pacific Advances in Consumer research, Vol. 4, pp. 156-161.

Tollin, K. (2007): Branding at a corporate management level, in: Innovative Marketing, Vol. 3, No. 1, pp. 23-37.

Urde, M. (2003): Core value based corporate brand building, in: European Journal of Marketing, Vol. 37, No. 7/8, pp. 1017-1040.

Vahie, A.; Paswan, A. (2006): Private label brand image: its relationship with store image and national brand, in: International Journal of Retail and Distribution Management, Vol. 34, No 1, pp. 67-84.

Vaidyanathan, R.; Aggarwal, P. (2000): Strategic brand alliances: implications of ingredient branding for national and private label brands, in: Journal of Product and Brand Management, Vol. 9, No. 4, pp. 214-228.

Van Riel, C. (2001): Corporate branding management, in: Thexix, Vol. 4, pp.12-16.

Wells, L.E.; Farley, H.; Armstrong, G.A. (2007): The importance of packaging design for own label food brands, in: International Journal of Retail and Distribution Management, Vol. 35, No. 9, pp. 677-690.

Whelan, S.; Davies, G. (2006): Profiling consumers of own brands and national brands using human personality, in: Journal of Retailing and Consumer Services, Vol. 13, No. 6, pp. 393-402.

Yoo, B.; Donthu, N. (2001): Developing and validating a multidimensional consumer based brand equity scale, in: Journal of Business Research, Vol. 52, pp. 1-14.

Zielke, S.; Dobbelstein, T. (2007): Customer's willingness to purchase new store brands, in: Journal of Product and Brand Management, Vol. 16, No. 2, pp. 112-121.

Zimmer, M. R.; Golden, L. L. (1988): Impressions of retail stores: a content analysis of consumer images, in: Journal of Retailing, Vol. 64, No.3, pp. 265-93.

Zinkhan, M.; Pereira, A. (1994): An overview of marketing strategy and planning, in: International Journal of Research in Marketing, Vol. 11, pp.185-218.

From "Trade Loaders" to "Online Channel Partner Programs": How Trade Promotion Changed its Face from 1990 to 2010

Cristina Ziliani

Abstract

Based on the analysis of trade promotion and motivation activities targeted to various types of channel members by suppliers in 14 industries between 1990 and 2010, this paper aims to draw a picture of the evolution of trade promotion practice. We find that "loyalty" promotions, i.e. loyalty schemes and clubs that have literally flourished in consumer markets, have been adopted in B2B contexts. This has the potential for aligning supplier and distributor objectives and improve channel performance. In fact, non-price channel promotions such as the above act on attitudes, not only on behaviour, differently from price incentives that literature has found to determine mere short term compliance. We also find that loyalty programs in channel relationships can act as "frameworks" to provide and engage channel partners with the most-advanced, highly promising opportunities offered by web 2.0 developments, such as prediction markets and group/social buying.

The findings could be useful for decision-making in the area of channel promotion investment, design and innovation, especially in times of recession, when more companies resort more frequently to trade promotion, and when increased reseller power is pushing non-leading manufacturers to price reductions and price based channel management behaviours.

Cristina Ziliani
Department of Economics, University of Parma, Italy
(E-Mail: cristina.ziliani@unipr.it)

1   Introduction

A vast body of research (see Lugli 2009a, for an overview) has pinpointed the fact that the evolution of distribution channels - modernisation, concentration, format proliferation - and the parallel changes in consumer habits have pushed manufacturers to take action to orient channel players to support their brands. At the same time, distributors have developed an increasingly autonomous marketing mindset that makes them less ready to accept manufacturers' proposals.

According to Narus/Anderson (1996), firms are constantly busy finding new and creative ways to motivate intermediaries by way of direct or indirect sales force activities and other initiatives for distributors.

As far as the sales force is concerned, the topics of motivation and incentivation, are widely covered in organisational and sales management literature and have gained even stronger momentum today, when the challenge of the market requires development of sales personnel roles and responsibilities (Guenzi 2002).

As far as intermediaries are concerned, the rise of trade marketing activities and departments within suppliers' organisations is a demonstration in itself of a growing need to manage channel relationships (Fornari 2000).

In this area, management practice and academic attention have mostly focused on contractual incentives and instruments: discounts, street money, free goods, bill-back, inventory financing and slotting allowances, calendar marketing agreements, display allowances, co-op advertising and co-marketing. Gilliland's (2003) analysis of standard contracts offered by manufacturers to independent resellers identified 173 different incentives in the IT industry alone.

Kasulis et al. (1999) categorize trade promotion incentives according to the distributor's interest and their effects. They note that price incentives (also referred to as "monetary incentives" in this paper) determine short-term compliance with supplier demands, but do not bring about an attitudinal change.[1]

Price incentives are welcomed by resellers because they can be easily put to the service of their own objectives, in that they result in higher margins to utilize. However, like Frazier/Sheth (1985) before them, Kasulis et al. (1999) point out that channel partner initiatives need to produce attitudinal, not only behavioural results. In industries where the distribution landscape is fragmented and where, because of the nature of the goods sold or the purchase process, assisted sales rather than self-service is the rule, manufacturers have

adopted non-price, brand-image-developing promotional activities that involve distributors and their personnel: such promotions can result in internalization or long-term cooperation through the alignment of common goals ("behaviour and attitude consistency"). However, it is clear that power is shifting towards retail and distribution as modernisation advances; as increasingly powerful retailers push for price incentives, is non-price trade promotion destined to disappear?

Reflection is needed regarding the choice of channel promotion tools, especially in the light of opportunities for innovation brought about by B2C loyalty marketing practices and Web 2.0 applications.

We decided to focus our attention on promotional activities directed at resellers/distributors and sales people alike. Although to a different degree, both categories are targets for manufacturers' efforts to control and manage the channel. In recent years, moreover, channel promotions tend to involve several players at a time, as the following example illustrates: Brembo, a car brake manufacturer, invites garages to join the Professional Club: in return for a minimum purchase obligation the garage owner, mechanics and end customers receive gadgets and gifts. Garages also earn points with their purchases and by setting up special Brembo brand displays. Garage owners can check their points, claim premiums from a catalogue and convert points into discounts on future orders, all online on the scheme website.

Table 1 shows the classification of channel partners targeted by promotional activities that we employed for the study.

Table 1: Classification of Recipients of Channel Promotion Activities adopted in the Study

Level 1	Level 2	Examples (see also activity examples in Table 2)
Trade	Normal Trade	Pharmacy, travel agent, tyre fitter, café…
	Wholesalers	Electrical equipment, tyres, heating…
	Chain stores	Grocery, electronics, restaurant chain stores
Sales Force	Direct sales force	Salespeople, mechanic, hairdresser…
	Agents	For suppliers, for wholesalers...
	Third party sales people	Perfume shop sales assistants, wholesaler sales desk clerk…

In management, the words "motivation" and "incentives" usually refer to the targeting of sales staff, while "trade promotion" (marketing jargon) refers to targeting of retail or wholesale distribution. All terms are derived etymologically from the idea of "pushing someone towards" (in Latin pro-muovere "showing the way to" and in-centivum deriving from "set the tone for singing"). In this paper the expression "channel promotion" or simply "promotion" is used to encompass non-monetary promotion directed to players in the channel, both compa-

nies and people. As for the channel activities to include in the study, we identify the following categories:

- immediate gifts or premiums (also known in the business as "trade loaders"),
- sales competitions,
- sweepstakes and draws,
- loyalty schemes (based on a point or proof-of-purchase collection mechanism, "clubs" entitling members to privileges or special services, offering just one prize or a wide range of redemption options. See Section 3.3),
- Games and other activities.

The above activities are categorized as "premium and prize promotion" by Mullin/Cummins (2008) and are characterized by the award of non-monetary benefits.

As stated above, compared to discounts, price promotion and monetary compensation, this non-price, non-monetary aspect of channel promotion has received little attention in literature. So the present paper has the following goals:

a) Put forward a classification of channel promotional activities based on goals rather than technique, in order to clarify the variety of purposes served by trade promotion. The final aim – that will be addressed in a separate research paper – will be to investigate how non-price incentives are used to control channel partners and motivate their behaviours, according to channel relationship theory, with a specific focus on retention and loyalty goals.

b) Put forward a classification of different promotional approaches to channel management, based on the number and type of different targets of promotional activity, in order to appreciate the complexity of firms' approaches to channel relations and the existence of a systemic view.

c) With reference to loyalty schemes, explore their adoption in B2B and contrast it with findings for B2C (Ziliani 2008), in the frame of a discussion of the numerous opportunities that loyalty marketing holds for B2B.

d) Stress changes that have taken place in recent years, with the onset of the economic crisis. The overall aim is to stimulate reflection among trade promotion decision makers and help them exploit promotional strategies, particularly loyalty marketing, in order to give brands distinctive and durable advantages.

2 Methodology

This paper is based on the methodology and results of a previous research effort conducted in 2008 (Ziliani 2011) that has been extended with the construction of a new sample (see below) to be added to the 2008 database, to obtain a full twenty-year dataset that we utilise in order to better address research questions a), b), c) that were also the focus of the earlier work, and address question d) for the first time.

Following a review of academic literature, and a review of industry press and online sources (Section 6), in 2008 we conducted in-depth semi-structured interviews with four experts and managers of promotion agencies expert in sales promotions and incentives, in order to verify the hypothesis of an evolution of trade promotion parallel with the modernisation of retail and distribution systems.

A database of promotion/incentive campaigns was set up using secondary sources. It first contained data on 149 activities carried out in Italy between 1992 and 2009 by 111 different companies in 14 sectors. In May 2011 a new set of 70 campaigns relative to the years 2009 and 2010 was added: the resulting data set contains 220 promotional campaigns relative to 14 sectors and 137 different companies.[2]

Promotion agencies interviewed during the early phase of the research, keep detailed records of campaigns, but confidentiality agreements prevent third party access. We thus turned to secondary sources, particularly the archive of the trade publication "Promotion Magazine" that regularly features promotional campaign case studies in B2B and B2C. The "Promotion Magazine" archive accounts for 50 % of the cases in our research database. However, most of these case studies were produced by marketing agencies, keen to advertise their own success. But there are differences between outsourced and in-house incentive programs, with outsourced programmes usually more structured and innovative[3], so internally developed campaigns were needed to complete and balance the database. In Italy companies running a premium promotion (sweepstake, prize promotion, point-based scheme, customer club etc.) are required to inform the Ministry of Industrial Activity by submitting a form online, and we retrieved a substantial number of these. The same "trade publication plus online" approach was followed in May 2011 to cover the last three years. The database thus covers evenly all types of channel activities and can be compared with previous similar data sets[4].

In order to address the first research objective (Section 1) we could have employed an existing framework referring to distribution channel incentives, (Heide 1994; Gilliland 2003), or referring to sales force management (Challagalla/Shervani, 1997; Eisenhardt, 1985; John/Weitz, 1989; Krafft 1999). But instead, we adopted a "grounded theory" approach

(Corbetta 2005). The reason for this was that it allowed us to examine promotional activities close to reality, in great detail, reflecting their breadth and variety/creativity, rather than forcing them to fit a given classification framework, which was preferable, given goal a) of the work.

We examined qualitative data from the 220 campaign records as described above in order to derive a classification scheme inductively. The author and two researchers searched the records to identify relevant information. A record card for each campaign was drawn up, as shown in Appendix 1.

To derive the classification framework we adopted an open coding procedure or constant comparative method (Glaser/Strauss 1967). The description of each activity was analysed, conceptualized and labelled with a code. Each activity was compared with the previous, and if similar, received the same label. Otherwise, it was classified as different. It is important to note that codes were not predetermined; they were determined item by item. Once all activities had been labelled, they were grouped around similar phenomena.[5] The goals of the 220 campaigns were grouped into 13 subcategories, which in turn were clustered into three main categories, as discussed below and shown in Table 2.

3   Results

3.1   Channel Promotion Objectives

The first goal of the paper was to propose a classification of channel promotions based on the objective. The methodology yielded the following classification: 13 goal subcategories (Table 2, second column) which can be grouped around three main goals (Table 2, first column): *sell in, sell out, relationship.*

Below, we briefly discuss channel promotion goals as they emerged from the analysis:

- sell in: partners are enticed to purchase a product, a range of products, larger volumes compared to past purchase history. Any promotional technique can serve this goal: trade loaders, competitions, sweepstakes, scratch and win, point collections, loyalty cards (See examples in third column of Table 2);
- sell out: partners are rewarded for sales volume, and also for selling slow moving items, whole ranges, selling above a certain % threshold over previous year etc.;

- relationship: mainly loyalty schemes, clubs and point collection mechanisms that encourage repeat purchase/repeat sales. We develop this point in Section 3.3.

Table 2: Classification of Channel Promotion Goals

Goal Category	Goal Subcategory	Examples Of Campaigns
SELL OUT	Sell out	Campari: wholesalers increasing sale volumes of the drink by 10 % or more can win a Porsche car. Helena Rubinstein awards points redeemable for gifts to shop assistants who improve sales of slow moving products. Marangoni Tyres rewards tyre fitters with points for purchases and extra points for meeting sales targets. Points are accumulated in an online account and can be redeemed for POP items, overalls, gadgets
	Facilitate partner's sales	Soco rewards hair salons and perfume shops that order and display Cielo Alto hair product POP window dressing, and hairdresser personnel who answer mystery shopper questions and engage consumers with scratch cards for Soco products
	Improve partner's service to product	Kuwait Petroleum (Q8) runs a contest for teams of gas station workers who accumulate points redeemable for gifts from a catalogue for best service to mystery shoppers
	Support new product launch	Nestlé supported the launch of new premium cat food "Gourmet Diamant" with a gift of a real diamond to each of the first 100 pet shop owners who reached sales targets
	Improve product/brand awareness	Philips ran a contest, without purchase obligation, for electricians aimed at improving knowledge of a new energy saving lamp
SELL IN	Sell in	Coca Cola: scratch card to win an exotic holiday offered to bar and restaurant owners purchasing two cases of "Burn" energy drink Conserve Italia: loyalty card with point collection for any case of fruit juice purchased: points can be redeemed for hi-tech gifts Vaillant offers ready-to-collect trade loader gifts of different value for purchases of 3, 7 or 10 boilers in one order
	Product listing	Pharmacies ordering POP display of a chocolate product with a name similar to "aspirin" can win a weekend for two at the Perugia chocolate fair offered by snack producer "Costruttori di Dolcezze"
	Enrol new partners	Galbani dairies offers a catalogue of trade loaders to deli shops that purchase a certain quantity of products over the first quarter of their being new customers
	New channel development	Infostrada telephone company rewards small-scale national lottery agents for selling telephone contracts
RELATIONSHIP	Relationship/retention	La Roche-Posay invites pharmacy owners and employees to participate in a team-based online game. Prizes include an in store event for consumers, holidays, visits to La Roche laboratories, product kits. Lexmark launched (2001) its Channel Value Programme, offering three membership levels with benefits based on different sales thresholds. The programme is completely online. Bocchiotti awards a re-chargeable Visa card to installers of electrical panels based on sales. Conserve Italia developed two separate clubs (Granchef Royal and Granchef Privée) for retailers and restaurants offering training and management tools etc. to foster relationship
	Acknowledge best performance	IBM launched a competition for the best video illustrating the benefits of IBM middleware products. Winners are rewarded with a TV set and upload of their video on You Tube. Most viewed videos entitle their authors to a free holiday
	Partner qualification	Epson Best Seller loyalty program provides retailers with access to discounts, training courses, technical support, consumer referral. Requires commitment to purchase.
	Enrich database	Conserve Italia rewards bars and restaurants that report detailed sales information, in order to create a file of loyal purchasers of Derby and Yoga brands

Goals other than the above were also recorded, but were less frequent:

- acknowledgement of best performance. Typically achieved by means of sales contests. Used for the sales force and franchisees. E.g. Carrefour ran a contest for franchisee stores to increase sales of own label Carrefour brand products;
- facilitate partner's sales by providing a sales pitch; examples are competitions and sweepstakes for end customers advertised in store with POP material, rewarding the partner as well as the winning customer;
- improve partner's service to product, typically the case with premiums awarded to personnel responding to mystery shopper enquiries, e.g. the Kuwait Petroleum (Q8) promotion (third column of Table 2);
- support product listing. To gain access to pharmacy ranges, cosmetics manufacturers reward pharmacy owners with gifts and premiums for the purchase of special displays containing the product;
- support new product launch. Nestlé supported the launch of new premium cat food "Gourmet Diamant" with the gift of a real diamond to each of the first 100 pet shop owners who reached sales targets;
- improve product/brand awareness: Philips held a contest for electricians, with no purchase obligation, aimed at improving knowledge of the features of a new energy-saving lamp;
- partner qualification, by rewarding them for participating in training courses or taking advantage of support and marketing services devised by the manufacturer;
- enrol new partners, to expand the number of stores in existing channels carrying the product or to gain a foothold in new channels. E.g. telephone company Infostrada rewarded small-scale national lottery agents for selling telephone contracts (third column of Table 2);
- enrich database: rewards for providing names of potential new partners or uploading sales data.

As the objectives of supporting product listing, enrolling new partners and developing new channels all result in more purchases from partners, it makes sense to include these goals in the general category of "sell in" (Table 2, first column).

In the same way "improving partners" service to product, supporting a new product launch and facilitating partners' selling activity are sell out goals, in that they translate into greater end sales, and are thus grouped in the general "sell out" category (Table 2, first column).

Lastly, relationship goals, acknowledgement of best performances, partner qualification and database enrichment are different sides of the same coin: a company's orientation to foster a lasting relationship with partners.

The three-category classification contributes to a better understanding of the role of non-price channel promotion in channel partner management. It can be argued that manufacturers employ promotions to motivate and stimulate commitment to activities corresponding to various phases in the evolution of channel relationships. Several authors (See Fornari 2000 for an overview) identify an evolution from a sell-in to sell-out and then to a relationship orientation, as trade autonomy from suppliers gains momentum. As mentioned in Section 1, the above classification will form the basis for a discussion of the connection between campaign goal and channel power, that will be addressed by new research. The 2008 interviews in fact put forward the idea of a link between promotional goal and channel dynamics. In fact, respondents confirmed that their channel promotion investments were influenced by the following factors: trade concentration, brand substitutability, competition for listing, expansion of reseller ranges, industry specific factors such as leader moves or legislation. Here, however, we will proceed with a focus on loyalty marketing and its adoption for channel promotions.

In the 2009-2011 period it emerged that relationship-oriented campaigns were more frequent than in the past and new activities have emerged whose purpose is solely supporting the relationship with channel partner(s), whereas in the period up to 2008 relationship goals were never pursued "for themselves", but always came alongside the sell in or sell out straightforward goals.

The research methodology does not allow for generalisation across sectors, but it would nonetheless be interesting to investigate if a correlation exists between goal and sector. For instance, in the electrical equipment and plumbing & heating sectors, where manufacturers are mostly concerned with making their way into wholesaler ranges and tradesman stocks, all campaigns were geared towards sell in goals. And in consumer electronics, a sector that is fast following grocery retailing in modernisation and competition, suppliers are strongly promoting sell out. The 2009-2011 campaigns indicate that more emphasis is being put on sell out in the pharmaceutical and plumbing & heating industries. On the other hand, sell in prevails in consumer electronics and gardening, two retail sectors severely hit by recession. A new direction for research is therefore apparent that we hope to be addressing in the future.

3.2   Channel Promotion Targets

The most frequent targets of channel promotions in the database are in the "trade" category as shown in Table 1. Specifically, it is "normal trade", i.e. independent retail stores, that is most often targeted. Even more so in the last three years. In the words of a sales manager who responded to our interviews: "the chance of influencing chain stores decisions has almost

vanished, the same can be said for third party salespeople: as a consequence, we all flock to channels where some margin for manoeuvre is left".

The majority of campaigns are aimed at only one type of channel partner, but some target more than one. For instance, promotions aimed at wholesalers, where sell in goals such as getting wholesalers to list a product do not translate into end sales unless the sales personnel are directly involved, are often structured to incentivize both the company and its sales force.

Kasulis et al. (1999) suggests that the supplier promotions to retailer or wholesaler employees are a sign that the wholesalers are willing to allow suppliers to influence the employees. And Burnett/Moriarty (1998) posit that they can result in lasting goodwill when the initiatives successfully cement ties between employees and supplier. Employees involved in promotional activity become more effective and successful in selling the product, and acquired competences and rewards reinforce the relationship with the supplier brand so that promotion results in supplier-favourable behavioural and attitudinal changes.

Observation of our database suggests that channel promotions can be classified by number and type of targeted partners into three categories, hence responding to research goal b):

- promotions focussed on one target only, that we labelled "unique target";
- promotions focussed on two players in the channel: "dual target";
- and a handful of promotions working simultaneously on all channel levels, especially consumers: "comprehensive" promotions.

An example of the latter is the campaign run by Campari which offered wholesalers who increased Campari sales by 10 % the chance to win a Porsche sports car. Wholesaler sales staff could win safe driving courses, their customers - bar and restaurant owners - could win car stereos, and end consumers could win the same prizes through lucky bottle tops. Competitions are usually used to add a "consumer side" to a channel partner promotion.

3.3   Promotion Type and Role of Loyalty Programs

The different types of promotions analysed in the paper are used interchangeably to support any objective, and some campaigns combine more than one type of promotion. As noted above, contests/draws are most versatile as far as goals and targets are concerned, and Internet and smart phones make them easier to launch and manage.

"Loyalty promotions" (Castaldo/Mauri 1993), i.e. repeat-purchase/relationship techniques, are also versatile and increasingly simple to run. These occur across all industries and in the last

three years have gained in popularity, moving from second place to most frequent promotion technique in our database. We are inclined to see this as a reflection of the popularity enjoyed by loyalty schemes in consumer markets, on the one hand, and of managers' adoption of relationship building goals in channel activities. Over the past twenty years, in fact, consumers have become familiar with loyalty schemes and strategies adopted by large and small brands in manufacturing and retailing. From groceries to mortgages, from petrol to prescriptions to insurance, any shopping trip today is a chance to earn points, be recognised through a loyalty card, choose a gift, or take part in a game or contest.

In B2B, loyalty promotion target independent retail stores and their sales force or both, as in the cited case of Brembo (Section 2). The following types of loyalty promotion were identified:

- loyalty programmes, sometimes "clubs" promoting a sense of belonging to a group that lasts over time, e.g. Lexmark's "Channel Value Club". These programmes may be accompanied by a loyalty card (See examples in Table 2) and/or by point collection mechanisms;
- point collection to redeem premiums from a catalogue;
- single premium redeemable by means of point collection, usually a trip or holiday package, or an item;
- premiums awarded for cumulative purchases or sales, calculated by the supplier, with no need for point collection.

The last two loyalty activities differ from "trade loaders" in that prizes are awarded after some time and a cumulated volume of sales.

The differences between the above four types of promotion are relevant in that they may be evidence of different strategic orientation. All are based on encouraging repeat behaviour (purchases or sales), but a one-month "free gift for cumulated purchase" campaign is a different proposition from a multi-year club. The number of prizes ranges from one up to 400, ranging from gadgets to vouchers and travel, and total prize value ranges from 15.000 to 400.000 EUR.

