

9 Retail Branding and Positioning

The purpose of this Chapter is to explain the concept of retail branding and the advantages of establishing and strengthening the retail brand. The brand architecture of retailers, approaches to measuring brand equity, the concept of brand positioning and principles of successful retail brand management are discussed.

9.1 Emergence of Strategic Retail Marketing

Even though retailing has had the opportunity to be marketing-oriented for a long time because retailers are in closer contact with customers than are manufacturers, mass retailing has been slow to take advantage of this aspect. Higher priority had been placed on buying decisions, operational concerns and short-term objectives than on strategic marketing concepts (Mulhern 1997, p. 104). A lack of a well-defined differentiation between competitors has been a frequently criticised consequence in many retail sectors.

However, this has changed in recent decades. Mainly because of changing industry conditions and increasing management capability in retail companies, a change of attitude towards strategic marketing has been observed. Within the context of strategic marketing, the relevance of establishing a clear-cut and differentiated profile is clearly recognised by retailers, and retail brands are systematically being established and managed (Morschett 2006).

9.2 Retailers as Brands

While in the past the term **brand** has been applied mainly to manufacturer brands (such as *Coca-Cola*, *Nike* or *Gillette*), the brand concept can be applied to all kind of “products”, including retailers.

Some authors define a brand as a name or formal sign. According to the **American Marketing Association**, a brand can be defined as a “name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers” (www.ama.org). However, separating the brand name from the product or service alters the nature of the brand. If one were to take the *IKEA* logo and link it to a grocery supermarket, it may keep part of its brand strength, but the character of the brand would change with the underlying product. Other definitions therefore encompass the brand name (or brand logo, brand sign) and the branded product to define a brand: “A brand is therefore a product, but one that adds other dimensions that differentiate it in some way from other products designed to satisfy the same need” (Keller 2003, p. 4).

Stores as Branded “Products”

Retail branding is a strategy based on the brand concept that transfers it to a retail company. A retailer’s “products” are its stores that can be marketed in a similar way to a branded good. **A retail brand is then a group of the retailer’s outlets, which carry a unique name, symbol, logo or combination thereof.** While all retailers constitute brands to some extent, some retail brands are strong, while many are not. Recognition and appreciation by consumers are the essential elements of a strong retail brand (Morschett 2002, p. 108). Retail branding can be understood as a comprehensive and integrated marketing management concept, focussing on building long-term customer loyalty and customer preference.

Retail Brand and Store Brand

The term retail brand has to be distinguished from the term store brand (see Chapter 11). While **retail brand** refers to stores (e.g. *Currys, Lidl, FNAC*), the term **store brand** refers to the product level, and this is used synonymously with private label. While the retail brand is also often used to label store brands, this is not a universal characteristic (Wileman/Jary 1997, p. 17, 134).

Retail Brand Complexity

Retail brands are characterised by enormous complexity, which results from the service attributes of retailers as well as from the multiplicity of brand attributes and consumer-retailer interactions. While manufacturers frequently offer only a few products under one brand and the industrial production process is completed through quality control, customer experience with the retail brand is often shaped by several hundred outlets, with different locations and store designs, thousands of products and dozens of employees in each store, who are also influenced by their moods and emotions. A uniform, consistent and standardised performance and brand message is therefore difficult to convey (Wileman/Jary 1997, pp. 40-42).

Employer Branding and Employee Branding

Two branding themes from other fields are related to retail branding. The term **employer branding** refers to a corporate strategy that uses the branding concept to build an image of the company as a place to work. Thus, the objective is to position the company as an attractive employer and to differentiate it from the competition in the labour market. Given that retailing in general often has reputational problems with highly qualified labour, more and more retail companies have started investing in this type of branding. The term retail branding, however, targets the consumer, not the job candidate.

Employee branding has come up as a recent trend in management literature. The idea is that the experiences of consumers with many organisations, in particular service companies, is dominantly through their employees. In particular for retailers, customers interact with many different store workers at each visit – from salespeople to the cashier. With em-

ployee branding, companies try to actively influence the behaviour of their employees so that their behaviour (in their daily work, in particular in their customer interactions) is congruent to their company's brand.

9.3 Advantages of a Retail Brand

Establishing a strong brand can be a key factor to long-term performance (Aaker 1996, p. vii) by providing the retailer with considerable advantages (Keller 2003, pp. 8-12, 59-61; Morschett 2002, pp. 31-41; Bruhn 2005, pp. 27-49):

- An existing retail brand strengthens **brand awareness** and **differentiation** from the competition because it can serve as an anchor for associations with the brand.
- An established brand enhances the **efficiency of marketing measures**. In an age of increasing consumer information overload, established and well-known brands receive more attention than do unknown brands. For example, advertising for strong retail brands is more likely to be perceived and recognised by consumers, resulting in a higher efficiency of marketing budgets.
- From the consumer perspective, strong retail brands **simplify the purchasing process** because there is already some knowledge about the retailer and buyers do not have to search for additional information about assortments, prices, service and so on.
- Strong retail brands also reduce **perceived purchasing risk**. Buying well-known product brands from well-known and trusted retail brands is a purchasing strategy that aims at risk reduction.
- Consequently, strong retail brands may lower the **price sensitivity** of consumers. A well-defined brand profile can establish a preference position that allows a retailer to minimise price competition.
- Strong brands exert **halo effects**. A positive general attitude towards the brand in total positively influences the perception of all specific brand attributes. Considering the impact of these evaluations on the general attitude, a virtuous cycle can develop.
- Strong brands not only represent functional benefits, they can also serve as **symbolic devices**. They represent different values, traits and characteristics. Shopping at a certain retailer might, therefore, allow consumers to project a certain self-image onto themselves and others.
- If a retail company operates in different market segments, **differentiated marketing** with different retail brands facilitates approaching each market segment with a targeted approach. Cannibalisation is easier to avoid and each retail brand can develop its own image – without contradictory image transfers.
- Conversely, a strong brand can be used as a **platform for expansion**. This already occurs when retailers open new outlets, which, from the very start, are loaded with a cer-

tain image. Franchising concepts, in which the retail brand is transferred to independent shop owners, clearly illustrate this advantage.

