

Chapter 2: State of research and specification of objectives

A. Definitions

This study covers international format replication in the retail industry. Thus, definitions of the central components are provided below.

Retail internationalization

Various definitions of retail internationalization frequently consist of opaque terminology and the unfortunate use of manufacturing expressions to service firms (Zavrsnik 2007). Aiming on specific features of retail internationalization, international retailing is defined as having “visible” and “invisible” dimensions (Wigley 2009; Zavrsnik 2007, p. 13). The visible dimension are retail offers (Manrodt and Vitasek 2004). “The ‘invisible’ aspects of retail internationalization are defined as being the international sourcing of products and services and the cross-border transfer of management expertise in the form of managerial policies or technical skills” (Zavrsnik 2007, p. 13).

Some retail firms follow high-risk strategies despite a lack of internationalization knowledge, which suggests the use of additional factors, such as a strong brand (Guy 2001). A noteworthy part of retail internationalization studies has involved examining the strategic approaches implemented by firms as they differentiate operations in foreign countries (Wigley 2009). Those strategic approaches are derived from the non-retail-specific literature, largely based on the Uppsala model popularized by Johanson and Wiedersheim-Paul (1975). This model visualizes how firms approach host market development in an incremental and sequentially organized way by accumulating experience, providing confidence and adjusting market entry procedures, operations, and article and service offers (Wigley 2009; Davies and Fergusson 1995; Whitelock 2002). Although several authors (e.g., Cannon and Willis 1981; Dawson 1993) show that the Uppsala model is not fully appropriate for retail, Wigley (2009) postulates that its main suggestion of a firm’s approach to developing internationalization over time is consistent with subsequent studies and particularly with the studies of Salmon and Tordjman (1989) and Treadgold (1991). Treadgold (1991) elaborates on how retailers sequentially develop their strategic and tactical processes to foreign countries as exposure to them grows and confidence increases. Parts of this model may be considered too strict (Wigley 2009). However, this framework does highlight the adaptable character of a retail firm’s strategic methodology to internationalization (Alexander and Myers 2000; Bianchi and Ostale 2006; Huang and Sternquist 2007; Wigley 2009). The resulting situation or opportunity is that at any time during the internationalization process and in any foreign market, a retail firm is

able to implement a marketing strategy that varies from its previous strategies or from the strategies executed in other markets (Wigley, 2009; Dawson 1994).

Salmon and Tordjman (1989) acknowledge three strategies for internationalization that depend on the retailer's operating model and internal competencies. Each of these strategies is defined by the nature of articles sold by the retail firm, the degree of desired market participation, the demanded degree of operational control and the retailer's experience (Wigley 2009). Each strategy is characterized by the retailer's host market entry approach, which includes the structure and control of foreign businesses and the retail format (Salmon and Tordjman 1989; Dawson 1994; Sparks 1996). The international strategy requires the cross-border transfer of assets by one firm typically assisted by the acquisition of a foreign retailer (Alexander 1995; Hamill and Crosbie 1990). As a result, operations in one market may be unique in comparison with those in other markets, and foreign operations may be executed in different formats (Wigley 2009). A multinational strategy requires the creation of retail structures in host markets that are related but not necessarily identical to a firm's home market (Wigley 2009). Typically, multinational retailers use decentralized decision structures and adapt their formats based on the cultural and customer preferences in the market in which they are acting (Wigley, 2009; Sternquist 1997). This global strategy requires the creation of standardized retail formats by offering similar products and using equal branding and communication across borders (Wigley, 2009; Sternquist 1997).

Fashion

Fashion is defined as an expression that is commonly accepted by a group of people over time and has been characterized by several marketing factors, such as low levels of predictability, more frequent impulse purchases, shorter product life cycles and highly volatile market demand (Bhardwaj and Fairhurst 2010; Fernie and Sparks 1998).

The fashion industry has expressively advanced, particularly during the last two decades. The shifting dynamics of the industry have required retail fashion firms in particular to seek cost savings and flexibility in design, quality and time to market as key strategies in maintaining a lucrative position in the progressively challenging market (Bhardwaj and Fairhurst 2010).

Today's fashion business is highly competitive, and the constant need to "refresh" product assortments has led to an explosion in the number of fashion seasons in which the entire merchandize within a store is adapted. With the appearance of small collections of articles, fashion retailers encourage customers to enter their stores more frequently with the idea of "here today, gone tomorrow." This strategy results in

a shorter life cycle of articles and higher profit margins from the sale, thus avoiding markdown processes (Bhardwaj and Fairhurst 2010). Because fashion is known to be a temporary and cyclical occurrence that is adopted by consumers at a specific time (Sproles 1979, p. 116), it is no surprise that the lifecycle for fashion articles is rather short.