Loyalty campaigns can be classified by duration; almost half last less than six months, and many less than three months. These short term promotions focus on a single objective in the sell-in area (Table 2), and tend to be variations on trade loading in supporting repeat purchasing.

However, one third of campaigns last a year or more, often two or three, and clubs, which aim to represent a durable strategy, have no closing date at all. These longer promotions go beyond mere tactical goals and seem to aim to build up relationships and qualify channel partners.

The first appearance of a loyalty promotion in our database was in 1992 when FIAT, the car manufacturer, pioneered incentives for the distribution of lubricants. The next appearance was only in 1999, when national airline Alitalia launched Volare Club, an annual points scheme. In 2001 Epson and Lexmark introduced channel programs that are still operating today, and all other loyalty programs date from between 2007 and 2008.

A historical perspective shows that over the years the basic mechanism of proof of purchase supporting sell in has evolved to incorporate new tools. These include points schemes, premium catalogues, loyalty cards, member accounts, "clubs", longer durations, and a shift from changing the program claim every year towards an 'umbrella brand' for channel promotion which has strengthened since 2000. B2B loyalty marketing appears to be undergoing a "branding revolution" following the path in B2C described by Mauri (Castaldo/Mauri 1993).

Two cases make interesting examples: Vaillant in plumbing and heating and Heineken in drink distribution. Vaillant took part in channel promotion as far back as 1995, when a yearly "tradition" of trade loaders offered to wholesalers' customers purchasing boilers began. It was only in 2007 that Vaillant changed approach with the launch of a bi-annual "Vaillant Club" point collection scheme. More recently, points are earned when boilers are installed, not simply bought: a simple tweak of the program that unveils a new orientation away from sell in towards sell out goals.

Heineken's wholesaling division Partesa first introduced channel promotion in 2002 when a six-month point collection scheme for ho.re.ca. customers tied to customer specific sales targets was linked to agent incentivation. Partesa agents were rewarded for the number of ho.re.ca. customers who reached their targets, with credit accumulated on a payment card accepted for purchases in 65.000 affiliate stores. Six years later, building on its 2002 experience, Heineken launched its Horeca Street Club. Bars and restaurants pay a small annual fee for the Partesa Card and gain access to discounts on utilities, finance, furniture and fittings, pay-TV and other services of interest. Store managers receive the HS magazine containing product information, targeted promotions, and information about training courses for wine, beer and spirits tasting and catering skills etc.. In 2010 a point collection campaign was added temporarily to the club proposition: an interesting example of the degrees of freedom available when an "umbrella brand" – the Horeca Street concept – is developed around the company's

loyalty marketing activity. Under the club "roof" new activities can be added and substituted over time providing novelty and excitement without interrupting the dialogue with customers. Both the Vaillant and the Heineken campaigns show a commitment to positive, lasting relationships with channel partners by means of loyalty promotions.

The following features of B2C loyalty schemes could effectively be transferred to a B2B context:

- points, the "currency" of loyalty schemes, are extremely versatile and can be used for prizes differentiated by time, type of intermediary, product(s) sold etc.;
- premiums (gift, services, privileges) offer status and recognition, which are the building blocks of motivation; rewards can be offered in partnership with other companies, thus reducing costs and enhancing program value;
- B2B schemes could benefit from availability of customer-specific data, resulting in better targeted and more relevant and effective activities;
- channel loyalty programs can reduce partners' costs: for example virtuous behaviour, e.g. timely sharing of sales data through the loyalty program online platform, can be rewarded;
- their medium to long term horizon distract from the immediate goal of price reduction and help familiarize with the product, thus influencing preferences and skills of sales staff (Castaldo/Mauri 1993);
- last but not least, channel partners are also individuals, who have after all been familiar with loyalty schemes for years. They may well have grown to expect the same benefits in the channel context.

It is interesting to note that among the very few activities run exclusively online, a third are "clubs". Internet has many advantages for channel loyalty activities. An online loyalty scheme enables cheaper, faster communication and delivery, and allows for better control of elements such as data entry, personalized communication, offers and prizes; digital premiums e.g. vouchers, can be awarded online and continuous monitoring of participation, results and costs is possible. Participants can interact with the program at their convenience and check their progress towards rewards. Research published by channel marketing organisations[6] shows that there is a higher level of participation in online schemes thanks to the frequency of communication and interaction.

Points can be awarded creatively in support of other objectives, as well as those shown in Table 2; it is possible to test recipients' responsiveness to different objectives and different point thresholds and adjusting according to results. Rewards can be substituted with more appealing ones, thresholds raised when redemption is higher than expected, and goals can be tailored for each partner and time frame, etc.

New digital technologies will probably help channel promotion adopt more interactive and customized designs, reducing costs and raising effectiveness. At the same time, short term tactical actions like temporary "add ons" to an on-going loyalty scheme will still be possible.

In the 1992-2008 dataset only 20 % of campaigns employed the web to reach the target group, and another 20 % was entirely run online. In the 2009-2011 sample the web and e-mail are gaining momentum as optimal channels for partner contact and interaction: 30 % of recorded activities are online-only, and these are exclusively loyalty schemes. Internet and its tools are promising to drive trade promotion evolution.

4   Limitations and Directions for Future Research

The first limitation of the present work is inherent in the methodology, in that the classification of channel promotions is a function of the data set and does not necessarily conform to other frameworks put forward in the literature (Section 2).

A second limitation is that although every attempt was made to cover as wide a variety of sectors as possible, some sectors are represented by too low a number of cases, or are not represented at all.

A third limitation is that promotional activities were analysed separately from other incentives, notably contractual incentives, and from other marketing mix decisions. Trade promotion, in fact, is just one area of impact of the evolution of channel relationships.

Last but not least, research needs to investigate participation in channel promotions, the quality of participation, medium and long term effects, in a word...their effectiveness. Along the path set by Gilliland (2004), this could help to develop guidelines for designing promotions with a better chance of attracting participation.

The rapid evolution in the field of B2C promotions, especially in loyalty marketing and in distribution channels (Ziliani 2008) means that it is important to continue monitoring the situation.

Future research will draw from the classification of channel promotion goals presented hereby to put it in perspective with a channel power framework, as anticipated in Section 1.

5   Conclusions and Managerial Implications

The channel promotion market in Italy was estimated to be worth 1700 million EUR in 2009 (Dinamiche Ricerche – Marcam, 2007). It has been established that during economic recession more companies resort more frequently to trade promotion and sales force motivation (IPC 2008).

Gilliland (2004) argues that product ranges at different levels in the channel of distribution are expanding and becoming crowded, making it difficult for suppliers to be listed and maintained in the range. Products that do not enjoy effective promotional support suffer and are at a disadvantage compared to others.

At the same time, increased reseller power in numerous sectors is forcing suppliers to shift channel promotion budgets to monetary incentives, which are preferred by partners because of their versatility, as discussed in Section 1. In the future, it could be argued that it may become difficult to provide incentives to third party sales personnel, because employers may resist supplier interference with their own targets.

Kasulis et al. (1999) point out that contractual price incentives, such as discounts, have different effects from non-price channel promotions like those analysed in this paper. Contractual price incentives tend to determine mere compliance, while non-price channel promotions, which act on attitudes, are probably effective in aligning different goals.

For suppliers, who are not the dominant party in terms of market power, survival of non-price channel promotion could be vital. And an analysis of best practices could help introduce new relationship building tool with long term beneficial effects on channel relationships. We therefore believe that our findings will be useful for management decision-making in this area.

Our analysis shows that non-price channel promotion is common across sectors, employs a variety of techniques and supports not only sell in goals but also a range of sell out, brand support and relationship objectives. However, until just before the crisis of 2008, campaigns tend to be simple and short term, and there appeared to be a great deal of untapped potential, in terms of combining goals, more partner types, customising rewards, goals, time frames and communication.

The analysis of promotional activities carried out from 2009 to 2011, during economic downturn, suggests the following:

a) the practice of channel partner promotion has spread, with companies registered for the first time as active in this area;

b) polarisation emerges as far as promotional activities are concerned: on the one side short term, simple tactical actions abound, as testified by the "trade loader explosion"; on the other, companies that were familiar with channel promotion take a "quantum leap" forward by resorting to longer, more structured loyalty programs;

c) the above has been made possible also thanks to online management of promotional activities.

Loyalty programs today are more and more commonplace in the Italian B2B scenario, but they still have to evolve to exploit the following:

- versatility of points, as discussed above and in Section 3.3;
- collective intelligence potential. Channel partners can be encouraged via loyalty schemes to participate in "prediction markets" offering knowledge and forecasts to the benefit of the whole channel (Lugli 2009b; Surowiecki 2005; Wolfers/Zitzewitz, 2004), overcoming the obstacles of low participation in collective prediction mechanisms reported by Davenport (2008);
- Web 1.0 and 2.0 and digital media potential for two-way communication and customisation of the promotion interface and for collective activity. The phenomenon of social buying exemplified by services such as Groupon could be leveraged by manufacturers to offer the same service internally, i.e. enrolling partners in proprietary group buying services, branded by the manufacturer, to exploit price discrimination and get rid of stock;
- partnerships for the management of channel loyalty programs. Horizontal partnerships or "coalition" loyalty schemes where non competing firms at the same level in the channel cooperate to reduce costs and pool customers and resources (e.g. Nectar and AirMiles) are now commonplace. Vertical partnerships are still unexplored but promising. In these, the supplier allows distributors who already have access to an online platform, an information sharing portal or the loyalty scheme website itself, to use it for launching and managing their own loyalty schemes aimed to their own customers or direct sales force (Oxley 2008). The supplier and distributor fosters a relationship for the sharing of data, services, knowledge, and even finance for promotion money, co-creating loyalty in profitable relationships.

In the past Electronic Data Interchange platforms for order information were the terrain for dialogue and relationships; we argue that tomorrow it will be loyalty platforms that add new opportunities and value for channel performance.

Notes

[1]   Incentive effects are categorized as follows:
a) compliance, or short-term behavioural acquiescence;
b) identification or cooperation only in the context of direct association;
c) internalization or long-term cooperation through the alignment of common goals (behaviour and attitude consistency). See Kasulis et al. 1999, p.323.

[2]   A list of companies has not been added for space reasons. The author is willing to provide it upon request. 36 companies result to be active in both analysed periods.

[3]   See "Outsourced vs. in-house incentive program management", research conducted by the Online Incentive Council, 2006

[4]   Four research reports on the topic of channel promotions were examined and their databases compared: ASSaP, 2002 and 2004 Research Reports on Promotions, available online: www.assocomunicazione.it; Mark, 2002, Incentive market survey 2002, research report for Motori Mentali srl, confidential; Dinamiche Ricerche (Marcam), 2007, "Ricerca sul mondo dell'incentive", research conducted for SodexoPass.

[5]   For instance, the chance of taking part in a sweepstake, depending in one case on the purchase of n boxes of product y, and in another on the purchase of minimum quantities of m different products, serves in both cases a sell in intent. The promotions are of course different in that the latter also serves a portfolio turnover goal (bundle selling).

[6]   See reports available on www.incentivecentral.org, www.incentivemarketing.org and www.useonlineincentives.org

Appendix: The Campaign Record Card

company
sector
product/service involved in the promotional activity (single SKU, group of products, one or more brands)
channel level (some promotional activities involve consumers as well as intermediaries)
primary target (Table 1), i.e. trade or sales force, or both
secondary target (Table 1), i.e. type(s) of intermediary(ies) and/or sales force
year
duration of activity in months
claim (campaign name: present/absent and exact transcription)
description of activity (rules, mechanism) (See Section 3)
type of activity (competition, sweepstake, loyalty scheme, trade loader, etc.) (See Section 1)
number of different premiums
nature of premiums (items, services, vouchers or other) (See Section 3)
total value of jackpot (in euros)
means of communication to target
means/channel available to target for participation

References

Burnett J. and Moriarty S. (1998): Introduction to marketing communication, Englewood Cliff, NJ: Prentice-Hall.

Castaldo S. and Mauri C. (1993): Promozioni-fedeltà della distribuzione moderna – un'indagine empirica, Milano, EGEA.

Corbetta P. (2005): La ricerca sociale: metodologia e tecniche - III. Le tecniche qualitative. Il Mulino, Bologna.

Davenport T. (2008): Prediction Markets: Is Anybody Really Predicting?, author's blog post on Harvard Business School Press website, http://blogs.hbr.org/davenport.

Fornari D. (2000): Rivoluzione commerciale & trade marketing, Milano, EGEA.

Frazier G. L. and Sheth J. N. (1985): An Attitude-Behavior Framework for Distribution Channel Management, in: Journal of Marketing, Vol.49, No. 3, pp. 38-48.

Gilliland D. (2003): Toward a business-to-business channel incentives classification scheme, in: Industrial Marketing Management, Vol. 32, No. 1, pp. 55-67.

Gilliland D. (2004): Designing channel incentives to overcome reseller rejection, in: Industrial Marketing Management, Vol.33, No. 2, pp. 87-95.

Glaser B.G. and Strauss A.L. (1967): The discovery of grounded theory: strategies for qualitative research, Chicago, Aldine-Atherton.

Guenzi P. (2002): La Vendita Relazionale, Milano, ETAS.

Gummesson E. (2006): Marketing relazionale, Milano, Hoepli.

Hellman K. (2005): Strategy-driven B2B promotions,in: Journal of Business & Industrial Marketing, Vol.20, No. 1, pp. 4-11.

IPC (2008): Why Incentive Programs Endure Recessions, Incentive Performance Center white paper, available online: www.incentivecentral.org.

Kasulis J., Morgan F.W., Griffith D. E.,. Kenderdine J. M. (1999): Managing Trade Promotions in the Context of Market Power, Journal of the Academy of Marketing Science, Vol. 27, No. 3, pp. 320-332.

Lugli G. (2009a): Marketing distributivo, UTET, Torino.

Lugli G. (2009b): Prediction Market, research project, private communication.

Lugli G. (2007): Marketing Channel. La creazione di valore nella distribuzione specializzata, Torino, UTET.

Miller C. (no date): Online Incentives: the Fast, Flexible Motivation Solution, available online: www.useonlineincentives.org.

Mullin R. and Cummins J. (2008): Sales Promotion, London, Kogan Page.

Narus J.A. and Anderson J. C. (1996): Rethinking distribution: adaptive channels, in: Harvard Business Review, Vol. 74, pp. 112-20.

Online Incentive Council (2006): Outsourced vs. in-house incentive program management, research available on the Incentive Research Foundation website: www.theirf.org.

Oxley P. (2008): Best Practices in Channel Loyalty, working paper, Baptie and Company, available online: www.baptie.com.

Surowiecki J., (2005): The wisdom of crowds, Anchor Books.

Wolfers J. and Zitzewitz E., (2004): Prediction Markets, in: Journal of Economic Perspectives, Vol. 18, No. 2, pp. 107–126.

Ziliani C. (2008): Loyalty Marketing, EGEA, Milano.

Ziliani C. (2011): "Channel Loyalty": Exploring the role of Loyalty Programs in Channel. Relationships, Proceedings of the XVI International Conference of the European Association. for Education and Research in Commercial Distribution, Parma, 29th June-1st July, ISBN: 978-88-906195-0-2.

Websites

www.incentivecentral.org – Portal of the Incentive Performance Center

www.incentivefederation.org – The Incentive Federation

www.incentivemarketing.org – The Incentive Marketing Association

www.ispi.org International Society for Performance Improvement

www.performanceforum.org

www.pmalink.org

www.promotionmagazine.it

www.theirf.org – The Incentive Research Foundation

www.useonlineincentives.org

What's the Buzz about the Store? A Comparative Study of the Sources of Word of Mouth and Customer Satisfaction and their Relationships with Sales Growth

Ulf Johansson and Johan Anselmsson

Abstract

This is the first study to systematise the "buzzables" in retailing that drive word of mouth (WOM) and to compare the argued relationship between WOM and sales growth with the relationship between customer satisfaction and sales growth. The results build on data from 27 retail chains in seven categories in the Scandinavian retail market, panel data from 3000 households and 1000 customer interviews. The results show that satisfaction and WOM are equally important for growth. Contrary to the previous literature, which has maintained that unique and extreme features drive WOM, it is rather common factors such as value for money, quality and range of goods that encourage WOM.

Keywords

Ulf Johansson
Department of Business Administration, Lund University, Lund, Sweden

Johan Anselmsson (*corresponding author*)
Department of Business Administration, Lund University, Lund, Sweden
(+46709967680, E-Mail: johan.anselmsson@fek.lu.se)

1   Introduction

Since the beginning of the 1980s, the understanding and handling of customer satisfaction has been one of the most important strategic tools for achieving financial success for chain stores and other organisations (Westbrook 1981; Fornell 1992; Anderson/Fornell/Rust 1997; Johnson/Fornell 1991; Fornell/Johnson 1996; Johnson/Nader/Fornell 1996).

New and rather controversial findings show that customer satisfaction as a means to achieve – and an indicator of – financial success is not, in all situations, relevant and decisive. Quite the contrary, it can be misleading, – particularly if a company is aiming for growth and profitability (Reichheld 2003, 2006; Reichheld/Markey 2006). According to Reichheld (2003), the chain store K-Mart presented their best results ever in the American Customer Satisfaction Index (ASCI) in the same year they filed a petition for bankruptcy. Instead, Reichheld showed that WOM (word of mouth (WOM)) and the willingness to recommend a brand, a product or service to a friend, colleague or family member are more decisive factors behind success in terms of sales growth. Despite a number of attempts (e.g. Morgan/Rego 2008), nobody has thus far succeeded in proving or disproving Reichheld's rather controversial statement about the great importance of recommendation and the lesser importance of customer satisfaction for growth and financial success (Keiningham/Aksoy/Cooil 2008).

Apart from Reichheld's controversial observations and statements, the financial advantages of WOM have been pointed out in a number of scientific studies. For example, Villanueva et al. (2008) found that Customer Lifetime Value was higher when the customer was recruited through WOM rather than by traditional communication. Dinesh/Minakshi/Dhruy (2008), who studied the decisive attributes of online retailing and repeat purchases, demonstrated that WOM was the single most important factor compared with the attributes of traditional store profiles such as easy to find, relative prices and choice.

Originally, Reichheld suggested that companies should understand the reason for growth by means of a simple index based on a single question (e.g. Net Promoter Score (NPS)) as a response to a critique of the extensive indexing, abundant questions and black box analyses of customer satisfaction. However, he was subsequently criticised for oversimplifying the matter somewhat (Grisaffe 2007). However, companies do need to understand why they are heading in a certain direction as well as why customers recommend them and why they do not: "Certainly Reichheld's NPS can reveal something about the company's overall health. However, that single score cannot provide all the information needed to guide targeted strategic improvement actions" (Grisaffe 2007, p. 40).

Research on satisfaction regarding retailing and stores offers exactly the degree of information Grisaffe (2007) asks for, and it has discovered a number of general dimensions that seem to drive satisfaction. Westbrook (1981) developed the best-known and used scale, or instrument, to identify the dimensions and sources of satisfaction concerning retail stores. By handling these resources, or sources of satisfaction, the store or retail chain can understand how to satisfy their customers. If it were possible to find the equivalent for the sources of customer recommendations (i.e. the aspects of store marketing such as products, prices, location, advertising and personnel that drive recommendations and NPS), then companies would gain a better understanding of how to drive sales growth and financial success, and not only keep pace with customers' expectations and satisfaction.

There are several articles stressing the importance of WOM for retail stores (Bolen 1994; Murphy 2006, 2007; Srinivasan/Anderson/Ponnavolu 2002), but again with little reference to how a buzzworthy offering is created in a store. The factor usually found to influence WOM in the literature is customer satisfaction (Wangenheim/Bayón 2007; Anderson 1998; Swan/Oliver 1989; Naylor 1999). Studies consistently show positive WOM as a result of high-ranking customer satisfaction (Sudaraman/Mitra/Webster 1998; Swan/Oliver 1989; Westbrook 1987). It is thus clear that there is a link between satisfaction and WOM, but satisfaction cannot explain WOM itself, and probably not all satisfaction factors driving WOM. Such explanations and sources may be in line with Pine/Gilmore's (1999) experiential framework based on entertaining and educating experiences or that unique and visible products and offerings have greater buzz value than others, as Dye (2000) maintains.

There is widespread research and literature about why people talk about personal motives but thus far no systematic research about what is said during a conversation and what it is about a store's offering that triggers a recommendation. The question we ask ourselves is whether there are general dimensions in such offerings to which people relate. Must the store's concept be extreme, surprising or visually extraordinary in order to drive WOM, or is it just about performing well on the basic and traditional satisfaction attributes?

One of the main purposes of this study is to explore and identify the customer values and store attributes contained in customers' evaluations that influence people to speak about and recommend a retail store or retail chain as well as to engage and relate to likeminded consumers. Such knowledge could be valuable for strategic and tactical store management when developing new or already established store concepts.

Reichheld (2006) proposed that in 12 out of his studied 14 industries, WOM was the most important or second most important factor that drove growth. However, neither in Reichheld's articles nor in those of others dealing with the connection between WOM and growth is any-

thing said about retail marketing. The second purpose, therefore, concerns the clarification of the connection between recommendations and growth within retailing. In other words, is there a measurable and empirical connection, how strong is it and is it stronger than the link between customer satisfaction and growth?

2   Literature Review

2.1   Customer Satisfaction

Customer satisfaction has always been one of the main pillars of the marketing concept (Kotler 2003). Theoretically, most scholars regard satisfaction as a post-purchase evaluation and a result of the comparison between perceived product performance and expectations (e.g. Anderson/Sullivan 1993; Veloutsou et al. 2005), generally referred to as confirmation theory (Oliver 1980). In spite of general agreement at a conceptual level, Churchill/Surprenant (1982) stated that if the experience does not differ greatly from expectations, disconfirmation or expectations are not involved in the evaluation process. As a result, they concluded, that satisfaction with consumption over time is explained by experiences alone. They also found that customers re-evaluate their expectations if they do not match performance and thus adapt their expectations to performance over time. Later empirical studies confirmed that purely performance-based models are better at explaining why customers are satisfied than so-called gap models that compare experience and performance.

Most research on satisfaction in the services industry differentiates between two types of satisfaction: transaction-specific satisfaction and general satisfaction (Dabholkar 1993, 1995; Dabholkar/Shepherd/Thorpe 2000). The former refers to the level of satisfaction of a single experience and service encounter (Jones/Suth 2000), in this case, a store visit. General satisfaction represents satisfaction as the sum of all previous encounters with the service company, updated after each transaction (Jones/Suth 2000). It is thus a fundamental indicator of the company's previous, present and future performance (Anderson/Fornell/Lehmann 1994). Transaction-specific customer satisfaction, by contrast, is more relevant in connection with tests of new products or in so-called critical encounters where the whole relationship might be at stake. Satisfaction has also been described as the feeling that results from the individual subjective evaluation of different results and experiences associated with the purchase or use of a product (Babin/Griffin 1998).

The link between customer satisfaction and recommendation is usually described as recommendation being a consequence of satisfaction (Heskett/Jones/Loveman 1994; Bitner 1990; Reichheld 2003). The relationship between satisfaction and recommendation has been found

to be non-linear in the sense that only very dissatisfied or very satisfied customers tend to recommend (e.g. Anderson 1998; Hart/Johnson 1999).

