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An Australian Perspective on the Relationships between Standardisation of the Retail Offer, the Retail Brand and Organisational Performance

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Abstract
This paper discusses the antecedents of the retail brand and the retail offer. We develop a set of propositions that link the various relationships in the model. We postulate that the retail offer and retail brand may act as mediators in the relationship of resources, capabilities, retail type, business size, organisational culture and structure of decision making with organisational performance. We examine the model in an Australia context and provide anecdotal evidence from current Australian retailing practices.

Introduction to Australian Retailing
The Australian retail industry had sales of A$191 billion in 1998-1999 contributing A$31.2 billion to the Gross Domestic Product of Australia (IBISS 2000). It is an industry focussed primarily on its mature domestic market and exhibits low levels of globalisation (IBISS 2000). The industry has low concentration levels overall, however, this varies by segment. For some time Australian department stores, including David Jones and Myer Grace Bros, and discount department stores, including Target and Kmart, as well as specialty chains such as Country Road (fashion) and Myer have experienced slowing sales and declining profits (Carr 1999). One possible explanation for poor performance is the prevalence of adaptation of the retail offer in response to changing market conditions. At issue is the impact adaptation has on retail brand erosion.

The Retail Brand and Organisational Performance
Retail branding encompasses the strategy devoted to branding the store or chain name, its fascia and, in essence, the total store experience (Mathews 1995). The retail store name is in effect a corporate brand. The retail brand can be operationalised based on existing conceptual models (de Chernatony 1993; Goodyear 1996; de Chernatony and Dall'Olmo Riley 1997). It is proposed that retailers can be measured along a continuum of brand status from primitive to functional and finally psychic status. The more advanced the status, the more the retailer is positioned on non-functional, more inimitable attributes, which leads to superior organisational performance. In this context, organisational performance is operationalised using a multiplex method approach, measuring both market performance and financial performance (Bharadwaj, Varadarajan et al. 1993).

Antecedents to the retail brand
It is unlikely that the retail brand status alone will explain variations in organisational performance. The antecedents to the retail brand are, therefore, of great importance. While an overview of the antecedents provided this paper focuses on the relationships between retail offer standardisation, the retail brand and organisational performance.

Retail Offer
Standardisation and adaptation are viewed as two extremes on a continuum, with most companies adopting a strategy somewhere between the two poles (Ozsomer, Aysegul et al. 1991; Chhabra 1996). The degree of standardisation or adaptation in retailing specifically refers to the adjustment of the retail offer to its market environment. Walters and Knee (1989) define the retail offer as the management of four elements including merchandise, trading format, customer communication and customer service. It is the combination of these four elements within the marketplace, which communicates the retail brand identity to consumers (Walters and Knee 1989).

A large national trading environment, such as Australia exhibits regional differences in geography, climate, culture and competitive forces. Jain (1989) suggests that such differences can negate the gains achieved from standardisation. This is consistent with Mehotra’s (1989) argument that due to local and regional differences standardisation does not lend itself to the US national market. In addition, Australia is a mature retail environment and as competition intensifies differentiation and market segmentation may drive adaptation of the retail offer (Samiee and Roth 1992). The international literature suggests that while some elements of marketing strategy, such as pricing and promotion, are adapted to suit a specific market environment, other elements, particularly product and distribution elements, are more likely to
be standardised (Ozsomer, Aysegul et al. 1991; Cavusgil and Zou 1994; Chhabra 1996). In regard to the relationship between strategy adaptation and performance, previous research has been contradictory. Cavusgil and Zou (1994) found that product adaptation and support for the foreign distributor positively affected performance. However, the relationship between promotion adaptation was refuted as it actually resulted in poor performance. In contrast, Shoham (1996) found that adaptation of number of product lines, price, and advertising content positively influenced performance. However, adaptation of product quality, services and design did not significantly contribute to performance.

While literature from the international marketing arena and regional marketing literature, predominantly from the USA, suggests that a more adapted strategy would lead to superior organisational performance, it can also be argued that greater standardisation may have a positive effect on organisational performance. Kaufmann and Ergul (1998) in their paper on standardisation within the franchising domain, assert that a degree of uniformity must exist in order to avoid system erosion. Such system erosion within the retail environment may be explained through the mediating influence of the retail brand. Liecee (1990) proposes that a strong brand identity will only be established by a consistent presentation of the individual elements of the brand or retail offer. Greater adaptation of the retail offer is expected to erode brand consistency, sending mixed communication messages to consumers about what the brand is, its values and points of differentiation, which adversely impacts on organisational performance.

Australian department store retailers Myer Grace Bros and David Jones have in some instances adapted their offers to the individual stores’ trade areas. This may have resulted from their lack of effective market differentiation or market maturity as suggested by Jain (1989) and Samiee and Roth (1992) However, it is argued that such a strategy has contributed to declining performance because of the communication conflict such adaptation causes. In contrast, specialist retailers are more able to capitalise on their differences and are, therefore, expected to have a predominantly standardised retail offer. This is illustrated by the retailing strategy of Country Road. Despite facing different competitors in its various trade areas Country Road has sought to present a standardised retail offer to all markets as a means of establishing a strong retail brand. While the company has experienced fluctuations in its performance (Carr, 1999), its present financial position suggests that the standardised strategy is contributing to the improved performance of the firm.