Retail format

The retail format plays an important role within the scope of international market development strategies. The literature shows that the term “format” is used frequently and often simplistically. Goldman (1981) describes retail format as an entity that consists of two basic parts: the external demand side and the internal supply side.

At a high level, the retail format is discussed in the retailing literature in a variety of contexts, including the history of retailing and the evolution of retail formats (e.g., Messinger and Narasimhan 1997) and retail management (e.g., Ghosh 1990). Recent studies examine retail formats in more detail as complex mix of visible and hidden components (Alexander 2008), which helps to explain why it can be difficult for outside observers to identify retail formats accurately, to agree on clear definitions of the most common types and to gain consensus regarding these definitions (Alexander 2008). Retail oriented definitions such as that mentioned above reflect only those building blocks of a format that are visible in the store—in this case, assortment, size of store, shopping atmosphere and service. No attention is given to more hidden factors or to those that take place away from the store, such as the systems supporting stores and the operating firms’ organizational structure and management culture (Alexander 2008). This lack of attention is challenging because the nature of firms’ different format design and their success or failure in operating formats are also influenced by such structures, processes and cultures (Alexander 2008). Lewison (1997) highlights the prominence of a retail format to competition. Competitive advantages are achieved by realizing a retail format that is designed to the specific needs of a precisely determined segment of the entire market (Alexander 2008).

Retail formats embrace the total mix of operating and merchandizing tactics and practices used by a retail firm to separate and differentiate itself from other competing retail formats. Davies (1998) and Dawson and Mukoyama (2006) view formats as “combinations of technologies” and posit that retailing involves the bundling of these technologies in ways that are considered most appropriate for the marketplace. Viewing formats in this way can assist in understanding format variation.

Goldman (2001) offers a more fine-grained consideration of the nature of the format and describes it as consisting of two parts: the retail offer (external) and the know-how (internal). The offering includes elements such as article assortment, shopping

atmosphere, service, location and price. The know-how determines a retail firm's operational strength and strategic direction and consists of the retail technology dimension (the systems, methods and processes that the retail firm uses) and the retail culture (including the collection of concepts, norms, rules, practices and experiences) (Alexander 2008). Kacker (1988), to whom Goldman (2001) refers, conceptualizes retail know-how as a central antecedent of internationalization and defines it as a combination of a technical dimension (e.g., location choice, store layout and atmosphere) and a management dimension (e.g., retail concept, systems, control and strategy). In contrast to some recent interpretations that have restricted attention to the visible elements, Au Yeung (2003) adopts Goldman's conceptualization.

In summary, the retail format identifies a retailer's capability and serves as the unifying component of its strategy. The specification of retail service-output levels—also known as retail offers, background processes, and the learning and experiences based in the retail culture—determine the position that a retail firm obtains in the marketplace (Goldman 2001). Therefore, those three parts of a retail format will be further specified.

Retail offers are the visible parts of the format (Manrodt and Vitasek 2004). Format elements that are visible to consumers are also known as marketing instruments and are primarily investigated with regard to the 4P classification of McCarthy and Perreault (1993): product, price, promotion and placement. This traditional typology has its weaknesses with distribution-based companies because of their inherent proximity to end customers (Wigley and Chiang 2009; Dawson 2007). Moreover, retail format elements refer to store location, product assortment, retail brand, pricing, communication, store configuration and additional services (Davies and Liu 1995). The most comprehensive accumulation is provided by Mulhern (1997) and consists of store location, store format, store layout, product assortment, price, advertising, sales promotion and customer services.

Background processes can generally be defined as the use of sequences of work and problem-solving approaches on a worldwide level (Manrodt and Vitasek 2004). Srivastava, Shervani and Fahey (1999) divide background processes into the areas of planning and supply chain. Porter (1998, p. 10-11) categorizes these processes into two basic processes for creating customer value: demand-focused processes and supply chain-focused processes. Accordingly, planning processes that refer to demand-focused processes are defined in this study as the development of approaches according to the marketing values, principles and technology employed in the planning and preparation for decision making (Griffith, Hu and Ryans 2000; Walters 1986). Furthermore, supply chain processes consist of purchasing and logistics strategies and processes in every country of operation (Pauwels and Matthussens 2006). Pederzoli (2008) states that supply chain processes should be regarded as

purchasing and logistics in every country of operation; hence, such processes are defined as an integrative connection between purchasing and logistics processes (Swoboda et al. 2008; Pederzoli 2008). The accelerated development of low-margin, high-turnover retailing through larger self-service stores places increased pressure on the supply chain and necessitates progress in stock handling (Alexander 2008).