Customer satisfaction within service and retail stores can lead to loyal customers and thereby profitability (Hallowell 1996; Gilbert/Veloutsou 2006); thus, it is of great concern for most companies. The greater the satisfaction among customers, the greater is the possibility that they will return and participate in positive WOM behaviour (Hallowell 1996). This gives satisfaction an important role in retaining and attracting customers.

Westbrook (1981), in perhaps the most recognised retail satisfaction model, showed that customers engage in a number of activities in a retail store, which lead to a variety of experiences when they visit the store. He maintained that customers' satisfaction with a chain store is based on a number of characteristics. Westbrook (1981) also compiled a list of store attributes (24 in total) from previous research and tested them as sources of satisfaction with chain stores among their customers. He found the following eight underlying and significant factors: satisfaction with 1) store salespersons, 2) store environment, 3) merchandising, 4) service orientation, 5) products/service, 6) the store's clientele, 7) the value/price relationship and 8) special sales.

Huddleston et al. (2009) found similarly functional factors in a study of grocery stores and customer satisfaction, namely service, price, product assortment and quality, which all had positive effects on satisfaction. Further/Burns/Neisner (2006) established that such emotions as delight, happiness, joy and enthusiasm were of importance, even though the cognitive evaluation of various attributes had a greater effect on satisfaction.

2.2 WOM

Apart from a few articles on WOM and online retailing (Dinesh/Minakshi/Dhruy 2008), there is very little to be found on WOM and retailing (for an exception, see Brown et al. 2005; Gauri/Bhatnagar/Rao 2008; Paridon 2004). WOM, in general, can be perceived as the earliest and most established term of research that encompasses an informal mode of communication between non-commercial parties concerning the evaluation of products and services (e.g. Brooks 1957; Dichter 1966; Arndt 1967). Within this field, a number of approaches contemplate the person engaging in WOM. One such, and perhaps the most used, regards opinion leadership and the suggestion that WOM primarily is spread through influential and well-connected opinion leaders (Katz/Lazarsfeld 1955). By identifying, understanding and motivating such, companies may fire up WOM and sales. Often, terms such as influentials and hubs are used.

The alternative point of view is the focus of this paper, which is more related to the marketing concept that argues that anyone can recommend and does so by free will, often as a result of satisfaction (Hart/Johnson 1999). Here, we see terms such as promoters (Reichheld 2003, 2006), evangelists, advocates and accidental influencers (Watts/Peretti 2007) rather than opinion leaders or influencers. The terms promoters (Reichheld 2003, 2006) and accidental influencers (Watts/Peretti 2007) stress that anyone – a friend or family member – can be a sender and influencer. In both cases, this concerns a person who is enthusiastic about a product and recommends it to a friend or acquaintance without having the motives or characteristics of an opinion leader. The receiver listens to the sender because he/she has a relationship with the latter, implying that he/she knows and relies on the sender (Schiffman/Kanuk 1995; Arndt 1967).

The number of general and formal studies of WOM is considerable. Although closely related fields of research, such as satisfaction and adoption/diffusion, have an interest in the attributes and characteristics in offerings and innovations that generate customer satisfaction, very little has been explored on the driving characteristics of WOM. The field of adoption/diffusion has identified five generic attributes that cause innovations to successfully spread: Big Relative Advantage, High degree of Compatibility, Low degree of Complexity, Trial ability and Observability (e.g. Rogers 1995). However, there is no reason to accept that these five dimensions are transferable to WOM, as a high degree of complexity and low degree of observability are factors assumed to stimulate WOM in such a manner that it creates situations in which a buyer asks for advice and relies on friends and their recommendations (Brooks 1957; Bristor 1990).

Much research borders on opinion leadership and focuses on the sender's personal motives (e.g. Paridon 2004; Engel/Kegerreis/Blackwell 1969; White/Argo/Dahl 2005; Richins/Root-Shaffer 1988). However, some research on the personal motives of WOM does not draw upon opinion leadership. Even though personal motives are not the focus of this study, a brief summary of those that can get the sender to talk might help us interpret and understand the results of the present study.

Satisfaction or dissatisfaction – in several studies, customer satisfaction has been pointed out as most important factor for WOM in general and for positive WOM in particular (Swan/Oliver 1989; Anderson 1998; Richins 1983; Bone 1992).

Gaining attention means that products or services replace other topics of conversations and that involving a product in a conversation is a way of 'having something to say' (Dichter 1966). Similar suggestions can be found in Rosen (2002).

Showing connoisseurship, namely talking about specific products or brands, functions as proof that you are following the right trends and have refined taste in certain categories that you value (Dichter 1966). Silverman (2001) argued that one of the reasons for giving WOM is that experts in certain subjects enjoy showing their expertise; in other words, they like to influence non-experts.

Feeling like a pioneer, namely the novelty of a specific product or brand, can provide a person with a feeling of being part of what they stand for and with an opportunity to identify him- or herself with a certain group (Dichter 1966; Bone 1992).

Suggesting status, namely talking about products in a higher social status segment, makes it possible for the speaker/consumer to improve his or her social status (Dichter 1966). Liu (2006) found similar motives around cultural products and entertainment.

Altruism and 'spreading the gospel' means the speaker wants to help out, almost like a kind of modern type of grooming, and can persuade the listener into using a product by enlisting a "good cause" (Dichter 1966; Rosen 2002).

Seeking confirmation of own judgment – people tend to need other people (followers) to justify or reassure their buying decisions by listening to the another person's advice (Dichter 1966; Brooks 1957). A few of the most frequent objectives of giving WOM can be found within self-confirmation theory.

Asserting superiority means that the speaker gives WOM in order to exercise power or to assume leadership over the listener, but also to test if the listener respects the speaker by noticing if the advice is taken into consideration (Dichter 1966).

Personal relevance and commitment comes from involvement and loyalty to a brand or product (Reichheld 2006; Brown et al. 2005; Dick/Basu 1994).

Economic motives – for one's own economic gain (Rosen 2002). For example, if you can convince a friend to join your telephone operator, you can receive a bonus or make low-priced calls.

Figure 1 summarises the different parts of the study and their relationship to each other.

Figure 1: Model showing the Relationship between Marketing (Experience of the Store), Customer Satisfaction, Recommendations and Sales Growth

3   Methods

The data were collected in Sweden, where this project concerning recommendations and stores – in a unique cooperation between the university and international market research company GfK – has been in progress since 2006. This means that the project has had access to valuable market and household panel data. Roughly speaking, within the frame of this project we have used all existing market data from the summer of 2006 to the summer of 2009. Apart from the access aspect, Sweden is, from an international retail perspective, a very interesting and successful country with a long marketing tradition. Here, concepts and chain stores such as IKEA and H&M have been conceived, which have subsequently conquered the world. Both these concepts are included in the data from which our conclusions are drawn. From a satisfaction theoretical perspective, the Swedish market has been studied in several prominent articles (Anderson/Fornell/Lehmann 1994; Fornell 1992; Magi 2003).

The report is founded on three investigations: (a) a pilot study – an explorative investigation of 200 consumers who have been given the opportunity to write freely about their favourite stores and which they would recommend; (b) a survey – a standardised attitude measurement among 300 consumers in order to find which store characteristics drive recommendations; and (c) a market study – a survey of 900 consumers divided into nine categories who have been asked to state how satisfied they are and how willing they are to recommend three different stores in a given category. The attitude measurement is then compared with the growth of the chain stores from August 2006 to July 2009.

3.1   Pilot Study

Parts (b) and (c) were limited to individuals in Sweden's largest cities: Stockholm, Gothenburg and Malmö. Together 20 % of Sweden's population lives in these three cities. These cities were chosen because it is here that new shops and concepts are established first and in competition with international retail chains. This should create the best conditions for exploring recommendations as well as providing international relevance for the research results.

The explorative interviews were carried out using the same web panel but new respondents by means of a random selection of participants aged between 16 and 65 years. After naming the store, they were asked to recommend to a friend with a lifestyle similar to themselves, who is visiting their town to buy clothes and other goods. The respondents were then given the opportunity to say why they would recommend this store and what they would say. Altogether, there were 400 recommendations furnished with different reasons. These were completely open and on average consisted of 10 words. A proposed method in order to understand a company's strengths in a recommendation context can be found in Reichheld (2006) and McConnell/Huba (2003):

1. Imagine that a friend, acquaintance or relation, preferably of the same sex and age as yourself, is visiting the town where you live for a few days. If this person asks you where he or she should go to buy clothes, which shop or chain store (not a shopping mall or department store) would you recommend?
2. Why would you recommend this store and what would you say? Please give your reasons in full.
3. Is there any other store that does not sell clothes that you would recommend this person visit during their stay?
4. Why would you recommend this one and what would you say? Please give your reasons in full.

3.2   Survey

This second and more standardised study takes over where the explorative study ends, i.e. it sets out to test the degree of the generality of each of the spontaneous answers. The analysis builds primarily on explorative factor analysis to see how the different attributes recommended interact and on regression analysis to see how these attributes and factors in turn influence the willingness to recommend. Traditional multivariate analyses were necessary and structural equations were not possible because the most important variable, in this case the

degree of recommendation, must build on one question according to Reichheld. Structural equations require that each of the constructs build on more than one questionnaire item in the dependent variable. Moreover, the study is, considering that the research in this field is very limited, explorative in character, and this conflicts with structural equations, which prefer a certain test of established frameworks and deductively generated hypotheses (Diamantopoulos/Siguaw 2000).

Each respondent was asked to answer 60 questions about two different stores in the categories of women's wear or interior decorating, or stores selling household appliances/electronic articles. These three categories were selected because they were the most commonly referred to in the pilot study (results not presented here). They were asked to answer questions concerning stores in the respective category they were most engaged in. The two stores consisted of the one they would most want to recommend and the one they would least want to recommend. In this way, we obtained the greatest possible variation in the degree of recommendation.

3.2.1   Customer Satisfaction Measurement

The most established scale to measure overall customer satisfaction is the one used in well-known national customer satisfaction indices (Anderson/Fornell 2000). The scale was adapted to a retail setting in Magi (2003).

Four questions concerned general customer satisfaction and recommendations: 1) How satisfied are you with store xxx? (very dissatisfied – very satisfied); 2) How well does store xxx match your expectations? (not at all – completely); 3) Imagine a perfect yyy store. How close to this ideal is store xxx? (not at all close – very close); and 4) How likely is it that you would recommend retailer xxx to a friend or colleague? (not at all likely – extremely likely). Altogether, 24 of the 60 questions were taken from Westbrook (1981) and his "sources of retail satisfaction index" (see ibid, Appendix). The remaining questions (32) concerned the unique characteristics of the store that emanated from the qualitative interviews. In the first round of analysis, all variables that had a bivariate correlation to intention to recommend under 0.40 were removed. That meant that 18 out of the 24 Westbrook items and seven (not presented in the report) out of the 32 unique questions were removed, leaving 31 questionnaire items for the further analysis of the sources of recommendations.

3.3   Market Study

The first introductory study aimed at clarifying the connection between NPS and sales growth in retailing; in other words, is there any connection, if so how strong is it, and whether it is stronger than the connection between customer satisfaction index (CSI) and growth? GfK, which together with AC Nielsen supply most sales data to European retail industries, was used for collecting the market as well as survey data.

The database was built on household panels consisting of 3000 Swedish households that report their purchases every week. Here, we bought data concerning nine categories (books, women's wear, menswear, children's clothes, DVD/CD/games, sport articles, groceries, building materials and DIY merchandise) for the period 2006 to 2009. For each category, three brands were randomly chosen for the survey. The stores' penetration rates (proportion of Swedish households that visited them during the past 12 months) in August 2006 varied from 2.5 % to 54 %. In all, we looked at 27 retail store chains.

The attitude questions were also collected with the help of GfK and its web panel. A total of 1000 randomly chosen individuals were interviewed and for each store brand 100 respondents were interviewed. The connection between CSI, NPS and sales growth was analysed with the help of simple regression analysis and the determination coefficient, which measures the effect of NPS and CSI on changes in revenue growth over the three-year period.

4   Results

4.1   Connection between Recommendations, Customer Satisfaction and Sales Growth

A total of 1,900 individuals were interviewed about nine categories and 27 retail chains. Each respondent had to answer questions with regard to three different brands within that specific category. Respondents' demographic profiles correspond with those of Sweden as a whole; the percentage of men was 51 %, with an average age of 46 years and an average annual income of 250,000–300,000 SEK. The answers to the questionnaire concerning the brands were then linked to the development in sales growth between 2006 and 2009.

Fornell (2006) suggested that a 10-point scale should be used for measuring satisfaction and Reichheld (2003) suggested an 11-point scale. However, as different scale structures for the two constructs can directly impact on the result, a neutral and more traditional seven-point scale was used (Table 1). The correlation to sales growth was instead studied using three ways

of assessing customer satisfaction and recommendation. Using the clean seven-point scale, recommendation had a slightly higher correlation to sales growth than customer satisfaction had (0.48 vs. 0.42). However, when we used the approach suggested by Reichheld to calculate NPS (taking the top box responses and subtracting them from the lower box values, the tables were turned: the satisfaction index had the highest correlation to sales growth (0.49 vs. 0.44). Using the two top box scores as the basis for the subtraction recommendation had a slightly higher correlation to growth (0.50 vs. 0.46). The conclusion is that the two constructs are very even and that the way one executes the subtraction in order to measure NPS and customer satisfaction can influence the results.

Table 1: Corrections between Growth and different Ways to measure Recommendations and Satisfaction

	1.	2.	3.	4.	5.	6.	7.
1. Change in sales 2006–2009	1,00						
2. Likely to recommend	0,48*	1,00					
3. CSI	0,42*	0,71**	1,00				
4. NPS (7 = Promoters)	0,44*	0,94**	0,76**	1,00			
5. CSS (7= Very satisfied)	0,49**	0,77**	0,88**	0,86**	1,00		
6. NPS (7+6 = Promoters)	0,50**	0,99**	0,70**	0,91**	0,74**	1,00	
7. CSS (7+6= Very satisfied)	0,46*	0,77**	0,86**	0,86**	0,99**	0,73**	1,00

Figure 2 is a scatter plot where the sales growth or decline as a percentage between 2006 and 2009 was plotted against the clean seven-point scale (answering the question "How likely it is that the customers of each brand would recommend it to friends and family?"). A single linear regression shows that recommendation score in the matrix can explain 23 % (R-square linear 0.23) of the growth during the latest three-year period. Although this is not a high coefficient, it is nevertheless a significant relationship, showing that there is a link between the degree of recommendation and sales growth in retailing.

Figure 3 shows that there is a significant and similar, but somewhat lower, correspondence (R-square linear 0.23) between CSI and sales growth between 2006 and 2009 among the 27 retail companies included in the study.

Figure 2: Matrix showing the Degree of Recommendation in Relation to Growth in Market Shares between 2006 and 2009
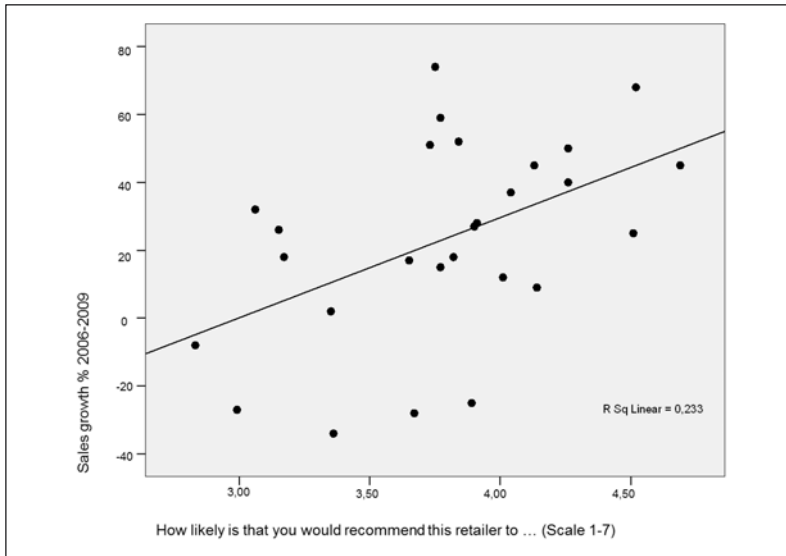

Figure 3: Matrix showing Customer Satisfaction in Relation to Sales Growth in Market Shares between 2006 and 2009
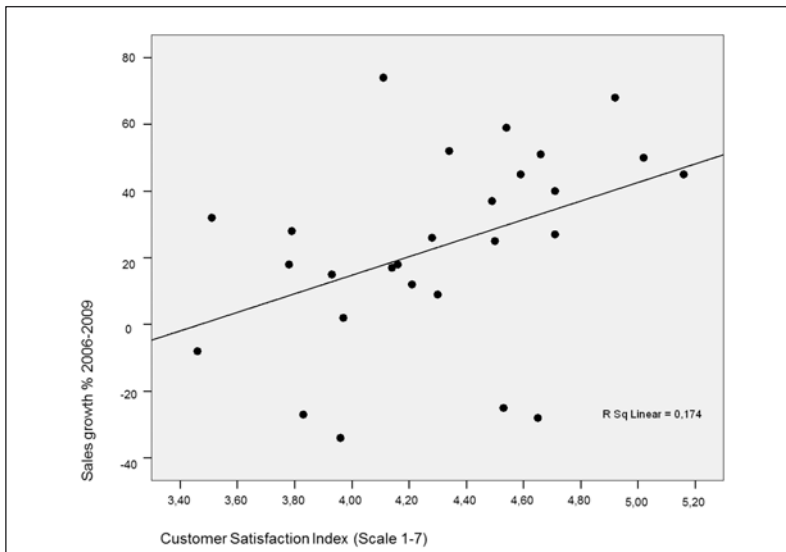
Finally, a multiple regression analysis where satisfaction and recommendation were competing towards sales growth during the three-year period was carried out. The results (see Table 2) show that although they independently have significant correlations to sales growth, when used in the same regression model, recommendation is the only significant variable, showing that satisfaction has little contribution to add into the equation.

Table 2: Multiple linear Regression Analysis (dependent Variable of Sales Growth, independent Variables Satisfaction and Recommendation)

	St. Beta coeff.	Sign.
Recommendation	0.48	0.00
Satisfaction	0.09	0.77
Adj. R^2	0.23	
F-value	7.58	
Sign.	0.01	

4.2   What is Said – The Pilot Study

The 200 respondents were then given the opportunity to speak freely about the stores they would recommend, and among the clothes stores 50 % of the answers were distributed over five of the largest retail chains: H&M (Swedish), followed by Dressman (Norwegian), MQ (Swedish), KappAhl (Swedish) and Lindex (Swedish). The responses provide a good reflection of the turnover and development in this industry. All five are international chains. Among the non-clothes stores, the responses were more dispersed and distributed among smaller and slightly more specialised chains, such as interior design shops, home appliances/electronics and so forth. Twenty % went to large international chains such as IKEA and Media Markt, 30 % to local unknown chains and the rest to smaller national chains.

Table 3: Percentage of Respondents that spontaneously mentioned each Aspect

	Fashion/clothing (N=200)	Other retailing (N=200)	Total (N=400)	Rank total
Selection and range	31 %	49 %	40 %	1
Price	25 %	40 %	33 %	2
Quality and performance	17 %	37 %	27 %	3
Personnel and service	9 %	17 %	13 %	4
Exploration	21 %	3 %	12 %	5
Unique and different	15 %	7 %	11 %	6
Specific product or brand	4 %	10 %	7 %	7
Atmosphere	6 %	0 %	3 %	8
Personal relevance	0 %	5 %	3 %	9

Table 3, which is an explorative summary of the spontaneous answers, shows that the most common reason for recommending a certain store is "Selection and range" (31 % in fashion and clothes, 49 % in other retail), followed by "Price" and some aspect of "Quality or performance". The table shows that for stores selling other things than clothes and fashion (Other retailing), "Exploration" advances from eighth place to third, thus winning over the quality and performance aspects. "Unique and different" tends to be more important for other stores, just as for the store's atmosphere. Below are respondents' quotes that relate to each of these nine dimensions.

Selection and range are expressed in terms of wide range, variation in price, style and quality, everything one needs, suits everyone, for all occasions and can always find something. This seems to be an expression for assurance and that customer would visit the store for nothing. Examples of what consumers say include:

> "Good choice", "Good selection", "They have a lot to choose from and in different sizes", "There is a good mix of clothes at different prices", "Because they have a wide range and many different kinds of clothes", "There is something for everyone", "It is the only large and well-stocked bookstore".

Price can imply cheap, good prices, value for money and so on. An aspect of price is that some individuals think that it should be cheap, but for most it seems to be a question of value for money or that, in a certain store, one can find the same goods but at a better price than in other stores that sell the same kinds of products and brands. Most often, the price is mentioned in combination with another attribute, such as value for money. When the respondents speak of prices, they say, for example:

"Good clothes at a good price", "Good prices for good products", "Good products at reasonable prices", "Good and cheap designer clothes".

Quality and performance concern quality, style, coolness and relevance. Here, the recommendations concentrated on what was sold and offered, rather than the actual refinement value. Examples of consumer quotes are:

"Smart and well-chosen garments", "They usually always have something nice regardless of the kind of garment you are looking for", "Beautiful handcraft, personal and of good quality", "Things that make impression".

Personnel and service implies competence, customer treatment and service. Thus, it concerns both employees' attitudes and competencies as well as how this is delivered. Examples of what was said about the staff include:

"Pleasant, welcoming, knowledgeable staff", "In this store you have competent and knowledgeable staff who can suggest…", "Because they are knowledgeable and do not try to push goods that you don't need, on the contrary they can sometimes advise against a product and suggest something cheaper", "It feels as if it is unusual to be treated in this way nowadays when most shops only want to push their goods".

Exploration implies that something is fun, interesting, inspiring or brightens one's day. If we perform a content analysis of exploration, it is more a matter of learning and inspiration in relation to what is offered than issues within retailing that are usually associated with entertainment/events. Some of the responses included:

"You feel happy there", "There are really exclusive goods there that are fun to look at", "Many well-known people shop there", "It's fun to go and look and they often have campaigns and cheap films", "Because they have a lot of nice things to look at and there is almost always something you want to buy".

Unique and different means that something can be unique, be one of few in Sweden, own label, different appearance or unusual. The most common terms used were, for example, unique and different:

"Different and cool products", "Often have individual clothes that are fun", "They have very original clothes", "Quite a unique shop in Sweden", "Smart and unique clothes", "Slightly more exclusive shops (the other chains are everywhere)", "You can find unique and smart things there", "They have more different interior decoration de-

tails", "Many small, nice and different things that suit my style…they have very original clothes", "They have different and nicer useful things from new designers".

Special products and labels can be about satisfying certain exclusive segments and specific needs – a certain brand, size or age segment. The latter two often indicate that a store special-ises in offering special labels, special sizes and products for specific segments. Those who have recommendations say:

"Good clothes for larger and older men", "For people like us", "Because it is a super toyshop that specialises in wooden toys and other environmentally friendly, educational and unusual toys", "They have brilliant interior design stuff and jewellery, and the cosmetics department is super cool".