- A strong retail brand can also facilitate extension into new product ranges. This type of **brand extension** occurs when retailers use their images in one merchandise category to expand into additional categories.

Measurement of Brand Equity

These advantages are enjoyed especially by strong retail brands. However, the measurement of brand equity is not easy, and there is no generally agreed concept. Nonetheless, measurement approaches can generally be classified into two streams, which also differ in their definition of brand equity (Lassar/Mittal/Sharma 1995, p. 12):

- Financially-oriented, monetary approaches
- Consumer-oriented approaches.

Monetary Brand Equity

The following definition is typical of the monetary approach: “Brand equity can be thought of as the additional cash flow achieved by associating a brand with the underlying product or service” (Biel 1992, p. RC7). For example, using a complex formula to forecast future revenues for the brand and capitalising them into a present value, the consulting company *Interbrand* estimated that the world’s most valuable retail brand in 2010 was *H&M* with a brand equity of about 16.1 billion USD. Other highly valuable global retail brands in the 2010 *Interbrand* ranking were *Amazon.com* (9.665 billion USD), *Dell* (8.88 billion USD) and *Gap* (3.961 billion USD) (www.interbrand.com).

Consumer-oriented Brand Equity

Although in some situations deriving a monetary brand value is important (e.g. for the purpose of selling or licensing the brand), the equity is the result of long-term investment in the brand. For brand management, consumer-oriented brand equity concepts might be more appropriate and sensitive to changes. Keller (1993, p. 1) provided a typical definition: a brand is said to have positive customer-based brand equity when consumers react more favourably to an element of the marketing mix for the brand than they do to the same marketing mix element when it is attributed to a fictitiously named or unnamed version of the product or service. This type of brand equity or brand strength is developed in the mind of the consumer, and the consumer’s attitude towards the brand, his associations and experiences with the brand and his evaluation of the brand quality are the most important aspects of measuring brand equity.

Indicators for Retail Brand Equity

Different researchers propose different indicators for measuring consumer-oriented brand strength, which can, aggregated or individually, be considered when managing the brand

and when evaluating the success of certain marketing measures (e.g. Aaker 1996, pp. 7-25, 318-333; Lassar/Mittal/Sharma 1995; Zentes/Morschett 2002, p. 165). Indicators of consumer-oriented retail brand equity are, for instance:

- brand awareness,
- perceived trustworthiness of the brand,
- customer satisfaction with the brand/customer loyalty to the brand,
- brand liking and
- brand differentiation.

Other indicators suggested in the literature for brand equity are not generally appropriate for retail brands. **Price premiums**, for instance, are sometimes used for evaluating brand value. Many successful retailers, however, emphasise their low prices (e.g. *Walmart, IKEA, Aldi, H&M*), and trade off potential price premiums for higher sales volumes or productivity.

9.4 Brand Architecture

As defined above, a retail brand refers to the level of the store group. However, the brand system of a retailer is more complex. **Brand architecture** refers to the internal structuring of the retailer's brands and revolves around how many and what kinds of offers are provided under a certain brand (Ailawadi/Keller 2004, p. 338). Within the **brand hierarchy**, a retailer's brands can be divided into different levels (Keller 2003, pp. 534-565). Retailers have brand names at the level of the retail company as a whole ("corporate brand"), the retail stores, the merchandise (e.g. the store brands) and specific retail services (i.e. banking services or loyalty programmes). Besides the individual branding decision at each level, the interconnection between the levels has to be considered. Branding at the level of the merchandise is discussed in Chapter 11.

As in industrial multi-product companies, retailers with more than one store have to decide whether the stores should carry the same or different brands.

Three general branding strategies can be distinguished at the level of the retail brand (see **Table 9.1** for examples):

- An **umbrella brand strategy**, where all the stores of the company carry the same brand, and in most cases the corporate brand is differentiated by a sub-brand (sometimes this is called an endorsed brand)
- A **family brand strategy**, in which the groups of stores of the retail company (usually different retail formats) carry different brands, i.e. the brands are strictly separated

- A **mixed strategy**, which applies an umbrella brand for some store formats and separates others by using different brand names.

Table 9.1 Branding Strategies of Different Retail Companies

Brand Strategy	Retail Company	(Selected) Retail Brands of the Company
Umbrella Brand	Tesco	Tesco Extra, Tesco (Superstores), Tesco Metro, Tesco Express, Tesco Homeplus, Tesco Lotus
	EDEKA	EDEKA aktiv markt, EDEKA neukauf, E-Center
	Système U	Marché U, Super U, Hyper U, Utile
	Toys 'R' Us	Toys 'R' Us, Babies 'R' Us
Family Brands	Kingfisher	B&Q, Castorama, Brico Dépôt, Screwfix, Koçtas
	Dixons Retail	Currys, dixon.co.uk, PC City, Electro World, Elkjøp
	Metro	Metro Cash & Carry, Real, Kaufhof, Media-Markt, Saturn
	Sears Holding	Sears, Kmart, Land's End
	Inditex	Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius
Mixed Strategy	Coop (CH)	Coop, Coop pronto, coop@home, Coop bau+hobby, Coop City, Interdiscount, Fust, Microspot, TopTip, Christ
	Migros	M, MM, MMM, m-electronics, Migros LeShop, Denner, Globus, OBI (as franchise partner in Switzerland), Office World
	Carrefour Group	Carrefour, Carrefour Marché, Carrefour Express, Carrefour City, Dia, Ed
	Groupe Casino	Super Casino, Géant Casino, Petit Casino, Leader Price, Monoprix, Franprix, Cdiscount, Big C, Big C Junior
	GAP, Inc.	Gap, GapKids, babyGap, Gapmaternity, gapbody, Banana Republic, Old Navy, Piperlime, Athleta

The main decision in this context is **brand image transfer vs. brand image separation**. Using an **umbrella brand strategy**, the common brand name leads to a substantial image transfer. Consumers transfer the associations they carry for *Tesco Superstores* at least partly to *Tesco Express* stores. All stores are part of one large brand and have to convey the same message to the consumer, if the brand image is to remain strong and uniform. A **family brand strategy**, by contrast, is usually the result of market segmentation and an unambiguous brand focus with different brand attributes for each store format. *Carrefour* hypermarkets, for example, target a similar customer segment as *Carrefour* supermarkets but they probably appeal to a different group of customers than does *Carrefour's* discount chain *Dia*. An image transfer would, therefore, probably not benefit either of the stores.