Retail culture comprises the capability of adapting to existing norms (Goldman 2001). In today's retail business, local tastes play an important role in effectively attracting customers. The ability to adapt to existing norms is also part of the retail culture of every retailer (Goldman 2001). Retail culture refers to the manner in which similar or related activities and processes (in different countries) should be harmonized with one another (Porter 1986). Retail culture is often used synonymously with the concept of coordination. The advantages of an existing retail culture are warranties of single-decision conformity to overall strategy, in addition to uniform appearance and reduction of coordination difficulties between different country markets (Swoboda, Foscht and Cliquet 2008). The advantages of low retail culture are a higher degree of motivation, entrepreneurial initiative and creativity for foreign employees. Retail culture consists of finance and investment planning, strategic controlling and wider cultural aspects such as HRM (Swoboda, Foscht and Cliquet 2008). In general, retail culture helps firms to evaluate situations and address challenges (Goldman 2001).

The current study adopts the definition from Goldman (2001), who divides the retail format into three parts: the retail offer, background processes and retail culture. The format elements can be further divided into core and peripheral elements. The core format elements are unchanged, which implies that the adjusted format elements are peripheral (Winter and Szulanski 2001; Jonsson and Foss 2011; Swoboda and Elsner 2013).

Retail format transfer and format replication

According to Goldman (1981), retail format transfer can be defined as the entity that is transferred abroad. As previously defined, the retail format is divided into three aspects: the transfer of the retail offer, the transfer of background processes and the transfer of the retail culture.

Replication is the process of exploitation obtained by exactly reproducing tangible and intangible assets (Nelson and Winter 1982, p. 1ff.). Retail format replication describes a specific strategy or routine that is the main form of growth for replicating organizations such as McDonald's, Walmart and Starbucks. Firms may grow from their home countries to host economies by implementing replicas of their value chain processes (Jonsson and Foss 2011). Such organizations grow by creating and operating a large number of similar stores that deliver an article or perform a service

(Winter and Szulanski 2001). By definition, replication is effective only when the necessary value-creating aspects of a template are identified and replicated and when no time or effort is wasted in replicating deleterious features (Winter and Szulanski 2001). Consequently, attempting to modify a successful template increases the risk of failure even when such attempts are deemed favorable or appropriate *ex ante*. Within the scope of replication, the degree of standardization of format elements is important. Zou and Cavusgil (2002) define the degree of standardization as the extent to which activities are similar abroad relative to the home market.

Context factors

Context factors are of particular importance for the analysis of format replication. According to contingency theory, format replication strategies consist of format replication patterns in combination with context factors driving them. Consequently, context factors will be further specified.

The context factors of format transfer are categorized into external and internal factors. External factors relate, for example, to the host or home country or are country-specific or inter-country factors. In this study, I distinguish between culturally close and distant countries; thus, external context factors in a country may differ, although similarities may occur across countries. McGauran (2001) supports this statement and argues that different selling processes are necessary because of differences in the economic and cultural environments across countries. Goldman (2001) supports this proposition and postulates that transfers are not guided solely by the goal of gaining a competitive advantage in the targeted host country, which disregards the possibility of transfer decisions being driven by additional, more global goals that extend beyond the firm's position in the targeted host market. Some studies identify consumers, supply and distribution conditions, legal regulations and the local retail system as restricting the replication of format elements such as price, service, location and promotions (e.g., Goldman 2001).

Internal factors such as the economic advantages of global sourcing, the use of advanced technologies and the intent to standardize must be considered within the scope of format transfers. Additionally, the use of specialized knowledge and financial resources must be both considered and leveraged to be successful (Goldman 2001; Craig and Douglas 2000; Douglas and Craig 1995; Prahalad and Doz 1987). For example, Evans, Treadgold and Mavondo (2000) consider corporate characteristics such as company size and ownership to explain variations of success. Other scholars consider store type (interpreted as a core resource of a retailer); Pederzoli (2006) considers the international experience and financial resources; and Vida, Reardon and Fairhurst (2000) consider the international experience and size of companies.