Atmosphere seems to include such aspects as nice and cosy, newly constructed buildings and fresh interior. This feature does not occur particularly often but, when mentioned, seems to have something to do with recently built, bright and clean interiors, i.e., a dimension that can be costly for the store or chain in question. Examples of what is said:

"The store is bright and clean with very nice products", "Because of its atmosphere", "The atmosphere is absolutely fantastic", "You feel nice and calm and can browse around as long as you like", "A bright and cosy store", "Exciting environment, exotic and good food/restaurants".

Personal relevance is about the store suiting precisely the person who is going to make the recommendation or his/her friend or acquaintance. It shows how the recommending customer carries out a segmentation and matching profile for the store. It is clear that the customer does this job for the store:

"I would recommend this store if it matches the style of the person who asks about it, and nothing else", "It depends on what kinds of stores the person is looking for", "It stocks clothes that I like and that I think this person would have liked", "They have nice clothes, a good collection for you".

4.3 How the Characteristics are Linked and how they Drive Recommendations – The Survey

In this section, the results are presented and the quantitative investigation based on 300 respondents in the three cities of Gothenburg, Malmö and Stockholm analysed. A total of 300

respondents (100 from each city) were included in the investigation: 54 % were women and the mean age was 38 years. Eighty-six respondents chose to give their opinions on fashion and clothes stores, 82 on interior design stores and 134 on stores selling home appliances/electronic products. Each respondent was asked to give his/her opinion on two stores, namely one they would definitively recommend and one that they would not recommend. Thus, the investigation was built on a basis of 600 observations.

Based on the explorative and qualitative investigation and the nine dimensions, 34 concrete questions were generated for the questionnaire – about three to five questions per dimension. In the next stage of the investigation process, 58 single (24 from Westbrook and the 34 from the qualitative searches) store attributes were correlated using Pearson's one-tailed test of correlation against the degree of recommendation with the aim of sifting out the attributes that had the least impact. All attributes (without any regard to whether they were found in West-brook's study or the pilot study) that correlated with a recommendation that was lower than 0.45 were removed from further analysis. The value 0.45 was chosen because we tried to make a simple model with as high a degree of explanation as possible, and this particular value meant that we ended up with 32 variables. Six of the total number of 32 variables came from Westbrook's CSI. Then, the remaining store characteristics were correlated against each other by means of an explorative factor analysis. The aim of the factor analysis was both to create a simpler picture and to identify the basic dimensions. The results are shown in Table 4.

Table 4: Factor Analysis – Principal Component Model – Varimax Rotation

	Experience and quality	Prices and goods for everyone	Personnel	Atmosphere	Unique and se- lected
1a. Has fabulous products (.74)	0.76				
1b. It's fun to shop here (.80)	0.74				
1c. You can always find something interesting here (.79)	0.74				
1d. To shop here makes a good impression on others (.61)	0.71				
1e. I am often positively surprised (.75)	0.69				
1f. Inspires me (.73)	0.61				
1h. *Carries merchandise of good quality (.77)	0.61				
1j. The different departments of the store have good assortments (.72)	0.57	0.47			
1k. Is different and stands out from others (.74)	0.57				
1l. The store looks after its staff (.69)	0.55		0.47		
1m. They are confident and reliable (.77)	0.49	0.46			
2a. *The general price level of the store is good (.58)		0.80			
2b. Have attractive price offers and campaigns .60)		0.74			
2c It's easy to shop here (.60)		0.73			
2d. Everyone is welcome here (.53)		0.67			
2e. *You get value for your money (.69)		0.67			
2f. Has a selection that meets all needs (.66)	0.49	0.64			
3a. Has interested staff (.61)			0.77		
3b. *Has friendly salespeople (.60)			0.75		
3c. *Has helpful salespeople (.64)			0.73		
3d. Here the staff enjoy their work (.62)			0.70		
4a. Is newly built and bright and clean (.65)				0.76	
4b. Has a nice and stylish assortment (.75)	0.57			0.67	
4c. *The store has an attractive interior (.71)				0.64	
4d. Has a lot of new goods and the latest trends (.57)				0.63	
4e. Here you can see there is a thought behind everything (.65)				0.56	0.50
5a. When you shop here you feel you are part of a community (.60)					0.80
5b. There is at least one area where this store is a specialist (.47)					0.64
5c. Here you can find more than you would expect of a store like this one (.63)					0.61
5d. Represents hospitality (.62)				0.47	0.59
5e. I can daydream here (.62)	0.50				0.56
Cumulative degree of explanation in % KMO 0.93; Significance 0.00	23 %	40 %	54 %	66 %	78 %

*= Included in Westbrook's CSI. The figures within brackets are the correlations with the recommendation question. The figures in the columns are the correlations with each respective factor 1. All values under 0.45 are omitted from the table.

The factor analysis shows that the attributes can be divided into five dimensions or factors: F1 "Exploration and quality"; F2 "Prices and something for everyone"; F3 "Personnel"; F4 Atmosphere"; and F5 "Unique and selected". Taken together, these capture 78 % of the variation in the material, which is an accepted threshold value (Hair et al. 1995). The structure is logical, possibly with the exception of the first factor "Exploration and quality", which is rather scattered. However, it is, even so, not entirely illogical that the quality of an assortment makes it exciting and fun to go shopping in a certain store, particularly as the judgments with regard to exploration from the qualitative investigation were actually related to merchandise and quality. Relating to the qualitative and explorative study and the nine initial dimensions, we see that "Quality and performance", "Exploration", and "Specific product or brand" lands under F1, "Selection and range", "Price" and "Personal relevance" lands under F2, "Personnel and service" is basically F3, "Atmosphere" is F4 and "Unique and different" is basically F5. In conclusion, a correlation analysis of the relationship between each item and recommendation followed by a factor analysis narrowed the initial nine dimensions found in the explorative study down to only five dimensions.

Table 5: Regression Analysis showing the Impact of the Recommendation Factors on the Degree of Recommendation and Customer Satisfaction

	Recommendation			
Satisfaction:	St. Beta coeff.	Sign.	St. Beta coeff.	Sign.
Exploration and quality	0.60	0.00	0.61	0.00
Prices and something for everyone	0.40	0.00	0.39	0.00
Personnel	0.26	0.00	0.25	0.00
Atmosphere	0.29	0.00	0.23	0.00
Unique and selected	0.22	0.00	0.28	0.00
Adj. R^2	0.71		0.70	
F-value	42.55		42.19	
Sign.	0.00		0.00	

The regression analysis in Table 5 shows that the five factors are significant and can explain 71 % of the variation in the degree of recommendation. At the same time, the same factors can explain 70 % of customer satisfaction in a store.

Table 6: Regression Analysis showing the Impact of Customer Satisfaction Factors on the Degree of Recommendation and Customer Satisfaction

	Recommendation		SAT	
	St. Beta coeff.	Sign.	St. Beta coeff.	v
Personnel	0.34	0.00	0.37	0.00
Assortment and premises	0.49	0.00	0.56	0.00
Prices and complaints	0.32	0.00	0.30	0.00
Advertising and offers	0.36	0.00	0.28	0.00
Adj. R^2	0.57		0.60	
F-value	38.86		44.7599	
Sign.	0.00		0.00	

Table 6 shows the corresponding regression analysis that was carried out by a factor solution (see Appendix) that was only based on Westbrook's CSI. The results show that Westbrook's CSI could explain 57 % of the variation in willingness to recommend and 60 % of the variation in customer satisfaction. This implies that this recommendation index is 14 % and 10 % better than Westbrook's CSI in explaining customer satisfaction recommendation and customer satisfaction, respectively.

Table 7: Summary of the Regression Results and Determination Coefficients for each Category of Stores included in the Study

	Women's Fashion		Interior Design		Home Appliance/ Electronics	
	St. Beta coeff.	Sign.	St. Beta coeff.	Sign.	St. Beta coeff.	Sign.
Exploration and quality	0.57	0.00	0.69	0.00	0.54	0.00
Prices suiting everyone	0.27	0.01	0.66	0.00	0.24	0.04
Personnel	0.34	0.00	0.15	0.24	0.28	0.01
Ambience	0.44	0.00	0.17	0.19	0.20	0.07
Unique and selected	0.23	0.03	0.23	0.07	0.31	0.01
Adj. R^2	0.77		0.65		0.68	
F value	17.51		11.18		14.89	
Sign.	0.00		0.00		0.00	

Table 7 shows that the questionnaire is best at explaining what drives recommendations for a fashion store (77 % of the variation in degree of recommendation could be explained by the five factors) followed by stores selling home appliances/electronic products (0.68) and interior design stores (0.65).

"Exploration and quality" are the most important for triggering recommendations, whatever the kind of store. "Personnel" and above all "Atmosphere" are more important for a women's

fashion store than for the other stores. "Price suiting everyone" is a very important factor for the interior design store, but not for the clothes or electronics stores. "Uniqueness" is significant but not decisive for any of the stores.

5   Discussion

The first, and perhaps most basic insight, gained from this study is the result that shows that for 27 of Sweden's best-known retail chains – varying from –40 to +80 % in sales growth – there is an equally statistically significant link between customer satisfaction and sales growth as there is between recommendation and sales growth. This does not support Reichheld's controversial assertion from 2003 where recommendation is described as a far better determinant of sales growth than customer satisfaction. By contrast, when the two compete in the same equation model, satisfaction adds nothing to the explanatory power. With the approach of this study, we would instead argue that satisfaction and recommendation are so closely related and instead it could be the idea that recommendation is closer to purchase and sales in the evaluation process of the customer (see Figure 1) that explains the result. The relationships are significant but not very strong between either of the measurements and their relationship with sales growth. One explanation for the low correlation in a retail context could be that growth in retailing sometimes means that satisfaction cannot follow the pace of rapid growth. In contrast to product sales growth, retail sales growth means that retailers need to start up many new stores. It can take several years before a new store is adapted to customer expectations. Furthermore, studying the results in detail shows that it is not only new fast-growing concepts that cannot keep up with customer satisfaction. Common to the declining brands with high customer satisfaction is that they are 30- to 50-year-old national chains losing sales to international price- and value-positioned retailers such as the American retailers Amazon or Toys 'R' Us or the German retailer Lidl.

An interesting conclusion is that the study participants speak about rather traditional matters. Neither the explorative nor the quantitative measurement supports the notion that, in the first place, it concerns "outrageous things" (Dye 2000). Instead, it is quality, entertaining shopping experience, price and range of assortment that is involved.

If we compare the sources of WOM that have emerged from this investigation with Westbrook's (1981) traditional sources of customer satisfaction, we see that there are a number of added features such as fun, interesting, exciting, inspiring and brightens your day. However, in the main study we see that these attributes also influence customer satisfaction. Similarly, we see that uniqueness is an aspect that plays a significant role in making recommendations.

However, uniqueness is a unusual attribute with regard to customer satisfaction (it is more common in brand research; Keller 1993).

The results of the main study demonstrate large differences in those attributes that drive recommendations in different categories. It can, therefore, be difficult to draw any general conclusions about the order of priority in which different store attributes drive recommendations. In all three categories, however, it was shown that the diversity of the goods on offer is absolutely the most important factor. Here, it can be whether the products are good, special, of high quality or trendy. The store's exploration factor, namely that it is fun to shop there, interesting, educational and so on, seems to be firmly linked to the merchandise rather than to service or atmosphere.

Price is very important for creating recommendations. This study shows clearly that it is about being price-worthy not cheap. Previous research suggests that when we find something that is worth its price, we are naturally willing to pass this information on to friends and acquaintances. What is surprising, in light of previous research, is the importance of price. In practically every other qualitative statement, we find price included in the equation, such as "They have quite a lot of clothes I think are nice and not too expensive". During the 1980s and 1990s (see for example Parasuraman/Zeithaml 1994), much of the research on customer satisfaction was closely linked to quality and service quality, which in turn was negatively correlated with price. The range of goods and that there is something for everyone seems to be a dimension of the recommendation that takes into consideration the probability that the person we give our recommendation to will also find something in the store. Thus, it does not need to be a matter of the actual range of goods; we believe that the greater the range, the greater the probability is that you can match the needs of an acquaintance with the goods in the shop.

Personnel is a debated subject. Many researchers and consultants (see for example, Bäckström/Johansson 2006; Heskett/Jones/Loveman 1994) propose that personnel represent the main route to competitiveness, differentiation and success. However, the results from the present study show that their impact is average and that in interior design stores the staff are the least important reason for driving recommendations.

5.1   Managerial Implications

The study shows that merchandise is central to creating recommendations. Although there is nothing new about this, it can easily be forgotten when the on-going discussion concerns the importance of competing with service, creating added value, events and even entertaining happenings. It is usual for stores to use instruments such as buzz marketing, competitions,

shows or guerrilla marketing to create conversations and entertaining shopping experiences. Other things are also important triggers but the merchandise on offer is absolutely the most important. In concrete terms, an interesting and entertaining store would first be created by means of an attractive and interesting assortment. This also seems feasible if we assume that recommendations correlate with sales – purchases.

The assortment in a shop seems to be a central feature in this connection. It seems that the greater the assortment, the higher is the degree of relevance for the shop, namely the greater the chance that a customer succeeds in matching the shop's assortment with the friend's de-mands/needs.

In the qualitative measurement, there seemed to be an attribute that the store ought to suit or match the receiver's needs or personality. Segmenting and matching a heterogeneous assortment against heterogeneous demand is a basic function in marketing. The results on this point show that recommendations work as a segmenting tool where customers with an insight into what is offered and an awareness of another person's needs work as a connection between a selection of goods and demand.

Table 8 shows the results in the form of a detailed checklist of attributes that drive recommendations for stores. These are divided into six main dimensions and the list can be used as a scorecard or checklist, and possibly converted into a questionnaire. It is important that the chosen attributes agree with the chain store's brand strategy, namely what we are known for today and what we want to stand for.

Table 8: Summary of what drives Recommendations and WOM for Stores

Dimensions	Attributes	Examples
Exploration and inspiration:	Concerns entertainment, inspiration and unusual surprises where the assortment is central.	- Has attractive products - It is fun to shop here - You can always find something interesting here - Gives me inspiration - Often makes me positively surprised
Status and exclusivity:	Concerns quality and prestige, which also puts the sender in a good position.	- When I shop here it makes a good impression on others - Has good quality merchandise - Has a good assortment - Is different and stands out from others
Price and value for everyone:	Here it is a matter of reliability and there being something for everybody and for all needs. It is also a matter of being able to find everything in one and the same place.	- Has a good assortment - In general has a good price level - Has attractive price offers and campaigns - Gives value for money - It is easy to shop here - Everyone is welcome here - Has an assortment that covers all needs - Is safe and reliable
Personnel and service:	Concerns not only that the staff is capable and willing, but also that they seem to like their jobs and are enthusiastic, i.e., "living the brand".	- Has enthusiastic staff - Has friendly shop assistants - Has helpful shop assistants - The staff like their jobs here - The store looks after its employees
Atmosphere and style:	Concerns the appearance of the premises both regarding what is there and what is on offer in the premises that should preferably be modern and trendy.	- Is newly built and nice and clean - Has a nice and stylish assortment - The shop has an attractive appearance - Has a lot of new goods and the latest trends - Here there is a thought behind everything
Unique and selected:	The customer should feel that he/she is a unique and chosen person, but this is equally true regarding the merchandise.	- To shop here makes you feel part of a community - There is at least one area that this store really specialises in - Here you can find more than you expect from a shop like this one - Stands for hospitality - Here I can daydream

The attributes shown in this list are practically identical to those in the analysis; however, we have chosen to place them in a more social context as discussed by Dichter (1966). They are connected with what is within the control of the store or chain or with social and self-corroborating motives. It is important that we understand both of these phenomena. It can be a matter of talking about the exquisite quality of a store's merchandise with the aim of increasing one's own status, for example showing that one buys, or has experience of, certain items and qualities. It can also be a matter of showing that one is smart and knows where the best or most price-worthy items can be found. Another social aspect is the altruistic one, namely that you want to help and recommend places with all price levels or places you know have something for everyone.

5.2   Limitations and Future Research

Although this study is limited to nine categories, naturally recommendations and issues that drive recommendations should be relevant for other categories. Future studies should be able to validate the results in order to see to what extent it is the same attributes and dimensions in the store's offerings that drive recommendations.

The main points of studying theoretical concepts and their relationships with growth and financial performance are not only that it is possible to explain growth, but also that should be used as a prediction for future growth. In this study, the attitude measurement was made at the end of the measuring period, but it is possible to carry out this measurement at the start of a three-year period with the aim of comparing its relevance in relation to CSI or other accepted measures such as intention to buy, preference or loyal attitude.

When one reads the open responses, there also seems to be a difference in who initiates the conversation – is it the sender or the receiver? If the receiver asks the question, then the attributes can to a greater degree be directed towards the receiver. These might also be less connected with status and self-corroboration. It is rather a matter of altruistic motives and thus other attributes, in the line of he/she "Has clothes I like and which I think that this person would have liked". The fact that satisfaction and recommendations were so similar might be that the approach of the study was receiver-initiated. Perhaps unique is something that more relates to sender initiatives, whereas quality and wide range are triggered when asked for advice. This distinction between sender- and receiver-initiated WOM has not been put forward in previous research. Future studies could thus analyse the differences between discussions initiated by the receiver and by the sender.

Appendix

	Personnel	Assortment + premises	Prices + complaints	Advertising + offers
Has helpful salespeople	0.81			
Has available salespeople to help you	0.80			
Has polite salespeople	0.79			
Has friendly salespeople	0.76			
The store is clean and tidy	0.68			
Easy to find what you are looking for	0.57	0.51		
Has a good assortment		0.83		
Has a wide selection of merchandise		0.71	0.42	
Has modern and fashionable merchandise		0.70		
Has a good layout and location of different departments	0.42	0.69		
Is a spacious store		0.68		
The quality level of the merchandise is good	0.48	0.49		0.43
Is well stocked		0.45		0.45
Is fair in making adjustments when you have problems with products you have bought	0.42		0.75	
Is willing to exchange products you do not want	0.41		0.74	
Has convenient opening hours			0.72	
The general price level of the store is good			0.70	
You get value for money		0.47	0.49	
The store is conveniently placed			0.46	
Other customers and visitors do not spoil the shopping experience				0.74
Runs good sales				0.72
The store's advertising is good				0.68
Has a good charge account and credit policies			0.47	0.64
The store has an attractive interior		0.55		0.57
Cumulative explanation value in %	20 %	39 %	55 %	70 %
KMO 0.93; Sign. 0.00				

Factor analysis Westbrook's scale

References

Anderson, E. W. (1998): Customer satisfaction and word-of-mouth, in: Journal of Service Research, Vol. 1, No. 1, pp. 5–17.

Anderson, E. W.; Fornell, C. (2000): Foundations of the American Customer Satisfaction Index, in: Total Quality Management, Vol. 11, No. 7, pp. 669–714.

Anderson, E. W.; Sullivan, M. W. (1993): The Antecedents and Consequences of Customer Satisfaction for Firms, in: Marketing Science, Vol. 12, No. 2, pp. 125–143.

Anderson, E. W.; Fornell, C.; Lehmann, D. R. (1994): Customer Satisfaction, Market Share, and Profitability: Findings From Sweden, in: Journal of Marketing, Vol. 58, No. 3, pp. 53–67.

Anderson, E. W., Fornell, C.; Rust, R. T. (1997): Customer Satisfaction, Productivity, and Profitability: Differences between Goods and Services, in: Marketing Science, Vol. 16, No. 2, pp. 129–145.

Arndt, J. (1967): Role of Product-the Diffusion of a New Product, in: Journal of Marketing Research, Vol. 4, No. 3, pp. 291–295.

Babin, B. J.; Griffin, M. (1998): The nature of satisfaction: An updated examination and analysis, in: Journal of Business Research, Vol. 41, No. 2, pp. 127–136.

Bitner, M-J. (1990): Evaluating Service Encounters: The Effects of Physical Surroundings and Employee Responses, in: Journal of Marketing, Vol. 54, April, pp. 69–82.

Bolen, W. H. (1994): The role of word-of-mouth 'advertising' in retailing, in: American Business Review, Vol. 12, No. 2, pp. 11–15.

Bone, P. F. (1992): Determinants of Word-of-Mouth Communications During Product Consumption, in: Sherry, J. F.; Sterndal, B. (eds.): Advances in Consumer Research, Vol. 19, No. 1, pp. 579–583, Provo, UT: Association for Consumer Research.

Bristor, J. M. (1990): Enhanced Explanation of Word of Mouth Communications: The Power of Relationships, in: Hirschman, E. C. (ed.): Research in Consumer Behavior, Greenwich, CT: JAI Press, pp. 51–83.

Brooks Jr., R. C. (1957): Word-of-mouth advertising in selling new products, in: Journal of Marketing, Vol. 22, Issue 2, pp. 154–162.

Brown, T. J.; Barry, T. E.; Dacin, P. A.; Gunst, R. F. (2005): Spreading the Word: Investigating the Antecedents of Consumers' Positive Word-of-Mouth Intentions and Behaviors in a Retailing Context, in: *Journal of the Academy of Marketing Science,* Vol. 33, No. 2, pp. 123–138.

Burns, D. J.; Neisner, L. (2006): Customer satisfaction in a retail setting: The contribution of emotion, in: International Journal of Retail & Distribution Management, Vol. 34, No. 1, pp. 49–66.

Bäckström, K.; Johansson, U. (2006): Experiencing retail stores of today: Comparing the experiences retailers strive to induce with the ones sought by retail customers, in: Journal of Retailing and Consumer Services, Vol. 13, No. 6, pp. 417–430.

Churchill, Jr. G. A.; Surprenant, C. (1982): An Investigation Into the Determinants of Customer Satisfaction, in: Journal of Marketing Research, Vol. 17, No. 4, pp. 460–469.

Dabholkar, P. A. (1993): Customer satisfaction and service quality; Two constructs or one?, American Marketing Association, Vol. 27, Summer, pp. 10–18.

Dabholkar, P. A. (1995): The convergence of customer satisfaction and service quality evaluations with increasing customer patronage, in: Journal of consumer satisfaction, dissatisfaction and complaining behavior, Vol. 8, No. 1 , pp. 32–43.

Dabholkar, P. A.; Shepherd, C. D.; Thorpe, D. I. (2000): A comprehensive framework for service quality: An investigation of critical conceptual and measurement issue through a longitudinal study, in: Journal of Retailing, Vol. 76, No. 2, pp. 139–173.

Diamantopoulos, A.; Siguaw, J. A. (2000): Introducing Lisrel, London: Sage.

Dick, A. S.; Basu, K. (1994): Customer Loyalty: Toward an Integrated Conceptual Framework, in: Journal of the Academy of Marketing Science, Vol. 22, Spring, pp. 99–113.

Dinesh, K. G.; Minakshi, T.; Dhruv, G (2008): Understanding the Determinants of Retail Strategy: An Empirical Analysis, in: Journal of Retailing, Vol. 84, No 3, pp. 256–267.

Dye, R. (2000): The buzz on buzz, in: Harvard Business Review, Vol. 78, No. 6, pp. 139–146.