Thus, if a company wants to address different customer segments with different stores that have **different positioning**, then using a family brand strategy is more appropriate. In addition, separate brands facilitate divestments and changes in the portfolio. For example, at the beginning of 2011 *Carrefour* announced it intended to sell the discount chain. Since the chain carries its own name, a new owner can easily maintain the established retail brand, which may enhance the selling price.

A recent trend seems to be a stronger focus on one retail brand and the use of an umbrella brand. For example, *REWE* in Germany traditionally operated supermarkets under the labels *minimal*, *REWE*, *HL* and *Stüssgen*. In a strategic move in 2006, it united all these 3,000 supermarkets overnight under the common retail brand *REWE*. Given that many retail companies are highly diversified, however, and that they used to have family brands, this results in more mixed strategies. For example, *Carrefour* has renamed its supermarkets worldwide from *Champion* to *Carrefour Market*, and many of its convenience stores around the world are now labelled *Carrefour Express* or *Carrefour City*. Similarly, French retailer *Casino* has given an umbrella brand to some of its store formats and now labels its hypermarkets *Géant Casino* (formerly only *Géant*), its supermarkets *Super Casino* (formerly only *Casino*) and its small neighbourhood stores *Petit Casino*. *Macy's Department Stores* in the US comprise many stores that were formerly part of small regional chains and that for a long time maintained their names. But in the past decade, *Macy's* has renamed most of these stores into *Macy's*.

Branding Strategies after Acquisitions

In large retail companies that operate different store formats and different chain store groups, the brand architecture is frequently reviewed. In particular, an acquisition of additional stores or a complete business usually requires the strategic decision on whether to maintain the established retail brand of the acquired chain or to convert it into the acquiring company's retail brand. Given the many incidences of acquisitions in recent decades, there are many examples of either decision. For example, *Walmart* maintained the name *ASDA* in the UK (but added "by Walmart"), while it quickly changed the name of *Wertkauf* and *Interspar* in Germany into *Walmart* after the acquisition. *Macy's* converted all *May* department stores into *Macy's* stores and *ASDA* will most likely change the name of the acquired *Netto* stores into *ASDA*. *Migros*, after acquiring the Swiss discounter *Denner*, continues to lead the group under the name *Denner*. The French *Boulangier Group*, who bought the stores of *Saturn* in France, will have to convert the stores into *Boulangier* markets, but when the Swiss retail group *Coop*, which already operated an electronics retail chain under the retail brand *Interdiscount* acquired the competitor *Fust*, it continued to operate both formats under a dual brand strategy.

Generally, the branding decision after an acquisition is similar to the decision in other multi-format retail companies: should there be a strong **image link** between the acquiring company and the acquired retail stores or not. But other aspects have to be considered in addition. For example, the acquiring company has to decide on the **intended future positioning** of the acquired chain. If that is not fully congruent to its own retail brand, it might

be wise to maintain the acquired retail brand to be able to clearly separate both company parts (the old store chain and the new store chain). Furthermore, the acquired store chain may have accumulated substantial **brand equity** over time. For instance, consumers in the UK liked shopping at *ASDA* and trusted the brand and, thus, customer loyalty to the brand gave it high brand equity. By eliminating the old brand name, *Walmart* would have risked destroying this brand equity and, consequently, decreasing the value of the acquired stores. Converting store names into the acquiring company's retail brand could also lead to negative customer reactions, protests and maybe even boycotts (e.g. if the acquiring company is seen as a foreign intruder). Finally, a company may not be free in its decision since the buying contract with the former owner may not allow it to continue with the old brand name. For example, when *Carrefour* leaves Thailand, it will not want the new owner *Groupe Casino* using the name *Carrefour* and it will not sell the right to use the retail brand name but only the stores itself.

Retail Branding of Online-Shops

A particularly delicate question is the branding of online shops within a multichannel strategy. This question was discussed in Chapter 4.

Retail Branding in Retailer Cooperatives

A type of retail institution that has strong market relevance in many countries and sectors is retailer cooperatives. These are cooperations between independent retail companies, often between many independent single store operations. Well-known examples of such institutions that are not traditional monolithic companies but rather are networks of retailers that jointly carry out certain central functions are *Intersport*, the worldwide leading sporting goods retailer, *ACE Hardware* in the USA and certain large food retailing groups such as *Leclerc* in France, *REWE* and *EDEKA* in Germany and *Shoptite* in the US. In European electronics retailing, three out of the top 10 are such retailer cooperatives: *Euronics*, *Expert* and *Electronic Partner*.

Initially, most of these cooperatives were founded to provide a centralised purchasing organisation that allows smaller retailers to jointly gain economies of scale. However, their functions often grew over time and, nowadays, many of these cooperatives provide central marketing and they have often established a retail brand together. The abovementioned examples all have their stores linked by a common retail brand, similar to a franchise system. The logo, corporate identity, brand colours and so on are harmonised, which enables the group to have joint marketing, for example in the form of common TV advertising campaigns.

However, comprising many independent retailers, this independence is sometimes also signalled in the retail brand by way of co-branding. For example, retailers that belong to the *Intersport* group often use their own names as well as the group retail brand (e.g. *Intersport Meier*). Electronics stores that belong to the *Electronic Partner* group are usually labelled in a similar way, e.g. *EP: Müller*. Other groups, such as *REWE*, do not use co-branding, but the stores – of different owners – are all labelled *REWE*.