B. Literature review

1. Introduction

This study focuses on international retail business with a special focus on the fashion industry. Many firms in many different industries choose to internationalize. Although this trend is seldom analyzed in the retail space, this study will provide insight into this topic. The focus of this study is format replication of fashion retailers. To answer the question regarding which format elements are transferred, an extensive literature research is conducted with a special focus on the fashion industry in contrast to manufacturers and other retail segments. For central components such as flexible format replication, an exhaustive literature review as well as comprehensive descriptions of different format replication concepts is provided.

The evaluation of existing research can be conducted in different ways. First, a state-of-the-art collection of empirical studies on a topic can be undertaken. Second, in extreme cases, a meta-analysis may be conducted in which empirical evidence on a particular topic is methodologically integrated. In this particular case, there is scarcely any literature available to conduct a state-of-the-art literature survey of all contrasting work in the replication of retail formats. Given this background, case study-based and conceptual studies must be considered sources of cognitive progress.

From a general perspective in revisiting the present reviews, it is clear that the particular motivations and research questions as well as the content breadth and the respective implications vary widely. Hence, the literature review includes analyses of both conceptual and empirical studies. Based on the three areas of research (1. successful format transfer strategies, 2. retail format design, and 3. format replication over time and countries), the systematization of the literature review follows the sequence of research questions.

In order to gain insight into successful format transfer strategies, it is of particular importance to review international strategies of retail firms. Subsequently, the topic of format transfer needs to be evaluated. Specific context factors influence format transfer and are consequently important to analyze. Lastly, format transfer strategies shall be successful which is why studies of success and failure will be taken into account.

In order to shed light on the second area of research, the retail format design it is of particular importance to summarize existing research on standardization and adaptation of retail format elements. The orchestration of retail offers, background processes and retail culture between the boundaries of standardization and adaptation lead to specific retail format designs.

The first two areas of research partly build the foundation of flexible format replication over time and over countries. It is of particular importance to not only summarize ex-

isting studies but also in a more comprehensive way. As a result, the literature review is structured as follows:

- Strategies of internationalization and format transfer
 - Basic international strategies of retail firms
 - Format transfer
 - Success and failure
 - Context factors of retail format transfer
- Standardization versus adaptation of retail format elements (retail offers, background processes and retail culture)
- Flexible format replication over time and countries

In the upcoming literature review, every source has been structured based on the author, year, research question, theoretical framework and summaries of core results. To obtain a state-of-the-art summary, most sources are well-received international journals. To emphasize the focus on the fashion industry, dedicated sections with fashion-specific research will be presented.

II. Basic international strategies of retail firms

1. Basic strategy typologies

At the beginning of this study, the basic strategic orientation was characterized as an important dimension in the present analysis. Consequently, strategy typologies within the scope of format transfers are reviewed. The literature review shows that the classification of retail firms is frequently consistent with the basic strategic orientation of Prahalad and Doz (1987, p.36) or Bartlett and Ghoshal (1989, p. 65) (global, multinational, international and transnational). The categorization is performed by estimates of the authors and occasionally with the support of "experts" (see Sternquist 1997; Alexander and Lockwood 1996; Experts at Pederzoli 2006; Swoboda, Elsner and Morschett 2012).

Studies that are based on internationalization strategies and the corresponding classification of retail firms in various international strategy types are summarized in Table 2-1 below.

Author(s) and year	Research question	Theoretical basis / framework	Empirical basis / method	Core results
Large-N-designs				
Swoboda / Elsner / Morschett 2012	Examination of strategies of retailers that have been internationalizing	Integration-Responsiveness (I-R) framework	In-depth face-to-face interviews with 112 executives in 90 retailing firms' headquarters	<ul style="list-style-type: none"> - Retailers use all four strategies (international, global, multinational and transnational) but that their preferences for these strategies vary across retail sectors (food and non-food). - The food and non-food retailers apply four strategies. However, a stronger multinational orientation can be seen for the food retailers, whereas a stronger global orientation can be found for the non-food retailers.
Pederzoli 2006	Explanation of retail internationalization process	Common literature on international strategic models and literature on retail internationalization; Sternquist 1997	Secondary data + expert interviews (N=37) / Food + Non-Food;	<ul style="list-style-type: none"> - Global and multinational strategy as orientation for marketing. - This strategic orientation is one of the most important variable within retail internationalization. - Global orientation dominates.
Leknes / Carr 2004	Application of Caloris Framework strategic configuration in retail	Typology of Calorie	Secondary data (N=64) / worldwide, / qualitative, regressions	<ul style="list-style-type: none"> - Nine strategic orientations by six dimensions, geography, segment coverage, MEF, standardization, international integration of value chain activities. - Categorization into fashion, food and misc. - Significantly more successful are fashion retailers compared to all other segments.
Goldman 2001	Process of business format transfer by foreign retail firms to China, dependent on motivation to adapt the business format	Inductive, "grounded theory", concept of a "retail format" according to Hollander 1970, Kacker 1985, Kacker 1988	Primary data (N=27) / overall / qualitative, frequencies, "classification	<ul style="list-style-type: none"> - Counts 40 external (visible) and internal (know-how related) variables as basis for adaptation/standardization of formats. - Four patterns of format adaptation (None to substantial adaptation). - Six format transfer strategies, depending on conditions in China compared to home market, targeted market segments. - Characterized by no. of changed elements, int. orientation and scope of int. operations: global niche protection, opportunism, format pioneering opportunism, format extension, portfolio-based transfer, competitive position-oriented.
Small-N-designs and conceptual studies				
Cavusgil / Cavusgil 2012	Reflections on international marketing: destructive regeneration and multinational firms	None	None	<ul style="list-style-type: none"> - Globally integrated enterprises In an increasingly interconnected global market, firms will have no choice but to tightly integrate their worldwide operations and coordinate their positioning and strategic moves across the globe. Clearly, the days of autonomous, loosely connected country units are over. - To minimize redundancy in operations and investments, and to rationalize value-adding activities, firms will need to adopt common practices, platforms, and reward mechanisms.