Engel, J. F.; Kegerreis, R. J.; Blackwell, R. D. (1969): Word-of-mouth Communication by the Innovator, in: Journal of Marketing, Vol. 33, No. 3, pp. 15–20.

Fornell, C. (1992): A national customer satisfaction barometer: The Swedish experience, in: Journal of Marketing, Vol. 56, No. 1, pp. 6–22.

Fornell, C.; Johnson, M. D. (1996): The Americans customer satisfaction index: nature, purpose, and findings, in: Journal of Marketing, Vol. 60, No. 4, pp. 7–19.

Gauri, D. K.; Bhatnagar, A.; Rao, R. (2008): Role of Word of Mouth in Online Store Loyalty, in: Communications of the ACM, Vol. 51, No. 3, pp. 89–92.

Gilbert, G. R.; Veloutsou, C. (2006): A cross-industry comparison of customer satisfaction, in: Journal of Services Marketing, Vol. 20, No. 5, pp. 298–308.

Grisaffe, D. B. (2007): Questions about the ultimate question: Conceptual considerations in evaluating Reicheld's net promoter score (NPS), in: Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior, Vol. 20, No. 1, pp. 36–44.

Hair, J. F.; Anderson, R. E.; Tatham, R. L.; Black, W. C. (1995): Multivariate data analysis with readings, Englewood Cliffs: Prentice Hall.

Hallowell, R. (1996): The relationships of customer satisfaction, customer loyalty, and profitability: an empirical study, in: International Journal of Service Industry Management, Vol. 7, No. 4, pp. 27–42.

Hart, C. W.; Johnson M. D. (1999): Growing the relationship, in: Marketing Management, Vol. 8, Spring, pp. 9–10.

Heskett, J. L.; Jones, T. O.; Loveman, G. W. (1994): Putting the Service-Profit Chain to Work, in: Harvard Business Review, Vol. 72, No. 2, pp. 164–171.

Huddleston, P.; Whipple, J.; Mattick, R. N.; Lee, S. J. (2009): Customer satisfaction in food retailing: comparing specialty and conventional grocery stores, in: International Journal of Retail & Distribution Management, Vol. 37, No. 1, pp. 63–80.

Johnson, M. D.; Fornell, C. (1991): A framework for comparing customer satisfaction across individuals and product categories, in: Journal of Economic Psychology, Vol. 12, No. 2, pp. 267–286.

Johnson, M. D.; Nader, G.; Fornell, C. (1996): Expectations, perceived performance, and customer satisfaction for a complex service: The case of bank loans, in: Journal of Economic Psychology, Vol. 17, No. 2, pp. 163–182.

Jones, M. A.; Suth, J. (2000): Transaction-specific satisfaction and overall satisfaction: an empirical analysis, in: Journal of Services Marketing, Vol. 14, No. 2, pp. 147–159.

Katz, E.; Lazarsfeld, P. (1955): Personal Influence, Glencoe, IL: The Free Press.

Keiningham, T. L.; Aksoy, L.; Cooil, B. (2008): Net Promoter, Recommendations, and Business Performance: A Clarification on Morgan and Rego, in: Marketing Science, Vol. 27, No. 3, pp. 531–533.

Kotler, P. (2003): Marketing Management, 11th Ed., New Jersey: Pearson Education Inc.

Liu, Y. (2006): Word of Mouth for Movies: Its Dynamics and Impact on Box Office Revenue, in: Journal of Marketing, Vol. 70, July, pp. 74–89.

Magi, A. W. (2003): Share of wallet in retailing: the effects of customer satisfaction, loyalty cards and shopper characteristics, in: Journal of Retailing, Vol. 79, No. 2, pp. 97–107.

McConnell, B.; Huba, J. (2003): Creating Customer Evangelists: How Loyal Customers Become Evangelists, Dearborn Publishing Company, US.

Morgan, N. A.; Rego, L. L. (2008): Can Behavioral WOM Measures Provide Insight into the Net Promoter Concept of Customer Loyalty?, in: Marketing Science, Vol. 27, No. 3, pp. 533–535.

Murphy, S. (2006): The Word-of-Mouth Method, in: Chain Store Age, Vol. 82, No. 9, p. 52.

Murphy, S. (2007): Influencing the Influencers, in: Chain Store Age, Vol. 83, No. 3, p. 62.

Naylor, G. (1999): Why do they whine? An examination into the determinants of negative and positive word-of-mouth, in: Journal of Consumer Satisfaction, Dissatisfaction & Complaining Behavior, Vol. 12, No. 1, pp. 162–169.

Oliver, R. L. (1980): A Cognitive Model of the Antecedents and Consequences of Satisfaction Decisions, in: Journal of Marketing Research, Vol. 17, No. 4, pp. 460–470.

Parasuraman, A.; Zeithaml, V. A. (1994): Reassessment of expectations as a comparison standard in measuring service quality: Implications for future research, in: Journal of Marketing, Vol. 58, No. 1, pp. 111–125.

Paridon, T. J. (2004): Retail opinion sharing: conceptualization and measurement, in: Journal of Retailing and Consumer Services, Vol. 11, No. 2, pp. 87–93.

Pine, J. B.; Gilmore, J. H. (1999): The Experience Economy, Boston: Harvard Business School Press.

Reichheld, F. F. (2003): The one number you need to grow, in: Harvard Business Review, Vol. 81, No. 12, pp. 46–54.

Reichheld, F. F. (2006): The Ultimate Question: Driving Good Profits and True Growth, in: Boston: Harvard Business Press.

Reichheld, F. F.; Markey, R. (2006): Blowing the Whistle on Bad Profits, in: Strategic Finance, Vol. 88, No. 2, pp. 8–11.

Richins, M. L. (1983): Negative Word-of-Mouth by Dissatisfied Customers: A Pilot Study, in: Journal of Marketing, Vol. 47, Winter, pp. 68–78.

Richins, M. L.; Root-Shaffer, T. (1988): The Role of Involvement and Opinion Leadership in Consumer Word-of-Mouth: An Implicit Model Made Explicit, in: Advances in Consumer Research, Vol. 15, No. 1, pp. 32–36, Provo, UT: Association for Consumer Research.

Rogers, E. M. (1995): Diffusion of Innovations, New York: The Free Press.

Rosen, E. (2002): The Anatomy of Buzz: How to Create Word of Mouth, Doubleday Business, USA.

Schiffman, L. G.; Kanuk, L. L. (1995): Consumer Behavior, 9th ed., Upper Saddle River, NJ: Prentice Hall.

Srinivasan, S. S.; Anderson, R.; Ponnavolu, K. (2002): Customer loyalty in e-commerce: an exploration of its antecedents and consequences, in: Journal of Retailing, Vol. 78, No. 1, pp. 41–50.

Sudaraman, D. S.; Mitra, K.; Webster, C. (1998): Word-of-mouth communications: a motivational analysis, in: Arnoud, E. J.; Scott, L. M. (eds.): Advances in consumer research, Vol. 25, pp. 527–531. Provo, UT: Association for Consumer Research.

Swan, J. L.; Oliver, R. L. (1989): Post-purchase communications by consumers, in: Journal of Retailing, Vol. 65, No. 4, pp. 516–533.

Veloutsou, C.; Gilbert, G. R.; Moutinho, L. A.; Goode, M. M. H (2005): Measuring transaction-specific satisfaction in services: Are the measures transferable across cultures?, in: European Journal of Marketing, Vol. 39, No. 5/6, pp. 606–628.

Wangenheim, F. V.; Bayón, T. (2007): The chain from customer satisfaction via word-of-mouth referrals to new customer acquisition, in: Academy of Marketing Science, Vol. 35, No. 2, pp. 233–249.

Watts, D. J.; Peretti, J. (2007): Viral Marketing for the Real World, in: Harvard Business Review, Vol. 85, No. 5, pp. 22–24.

Westbrook, R. A. (1981): Sources of Consumer Satisfaction with Retail Outlets, in: Journal of Retailing, Vol. 57, No. 3, pp. 68–86.

Westbrook, R. A. (1987): Product/consumption-based affective responses and post-purchase processes, in: Journal of Marketing Research, Vol. 24, August, pp. 251–270.

White, K.; Argo, J. J.; Dahl, D. W. (2005): Motives for Deception in Consumer Word-of-Mouth Communication, in: Advances in Consumer Research, Vol. 32, No. 1, pp. 237–239, Provo, UT: Association for Consumer Research.

Villanueva, J.; Yoo, S.; Hanssens, D. M. (2008): The Impact of Marketing-Induced Versus Word-of-Mouth Customer Acquisition on Customer Equity Growth, in: Journal of Marketing Research, Vol. 45, No. 1, pp. 48–59.

Retailing in Lithuania – Market Overview and Future Challenges

Jurgita Sekliuckiene and Neringa Langviniene

Abstract
The article presents an overview and development of the retail trade services sector in Lithuania. The investigated period is from the beginning of 1990, when Lithuania regained its Independence from the Soviet Union, to the end of 2010. The main structural changes in retailing until 2000 when Lithuania passed through a transition economy and later, when a market economy started, are presented. The Lithuanian retail market is characterised by high concentration, market regulation and strong national retail players. The Lithuanian retail sector recently has encountered increasing competition not only due to sharp competition between local players, but also because of entries of foreign companies to the market. The impact of internationalization on the retail trade sector in Lithuania is a relatively new phenomenon. A comprehensive overview of internationalization development in the Lithuanian retail trade sector is presented and future challenges are pointed out in the article.

Jurgita Sekliuckiene (*corresponding author*)
Department of Business Administration, Kaunas University of Technology, Lithuania
(E-Mail: jurgita.sekliuckiene@ktu.lt)

Neringa Langviniene
Department of Business Administration, Kaunas University of Technology, Lithuania

1   Introduction

The Lithuanian sector of retailing services plays a great role in the growing economy. Retailing on a global scale is one of the large sectors of services, which has been expanding considerably in recent years. Since the Act of the Re-Establishment of the State of Lithuania was adopted in 1991, the sector of retailing services in the country has changed a lot. Some structural changes of retailing are distinct (Zitkiene/Sekliuckiene 2004). The transformation from planned to market economy brought structural changes not only to Lithuanian retailing services economy. Previous research on retailing points out that recent twenty years were a period of changes in retailing services sector in the UK, Romania, Russia or even New Zealand, Australia (Bates/Bates/Johnston 2003; Lorentz/Häkkinen/Hilmola 2006; Fels 2009; Burt/Sparks/Teller 2010). Retailing market becomes more saturated as retailers from developed countries react rather quickly and start business in the emerging economies (Lorentz/Häkkinen/Hilmola 2006). In Lithuania as in other countries the sales growth has remained affected by the all-pervading trend towards discounting and everyday low prices, accompanied by the greater popularity of private label (Moreau 2006). Internationalization in retailing services economy, as well as the influence of internationalization on structural or other changes in retailing has attracted interest of a lot of researchers in the 21st Century (Doherty 2007; Eren-Erdogmus 2010; Alexander/Rhodes/Myers 2011). Starting from 2004, when Lithuania entered the market of the European Union, the Lithuanian retailing market opened its gates to foreign retailers. Lithuanian retailers got an opportunity to become full member of the retailing market in the EU. The research on retailing in Europe (Colla 2003; Wortmann 2011) shows that internationalized retailers gain some competitive advantage. The largest companies engaged in retailing services started their internationalization activity in the Lithuanian market in 2000: a few years before entering the common European market, some processes of internationalization were initiated.

With reference to the situation of retailing services sector internationalization in the Lithuanian market from 2000 to the beginning of the financial crisis, some internationalization activities were very pronounced and were developing together with the growth of retailing in Lithuania. Similarly to the economies in other countries, the Lithuanian economy felt the negative effects of economic decline, decrease in consumption and purchasing power of customers. Customers were encouraged to revise their shopping lists, to refuse more expensive products and services and to buy products of primary necessity that are usually less expensive. The changing demand of consumers forces retailers to change retailing strategy and to take quick actions in order to survive and to get profit. The sector of retailing services in Lithuania has encountered such problems in the recent years for the following reasons: emigration to other European countries, a large difference between urban areas and

rural areas; different levels of purchasing power that is influenced by growing prices for heating, housing, water, electricity, etc., and the high level of unemployment. The costs of primary necessity goods and services have reached about 80.5 % of the income (Average disposable income per capita per month in 2012; Average consumption expenditure per capita per month 2012). Only in the middle of 2011 consuming demand started to grow, which highly affected the growth of retailing services sector, too. As statistics of Economic and Social Development in Lithuania (2012) shows, the trend of retailing has been positive starting from 2010, even retail trade confidence indicator started to grow only in the middle of 2010.

The following research questions can be formulated with reference to the relevant issues in retailing: What structural changes in the Lithuanian market of retail services can be defined until and after 2000? What are the major players in the Lithuanian market of retail services? What are specific features of internationalization of Lithuanian retailing services sector and challenges for future?

The aim of this article is to identify the changes in the Lithuanian sector of retailing services, focusing on two main aspects: the retrospect of this sector on the view of retailing changes and the challenges we can expect in the future: is the retail sector already saturated, can we predict any changes evaluating the internationalization and competition between main players, also other macro regulations concerning the retailing?

Some limitations of the research should be identified. The object of the research is retail trade sector except for motor vehicles and motorcycles, trade of automotive fuel. Lithuanian retail trade classification (Retail and Wholesale Trade' 2009-2010) includes retail trade; retail trade and repair of motor vehicles and motorcycles; retail trade of automotive fuel. The authors of this article focus on two main sub-classes of retail trade: 1) retail trade of food products, alcoholic beverages and tobacco; and 2) retail sale on non-food products. According to the Statistics of Lithuania (Lithuania in Figures 2012), the retail trade brought 25,819 million LT (VAT excluded) in 2010. The retail trade of motor vehicles generated 4,659 million LTL and approximately the same amount was generated by the retail trade of fuel (4,352.4 million LTL). In addition, the retail trade of motor vehicles more relates to purchasing power and is more sensitive to fluctuation of economy (Langviniene/Vengriene 2005). Also the retail trade of automotive fuel could not reflect the clear position of retail, as prices for fuel during the past two years increased very fast and reached inconceivable level because of some acts on taxes for fuel (excise duty), as well as other laws concerning the trade of fuel at the retail market.

2   The Retrospect of Retailing Services Market in Lithuania

2.1   Period from 1990 to 2000

The evolution of Lithuanian retailing can be divided into two phases. Balniene/Vaitkuniene (2005) suggest distinguishing the following phases in the development of Lithuanian retailing after 1990: 1) transition economy period; and 2) development of retailing in Lithuania. These phases do not necessarily have clear start and end dates; they tend to merge into each other. The retailing in Lithuania met the majority of challenges shared by the rest of retailers in the former Soviet Union. Thus, the retailing industry in Lithuania as in the majority of the Eastern and Middle European countries was affected by privatisation and liberalisation from a centrally planned economy to market economy, too. A lot of transition economies were represented the fastest growing markets in the world. McKenzie (2010) notes that Lithuania as two other Baltic States, Latvia and Estonia, represents the most overt change from the Soviet planned economics system to the capitalist one of the free market. In the Post-Soviet period Lithuania as other countries entered a long way of transition from planned to market economy. In contrast to free market countries, the Lithuanian market of retailing services has not had a priority in the country's economy, as the rest of services. The government policy was focused on economy created by agriculture and after that – by production.

Zitkiene/Sekliuckiene (2002), Sekliuckiene/Zitkiene (2003) discussed that after privatisation a lot of small private retailing enterprises were established. This concerned various reforms: the growth of prices for products and services, introduction of national currency Litas (LTL), changing of property shapes, etc. All these circumstances had an impact on the drop of state and consumers cooperative society. This period can be described as rather chaotic, as a lot of small shops were opened. They supplied everything – from food items to bicycles. Later ineffective shops suffered bankruptcy and were closed, more and more specialized shops found their niche in the retailing market.

In the period from 1990 to 1994, when privatisation process was started in Lithuania, one third of enterprises (421) of all 1,227 privatised large and medium enterprises were enterprises of retailing; 47.1 % of them were private, 21.5 % – state and 21.5 % of them were owned by consumers' cooperation in 1993. The total number of private enterprises increased to reach 91.9 % until the end of 1996. State owned retail trade enterprises made 1.3 %, cooperation – 6.8 % in the same year (1996). One more trend during 1990–1994 was observable: one fifth of the retail trade enterprises was made by established kiosks). They provided only very narrow assortment of goods. Starting from 1990 the total number of retail trade enterprises was 8,189, 81.9 % of them were stores and 18.1 % – kiosks. In 1991, out of

7,656 enterprises 82.7 % were stores and 17.3 % – kiosks. In the year 1992, there were 6,912 retail enterprises, 81.3 % of them were stores, and 18.7 % – kiosks. There was a visible growth in the number of enterprises in 1993. Out of 11,126 retail enterprises 20.8 % were kiosks and 79.2 % – stores (Retail Trade' 1994: Statistical Collection 1995).

With reference to the retail trade changes in the period from 1991 to 2000, the increased number of enterprises is observable from 1991 to 1996. The number of enterprises increased three times. Later the marginal drop of the number of enterprises could be identified. In 1998, in comparison to the previous year, the number of enterprises increased by 4.8 %; and in 2000 – by 5.1 %. However, the entire number of enterprises of stores is not able to reflect the development of retailing services network. Thus, for evaluation of changes of retail trade network, a comparison of trends in retail trade space in 1991–2000 is necessary. According to Zitkiene/Sekliuckiene (2002), the retail trade space is an index that better describes possibilities to carry on retailing network functions. Bates/Bates/Johnston (2003) also point out that not the size of a retail store is the most important index for evaluating the retail. The authors suggest evaluating what services are provided inside the store, as if a sales space is limited – one way to increase the turnover is to sell more related services under one roof. The emergence of new retailing formats (supermarkets, hypermarkets, discount stores, etc.) determined improved services for customers, as retailers of different goods shared one roof. The larger space of retail trade hall is, the wider assortment of goods can be provided. In addition, various supplementary services can be offered to customers and modern servicing methods implemented too.

In relation to the change of retail trade space during 1991–2000, the increase of retail trade space during privatization period is observable until 1995. The total space of retailing increased twice. From 1995 to 1997 the retail trade space was decreasing and only starting from 1997, the space of retailing grew by 20.9 % (from 1,480,091 to 1,790,008 sq. m.). Table 1 presents the dynamics of the number of retail trade outlets and space from 1991 to 2000.

Drawing on the reports of Lithuanian Statistics (Retail Trade' 1995, 1996; Annual Review' 1999, 2000), retail outlets in Lithuania were grouped according to the size of their stores. The outlets were grouped to outlets with space of 100 sq. m. or less, space from 101 to 500 sq. m.; from 501 to 1,000 sq. m. and more as 1001 sq. m. During the period from 1994 to 2000, small retail outlets with sales space limited to 100 sq. m. dominated in Lithuania (71.7 % in 1994; increasing to 89.6 % in 1995; and stable until 2000: 84.2 %). One may also note that from 1995 the increasing of number of medium (101–500 sq. m) and larger (501–1,000 sq. m.) outlets is observable, about 4 % in comparison to 1995 and 2000. Retailers in Lithuania in the period from 1991 to 2000 were smaller (the average sales space was 80 sq. meters) comparing to the retailers in the Check Republic, Hungary or Poland (Esbjerg/Skytte 1999).

Table 1: The Dynamics of structural Changes in Lithuania from 1991 to 2000:
Main Indicators

Indicators	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Change
Number of retailers	7656	6912	11126	15856	22112	19421	18275	19153	19401	19211	+151 %
% from the all enterprises	*16.08*	*8.9*	*11.4*	*13.4*	*17.3*	*15.0*	*16.1*	*15.5*	*16.9*	*17.1*	-
Number of employees (thousand)	n.d.	n.d.	n.d.	197.2	182.6	143.8	187.9	186.1	164.5	160	-19 % (1994-2000)
Turnover of retailers (million)*	n.d.	n.d.	3605	7307	9235	12039	14529	16202	15356	16752	+365 % (1993-2000)
Sale space of retailers (thousand m^2)	681.5	632.9	898.5	1195.5	1674.4	1523	1480.1	1632	1735.4	1790	+163 %
Average sales space of outlet (m^2)	89	91.5	80.7	75.4	75.7	78.4	80.9	85.2	89.4	93.2	+5 %

Notes: *The turnover is calculated by Lithuanian currency.
Source: Figured by authors with reference to the Retail Trade'1994: Statistical Collection; Retail Trade' 1995, 1996; Statistical yearbook of Lithuania, 1997, Retail and wholesale trade, 2001.

When Lithuania joined the World Trade Organization in 2001, the aim to provide conditions for a free market economy in the country had been achieved. Balniene/Vaitkuniene (2005) notice that the main principles of economy were in action already: economic activities were regulated by laws, private companies instead public were functioned, competition was increasing. This illustrates the strengthening of the largest Lithuanian retail trade enterprises during the analysed period.

2.2   Period from 2001 to 2010

The start of global economic crisis had an impact on the country's economy. There was a slowdown in the GNP, especially created in retail (Sustainable Development Indicators, 2010). The Lithuanian retail trade enterprises made more than one tenth of all enterprises of the country (Economic Entities. Main Data'2010). The GNP created by the Lithuanian retailers' made about 14 % of all the GNP (Structural Business Statistics Survey Indicators 2010) which allows us assuming the influence of retail trade services sector to all countries' economy. With reference to other EU countries, the turnover of Lithuanian retailers is not very high, but in relation to the Lithuanian market with the population just around 3 million citizens it is rather urgent. E.g., retail trade services sector in the UK creates about 16 % of GNP (Burt/Sparks/Teller, 2010). The total sales of leading retailers of the UK take more and more

of the market. According to Burt/Sparks/Teller (2010), top 100 leaders of retailers in the UK took approximately 80 % of the market in 2006. In comparison to 1998, top 100 leaders of retailers took 65 % of the market. This confirms that the sector of Lithuanian retail services is quite similar to other EU countries and develops in a similar way.

To present the trends of the Lithuanian retailing services sector nowadays, the main and derivative indicators of retail sales drawing on the statistics will be pointed out. Starting from 2001, the number of retail trade enterprises was decreasing (see Table 2).