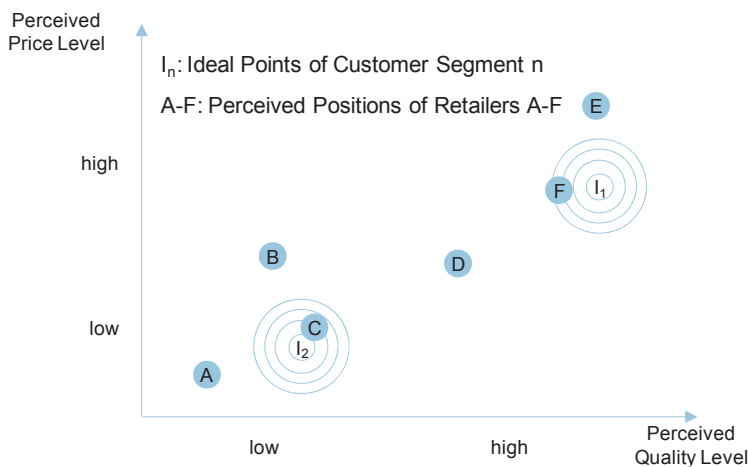
The advantages of each type are evident: while using a completely uniform brand for all stores, regardless of ownership, creates an image of a uniform, very large system that is perceived as one large retail company, the co-branding strategy strengthens the dual character of a retailer cooperative. It emphasises the local ownership of the specific shop and signals to the customer that the store has a strong regional component. This may make it easier to establish local customer loyalty. At the same time, it indicates that the retail store belongs to a large chain, and it can, thus, utilise the synergy effect of national advertising. It may also signal to the customer that the store has the necessary buying power to offer attractive prices.

9.5 Retail Brand Positioning

Strategic brand management starts with a clear understanding of what the brand is to represent and how it should be positioned relative to competitors (Keller 2003, p. 44; Wortzel 1987, p. 47). **Positioning** is the deliberate and proactive process of defining and influencing consumer perceptions of a marketable object, with a strong focus on the competitive position. A product is thus positioned in the minds of consumers (Arnott 1993, p. 24).

Positioning usually applies certain fixed dimensions along which the retail brand defines its position relative to its competitors. Positioning diagrams represent the location of different brands as well as the different target groups' ideal points in a two-dimensional space (see **Figure 9.1**).

Figure 9.1 Differently Positioned Retailers in the Price-quality Space



Market Segmentation

Market segmentation is often considered necessary for successful brand positioning. Market segmentation refers to the process of dividing a (heterogeneous) total market by certain attributes into (more homogeneous) partial markets. **Segmentation criteria** can be demographic, socioeconomic, lifestyle, geographic or many others. Segmentation thus includes the selection of one or several market segments and targets marketing towards the purchasing behaviour, motives and expectations of these groups. However, segmentation is often considered difficult for retailers within given catchment areas and those with the need for high customer traffic in their stores, which require appealing to broad customer groups (Wileman/Jary 1997).

Positioning is often based on the two generic competitive strategies of Porter (1980): cost/price leadership vs. differentiation (similar to **Figure 9.1**). While this broad classification can also be applied to retailing, researchers have proposed other frameworks, because retailing reality shows that there are many options for differentiation. The following are among the positioning dimensions most frequently proposed (see e.g. Wortzel 1987, p. 50; Davis 1992, p. 14; Morschett/Swoboda/Schramm-Klein 2006):

- Quality of merchandise
- Variety of merchandise
- Convenience
- Price
- Customer service
- Location
- Store atmosphere.

Successful positioning can be based on any retail activities, and a unique profile along the various dimensions yields a clear position that is the prerequisite of a strong brand. At the same time, the advertising spending of retailers has increased strongly over the past few decades and – as an indicator of the increasing relevance of retail branding – in many countries, retail stores are among the most heavily advertised “products” in terms of media spending.

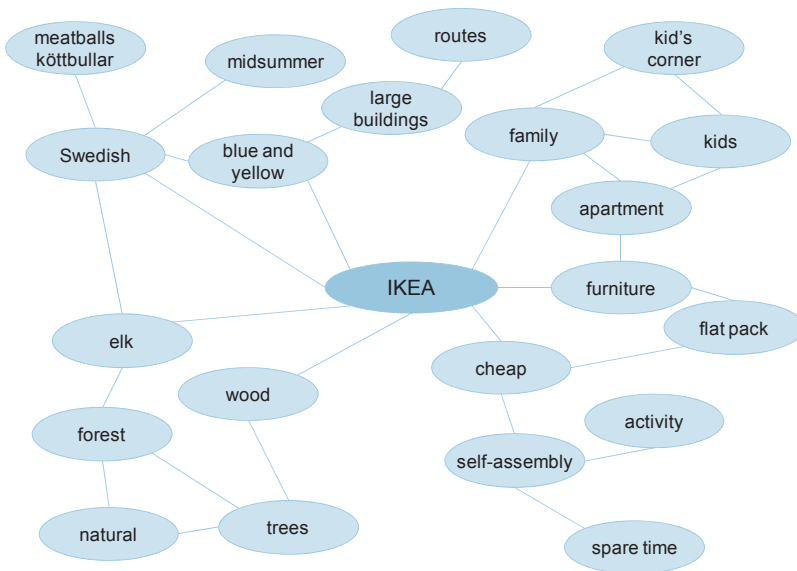
Retail Brand Image

Retail brand positioning is based on a set of fixed dimensions along which a retailer is perceived to be located. However, the retail brand is broader than is the actual positioning. The total **brand knowledge** that a consumer associates with a brand is relevant to the brand strength.

The **associative network model** views memory as consisting of a network of nodes that represent stored information and connecting links. Any type of information connected to

the brand is stored in the memory network, including verbal, visual, abstract and acoustic information. **Retail brand image can be defined as perceptions about a retailer as reflected by the brand associations stored in consumers' memories.** The strength of the brand can be evaluated by analysing the various relevant associations. Their uniqueness, favourability, strength and the certainty with which consumers link the information with the brand are the dimensions to consider (Krishnan 1996; Keller 1993). Retail brand image is complex and it is connected to an array of other images, both at a higher level as well as in the form of sub-images. The retail store format image (i.e. category killer image), shopping centre image, location image, price image, merchandise image and other components of the store or its context are all connected to the retail brand image and are part of the memory network of the consumer. **Figure 9.2** gives an example of a possible associative network that customers typically have of *IKEA*.