It is argued, therefore, that a consistent brand identity requires greater standardisation of the retail offer. Such a strategy facilitates the sending of unambiguous messages to consumers about what the brand is, its values and points of differentiation, which positively affects organisational performance. It is recognised, however, that most retailers will have to adapt some elements of their retail offer even when pursuing a predominantly standardised strategy.

McGoldrick (1998) argues that most retail formats require at least some adaptation of their offer to suit the specific conditions of the market. Merchandise is one of the retail offer elements most likely to be adapted. It is through the adaptation of merchandise that retailers tailor their offer to the demographic and psychographics characteristics of a particular region. However, adaptation of the David Jones department store offer towards stocking house brands is said to have alienated David Jones’ target market (Carr 1999). This illustrates that changing elements of the retail offer may create conflict between consumers’ expectations and experience, thereby alienating the store’s target customers and adversely affecting organisational performance. Customer service is another of the retail offer elements that has experienced a trend towards adaptation, such as the provision of advanced services tailored to the trade area. Coles and Woolworths supermarkets provision of in-store-banking facilities, which appear in only a small number of both chains’ stores reflect such adaptation. Conversely, customer communication and trading format are expected to be more standardised. First, adaptation of communication will send mixed messages to consumers, leading to a confused retail brand image. Second, the trading format itself is the visual cue or symbol of the brand. Adaptation of the trading format is likely to lead to customer confusion of the retail brand. Myer Grace Bros began a strategy of adapted store formats across the chain. The lack of consistency in trading format could be one possible explanation for the retailers’ poor performance. Thus, it is evident that the exact elements to be standardised or adapted and the degree of adaptation is likely to influence organisational performance.

Subsequent variables discussed below recognise that the retail offer and retail brand do not operate in a vacuum. It is expected that certain organisational antecedents will influence the retail offer and brand, thereby indirectly affecting organisational performance.

**Resources and Capabilities**
The Retail Offer is dependent on the availability of various resources and capabilities (Day and Wensley 1988; Grant 1991; Bharadwaj, Varadarajan et al. 1993). Resources can include favourable locations and skills of senior managers, while effective capabilities can include logistics and merchandising. Inability to acquire these resources or to develop competitive capabilities may impact on the organisation's retail offer, the resulting retail brand identity and organisational performance.

Structure of Decision Making

The structure of decision making within the organisation can be viewed along a continuum from centralisation to decentralisation (Robbins and Branwell 1998). As discussed previously the retail brand strategy is expected to be most effective when consistency in the coordination of the retail offer elements occurs. Consequently, it is expected that a more centralised organisation will have a more standardised retail offer, which establishes a stronger retail brand and ultimately results in superior organisation performance.

Retail Type

Australian department stores and specialty retailers have adopted strategies at opposite ends of the standardisation/adaptation continuum. It is expected that specialist and innovative retail formats may perform well without adapting their offer, as they can satisfy consumers in new ways and avoid direct competition from more traditional retail formats. In contrast, the performance of mass merchandise retailers, because of their lack of unique characteristics and market maturity may depend more heavily on the degree of adaptation of the retail offer.

Organisational Culture

Deshpande et al. (1993) classifies organisations as one of four cultures: hierarchical, clan, market and advocacy. An organisation with a clan culture is more likely to standardise the retail offer, based on the fact that a clan culture has inherent traditions and is less likely to change. Conversely, an advocacy culture is more ready to meet new challenges and is therefore more likely to adapt their retail offer.

Organisational Size

It is proposed that organisational size has a significant influence on the degree of standardisation or adaptation of the retail offer. Smaller retailers are more likely to standardise their retail offer because they do not have the resources that allow for flexibility in production and design. In contrast, large retailers can capitalise on economies of scale, management and financial resources. Thus, they can provide stores with a large merchandise range to choose from and adapt other aspects of the retail offer, such as store design and services.

Conclusion

This paper postulates that the retail offer, through the establishment of a strong retail brand, may provide an appropriate theoretical framework to explain variations in organisational performance. It is recognised that the retail offer alone cannot fully explain variations in retail brand status and organisational performance. Rather, it is the combination of relevant antecedents together with the retail offer and retail brand that provides a holistic framework. While the relationships between the retail offer, retail brand and organisational performance of retailers are speculative they do provide a framework for further investigation of Australian retailers' performance. The following propositions reflect the relationships that may be interesting to investigate.

Proposition 1: The Retail Offer is a function of organisational antecedents. Proposition 2: Organisational antecedents and the retail offer significantly influence the retail brand. Proposition 3: The relationship between organisational antecedents and the retail offer to organisational performance is mediated by the retail brand.

The study makes contributions in several areas. First, the propositions discussed in this paper seek to address the lack of previous empirical research in the area of retail store branding. Second, these propositions could form the initial steps in addressing the research area and enhancing our understanding of the nature and importance of retail branding. Third, the relationships identified in this study have been examined in a variety of other contexts. However, it is the combination of organisational factors together with the retail brand and retail offer, which provides a holistic framework.

References