Table 2: The Dynamics of structural Changes in Lithuania:
Statistical Indicators (SI) of 2001– 2010

SI	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Change
Number of retailers	13234	12586	11673	11479	10835	11085	10870	10730	10355	9925	*-25 %*
% from the all enterprises	*19.5*	*18.4*	*17.1*	*16.4*	*14.9*	*14.3*	*14. 2*	*13.2*	*12.2*	*11.92*	*-*
Number of employees (thousand)	134.5	133.5	128.6	133.7	132.6	144.5	160.2	163.3	n.d.	n.d.	*+21 %*
Turnover of retailers (million)	9824.3	10493	11414	12790	14665	16187	19129	21955	17944	16808	*+71 %*
Sale space of outlet (thousand m²)	1481	1649.8	1783.5	1945	2033.4	2106.9	2647.5	2868.4	2518.2	2542	*+72 %*
ø sales space of outlet (m²)	*92.2*	*102.3*	*111*	*122.2*	*125.8*	*133.7*	*158.3*	*170.3*	*167.6*	*169.6*	*+84 %*
ø sales turnover of one outlet (million)	*0.74*	*0.83*	*0.98*	*1.12*	*1.35*	*1.46*	*1.76*	*2.05*	*1.73*	*1.69*	*+128 %*
Sales space for 1000 citizen (m²)	424	474	515	566	585	621	784	854	754	773	*+82 %*
Number of outlets for 1000 citizen	*3.8*	*3.6*	*4.6*	*4.6*	*4.6*	*4.6*	*4.9*	*5.0*	*4.5*	*2.9*	*-24 %*
Turnover for one citizen	*2814*	*3018*	*3296*	*3723*	*4295*	*4769*	*7089*	*8215*	*6623*	*5048*	*+79 %*

* No data available
Source: Figured by authors with reference to the Retail and Wholesale Trade' 2006, 2007, 2008, 2009, 2010; Structural Business Statistics Survey Indicators' 2008; Financial Indicators of Enterprises' 2009; Economic Entities, 2010; Population' 2011; Number of economic entities in operation at the beginning of the year by economic activity (NACE 2)'2011; Labour force, employment and unemployment' 2009; Lithuania in Figures' 2011.

At the beginning of 2010, the number of retailers was 9925 which made 75 % of the number of enterprises in 2001. The turnover of retail trade stores was increasing until the end of 2008.

The global financial crisis had a large impact on the drop of turnover of all business, as well as retail trade entities. The sales space of all retail trade enterprises also increased by the end of 2008, as well as the number of personnel of retail trade enterprises. The total decrease of the number of retailers was 25 % during the period from 2001 to 2010, but the turnover increased by 71 % at the end of the period in comparison to the beginning.

Looking more deeply, the influence of the retail trade on the general Lithuanian economy was also unequal. At the beginning of the period a retail trade enterprise made 19.5 % of the total number of enterprises acting in Lithuania, which is almost one fifth of all of them. At the end of period, the number of retail trade enterprises dropped and the influence on the total Lithuanian economy also dropped. The majority of Lithuanian retail trade enterprises were small (Economic Entities 2010). Almost half (47 %) of the total number of retail trade enterprises according to the data of Lithuanian Statistics were individual stores. More than half of retail trade enterprises (5,703 enterprises, which makes 58 % of all retail trade enterprises) employ 4 or less employees. A quarter of retail trade enterprises (2,383 enterprises or 24 %) employ 5–9 personnel, whereas 11 % of retail trade enterprises employ from 10 to 19 personnel. There are only 6 enterprises that employ more than 1000 and 11 enterprises – from 500 to 999 employees.

As derivative indicators of the dynamics of retail trade services sector in Lithuania show that until the end of 2008 not only sale space of enterprises was growing. The average sales space of one store was also increasing. The total growth was 84.7 % in comparison to the beginning of the analysed period. During 2009, the average sales space of a store dropped by 1.6 % comparing to 2008. The average sales of one retail trade store were growing until the end of 2008. The average sales in 2008 made 277 % of the sales in 2001. Other indicators as sales space for 1,000 citizens also show that comparing to the beginning of the period, at the end of it the sales space for citizens increased twice. Again, the situation in 2009 shows that it was going worse, as the sales space for citizens dropped by 12 %.

The largest change in the sector of retail trade services could be indicated by retail sales turnover for one citizen, as seen in the last row of Table 2. In 2008, the turnover from retail trade to one citizen reached 292 % of the turnover in 2001. Thus, purchasing of one citizen according these data grew almost three times. And, as mentioned above, the turnover in 2009 did not reach the level of 2008. But, comparing to 2001, the turnover for one citizen in 2009 was higher more than two times (235 % of the turnover in 2001).

The change of the retail trade turnover during the past years directly relates to the change of consumer confidence index. The turnover of retail trade enterprises grew by 14 % in 2008 in comparison to 2007. During the most difficult period of the global financial crisis (2009) the

turnover dropped by 19 % comparing to 2008. The same trend is visible with reference to the change of consumer confidence index. The highest value of the index was identified in April 2007 ("+" was marked by 42 %) and the lowest during the investigated period in December 2009 ("-" marked by 58 %). The negative index of consumer's confidence was observable until May 2010. Starting from June 2010 the index was growing; and even at the beginning of 2012 consumer confidence index is negative, all indicators, as 1) changes in the financial situation of the household over the next twelve months; 2) changes in the general economic situation of the country over the next twelve months; 3) changes in the number of unemployed over the next twelve months; and 4) possibility to make savings over the next twelve months – are growing up (Economic and Social Development in Lithuania 2012). Even the possibility to make saving at the households is evaluated worse comparing to other three indicators of the confidence index. It is likely that this change indicates the growth of retail trade sales in the nearest future.

In addition to the consumer confidence index, the retail trade confidence indicator showed a better situation of Lithuanian retail economy. All 2009 and half of 2010 showed the negative retail trade confidence indicator, but starting from the middle of 2010 index was growing and indicator, including 1) assessment of the level of stocks; 2) change in business activity over the past 2–3 months; 3) expected business activity for the next 2–3 months – became positive after evaluating the results of June 2010. The first months of 2011 and 2012 (Economic and Social Development in Lithuania 2012) shows a negative index of retail trade, but the majority of months are positive. Thus, evaluating the seasonality, the retail trade confidence index has already been positive since the middle of 2010.

2.3   Recent Changes in Retail Sub-Sectors Market

The recent changes in retail trade depend on the sector of retail. *Grocery sector* is a sector which was impacted mostly by the decrease of consumption. Otherwise, this sector has a large impact on the development of all retailing. This sector is also very sensitive to changes of the environment: changes of sectors' structure, the largest enterprises were strengthening and a lot of small or medium enterprises became bankrupt during the economic crisis in 2008-2009. *Ecological food and healthy* life are fashionable and gain their own position in the market, as a lot of specialized stores, small outlets in the market open and sell eco brand quite successfully to specific segments. This trend follows the situation in the UK (Burt/Barks/Teller 2010), as farmers' markets have expanded enormously in number and local community focused stores.

Non- food sales decreased during 2010 (until September). As Trumpa (2010) notes, retailing, except for retail of motor vehicles and automotive fuel, in comparison to the situation the year before dropped by 0.1 % in September 2010. But with reference to the real price, retail in September 2010 was already growing (+0.4 %). The largest depression was at the end of 2009, whereas the situation was going better starting from September 2010.

Fashion retailers (textiles, clothing and footwear) suffered large loses in the period of 2009-2010. Even though this subsector was growing very fast from 2005 (the change of retail turnover 2005 to 2010 was +66,3 %), but the drop in 2010 comparing to 2009 was the largest in comparison to others subsectors (-12.5 %).

Retail of furniture also felt the influence of credit crunch recession. The situation in furniture retailing was regarded as the worst of all retail trade sectors in Lithuania.

Retail trade of DIY and electronics growing. The reasons for this are that consumers did not buy computers in 2008, as the privilege to return taxes was cancelled. There were signs that financing institutions already gave credits for DIY and electronics and other consuming items. Decreased prices were stimulators to buy them. It should be noticed that even though emigration from Lithuania is very high, the demographic trends shows that there are a lot of young people in Lithuania who need DIY and electronics.

Retail of pharmaceuticals was stable and even growing until September 2010. Exceptions of pharmaceutical retailers: cosmetics sold by pharmaceutical retailers was decreasing, the drop was 25 % during 2009 (Retailing trade shrunk suddenly 2010). Also the turnover of food supplementary medicaments and vitamins dropped. The Statistics of Lithuania shows a decrease in the turnover of pharmacies from September to November in 2010 (Changes in retail trade turnover 2010). Thus is it not likely that recovery of their turnover will grow very quickly.

3   Internationalization, Competition and Regulation Issues

3.1   Internationalization Specifics in Lithuanian Market

Retail services are influenced by a number of structural changes due to internationalization and increasingly globalized markets. Comparing foreign direct investment to Lithuanian retail market and Lithuanian direct investment abroad in recent years, one may note than there are different trends. The foreign direct investment (FDI) into Lithuanian retail trade services sector during three years (2008-2010) was practically stabilized (Table 3). The number of

enterprises that invested in the Lithuanian market during three years dropped by 1.2 %. However, the total amount of FDI increased by 9.5 %. This confirms the trend of developing internationalization in the major sectors in Lithuania. Investments into total whole sale and retail trade (+1 %) and separately into retail trade except for motor vehicles and trade of fuel (+20 %) increased.

Table 3: FDI to Lithuanian Retail Trade Services Sector 2008-2010

Sector	2008	2009	2010	Change
Total enterprises (all sectors, according NACE)	3013	3127	2977	-11.2 %
FDI, total LT (million)	32040	33695	35099	+9.5 %
Wholesale and retail trade, total enterprises	1044	1108	1059	+1.4 %
FDI, total LT (million)	4491	4498	4537	+1.0 %
FDI, % from total FDI	14.0	13.3	12.9	-
Retail trade, except of motor vehicles and trade of fuel, total enterprises	173	187	163	-5.8 %
FDI, total LT (million)	1112	1384	1324	+19.1 %
FDI, % from total FDI	3.5	4.1	3.8	-

Source: Figured with reference to the Foreign direct investment at the end of year by economic activity' 2011; Lithuania in Figures' 2011.

Lithuanian direct investments abroad during past three years also changed only marginally (Table 4). Unfortunately, separate statistics for retail trade except for motor vehicles and trade of fuel is not published. Conversely to FDI, Lithuanian direct investment upon the number of enterprises also grew during the analysed three years period (19.5 %). In addition, the investments grew from 4,877 million LT to 5,458 million LT at the end of the three years period (+12 %). The number of investing enterprises grew by 8 %; the total amount of investments grew from 610 million to 791 million LT (increase by 30 %).

Table 4: Lithuanian direct Investment Abroad 2008-2010

Sector	2008	2009	2010	Change
Total enterprises (all sectors, according NACE)	317	373	379	+19.6 %
DI, total LT (million)	4877	5557	5458	+11.9 %
Wholesale and retail trade, total enterprises	136	154	147	+8.1 %
DI, total LT (million)	610	939	791	+29.7 %
FDI, % from total FDI	12.5	16.9	14.5	-

Source: Figured on the ground of Lithuanian direct investment abroad at the end of year by economic activity' 2011.

The sector of retail trade services in Lithuania starting from early 1990s was modernized very quickly and successfully. By now new former nationally oriented retailers have become global after a 10 year period. Modern retail formats like hypermarkets, supermarkets and

discounter have been introduced by national owned retail chains. The total turnover of four largest retail companies, that own different modern retail formats, made 61.9 % of the total retail turnover in 2004. Because of high saturation of food market four largest retail chains with their developed formats in 2009 made already 73 % of all turnovers in the retailing sector of Lithuania. Conversely to the food sector, non-food sector developed in a different way. The timelines of Lithuanian food and non-food internationalization respectively are presented in Figure 1 and Figure 2 (Langviniene/Sekliuckiene 2010).

Table 5: Lithuanian Food Retail Trade Sector: Internationalization Timeline

Year	Milestone
1991	Market dominated by local small retailers
1992	First modern retail format IKI opened by Palink (first owner - brothers form Belgium / 3 shops opened by Maxima group
1995	Establishments of Rimii by local owners
1997	Establishments of local retail chain Norfos mazmena
1998	Establishments of local retail chain Maxima group
1999	ICA (Schweden) acquired 50% stake in Rimi
2000	Rapid expansion of domestic market
2001	Maxima group entered to Latvian and Estonian markets
2005	Maxima group entered to Bulgarian market / Paling entered to Latvian market
2007	ICA (Schweden) acquired 100% stake in Rimi, establishment of branch ICA Baltic AB
2008	Coopernic alliance acquired 80% stake in Palink
2009	S Group (Finland) entered to Lithuanian market

Intensive internationalisation activity was started by Lithuanian largest retailers in 2001, when the Maxima group initiated a stirring activity in Latvia with "Maxima Latvia". The internationalisation of Lithuanian retailers has had not only success in their history. The Maxima group successfully entered Latvia, but were forced to close a few stores in Bulgaria, Estonia and other countries. Foreign retailer networks do not enter Lithuania very easily either. The famous retailer Lidl (Germany) suffered failure in Lithuanian market and closed their stores in one or two years after opening. New entrants are more welcome in other countries.

Table 6: Lithuanian Non-food Retail Trade Sector: Internationalization Timeline

Year	Milestone
1991	Establishment of Iris, Sonex group (now Atea group), Camelia
1992	Privatization and reorganization of largest retail companies (Apranga, Levuo) to JSC / Establishment of Armitana / Establishment of Senukai
1993	Establishment first Apranga shop / Baltika Group (Estonia) first shop in Lithuania
1994	Rapid expanding of different retail trade networks in Lithuania
1995	Topo Group establishment in Lithuania
1998	Eurovaistine chain establishment
2000	Mango (Spain) franchisee agreement with Apranga group
2001	Levuo entered Latvia market / Hugo Boss (Germany) franchisee agreement with Apranga group / Jysk (Denmark) first shop in Lithuania / Sonex entered Latvia market / Drogas first shop in Lithuania / Eurovaistine launched branch company in Poland, Latvia, Estonia
2002	Senukai entered Latvia market / Establishmend of Elektromarkt
2003	Apranga group entered Latvia market / Rautakesko OY (Finland) acquired 50% stake in Senukai / Sonex entered Estonia and Belorussian markets
2004	Apranga group entered Estonia market / Inditex (Spain) and Georgio Armani Group (Italy) franchisee agreement with Apranga group for several brands development / A.S.Watson Group (Honkong) acquired Drogas stakes
2008	Deichman (Germany), Bauhof (Estonia) first shops in Lithuania

In the period of 2000–2010, all non-food retail services sectors were occupied by both local and international retailers. The biggest internationalization performance was made by Lithuanian retailer Apranga group who responded quickly to the changing situation, had strong brands, own retail infrastructure, capital and long term relationship with partners. Executives of Apranga group as other leading companies' managers distinguish themselves by strong professional and practical background, whereas managers of micro and small enterprises in Lithuania usually are "hands on" people.

3.2   Competition and Major Players in Lithuania

The industry structure is characterised by a number of common attributes including greater store size increase in retailer concentration and adoption of a range of formats by retailers to reach as large as possible customer base. The research in the United States this suggests that when an increasingly diverse array of retail formats is developed, competition between all types of retailer heightens (Morganosky 1997; Hollingsworth 2004). The basic changes of competition in the Lithuanian retail sector can be described as 1) intensifying process of polarisation in retailing, manifested due to increasing buying of mass food goods and non-food goods, which conditioned the popularity of supermarkets and specialized stories; 2) the intensified fight for occupied market part; 3) the escalated competition of merchandise prices; 4)

the increasing importance of marketing programs in the activity of trade companies; 5) the expansion of market leaders activity not only in Lithuania, but also abroad.

The following competitive advantages obtained by the Lithuanian retailer from the economic recession can be identified: larger capital companies (Maxima group, Apranga) that responded quickly to the changing situation, that had strong brands, own retail infrastructure and capital; large retailers own by foreign retail chains (Rimi Lithuania, owned by the Swedish company ICA; Palink, member of the European Alliance of Independent Trading Companies Coopernic). Popular formats in the Lithuanian retail sector are neighbourhood stores, supermarkets, hypermarkets, cash& carry, discount stores and convenience stores. A description of the major grocery retailers in Lithuania is presented in Table 7. There is a lack of the largest retailers' networks of the UK, Germany, France, especially in the food sector (e.g., Asda (the UK), Spar (the Netherlands), Aldi (Germany)), that act quite successfully in the majority markets of the EU Countries. This trend can be explained by a large concentration of retailers in the market and small Lithuanian market which has a relatively small purchasing power comparing to other countries of the EU. Non-food retailers as well are presented in Table 8.

Table 7: Grocery Retail Services Sector in Lithuania: Major Players (2009)

Retailer (parent/ country of origin)	Operation(s)	Foreign markets	Stores	Sales, million Euro 2009 *	% of sales from abroad
Maxima group (parent)	Stores names: Maxima X, Maxima XX, Maxima XXX.	Latvia, Estonia, Bulgaria	423 (incl. 214 in LT)	2237	38.6
Palink (*member of Coopernic, acquired 80 % stake in Palink in 2008*)	Stores names: Iki, Ikiukas, Iki Express, Centas	Latvia	286 (incl. 216 in LT)	591,3	-.
Norfos mazmena (parent)	Stores names: Norfa S, L, XL, XXL, Hyper	-	119	380.8	-
RIMI Baltic (*owner Swedish company ICA*)	Stores names: Rimi Hypermarket, Supernetto	Latvia, Estonia	240 (incl. 61 in LT)	1154.2	79.35

* VAT not included

3.3   Market Regulation

Together with increasing competition, an increased concentration of enterprises in the services sector is also very often observable. This stimulates the Government to take actions for regulating the market. The concentration of retail services industry becomes to be more and more concentrated in the US and the largest national markets of the EU. Such countries as France as well as Sweden according to their concentration level look monopolistic (Lorentz/Häkkinen/Hilmola 2006) or at least oligopolistic; the dominance by largest players is very clear. However, authorities of developed and emerging countries monitor retail services

sector with special interest. Thus, concentration of retail trade sector and its limitation is one of problems for majority of countries in the market economy.

Table 8: Non-food Retail Services Sector in Lithuania: Major Players (2009)

Retailer (parent/ country of origin)	Foreign markets	Stores	Sales (million Euro)
Major clothing, textiles and footwear retailers			
Apranga (parent)	Latvia, Estonia	109 (incl. 74 in LT)	113.61
Levuo (parent)	Latvia	63 (incl. 60 in LT)	n.d.
Baltika Group (Estonia)	Latvia, Poland, Russia, Ukraine	132 (incl. 36 in LT)	14.1
Armitana (parent)	Latvia, Estonia, Germany	79 (incl. 63 in LT)	n.d.
Danbalt International (joint Lithuania - Denmark company)	Latvia, Poland	100 (incl. 60 in LT)	n.d.
Deichmann (Germany)	19 Europe countries, USA	2939 (incl. 8 in LT)	340
Major electrical goods retailers			
Atea group (parent)	North and Baltic regions countries	-	69.5
Topo Group (parent)	Latvia, Russia, Belarus	40	61.8
Elektromarktas (parent)	-	12	39.38
Major DIY (Do It Yourself), hardware and garden retailers			
Senukai (50 % share to Rautakesko, Finland)	Latvia	92	258
Bauhof (Estonia)	Latvia, Ukraine	17 (incl. 5 in LT)	n.d.
Iris	-	10	14.58
Major furniture retailers			
Jysk (Denmark)	34 of Europe countries, USA	1700 (incl. 9 in LT)	215
SBA group (parent)	Ireland	6 (incl. 5 in LT)	203
Major pharmaceuticals, health and beauty retailers			
Eurovaistine (parent)	Latvia, Estonia, Poland	280 (incl. 235 in LT)	163
Camelia (parent)	-	286	119
Gintarine vaistine (Polska grupa farmaceuticzna, Poland)	-	-	23.45
Drogas (A.S. Watson Group, Honkong)	Latvia	88 (incl. 27 in LT)	n.d.

The same tendencies are characteristic of Lithuania. As Lithuanian Competition Law (*Lithuanian Republic Competition Law* (23rd of March, 1999 No. VIII– 1099)) and its corrections (9th of April, 2009, Law No. XI– 216) state, the following main points of concentration should be developed: until 2010 – dominating retail chains (three biggest or less) that take about 70 % of the market; from 2010 – retail chains are dominating if they take more than 55 % of the market. There were also changes in relation to a separate retailer: until 2010, a retailer was a dominating player in the market if it captured more than 40 % of market; from 2010, dominat-

ing players are considered those retailers that capture more than 30 % of the market. This is a way to control the expansion of large retailers, to regulate market concentration and to prevent abuse. According to the Competition Council of the Republic of Lithuania, market domination as such is not prohibited, only abusive activities that affect sales. A retailer, who is already a dominator, should get permission from the Competition Council of the Republic of Lithuania to buy or lease another retailer. However, a retailer does not need permission to build new premises.

With reference to the division of the market between the largest Lithuanian retailers (on the data of 2009), it should be clarified that Maxima LT ranked 38 % of all food and grocery market; Palink – 16 % of all Lithuanian food and grocery market; Norfa – 11 % of all Lithuanian food and grocery market; Rimi Lithuania – 8 % of all Lithuanian food and grocery market. The total sales of Maxima LT, Iki, Norfa, Rimi in 2004 made 61.9 % of all market. In 2005 it made 64.7 %, in 2006 – 68.3 %, in 2007 – 72.1 %, in 2009 – 73 % of all sales in retailing sector of Lithuania (Competition Council of the Republic of Lithuania 2010).

4   Prospects for Lithuanian Retail Trade Market

Forecasting the prospects of retailing market in Lithuania some data of retail trade for 2012 can be evaluated. According to the data of Lithuanian statistics (Economic and Social Development in Lithuania 2012), the turnover of the retail trade (except for the retail trade of motor vehicles and their repair) eliminating the effect of the season grew by 2.7 % in January 2012 in comparison to December 2011. The growth was not high, but it should be taken into account that the turnover for food sector drop by 18.9 %, thus the growth is visible only for non-food sector. The turnover of retail trade in January 2012, comparing to the year before, grew by 16.4 %. Eliminating the effect of working days (difference of holidays in 2011 and 2012), the growth of the food and non-food turnover is 17 %: 10.2 % for food sector and 24.9 % for non-food sector.

Large stores of retail trade showed resistance to economic fluctuations (Retail and Wholesale Trade' 2010, 2011). Even a number of retailers, except for the motor vehicle and motorcycles, was decreasing starting from 2008; the average retail trade store area is growing (except in 2009). Comparing 2010 and 2001, an average store area in sq. meters increased by 84 %. Approximately four fifths of retail trade enterprises (82 %) employed more than 50 employees in 2010. Small (10–49 employees) and micro (1–9 employees) retail trade enterprises in total made 18 % of enterprises (accordingly, small –13.3 % and micro – 4.7 % of retailers).

The increased size of the Lithuanian retail trade actors plays a larger role in limiting the entrance of foreign retailers. This is why foreign direct investment to Lithuanian retail trade services sector encounters some difficulties and general dynamics of total enterprises which were supported by FDI is a negative one. However, the results of FDI to retail trade market of Lithuania shows that the turnover of FDI is growing starting even from 2008, which is the year of the beginning of the financial crisis (Table 3).

The Lithuanian retail trade is looking for possibilities to enter foreign markets (Table 4). Both the number of enterprises and their turnover in FDI starting from 2008 were growing. This confirms that Lithuanian retailers start to compete in the international retail market, even though it includes the nearest countries as Poland, Latvia, Estonia or such developing countries as Bulgaria and Romania, too.