Figure 9.2 Consumer's Associative Network of *IKEA* (Fictitious Example)



Source: adapted from Morschett 2006, p. 532.

9.6 Principles of Successful Retail Branding

All retail marketing instruments affect the retail brand, as illustrated by the notion of the comprehensive retail brand image, which is made up of a universe of interconnected associations. To develop a strong and successful brand, three basic principles are mentioned in the literature (Morschett 2002, pp. 43-47):

- Differentiation from competitors
- Long-term marketing continuity
- Coherence of different marketing components.

Differentiation

Achieving differentiation (in consumers' minds) is a central characteristic of a brand (Aaker 1996, p. 329), as was pointed out in the discussion on positioning. Higher levels of differentiation from competitors are expected to lead to higher profitability. Only brands that are well distinguished from their competitors can build long-term customer loyalty and avoid store switching by consumers.

Continuity

Establishing a clear brand image is a long-term process. Brands are established through consumer learning processes. Consumers store associations in their memories. Brand associations become stronger over time and they must be reinforced by repeated exposure to the same brand messages because they might otherwise fade away. Past investment in brand building is at least partly lost if the brand marketing changes. Thus, continuity is important. Also, risk reduction is one of a brand's main functions. Consumers trust a brand because it entails a standardised and uniform offer under a certain brand name. Some of the world's most successful brands demonstrate that retaining the same brand message and communication (with slight variations) for years and even decades is one of the key prerequisites of successful branding.

Coherence

The **retail marketing mix** includes all marketing instruments that a retailer can deploy. The term mix indicates that the instruments are not used in isolation, but that they jointly influence the consumer. In order to be successful, all marketing measures must be coordinated to ensure a close fit with one another and that all measures convey the same brand message.

Because inconsistency makes a brand image fragile and consumers strive for internal harmony or congruity in their knowledge and information ("theory of cognitive dissonance"), creating coherence between all the different facets of the retail brand is crucial for success. Considering the complexity of the retail environment, ensuring a fit among the marketing instruments and all brand contact points is challenging. *IKEA, Sephora, dm-drogerie markt,*

The Body Shop, Zara and others are examples of successful brands that manage to project a uniform image with their store atmospheres, merchandise, pricing, communication and service.

9.7 Conclusion and Outlook

Some of the most successful retailers in the world have developed into strong brands without having consciously managed their brands (Wileman/Jary 1997, p. 20). However, while this is true, it is important to note that many successful retailers have developed strong brands by – even though sometimes unconsciously – adopting the abovementioned principles of branding. From the very beginning, *Aldi, IKEA, Tesco, Walmart, Migros* and others have had clear and distinct profiles. They have pursued their own marketing approaches over several decades and, supported by strong corporate cultures, have been coherent in all their activities. Differentiation, continuity and coherence in these cases were often ensured by the founders, who, over the years, developed a clear understanding of what their companies should stand for – and followed that through rigorously.

Brand management gains additional relevance through the internationalisation of retailers (e.g. should retailers use the same name in all countries?), with the ongoing wave of mergers & acquisitions in retailing (e.g. should an acquired retail chain be operated under its old retail brand or be adapted to the acquirer's brand?) and with multichannel retailing. Especially in the case of store retailers expanding their businesses onto the Internet, the strategic decision on using the same retail brand across channels or separating the Internet shop from the store outlets is crucial and far-reaching (see Chapter 4).

In recent years, competition and changing consumer behaviour have increased the relevance of retail branding tremendously. Such branding aims at enhancing differentiation and customer loyalty. Retail brand management includes all components of the retail marketing mix and develops a strategic understanding of the intended positioning of the retail company. Developing a retail branding strategy helps ensure the coherence of all the marketing messages and market appearances of the company. Successful companies change over time, but considering the prerequisites of successful branding, the brand core should remain stable.

Further Reading

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MORSCHETT, D.; SWOBODA, B.; SCHRAMM-KLEIN, H. (2006): *Competitive Strategies in Retailing: An Investigation of the Applicability of Porter's Framework for Food Retailers*, in: *Journal of Retailing and Consumer Services*, Vol. 13, No. 4, pp. 275-287.

WILEMAN, A.; JARY, M. (1997): *Retail Power Plays: From Trading to Brand Leadership*, New York.

9.8 Case Study: TK Maxx¹

9.8.1 Profile, History and Status Quo

TK Maxx was launched in Europe in 1994 to introduce the **off-price concept** that had already been successfully operated by the parent company *TJX Companies, Inc.* in the USA for a long time, to the United Kingdom. Today, *TK Maxx* is Europe's leading off-price retailer and the only major one that is operating in several countries. The idea behind the strategy of *TK Maxx* is to offer great value on designer and brand name family apparel ("off-price upscale apparel"), including women's footwear, lingerie, jewellery, accessories, home fashions and other merchandise such as luggage and toys, often with a discount of up to 60 % compared with the original price. This is possible because *TK Maxx* buys opportunistically and countercyclically and often procures excess stocks of designer brands. Still, over 90 % of the goods are from current designer collections (Textilwirtschaft 2010, p. 7).

Nowadays, *TK Maxx Europe* operates more than 300 stores in the United Kingdom, Ireland, Germany and Poland. The first German store was opened 2007 in Lübeck in May 2011, and the company already operates 50 stores there. In future years, *TK Maxx* plans to open up to 300 stores in German cities (Textilwirtschaft 2010, p. 7; Textilwirtschaft 2011, p. 11; Wirtschaftswoche 2009, p. 74). *TK Maxx* prefers store areas of about 3,500 m² in central downtown areas, shopping centres or power centres.