- will be continued

- Table 2-1 continued

Douglas / Craig 2011	Why to rethink a global marketing strategy?	Theory of internationalization	None	<ul style="list-style-type: none"> - As firms expand operations across a much broader geographic base, they are facing an increasingly complex range of scenarios. This makes it difficult to develop a unified and integrated strategy for global markets. - Rather, firms should establish direction and manage operations in multiple, highly diverse markets spread out across the world. - The authors advocate developing a semiglobal marketing strategy, which involves following different directions in different parts of the world, resulting in greater autonomy at the local level.
Haugland 2010	The integration-responsive-ness framework and subsidiary management	Integration-Responsive-ness (I-R) framework	Conceptual	<ul style="list-style-type: none"> - Those MNCs that have defined specific roles for their subsidiaries and manage their subsidiaries in line with these roles perform better than those subsidiaries that have not developed a close match between subsidiary roles and management.
Girod / Rugman 2005	Explanation of retail internationalization and its success with network strategy	Flagship-Network-Strategy, based on firm and country specific advantages (FSA + CSA)	Case study Analysis (N=3), primary data (Tesco, LVMH, Body Shop) /	<ul style="list-style-type: none"> - Took over „International Strategy“ from Rugman/Girod 2003. - FSA/CSA Matrix: Categorization of retail firms with the dimensions of CSA and geographic FSA. - The Flagship-Relationships, which is developed by the retail firm is dependent on its position in the FSA/CSA Matrix .
Hutchinson / Quinn / Alexander 2006	Conceptual framework of retail internationalization process for SME	Literature: motives, product-market-, management factors, networks, environment, MEF, strategic orientation	None	<ul style="list-style-type: none"> - Consider international marketing strategy („global skimming or multinational“). - Global Skimming: Specialist in luxury segment, no product adaptation necessary. - Multinational: Specialist in middle segment, local product adaptation necessary.
Alexander / Myers 2000	Modelling of retail internationalization process	Treadgold 1988	Conceptual	<ul style="list-style-type: none"> - Analyze „Strategy“ in foreign country as decision between global, transnational, multinational, investment and mixed. - Synthesis: Retail internationalization processes matrix, which combines the company based and foreign country based perspective: proximale , transnational, multinational, global. - No further specification or empirical validation.
Helfferrich / Hinfelaar / Kasper 1997	Classification model for international retail firms	Literature review on retail internationalization process; Bartlett/Ghoshal's terminology and Keegan 1995; (culture as influencing variable)	None	<ul style="list-style-type: none"> - Use four types: international, global, multinational and transnational based on Bartlett/Ghoshal 1989. - Five parameters: <ol style="list-style-type: none"> 1) geographic reach, 2) cultural expansion 3) cultural orientation 4) Marketing dimension (format adaptation), 5) Management (central/decentral).
Stern-quist 1997	Prediction of future steps of internationalization of retail firms	OLI-Paradigma; Process model of int.l risk evaluation based on Eroglu; concept of Salmon/Tordjman (1989)	Short examples	<ul style="list-style-type: none"> - Based on Salmon/Tordjman 1989; global and multinational approach. - Only naming of single company examples which shall be in respective category (global: Toys'R' Us, Gap, Ikea, Benetton; multinational: Sears, Walmart).

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