There are still a lot of opportunities for spreading out specialized stories in Lithuania. It concerns stores selling sweets, tea, coffee, alcoholic beverages; specialized stores for household, etc. The turnover of specialized stores is still growing very quickly, according to the data of the Lithuanian Statistics (Turnover of Retail Trade Enterprises 2012). The turnover of retail trade enterprises from specialized stories grew by 22 % in January 2012 comparing to the same month the year before; it grew by 43.2 % comparing to the same month in 2005. The turnover from textile, clothes and shoes trade at specialized stores grew by 32.2 % in January 2012 comparing to year before, and 2.4 times comparing to January 2005. Not all merchandize' trade in specialized retail trade stories was growing up all this period. The Statistics of Lithuania shows that retail trade in specialized stories of ICT, culture and sport items, watches and jewellery in 2012 grew by 19.3 % comparing to the year before, but reached only the level of retail trade in 2005. The turnover of other group of merchandize as audio, video technics, metal articles, paints, electrical household equipment, furniture at specialized stories grew in 2011 (+36.9 % in January 2012, comparing to year before); but declined by 11.6 % comparing to 2005.

E-commerce encounters more challenges, too. E-trade is growing, but still is not popular in Lithuania, especially ordering food. However, 60 % of Lithuanian households (Main science and technology indicators, 2012) already have Internet access and start to buy through Internet sites. The trade of household goods, clothes, electrical, audio–visual techniques is growing; 16.2 % of all persons aged 16-74 used e-commerce in 2011, whereas only 2.2 % of all persons used e-commerce in 2002 (Persons who used e–commerce for private purposes, 2012). The number of customers who bought anything by e-commerce grew from 10.8 % to 16.2 % during 2011.

The leaders of the Lithuanian retail trade market have been strengthening recently. The period of economic recession was used for starting new strategic partnership, seeking new relationships in the North America and Europe. During the last year the leader of clothing market Apranga launched new Inditex (Spain) brand Massimo Dutti; they relatively very quickly developed a franchise at the level of local retail market. Similarly, a new well-known brand Aldo (Canada) of shoes will be presented at the market of Lithuania in 2012. The changes in the retail trade market showed that leaders of the market diversify their activity in order to sustain their position in the market with long-term oriented strategy. The largest leaders of Europe, such as H&M and IKEA have announced they are planning to start their activities in the Lithuanian market in 2012–2014.

5   Concluding Remarks

The present discussion shows that retail trade in Lithuania, similarly to the majority of former Soviet Union countries, passed from a planned economy to the market during the past two decades. The first stage is characterised by small retailers, polarisation of enterprises, whereas the second stage already brings a lot of changes in retailing. The last two or three years showed that Lithuanian retail trade services sector suffers from the global recession and concerns both the decrease in the number of stores or drop in their turnover. A decreasing purchasing power, high level of emigration of Lithuanian people influences the retailing and forces their managers to take strategic decisions in order to survive. The impact of retail trade on the economy of any country is very clear. This sector is the first that feels a decreasing purchasing power, emigration, bankruptcy both of customers and suppliers. In addition, the concentration in the Lithuanian retail trade market of food and non-food sector is very high. Intervention of the government, law (concentration, competition, others) against monopolies, oligopolies has a positive influence, as competition between largest supermarkets and small specialized stores is stimulated. The decrease of income forced the consumers to revise their purchasing habits. Goods and services are planned in advance. Spontaneous purchasing is no longer characteristic of an average customer.

The major contribution of this article to retail research is that we tried to analyse the structural specificity of retailing in Lithuania, which is one of the emerging Central Eastern European countries, and thus facilitate solutions of foreign retailers planning to enter the Lithuanian market. Firstly, the Lithuanian retail market, analysing the 20 years perspective, looks as very quickly developing. Thus it can be evaluated as very attractive to enter because of its favourable geographical position in the EU, not so many large foreign companies acting in the market and possible niches. In addition, very high competence of retailer executives, educated at

universities, enables to develop retailing in the territory of Lithuania. However, the situation shows that there are also a few barriers to enter and develop retailing in this country: 1) regulation of retailing; 2) high concentration (in food sector); 3) large sales space per capita already; 4) rather strong own brand in food sector; 5) lobbyism. Secondly, the internationalisation of local retailers is increasing, as well as foreign direct investment into the Lithuanian market. National leaders in Lithuania are quite strong retailers at the level of East and Central European countries. They look for development opportunities in geographically nearest markets. This also limits entering of foreign food and non-food retail leaders to the Lithuanian market. However, internationalization activities of well-known companies (H&M and IKEA) become to be a challenge for Lithuanian retail leaders: how to be attractive and create additional value for customers. Finally, we argue that success for entering the Lithuanian retail market is possible for international brands in non-food sector using franchisee, mergers and acquisitions. The tendency in food sector is not so favourable for large-scale foreign entries. Local and farmers products become to be popular because of sustainability, healthy life and ecologic products preferences. Farmers markets, specialized stores (gourmet, wine brands, fresh bread, etc.) have a potential to grow in the coming year.

References

Alexander, N.; Rhodes, M.; Myers, H. (2011): A gravitational model of international retail market selection, in International Marketing Review, Vol. 28, No. 2, pp. 183-200.

Annual Review'1999 (2000): Vilnius, Lithuanian Consumers' Co-op Union.

Average consumption expenditure per capita per month (2012): Vilnius, Statistics Lithuania, http://www.stat.gov.lt/en/, accessed March 13, 2012.

Average disposable income per capita per month (2012): Vilnius, Statistics Lithuania, http://www.stat.gov.lt/en/, accessed March 13, 2012.

Balniene, R.; Vaitkuniene, Z. (2005): Comparative analysis of retail trade change in transition period: the case of Lithuania and Russia, in Journal of Social sciences, Vol. 4, No. 50, pp. 38-49.

Bates, K.; Bates, H.; Johnston, R. (2003): Linking service to profit: the business case for service excellence, in International Journal of Service Industry Management, Vol. 14, No. 2, pp. 173-83.

Burt, S.; Sparks, L.; Teller, Ch. (2010): Retailing in the United Kingdom – a synopsis, in European Retail Research (ERR), Vol. 24, No. 1, pp. 173-194.

Changes in retail trade turnover (2010): Vilnius, Statistics Lithuania, http://www.stat.gov.lt/en/, accessed December 3, 2010.

Colla, E. (2003): International expansion and strategies of discount grocery retailers: the winning models, in International Journal of Retail & Distribution Management, Vol. 31, No. 1, pp. 55-66.

Competition Council of the Republic of Lithuania (2010): http://www.konkuren.lt/en/index.php, accessed December 2, 2010.

Doherty, A.M. (2007): The internationalization of retailing: Factors influencing the choice of franchising as a market entry strategy, in International Journal of Service Industry Management, Vol. 18, No. 2, pp. 184-205.

Economic and Social Development in Lithuania (2012): Vilnius, Statistics Lithuania, http://www.stat.gov.lt/en/, accessed March 13, 2012.

Economic Entities (2010): Vilnius, Statistics Lithuania, http://www.stat.gov.lt/en/, accessed December 3, 2010.

Eren-Erdogmus, I.; Cobanoglu, E.; Yalcın, M.; Ghauri P.N. (2010): Internationalization of emerging market firms: the case of Turkish retailers, in International Marketing Review, Vol. 27, No. 3, pp. 316-337.

Esbjerg, L.; Skytte, H. (1999): Retail and wholesale buying behaviour for two different food products in six Eastern European countries, in Aarhus School of Business, The MAPP Centre / MAPP Working Papers, Vol. 66. RePEc:hhb:aarmap:0066.

Fels, A. (2009): The regulation of retailing – lessons for developing countries, in Asia Pacific Business Review, Vol. 15, No. 1, pp. 13-27.

Financial Indicators of Enterprises'2009 (2010): Vilnius, Statistics Lithuania.

Hollingsworth, A. (2004): Increasing retail concentration: Evidence from the UK food retail sector, in British Food Journal, Vol. 106, No. 8, pp. 629-638.

Labour force, employment and unemployment'2009 (2010): Vilnius, Statistics Lithuania.

Langvinienė, N.; Sekliuckienė, J. (2011): Internationalization in retail trade services market as latecomer countries problem: the case of Lithuania, in Journal of Social Sciences, Vol. 3(73), pp. 74-85.

Langviniene, N.; Vengriene, B. (2005): Services theory and practice. Kaunas, Technologija.

Lithuania in Figures'2012 (2012): Vilnius, Statistics Lithuania.

Lithuanian economy development and perspectives (2010): Central Bank of Lithuania, http://www.lb.lt, accessed on December 3, 2010.

Lithuanian Republic Competition Law (1999): 23rd of March, 1999 No. VIII– 1099, http://www.konkuren.lt, accessed March 1, 2012.

Lorentz, H.; Häkkinen, L.; Hilmola, O.P. (2006): Analysis of the Russian retail sector: prospects for cross-border M&A activity, in Baltic Journal of Management, Vol. 1, No. 2, pp. 148-168.

Main science and technology indicators (2012): Vilnius, Statistics Lithuania, http://www.stat.gov.lt/en/, accessed March 14, 2012.

McKenzie, B. (2010): Baltic Tiger or Wounded Lion – Retail Trade and Sopping Behaviour in Estonia, Latvia and Lithuania, in Ed. Singh, S. Handbook of Business Practises and Growth in Emerging markets, World Scientific Publishing Co. Pte Ltd..

Moreau, R. (2006): Retailing in the UK and Ireland, European Retail Digest.

Morganosky, M.A. (1997): Retail market structure change: implications for retailers and consumers, in International Journal of Retail & Distribution Management, Vol. 25, No. 8, pp. 269-74.

Number of economic entities in operation at the beginning of the year by economic activity (NACE 2) (2010): Vilnius, Statistics Lithuania, http://www.stat.gov.lt/en/, accessed November 15, 2010.

Persons who used e-commerce for private purposes (2012): Vilnius, Statistics Lithuania, http://www.stat.gov.lt/en/, accessed March 14, 2012).

Population'2010 (2010): Vilnius, Statistics Lithuania. Internet WWW page, at URL: http://www.stat.gov.lt/en/, accessed November 13, 2010.

Retail and wholesale trade, 2001 (2000): Vilnius, Statistics Lithuania

Retail and Wholesale Trade'2006 (2007): Vilnius, Statistics Lithuania.

Retail and Wholesale Trade'2007 (2008): Vilnius, Statistics Lithuania.

Retail and Wholesale Trade'2008 (2009): Vilnius, Statistics Lithuania.

Retail and Wholesale Trade'2009 (2010): Vilnius, Statistics Lithuania.

Retail and Wholesale Trade'2010 (2011): Vilnius, Statistics Lithuania.

Retail Trade'1994: Statistical Collection (1995): Vilnius, Statistics Lithuania.

Retail Trade'1995 (1996): Vilnius, Statistics Lithuania.

Retail Trade'1998 (1999): Vilnius, Statistics Lithuania.

Retailing trade shrunk suddenly (2010): Business news, http:www.vz.lt, accessed June 21, 2011.

Sekliuckiene, J.; Zitkiene, R. (2003): Innovative changes of the retailing system's competition development in Lithuania, in Journal of Management of organizations: systematic research, Vol. 28, pp. 125-135.

Statistical yearbook of Lithuania, 1997 (1998): Vilnius, Statistics Lithuania.

Structural Business Statistics Survey Indicators'2008 (2010): Vilnius, Statistics Lithuania.

Sustainable Development Indicators (2010): Vilnius, Statistics Lithuania.

Trumpa, R. (2010): Retailing trade enterprises: current situation and forecast for near future, in Business news, http:www.vz.lt, accessed December 1, 2011.

Turnover of Retail Trade Enterprises 2012 (2012): http://www.stat.gov.lt/en/, accessed March 14, 2012.

Wong, A.; Sohal, A.S. (2006): Understanding the quality of relationships in consumer services: A study of retail environment, in International Journal of Quality and Reliability Management, Vol. 23, No. 3, pp. 244-264.

Wortmann, M. (2011): Internationalization of European Grocery Retailers – Patterns and Strategies, in Proceedings of the 16th EAERCD Conference, 29 June - 1 July, 2011, Parma, Italy [electronic issue], Parma: University of Parma, pp. 1-22.

Zitkiene, R.; Sekliuckiene, J. (2002): Evaluation of Structural Changes of Lithuanian Retail Network (1990-2000), in Journal of Engineering economics, Vol. 5, No. 31, pp. 106-109.

Zitkiene, R.; Sekliuckiene, J. (2004): The tendencies of retailing changes in the EU, in Journal of Engineering economics, Vol. 4, No. 39, pp. 67-75.

Country Report Sweden

Jens Hultman and Ulf Elg

Abstract

The Swedish retail landscape is undergoing changes manifested through, for example, an increasing degree of international retailer entries, an increasing concentration of retail supply and changing demographics of retail consumers. Sweden is indeed an interesting context for retail research, as with the exception of the past few years, the Swedish retail sector has experienced significant growth for more than a decade and in this respect outperformed most other Western European countries. Sweden is also the country of origin of two well-known and globally omnipresent consumer and retail brands H&M and IKEA. This report aims at providing a broad description and analysis of the Swedish retail sector, and at highlighting and discussing some of the managerial challenges that lie ahead for retail management in Sweden. In addition to describing the general structure of the retail environment, the report aims at providing a broad overview of inward and outward internationalization and a discussion of managerial practices in the wake of an increasing degree of international sourcing practices.

Jens Hultman
Department of Business Administration, Lund University, Lund, Sweden
(E-mail: jens.hultman@fek.lu.se ; Tel: +46 (0) 46 222 00 00)

Ulf Elg
Department of Business Administration, Lund University, Lund, Sweden

**EUROPEAN
RETAIL
RESEARCH**

1   Introduction

Located on the Scandinavian Peninsula in Northern Europe, Sweden is a constitutional mon-
archy with a parliamentary democracy of government and is generally considered to be a
highly developed economy. Sweden and its 9.48 million (2011) inhabitants are perhaps best
described through some of the often highlighted markers of the quality of life in Sweden: rela-
tively low levels of inequality and poverty, relatively high life expectancy and relatively high
degree of social wellbeing, as measured by the OECD in 2011 (OECD, 2011). The relatively
high, and fairly stable, level of living standard has had significant effects on the development
of the retail sector – a part of the Swedish economy that accounts for about a third of house-
hold expenditures (HUI 2010). Sweden is also the country of origin of the two well-known
and globally omnipresent consumer and retail brands H&M and IKEA.

The Swedish retail landscape is undergoing changes –in terms of both supply and demand. On
the supply side, new international entrants into already mature retail sectors and increased
competition in general are creating an increasingly aggressive retail environment, and an
increasing distance between the place of consumption and the place of production of retail
goods is creating new challenges and a strategic focus on the purchasing function and its
ability to effectively manage the supply chain of retail goods, particularly concerning
sustainability. On the demand side an increasingly ageing Swedish population, an increasing
concentration of the population to urban centres, an increasingly globalized and wired
community, and an increasing interest in environmental and social sustainability have created
new challenges for retail management. This report aims at providing a broad description and
analysis of the Swedish retail sector, and at highlighting and discussing some of the
managerial challenges that lie ahead for retail management in Sweden.

2   Characteristics and Structure of the Swedish Retail Sector

Measured in terms of gross domestic product (GDP) Sweden is the ninth largest economy in
the European Union and, alongside Poland, Denmark and the UK, is one of the economies in
the European Union that is not part of the Euro zone. The Swedish retail sector accounts for
about a third (528 bn SEK) of total household expenditures (1,600 bn SEK) and although the
Swedish retail sector at large was affected by the recession in 2008-2009, the retail sector
argues that is has recovered remarkably quickly, at least in some subsectors (e.g., Market,
2012). With the exception of the past few years, the Swedish retail sector has experienced
significant growth for more than a decade, and in this respect has outperformed most other
Western European countries (e.g., Invest:Sweden, 2011) in terms of retail growth. According

to HUI (the Swedish retail and wholesale trade research institution), in 2010 the Swedish retail sector at large employed about 240,000 people in about 55,000 registered retail firms (Hortlund 2011), of which more than 80 % had four employees or less. The number of people employed in the sector in Sweden at large has experienced a successive growth for over more than a decade (see Figure 1).

Figure 1: Development of Number of Employees, registered Firms and Retail Outlets in the Swedish Retail Sector 1995-2010 (1995=100) (Adapted from Hortlund 2011)
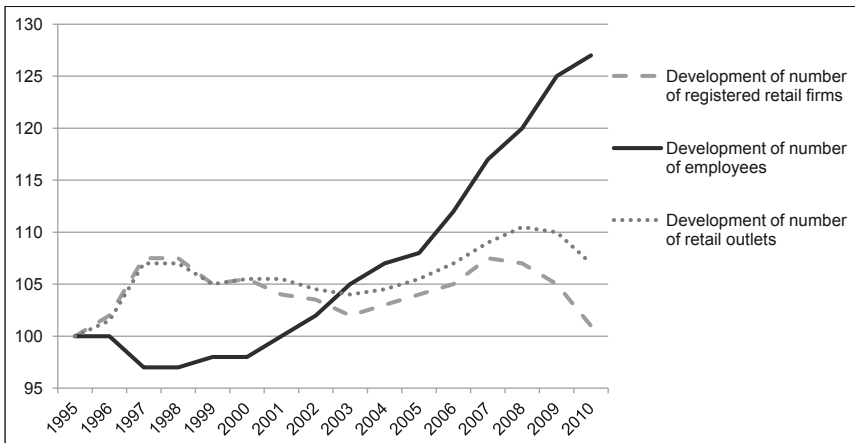
Despite the significant number of small retail firms in Sweden, the sector is fundamentally dominated by large actors. This pattern seems to be similar in a European context (e.g., Burt 2010). The 100 largest retailers account for 80 %, and the ten largest retailers for approximately 50 %, of the total annual retail market turnover (Market 2012). Although perhaps most significant in the Swedish grocery retail sector, the concentration of market shares to one or a few actors can also be seen in several other sectors, perhaps particularly in the retail of electronic goods, furniture and sportswear. The sector with the least concentration is the apparel sector (HUI 2010).

The single largest actor in the Swedish retail environment, ICA, is the dominant grocery retailer in Sweden and, by far, the largest retail actor in terms of domestic volumes, more than double the size of its nearest competitor, Coop/KF. ICA accounted for almost 40 % of the grocery retail market in Sweden in 2010 and had about 1,350 outlets in Sweden (Hortlund 2011). ICA (www.ica.se) originates from a business model whereby independent retailers' created or acquired and owned regional purchasing centrals (*InköpsCentralernas Aktiebolag*, lit. the Purchasing Centres' Corp.). However, in 2000 the international player Royal Ahold

N.V. acquired 50 % of ICA, and later increased its ownership to a total of 60 % in 2004. In 2010, ICA had also made great progress in its initiated international expansion into the Baltic countries and Norway, through the formats Rimi and ICA. The concentration of market shares to one or a few actors is not unique to Sweden, but is rather typical of the Nordic grocery retail market (Einarsson 2008).

Several Swedish studies point at the problems with a too highly concentrated grocery retail market, as in Sweden. Using data based on the Swedish grocery sector, Asplund/Friberg (2002) find that market structure (measured in terms of store-specific factors such as size and chain affiliation) has a statistically significant effect of on price levels; i.e., although firms reap the benefits of scale advantages. In several reports, the Swedish Competition Authority has argued that market concentration may result in poor competition, and that the concentration of the grocery retail sector has led to relatively high food prices in Sweden (Konkurrensverket 2004). However, in an international comparison food prices in Sweden have decreased in recent years (Konkurrensverket 2011). Table 1 outlines the top ten retail actors operating in Sweden in 2010, clearly outlining the concentration of large actors in the grocery retail sector. IKEA's dominance in the furniture retail sector is significant but perhaps not surprising, as Sweden is the home market of the furniture giant, and IKEA holds a leading position in terms of retail brand strength in Sweden.

Table 1: Major Retail Actors operating in Sweden

Retail actor	Outlets in Sweden 2010	Turnover in Sweden in MSEK in 2010	Retail subsector	Market share in % in 2010 in its respective subsector
ICA	1347	104,987	Grocery retailer	38
Coop/KF	800	49,650	Grocery retailer	17
Axfood	984	36,200	Grocery retailer	14
Bergendahlsgruppen	460	16,508	Grocery retailer	3
IKEA	17	16,375	Furniture	47
H&M	168	8,365	Fashion	15
Elgiganten	69	7,781	Electronic goods	13
Axstores	253	7,240	Department store and non-food specialists	N/A[1]
Lidl	151	6,500	Grocery retailer	3
Media Markt	19	5,970	Electronic goods	10[2]

* Source: Market 2012; Hortlund 2012

In recent years the electronics sector has experienced some turbulence as well as increasing concentration and competition, with two foreign players entering Sweden (Elgiganten entered Sweden in 1994 and Media Markt in 2006), driving the domestic retailer OnOff to bankruptcy in 2010. In 2010 OnOff was the third largest electronics retailer, with 67 outlets, and ac-

counted for an 8 % market share of home electronic goods (Hortlund 2011). The Danish toy retailer Top Toys, which entered Sweden in 1991 with BR, dominates the retail market for toys by operating in Sweden through the two retail brands Toys R Us and BR (Market 2012). For the retail sector at large, the increasing concentration combined with sector growth can be noted in Figure 1, which outlines the development of number of employees, registered firms and retail outlets in the Swedish retail sector over the years 1995-2010.

Although the Swedish retail sector in comparison with, for example, Denmark is relatively unregulated in terms of the development of opening hours, market entry and the development and location of shopping centres, there have been some developments toward increasing de-regulation in recent years. For example, the retail sales of pharmaceuticals underwent considerable change during 2009-2010, as the sector had been monopolized during the period 1970-2009 and during 2009 and 2010 was gradually privatized in terms of market entry, and thereby also de-nationalized through the market entry of international players like Boots in 2011. One exception to this low degree of regulation is the sale of alcoholic beverages: since 1955 the Swedish retail sale of alcoholic beverages has been controlled through a state monopoly, and alcoholic beverages are sold only through the state-controlled retailer Systembolaget.

3   IKEA and H&M – Northern Lights in the Global Retail Landscape

The fact that two of the larger global retail actors have their origins in Sweden is remarkable, and this makes it feasible to argue that a Swedish retail model is competitive in an international context. The two remarkable examples are, of course, the well-known and globally omnipresent consumer and retail brands H&M and IKEA. IKEA is the largest furniture retailer in the world, and H&M is the third-largest fashion apparel retailer (Deloitte 2012) in the world after TJX (USA) and Inditex (Spain). Given that Sweden is a relatively small country, the two firms have a significant share of their retail sales outside Sweden. Although the share of total sales generated in Sweden has decreased as the firms are expanding aggressively abroad, it is still about 10 % (Deloitte 2012).

Although IKEA and H&M are two different firms, they share some interesting similarities that could perhaps represent the Swedish retail model. A study by Larsson et al. (2003) describes and discusses the internationalization patterns of H&M and IKEA. They find that there are important similarities between the two firms, and that both IKEA and H&M are, for example, driven by Swedish brand and leadership characteristics and that they both are built on similar business models. For example, both IKEA and H&M have a business concept that is more or less duplicable worldwide. Both firms have built their respective business models

on the principle of offering an attractive range of affordable products. Both IKEA and H&M are, albeit through different setups, family-controlled. IKEA is governed through complex ownership structures linked to foundation countries like Lichtenstein and Luxemburg, while H&M is publicly traded with its founding family as major owner. For decades now both IKEA and H&M have systematically employed an explicit growth and international expansion strategy. Table 2 outlines a comparison of the domestic and global operations of IKEA and H&M.