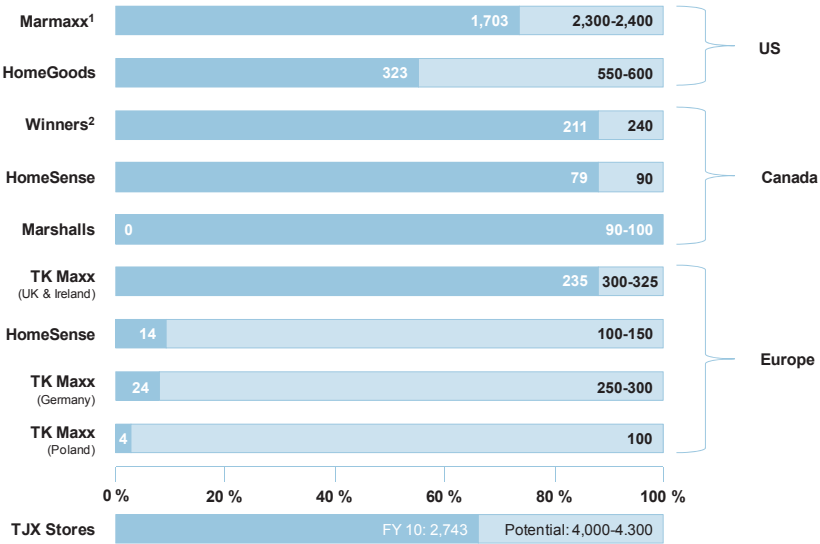
TK Maxx is the European subsidiary of *TJX Companies, Inc.* group, the leading off-price retailer of apparel and home fashions in the United States and the largest in the world. With a family brand strategy, *TJX Companies Inc.* runs the retail brands *T.J. Maxx* – the US role model for *TK Maxx* – as well as *Marshalls*, *Shoe Megashop by Marshalls* and *HomeGoods* in the USA, *Winners*, *HomeSense* and *StyleSense* in Canada and *TK Maxx* and *HomeSense* in Europe. All *TJX* chains are specialised in off-price retailing concepts and they use the same business strategy, with a strong focus on family apparel, home, shoes and accessories, depending on the chain.

In 2010, *TJX Companies, Inc.* had revenues of 21.9 billion USD, an 8 % increase over the previous year. The company runs more than 2,700 stores in six countries with approximately 154,000 associates. In Europe, *TJX* generated revenues of 1.8 billion EUR in the accounting year 2010 (Textilwirtschaft 2011, p. 10). The vision of *TJX* is to grow as a global, off-price value company and to exploit the full potential of the existing country markets (see Fig-

¹ Sources used for this case study include the different websites of the company, various annual and interim reports as well as investor relations presentations and the explicitly cited sources.

ure 9.3). Therefore, the approach to growth is strategic and deliberate, and investments in its existing businesses are prioritised.

Figure 9.3 Number of Stores of TJX in 2010 and Potential for New Openings



¹ 890 T.J. Maxx stores and 813 Marshalls stores (including Shoe Megashop by Marshalls)
² including Stylesense

Source: TJX Companies, Inc. 2011.

9.8.2 Development and Positioning of the TK Maxx Brand

The prelude to the retail brand *TK Maxx* was the development and launch of *T.J. Maxx* in the United States in 1977. Hitherto, the parent company of *T.J. Maxx* had run the *Zayre* discount department store chain, which was specialised in apparel for the whole family. With the success of *T.J. Maxx*, the company grew and was renamed in *The TJX Companies, Inc.* With the start of the **internationalisation** of *TJX* to the United Kingdom in 1994, the retail brand *TK Maxx* was born. The slight name change for Europe (*TK* instead of *T.J.*) was carried out to avoid confusion with the established British retail chain *TJ Hughes* (which is not associated to *TJX*). *TK Maxx* uses a similar concept as its affiliated company *T.J. Maxx* in the United States, and is the European *TJX* off-price brand pendant in the sector of family apparel.

All *TJX* retail brands make use of the same strategy, namely the utilisation of the off-price concept with no-frills stores. Furthermore, the brand messages are based on the same core

statements as well. The philosophy at *TJX Europe*, which is consistently converted at *TK Maxx*, can be described as “labels for less” and contains brand name merchandise at great value. This philosophy rests on the buying power and the **opportunistic buying** strategy of *TJX*. *TJX* employs over 700 people in 12 buying offices in its purchasing organisation, which source from over 60 countries around the world and have a pool of more than 12,000 suppliers. Compared with other retailers, *TJX* acts more like a “global sourcing machinery” (*TJX Inc.*, 2011). The buying power of *TJX* is combined with aggressive inventory management and a low cost structure within the whole supply chain to keep costs down. In this context, the goal is “procurement with added value” and passing the savings onto customers. As a consequence of this procurement method and the supply chain efficiency, *TJX* and its store chain can offer substantially lower prices, which are 20 % to 60 % less compared with department stores and specialty stores.

This off-price concept and the USP of *TK Maxx* are explained by the company as follows (*TJX Companies, Inc.* 2010, p. 3):

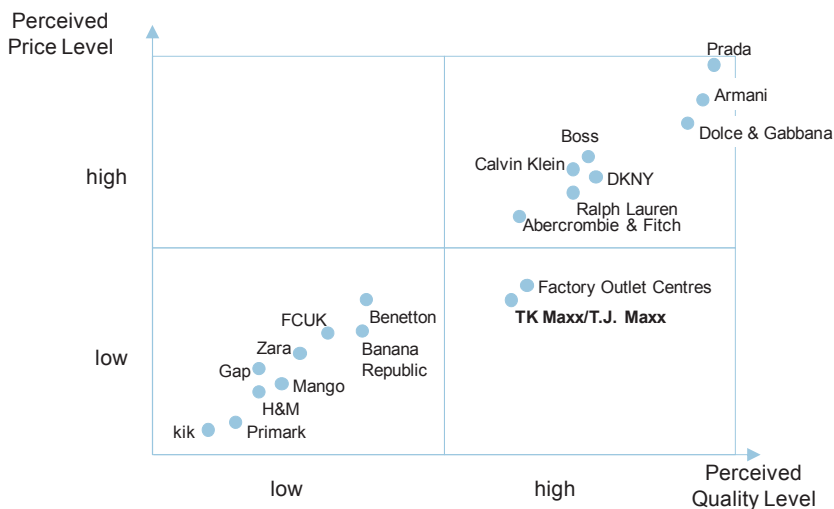
- Brand name merchandise at great values
- Opportunistic buying
- Substantially lower prices than department and specialty store regular prices
- Rapidly changing assortments
- Aggressive inventory management
- Low cost structure.