Table 2: Comparison of the domestic and global Operations of
Swedish Retailers IKEA and H&M

	IKEA	H&M
Established	1943	1947
Founder	Ingvar Kamprad	Erling Persson
Number of employees in 2010	123,000	87,000
Turnover in 2010 in MUSD	31,642	15,051
Turnover in Sweden 2010 in MSEK	16,375	8,365
Number of outlets in 2010	~300	~2,200
Number of outlets in Sweden in 2010	17	168
Countries of operation in 2010	39	38
First store outside Sweden	1963 (Norway)	1964 (Norway)
First store outside Scandinavian Peninsula	1973 (Switzerland)	1976 (UK)
First store in North America	1976 (Canada)	2000 (USA)
First store in Asia	1975 (Japan)	2007 (Hong Kong/Shanghai)
Number of suppliers in 2010	~ 1,200	~700
Global Powers of Retailing Ranking 2010	30	57

Source: Compiled from Corporate websites; Annual reports, Facts and Figures; Deloitte 2012; Market 2012

IKEA initiated its international expansion in 1963 by opening its first store outside Sweden in Norway, and by the end of 2010 had about 300 stores in more than 30 countries worldwide (IKEA 2011). IKEA entered the North American continent (Canada) already in 1976, and opened its own store in Asia (Japan) in 1975. This initial entry into Japan was done through a franchise, and led to withdrawal in 1986 (IKEA returned to Japan in 2006). H&M initiated its international expansion in 1964, opening its first store in Norway, and by the end of 2010 had about 2,200 stores in more than 30 countries worldwide (H&M 2012). In recent years, H&M has expanded through store openings in North America in 2000 (USA) and opened its first stores in East Asia in 2007, and since 2007 has expanded remarkably in several Asian countries.

Both IKEA and H&M are recognized for their well-developed sourcing capability, managed through centralized design, sourcing and concept development and decentralized management

through offices spread out in key purchasing markets. In 2010, IKEA had about 35 offices worldwide and H&M about 20 offices handling production/purchasing locally. Given the significantly broader range of products/materials offered by IKEA, it is reasonable that they are more spread out geographically in terms of sourcing locations (e.g., Hultman/Hertz 2011). Both H&M and IKEA, but perhaps particularly IKEA, have been the subject of a steady stream of studies on retail development and retail management, in terms of both journal articles (e.g., Cheng/Hines/Grime 2008; Elg/Hultman 2011; Ghauri/Tarnovskaya/Elg 2008; Hultman/Hertz 2011; Jonsson/Elg 2006) and doctoral theses defended at Swedish business schools (e.g., Bengtsson 2008; Jonsson 2008).

4   Inward and Outward Internationalization in the Swedish Retail Environment

Given the relative size of Sweden and its increasing maturity in terms of, for example, concentration, and although H&M and IKEA are the most well-known examples of international market expansion among Swedish retailers, other Swedish retailers have, are in the process of, or are planning to expand within Europe. Typically, Swedish retail firms start their expansion into the nearby markets of Norway, Denmark and Finland and subsequently move into central Europe. In later years, the Baltic countries seem to have become an additional bridge toward expansion into the central European countries. Retailers like ICA, Lindex, Clas Ohlson and KappAhl have all followed this path in their route to Europe. For example, after reaching a mature state in Sweden, do-it-yourself (DIY) retailer Clas Ohlson (established in 1918, www.clasohlson.se) has strategically and sequentially started its international expansion by opening stores in Norway (1991), Finland (2002) and, more recently, the UK (2008).

During the past decade, a couple of major international European players have entered the Swedish retail market and seemingly changed the rules of competition in their respective subsector. In 2010, three of the largest players were foreign retail players: Elgiganten (Norway/UK – Elgiganten is operated by Norwegian Elkjop that in 1999 was acquired by UK-based Dixons Retail), Media Markt (Germany) and Lidl (Germany). Table 3 outlines the major foreign retail actors operating in Sweden. Media Markt entered Sweden in 2006, and has become a major player in the home electronics sector in only a few years through exceptional growth in terms of market share (Market 2012). The electronics sector has thus far followed a similar pattern of international expansion as the DIY sector experienced in the 90s when, for example, the three foreign retailers K-Rauta (Finland), Silvan (Denmark) and Bauhaus (Germany) entered Sweden, followed by increased competition and relocation of DIY retail from

city centres to retail parks outside city centres. Following the aggressive development in the DIY retail sector, Silvan closed down its operations in Sweden in 2009.

Table 3: Major foreign Retailers operating in Sweden

Retail actor	Head-quarters	Market entry (year)	Outlets in Sweden in 2010	Turnover in Sweden in MSEK in 2010	Retail subsec-tor
Elgiganten	Norway/UK	1994	69	7,781	Electronic goods
Lidl	Germany	2003	151	6,500	Grocery retailer
Media Markt	Germany	2006	19	5,970	Electronic goods
Bauhaus	Germany	1997	15	4,900	DIY
Netto	Denmark	2002	128	4,460	Grocery retailer
Intersport	Switzerland	1974	156	4,338	Sportswear
Varner retail (Dressman, Car-lings, Cubus, Solo and BikBok)	Norway	1996	402	4,019	Fashion
Jysk	Denmark	1991	122	3,025	Furniture
K-Rauta	Finland	1996	20	2,480	DIY
Top Toy (BR and Toys R Us)	Denmark	1991	81	1,568	Toys

Source: Market 2012

Several other subsectors of the Swedish retail market have also been faced with internationally expanding retailers. For example, the sportswear and outdoor retail market have seen two new foreign entrants – XXL Sport & Vildmark (Norway) entered Sweden in 2010, and Decathlon (France) entered Sweden in 2011 with its first store on the Scandinavian Peninsula. The home furnishing sector, dominated by IKEA, has also seen new entrants. The furnishing retailer Jysk (Denmark) entered Sweden in 1991 and more recently, in 2010, XXXLutz (Austria), Europe's second-largest furnishing retailer after IKEA (e.g., Deloitte 2012; Hoffman/Schnedlitz 2008), opened its first store in Sweden. Although the grocery retailing sector is largely dominated by domestic actors, this sector has also seen foreign entrants, as Netto (Denmark) entered Sweden in 2002 and Lidl (Germany) entered Sweden in 2003. The Swedish branch of Netto was initially constructed as a joint venture between ICA and the Danish grocery retail actor Dansk Supermarked Gruppen A/S, but after a few years was being run independently in Sweden without ICA. In recent years, more internationally renowned retailers have entered Sweden, for example Hollister, Boots, Specsavers and Hamleys and, as already mentioned, XXXLutz, XXL Sport & Vildmark and Decathlon.

5   Toward Sustainable Retail – The Case of Sweden

Recent research increasingly emphasizes the role of corporate social responsibility (CSR) as a key factor in the market positioning of retailers (e.g., Ganesan et al. 2009). Previous studies have argued that Scandinavian firms, and perhaps Swedish firms in particular, are progressive in their CSR practices (e.g., Strand 2009). Given the relative size of the domestic market, many Swedish retail firms have sought growth through internationalization. One important, but too often disregarded, aspect of internationalization in retail studies is the increasing degree of international sourcing practices. The typical motive behind international sourcing is cost. For example, Cronholm/Hedlund (2006) report that import from China to Sweden has tripled over the past decade, and that much of this increase can be credited to the retail industry. In the wake of this development come issues concerning sustainability, since many retailers buy from suppliers in developing countries, which are more difficult to monitor and manage due to geographical and cultural distances. During the past few years, Sweden has experienced increasing media coverage and specific investigations of corporate responsibility and sustainability (e.g., SwedWatch 2005, 2009).

Since the typical retailer's operations are focused on distribution rather than production, managing sustainability through supplier relationships becomes a critical task. Among the Swedish retailers that have been studied with regard to CSR, IKEA seems to stand out both as best practice and as the most studied retailer (e.g., Andersen/Skjøtt-Larsen 2009; Elg/Hultman 2011). Based on a benchmark study by Elg/Hultman (2011), which finds that retail subsector belonging appears to have an important impact on the deployment of CSR practices among retail firms in Sweden, it also seems that the drive toward sustainable retail comes from domestic competition rather than foreign excellence, which perhaps corroborates the view of progressive Scandinavian supply chain practices as proposed by Strand (2009). However, Elg/Hultman (2011) note that a significant share of the Swedish retail sector does not follow best practice. The study aims at depicting the extent to which IKEA is followed by retailers through a survey of a sample representing the largest Swedish retail firms. While most firms have created a structure and a bottom line in formulating a code of conduct and approach CSR in their international supplier relationships, few retailers seem to provide systematic reporting of CSR performance and practices according to the UN Global Compact, as outlined in Table 2. Firm size has previously been argued to be an important factor driving the development of the deployment of CSR practices (Perrini/Russo/Tencati 2007; Rahbek Pedersen 2009). However, the benchmark by Elg/Hultman (2011) shows that firm size is a weaker predictor than sector belonging, at least among Swedish firms. The finding that CSR practices in Sweden vary over subsector clearly calls for further investigation. Elg/Hultman (2011) provide several possible explanations. For example, firms in lagging sectors do not always seem to consider

CSR to be a critical marketing variable. Another possible explanation is that firms in some sectors (e.g., electronics) primarily work with strong supplier brands. Furthermore, some sectors have been more carefully scrutinized by media and other stakeholders, and have therefore taken further steps to secure the sustainability of their respective range (e.g., groceries and fashion).

Although Swedish consumers seem to be becoming increasingly informed about and interested in the origins, conditions for production, and environmental and social footprint of consumption, there are relatively few attempts to measure the outcomes and consumer perceptions of businesses' CSR practices in the Swedish retail sector. One such example is the study by Anselmsson/Johansson (2007) on Swedish grocery retail consumers' perceptions of three types of responsibility: environmental, human and product. They found that product responsibility has the greatest impact on the retailer's overall CSR image, and that human responsibility has the greatest impact on customer purchase intentions. Notably, the study by Anselmsson and Johansson also indicates that environmental sustainability exerts the least impact on both overall CSR image and purchase intentions.

In a recent survey by IDG Research (IDG 2012), several retailers were listed as top performers when consumers were asked to rank CSR practices among businesses. The results of the survey show that three of the largest retailers in Sweden – Coop/KF, ICA and IKEA – are at the top in terms of businesses' perceived sustainability among consumers. It should be noted, however, that the consumer's perception of sustainability practices does not necessarily reflect actual performance and practice. Although IDG Research produces an interesting list and, at the end of the day, what consumers perceive is what matters, one must also keep in mind that the results should be seen in the light of the efforts put into communicating and positioning a brand as a sustainable one.

6   The Demand Side of the Swedish Retail Sector

An array of publications point toward on-going and important changes in consumption patterns in society (e.g., Solomon et al. 2010). From a consumer culture point of view, Sweden has been described as ideal in terms of both developing trends and adapting to trends from abroad (Invest:Sweden, 2011). In this section, the focus is on four aspects of change on the demand side of the Swedish retail sector: demographic changes in the Swedish population; the changing role of consumption in Swedish society and its effects; and, finally, the use and spread of new technology and its implications on the Swedish retail landscape.

The Swedish retail institute HUI regularly tracks and analyses the retail sector in Sweden, and in several reports has focused on the development in the retail sector as well as on consumption and consumption patterns (e.g., HUI 2010; HUI 2011). For example, a recent study on the retail climate in Sweden points toward a general trend in terms of increasing disposable incomes, leading to increased private consumption but increasing degrees of the debt among Swedish consumers (e.g., HUI 2011). One important condition for retail development is the changing demographics of the retail market. Based on the findings by HUI, one could conclude that the Swedish retail market consists of a simultaneously growing and ageing population with increasing consumption ability and increasing demands. The Swedish population is growing steadily, mainly due to high life expectancy, and the population density is becoming more and more concentrated to the three major urban areas of Stockholm, Goteborg and Malmö (HUI 2010) while rural areas are becoming increasingly depopulated. As a consequence of the growing populations in these three areas, it is also here that retail is growing faster than in other parts of Sweden (HUI 2011).

During the past decades, the Swedish retail sector has experienced an increasing degree of development of retail parks and retail centres. Retail parks are typically situated on the outskirts of larger cities, with one or a few anchor stores (typically IKEA) that attract a large and steady stream of customers. The development of retail parks is controversial since it creates a viable threat to retailers situated in city centres (HUI 2011). In recent years, competition between retail parks has also created a few casualties in terms of dead retail space – a natural consequence of the aggressive establishment of retail parks and retail centres in the main urban areas. One possible interpretation of the fast-growing development of retail parks, particularly in areas with high density population, is that consumers expect a retail experience to provide more than just a product-based offering. For example, a study by Bäckström/Johansson (2006) finds that Swedish retailers' use ever more advanced techniques in order to create in-store enhancing experiences for their consumers typically draws on traditional values associated with the retail experience such as personnel behaviour and store design. Although Sweden has a few examples of thematic retail parks with more or less fascinating design and some experiential offerings, the path to a Mall of America or a Mall of the Emirates is still long.

The diffusion of new technology (e.g., Internet, Smartphones) has certainly influenced not only the everyday life of many Swedes in general, but also consumption in particular. Sweden is often highlighted as a country with a well-developed IT infrastructure and generally high e-readiness (e.g., Economist 2009; Findahl 2011). According to a recent study by Price Waterhouse Coopers (PwC 2012), almost every second Swedish consumer makes online purchases regularly. The most significant change is perhaps not in the actual purchase but rather the behaviour, in terms of comparing retailers' offerings before actually visiting the store. A study

by Findahl (2011) shows that searching for product-related information and comparing prices are among the most common Internet activities in Sweden. The most common consumer goods purchased online are, not surprisingly, books, music, apparel and electronic appliances (PwC 2012), and some retail sectors in Sweden have been more affected by international competition enabled by access of new technology than others. The change in consumer patterns is also visible in terms of adaptations on the supply side. For example, several book retailers (e.g., Akademibokhandeln) have adapted to these changes in consumption patterns and new Internet-based retailers have emerged (e.g., CDon, NetonNet, Nelly, Lekmer).

7   Concluding Remarks

Sweden is, indeed, an interesting and dynamic retail marketplace. The retail sector is, and will in the years to come continue to be, an important economic engine in the Swedish economy. The Swedish retail sector has experienced significant growth for more than a decade and in this respect outperformed most other Western European countries. The international success of IKEA and H&M provides evidence that a Swedish retail model is competitive in an international context, and is an important benchmark for other Swedish retailers with the ambition to grow through international sales market expansion. Although IKEA and H&M indeed are unique cases of international success, other Swedish firms seem to strive to follow their path. A common denominator among the Swedish retail firms that currently are seeking international market expansion seem to be to combine the low cost (i.e., more-for-less) approach with an efficient duplicable, sensitive and thoughtful growth strategy (i.e., low cost, but not at any cost) - a strategy that has shown to be successful for both IKEA and H&M for decades.

Despite its relative size, Sweden has shown to be a bridge to market expansion into the Scandinavian Peninsula and into Northern Europe at large. It is likely that the Swedish retail environment will continue to internationalize in the years to come, in terms of both inward and outward international expansion. In some sectors, like the grocery sector, where the concentration of supply provides little room for new actors, new entrants are less likely to appear. But in other sectors, like the apparel sector, where the concentration of supply is low, several new entrants have already announced their interest in Sweden. For Swedish retailers, seeking growth abroad is a natural step. For those that have already started on their way toward internationalization, and due to the economic crisis in many parts of the European continent, it is likely that an increasing number of retailers will seek growth outside central Europe (e.g., Deloitte 2012).

The demand side of the Swedish retail market consists of a simultaneously growing and ageing population with increasing consumption ability and increasing demands, and population

density is becoming increasingly concentrated to the three major urban areas of Stockholm, Goteborg and Malmö. In the wake of this development, the Swedish retail sector has experienced an increasing degree of development of retail parks and retail centres. It is most likely that this trend will continue, alongside the tendency of the large actors anchoring the retail parks growing even stronger in terms of market shares. However, in some sectors where the concentration is high, it is likely that small specialists will be able to compete locally (e.g., locally produced food, international food specialists).

During the past few years, Sweden has experienced increasing media coverage and specific investigations of corporate responsibility and sustainability (SwedWatch 2005). Such investigations have created both increasing managerial support to act proactively regarding sustainability issues as well as increasing interest among consumers in the origins, conditions for production, and environmental and social footprint of consumption, which will most likely lead to further managerial attention to social and environmental responsibility in the retail sector in the years to come.

Notes

[1]   Axstores operates in several subsectors
[2]   Estimation made by the authors

References

Andersen, M.; Skjøtt-Larsen, T. (2009): Corporate social responsibility in global supply chains, in: *Supply Chain Management - An International Journal*, Vol. 14, No.2, pp. 75-86.

Anselmsson, J.;Johansson, U. (2007): Corporate social responsibility and the positioning of grocery brands: An exploratory study of retailer and manufacturer brands at point of purchase, in: *International Journal of Retail & Distribution Management*, Vol. 35, No. 10, pp. 835 - 856.

Asplund, M.; Friberg, R. (2002): Food prices and market structure in Sweden, in: *The Scandinavian Journal of Economics*, Vol. 104, No. 4, pp. 547-566.

Bengtsson, M. (2008): The art of replicating. Unpublished Doctoral thesis, Linköping university, Linköping.

Burt, S. (2010): Retailing in Europe: 20 years on, in: *International Review of Retail, Distribution & Consumer Research*, Vol. 20, No. 1, pp. 9-27.

Bäckström, K.; Johansson, U. (2006): Creating and consuming experiences in retail store environments: Comparing retailer and consumer perspectives, in: *Journal of Retailing and Consumer Services*, Vol. 13, No. 6, pp. 417-430.

Cheng, R.; Hines, T.; Grime, I. (2008): Desired and perceived identities of fashion retailers, in: *European Journal of Marketing*, Vol. 42, No. 5, pp. 682-701.

Cronholm, M.; Hedlund, A. (2006): Handelns roll [The role of retail trade], Stockholm: Svensk Handel.

Deloitte. (2012): Global Powers of Retailing 2012: Switching Channels: Stores Media.

Economist. (2009): E-readiness rankings 2009 - The usage imperative: A report from the Economist Intelligence Unit, London: IBM Institute for Business Value and The Economist Intelligence Unit.

Einarsson, A. (2008): The retail sector in the Nordic countries: a description of the differences, similarities, and uniqueness in the global market, in: *Journal of Retailing and Consumer Services*, Vol. 15, No. 6, pp. 443-451.

Elg, U.; Hultman, J. (2011): Retailers' management of corporate social responsibility (CSR) in their supplier relationships – does practice follow best practice? in: *International Review of Retail, Distribution & Consumer Research*, Vol. 21, No. 5, pp. 445-460.

Findahl, O. (2011): Svenskarna och Internet [The Swedes and the Internet], Stockholm: Internetstatistik , SE.

Ganesan, S.; George, M.; Jap, S.; Palmatier, R. W.; Weitz, B. (2009): Supply Chain Management and Retailer Performance: Emerging Trends, Issues, and Implications for Research and Practice, in: *Journal of Retailing*, Vol. 85, No. 1, pp. 84-94.

Ghauri, P. N.; Tarnovskaya, V.; Elg, U. (2008):. Market driving multinationals and their global sourcing network, in: *International Marketing Review*, Vol. 25, No. 5, pp. 504-519.

H&M.   (2012).   About   H&M.   http://about.hm.com/content/hm/AboutSection/en_us/About.html: March 2012.

Hoffman, N. A.; Schnedlitz, P. (2008): The Austrian retail market: A profile, in: *European Retail Research*, Vol. 22, No. 1, pp. 207-227.

Hortlund, P. (2011): Branschfakta 2011: Guide över detaljhandelns branscher [Swedish Retail Trade Guide 2011], Stockholm: HUI.

HUI. (2010): Härifrån till framtiden – detaljhandeln i Sverige 2025 [From here to the future - retailing in Sweden in 2025], Stockholm: HUI.

HUI. (2011): Kampen om köpkraften [The battle of buyer power], Stockholm: HUI.

Hultman, J.; Hertz, S. (2011): Exploring the dynamics of global sourcing development over time – the case of IKEA, in: *International Journal of Integrated Supply Management*, Vol. 6, No. 2, 109-126.

IDG. (2012): Sustainable brands 2012, Stockholm: IDG Research.

IKEA. (2011): IKEA Facts and Figures 2011, Delft: Inter IKEA Systems B.V.

Invest:Sweden. (2011): Retail - Opportunities in a market with strong growth, Stockholm: Invest:Sweden Agency.

Jonsson, A. (2008); Knowledge sharing across boarders – a study in the IKEA world. Unpublished Doctoral thesis, Lund university, Lund.

Jonsson, A.; Elg, U. (2006):. Knowledge and knowledge sharing in retail internationalization: IKEA's entry into Russia, in: *International Review of Retail, Distribution and Consumer Research*, Vol. 16, No. 2, pp. 239-256.

Konkurrensverket. (2004): Konsumenterna, matpriserna och konkurrensen [Consumers, food prices and competition], Stockholm: Swedish Competition Authority.

Konkurrensverket. (2011): Mat och marknad - från bonde till bord [Food and market - from farmer to table], Stockholm: Swedish Competition Authority.

Larsson, R.; Brousseau, K. R.; Driver, M. J.; Holmqvist, M.; Tarnovskaya, V. (2003): International growth through cooperation: Brand-driven strategies, leadership, and career development in Sweden, in: *Academy of Management Executive*, Vol. 17, No. 1, pp. 7-21.

Market. (2012): Vem är vem? Fakta om Svensk Detaljhandel 2011 [Who's who? Facts about Swedish Retail 2011], Västerås: Forma Magazines, Market.

OECD. (2011): Society at a Glance 2011 - OECD Social Indicators. Paris: OECD.

Perrini, E.; Russo, A.; Tencati, A. (2007): CSR strategies of SMEs and large firms. Evidence from Italy, in: *Journal of Business Ethics*, Vol. 74, No. 3, pp. 285-300.

PwC. (2012): Multikanaler - Konsumenterna tar makten när detaljhandeln blir mer tillgänglig [Multichannels - Consumers takes over power as retail becomes more accessible], Stockholm: Price Waterhouse Coopers.

Rahbek Pedersen, E. (2009): The many and the few: rounding up the SMEs that manage CSR in the supply chain, in: *Supply Chain Management - An International Journal*, Vol. 14, No. 2, pp. 109-116.

Solomon, M.; Bamossy, G.; Askegaard, S.; Hogg, M. K. (2010): Consumer behaviour: A European perspective, Harlow: Prentice-Hall.

Strand, R. (2009): Corporate social responsibility in Scandinavian supply chains, in: *Journal of Business Ethics*, Vol. 85, No. 1, pp. 179-185.

SwedWatch. (2005): Handelskung med bristande etik - en rapport om Clas Ohlsons inköp i Kina [King of commerce with deficient ethics - a report on Clas Ohlson's sourcing practices in China], Stockholm: SwedWatch.

SwedWatch. (2009): Svenska skor ger spår i miljön [Swedish shoes create environmental footprint], Stockholm: Swedwatch.