In the corporate claim, the fact of rapidly changing assortments (“never the same store twice”) is outlined as the experience of treasure hunting, which is popular with women (Thompson 2009), and this is used as an argument for frequent store visits since there is a chance of discovering something new every time. Another aspect that underlines the price value of the *TK Maxx* retail brand is the design of its stores, which are designed as no-frills stores to keep costs down. This **low cost design** is also used as a marketing message. For example, the company explains to its customers (via its webpage): “In our stores, we do not have lustres hanging from the ceiling. And there are no expensive leather sofas. ... What we save on that directly benefits the customer” (*TK Maxx* 2011). Furthermore, the company strongly emphasises that it does not sell “cheap products”. It clearly points out to its customers in its advertising that it does not have the cheapest jeans in its assortment but, instead, high quality designer jeans for an unbeatable price.

Although this concept does not address low budget customers, all *TJX* retail chains stand for a unique offer to its customers and are considered as a top store for **smart shoppers**. The typical target customer is female, between 25 and 54 years old and middle or upper-middle income earners. Moreover, the typical target customer is fashion and value conscious and shops regularly in high end department stores and specialty stores. The positioning of *T.J. Maxx/TK Maxx* concerning the perceived price and quality level is illustrated in **Figure 9.4**.

In its positioning, the company is similar to factory outlet centres and thus it manages to occupy an otherwise empty space in the positioning chart: **high quality combined with low prices**. The product offer of TK Maxx is on a higher quality level than that of other mid-price retailers since it comprises designer clothing. The price level for those designer brands, however, is much lower than at the department stores or the speciality stores that carry these designer brands in their permanent assortment. The German magazine *Wirtschaftswoche* titled its article on the company in 2009 with “**Versace, just cheaper**” (*Wirtschaftswoche* 2009, p. 74). Different from factory outlet centres, though, the brand offer of *TK Maxx* is fast changing so the customer does not know what he or she will find.

Figure 9.4 Price-Quality Positioning of Selected Fashion (Retail) Brands



Obviously, this positioning is “bought” with cost savings in other quality dimensions, such as the uncertainty about the current product offer, the no-frills stores and so on. But these dimensions are – as usual – not easy to illustrate on a positioning chart. Actually, *TK Maxx* even emphasises in its advertising that the focus is on the product, not the surroundings. These other quality facets should, however, be captured when analysing retail brand image.

9.8.3 TK Maxx’s Advertising

The main aspects of the brand message of *TK Maxx* are “big brands, small prices” and “up to 60 % less, always” and illustrate the central thread of *TK Maxx*’ brand strategy. *TK Maxx* provides its customers a differentiated shopping experience. Through the factors fashion, quality, well-known designer brands and an attractive price structure, *TK Maxx* offers its customers valuable arguments to buy in its stores. Dependent on *TK Maxx* sourcing prac-

tice, shopping at *TK Maxx* stands for a kind of treasure hunt, combined with aspects of bargain hunting and entertainment. Through volatile quantities in the buying process, a *TK Maxx* store supplies a unique offer and excellent value on brand name merchandise. These changes are so profound that *TJX* designs its stores without internal walls, which means that the space that is allocated to each product group is flexible, depending on changing market conditions and current sourcing opportunities.

At two different *TK Maxx* stores, the customer will not be able to find the same offer. And during two subsequent visits to the same *TK Maxx* store, this is also not likely the same applies. The strength of *TK Maxx* is its rapid turnover of inventory, which is also the base for strong merchandise margins. As a side effect, the rapidly changing assortment is used to create a sense of urgency and excitement in the customers' minds and encourage them to visit *TK Maxx* stores frequently.

Figure 9.5 Selected Advertising Messages of T.J. Maxx/TK Maxx

Our shoppers mean the world to us

Step out in style

Immer neu, immer anders
[Always new, always different]

real designers. real savings.
really.

Loving your style, sister. Fill your basket to the brim, with delicious big labels for less.

style savers welcome to big labels

Willkommen im Fashion-Paradies
[Welcome to the paradise of fashion]

Love TK Maxx

Always up to 60 % less

Love Fashion

Znane marki zawsze do 60% taniej
[Well-known brands always up to 60 % less]

Even more of a bargain

Inspire your inner maxxinista

We're smart shoppers, just like you.

Never the same store twice

big brand style, wallet friendly prices.

Modnie czy wygodnie?
[Fashionable or cosy?]

big labels small prices

To communicate these facts to the consumer, *TK Maxx* uses consistent advertising messages. *TK Maxx* and its pendant *T.J. Maxx* in the United States are mindful of this insight and uses a bundle of advertising messages for the retail brand in several countries. Although not always the same slogan, the slogans are around a common theme. **The main** aspects of the brand message of *TK Maxx* are “big brands, small prices” and “up to 60 % less, always” and illustrate the central thread of *TK Maxx*' brand strategy. *TK Maxx* provides its customers a differentiated shopping experience. Through the factors fashion, quality, well-known designer brands and an attractive price structure, *TK Maxx* offers its cus-

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Figure 9.5 shows a selection of *TK Maxx* advertising messages. *TK Maxx* uses its low prices and designer labels at the core of its advertising campaigns with a repeated mentioning of "always up to 60 % less". This advertising slogan functions as a profiling towards other competitors. Consequently, *TK Maxx* distinguishes between the prices of its competitors and attempts to build long-term customer loyalty, beyond the price image, as well. It is noteworthy that the message is homogeneous worldwide; often the slogans are even used in English, not in the host country's language.

To increase customer awareness of the retail brand, *TK Maxx* pursues advertising campaigns on television and in print media. In 2009, *TK Maxx* spent 2.4 million GBP on print campaigns which were in the focus in 2008 and 2009. In 2010, the focus changed towards TV advertising. For example, *TK Maxx* spent about three million GBP on a Christmas television campaign in 2010 (Emap Business Publications 2010). In 2007, *TK Maxx* launched a new homepage in the UK and later also in the other European markets. The Internet becomes, obviously, more and more central in a retailer's marketing strategy. With this new homepage, *TK Maxx* created the possibility of buying gift vouchers online as well as signing up for alerts about new stock. This new homepage was part of *TK Maxx*'s media planning, which had a budget of 6.4 million GBP in 2007 (New Media Age 2007, p. 2). In 2009, the homepage was relaunched and supplemented by an **online shop** to exploit new target groups. For *TK Maxx*, this was its entrance into **e-commerce**. The online shop started with selling designer handbags, but the product categories were extended quickly (Thompson 2009). Nowadays, almost the whole assortment of *TK Maxx* is available online in the United Kingdom. There are, though, no online shops in most other European countries.

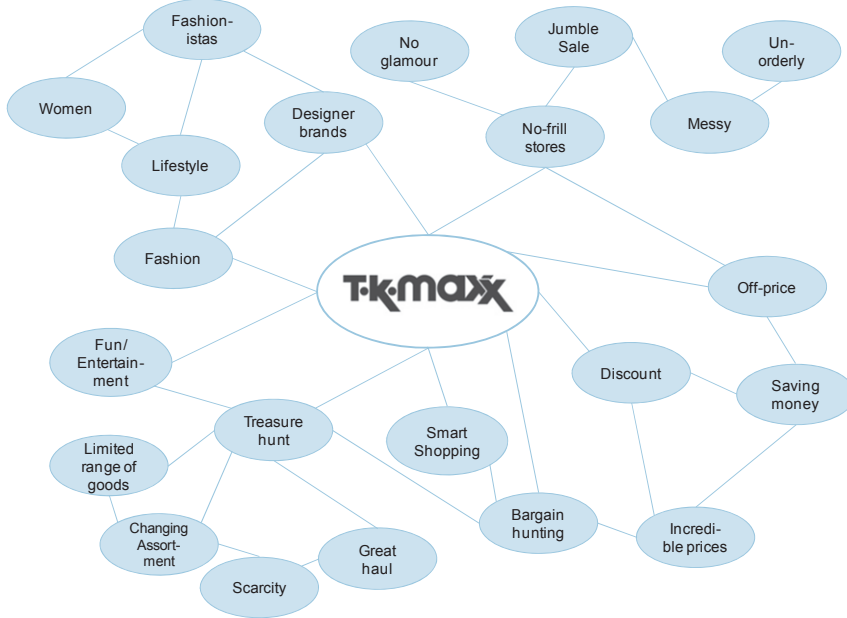
Recently, the activities of *TK Maxx* in **social media** have been used to strengthen the brand and to bind existing customers. The business concept of *TK Maxx* has a huge potential to create interaction between customers on the Internet, e.g. through viral marketing forms, since "bargain hunting" is well suited to such a phenomenon. During the past two years, the so-called social web has gained in importance through services such as Facebook or Twitter. Therefore, *TK Maxx* decided to contact its customers with this type of media as

well. *TK Maxx* operates its own *Twitter* account to provide customers and “followers” with fashion news. Through the active creation of a follower pool, *TK Maxx* can communicate new offers to its target market. Furthermore, a proactive dialogue with the preferred target group, the smart shoppers, is possible. In order to inform bargain hunters that do not use a *Twitter* account, *TK Maxx* uses *RSS feeds* to communicate latest info, for instance about new offers in the shops. It has also launched its own *Facebook* account. Through the creation of a community on this online platform, *TK Maxx* can achieve an individual sales approach and a dialogue for customer acquisition and retention. Furthermore, the draft and implementation of campaigns as well as the control of operations is conceivable. Moreover, the activation of fans and a proactive dialogue with the target group, considering the communication guidelines of the *TK Maxx*, is possible. Through the posting of prize games, special promotions, actual offers and news from the shops, the involvement of the customers will be improved. Another pillar in *TK Maxx*’s online appearance is the *TK Maxx* fashion blog, which offers a variety of content on fashion, lifestyle, accessories, shoes, living and much more. The fashion blog has an editorial support and is permanently actualised with new contents, topics and pictures (TWT 2010). *TK Maxx* has coordinated its online activities to bundle the customer approach in the field of social media to generate a uniform image in online users’ minds.

9.8.4 TK Maxx’ Image

All these activities lead to a clear image of *TK Maxx* in the minds of consumers which can be seen, for example, when browsing through fashion blogs, discussion forums on the Internet and other commentaries on the brand. First, it can be noticed that *TK Maxx* (and, similarly, *TJ Maxx* in the USA) is interesting enough to consumers to discuss the brand on diverse forums. The brand seemingly has high involvement customers and provokes discussions and information exchange about the assortment, prices and bargains. **Figure 9.6** shows a **network of terms** that consumers associate with *TK Maxx* and its stores. This associative network was created on the basis of blog entries and discussions in boards.

Figure 9.6 Consumers' Associative Network of TK Maxx



9.8.5 Summary and Outlook

Since 1977, the company has pursued a similar, synergistic off-price concept. The success of *TK Maxx* is based on its flexible, value-oriented business model and its opportunistic buying practice. Over the years, *TK Maxx*, as well as its affiliated firm *T.J. Maxx*, has established itself as a provider of value on family apparel and a creator of purchasing experience and entertainment, evoked through a kind of treasure hunt experience and rapidly changing assortments. Furthermore, *TK Maxx* has a clear understanding of what its strategy stands for and followed it in all countries where *TK Maxx* is present, for example in the United Kingdom as well as in Germany.

TK Maxx exploits a high touch experience in its stores. Through "bargain hunting", the customer is active and highly involved during the whole shopping process. Furthermore, *TK Maxx* also transfers this customer involvement outside its shops. With the online shop in the United Kingdom, fashion blog and Facebook and Twitter accounts, *TK Maxx* carries on the idea of bargain hunting and achieves continuing engagement with its customers.

The off-price concept is an important component in the customer approach and is reflected in all advertising messages of *TK Maxx*. Moreover, the messages are also standardised in different countries to create a consistent image of the company.

Questions

1. Differentiation, continuity and consistency are three success factors for retail brands. Use these concepts to analyse *TK Maxx's* brand management.
2. Where can you identify discrepancies and potential conflicts between the brand image of *TK Maxx* and its everyday operative practices?
3. Would it be recommendable for *TK Maxx* to use different advertising strategies in different countries? Discuss.