From successful differentiation in retailing to store equity

Introduction

Although some important conceptual and empirical studies have been published with regard to retailer differentiation (e.g. Rudolph and Becker, 2003), a comprehensive framework regarding the design and implementation of a successful differentiation strategy, integrating antecedents, consequences and possible moderating and/or mediating factors is still lacking. Therefore, this doctoral research aims to analyse retail differentiation mainly from a consumer perspective, namely how consumers process these retail efforts and how their reactions can be quantified in the concept of 'store equity'.

Review of Relevant Literature

What do we mean by retail differentiation? Dawes and Sharp (2001, p. 739) give a comprehensive definition of 'differentiation', particularly suitable for a retail context: 'Differentiation is when a firm/brand outperforms rival brands in the provision of a feature(s) such that it faces reduced sensitivity for other features (or one feature). Through not having to provide these other features the firm has an avenue to save costs. The firm benefits from the reduced sensitivity in terms of reduced directness of competition allowing it to capture a greater proportion of the value created by exchange'. Although the concept of 'branding' has traditionally been mainly applied in the context of consumer goods, the rise of the retailer as a brand has recently become one of the most important trends in retailing. Ailawadi and Keller (2004) argue that a 'retail' brand identifies the goods and services of a retailer and it differentiates them from those of competitors. Acknowledging that retailers can be seen as brands, researchers agree that branding and brand management principles can and should be applied to them (Ailawadi and Keller, 2004).

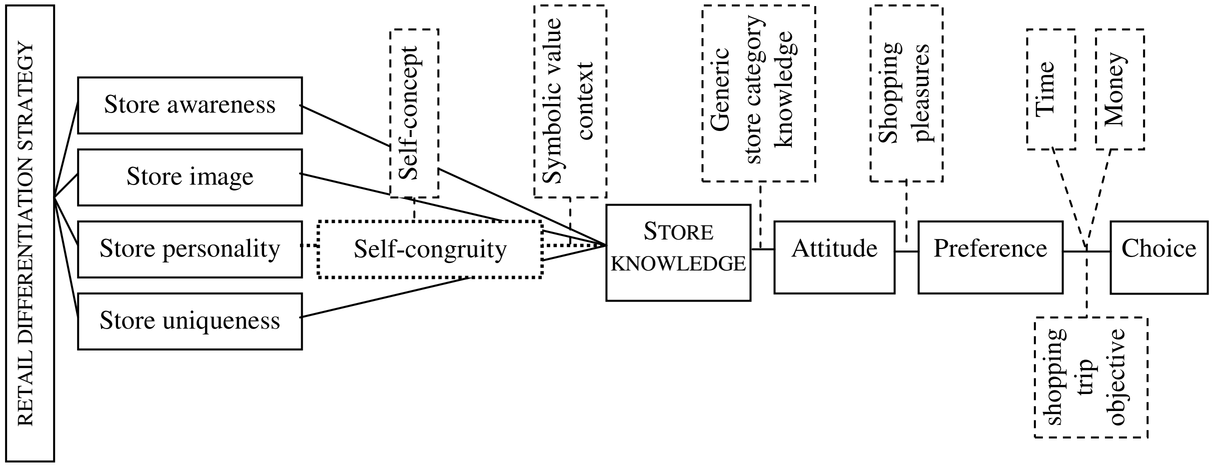
A core concept in (product) branding, is Keller's (1993) 'brand equity', which is commonly considered to be the ultimate measure of the success of branding efforts. Hartman and Spiro (2005) have conceptually outlined the meaning of equity in the context of retail stores. They explain the need for retailers to keep track of the 'differential effect' of store knowledge on customer responses to their marketing activities. The idea of such a 'differential effect' is closely tied to category-based information processing arguments by Keaveny and Hunt (1992). Therefore, in the present differentiation context, it would be more useful to determine if a certain image is associated with a specific store or if the image is shared among its competitors, rather than measuring store images in isolation. The relative approach of 'store equity' should make this measure better suited to capture the effects of a differentiated store image on consumer behaviours and beliefs as well as on store performance.

The process underlying this concept of 'customer-based store equity' is illustrated in a preliminary retail differentiation model, which we developed based on a literature review (Figure 1). A retailer's successfully implemented differentiation strategy is likely to evoke some specific consumer perceptions and associations with the store. These associations can be functional (cf. store image) or symbolic (cf. store personality) in nature, strong or not so pronounced (cf. store awareness) and unique or rather generic (cf. store uniqueness). If the specified retailer stands out from the broader schema of the generic store category in a positive differential way, the consumer will be inclined to respond more favourably to particular marketing activities of that store than to the same efforts by some other (i.e. a fictitiously or unnamed version of the category's stores) store. Hartman and Spiro (2005) suggest that attitudes, preferences and store choices are relevant customer responses to monitor in order to capture the differential effect of store knowledge. The ultimate result of such favourable customer responses is that the retailer can reap the rewards of his differentiation strategy from the generated store equity.

A possible mediating variable in our model, is the concept of self-congruity. Sirgy et al. (2000) argue that a consumer is more likely to prefer a store with a personality similar to his/her own self-concept. In the present commoditized retail landscape, scholarly interest has started to shift to the symbolic meanings of a store, since they provide a potentially distinguishing complement to the purely functional store image attributes (d'Astous and Lévesque, 2003). However, the relative importance of store personality for instance can be expected to depend on the type of retail sector (see Batra et al., 2004). Furthermore, we expect certain personal and situational consumer variables to moderate the relationships in this model. The type of pleasure that a consumer mainly derives from shopping (e.g. mingling, browsing, bargain hunting, sensory experience, kinaesthetic experience and being pampered; Cox, Cox and Anderson, 2005) and the perception of one's own time and income limitations in shopping (De Wulf and Van Kenhove, 2005) might be influential in the path from attitude to preference and eventually to store choice.

FIGURE 1

Retail differentiation model



Research Approach

In a first stage of this PhD research project, a conceptual retail differentiation model needs to be developed. The relevant literature is scrutinized in order to obtain a better insight into the process of differentiation, the existing differentiation typologies, and the antecedents and outcomes of particular differentiation strategies. In order to fine-tune the resulting preliminary model (cf. Figure 1), additional insights will be derived from two exploratory studies. First, we will take a look at the alternative differentiation strategies currently being used by retailers, how they are approached, and how effective they are, based on expert interviews (with consultants, researchers and practitioners) using a Delphi approach and 'best practices' analyses. Next, we explore the determinants of consumer's perceptions of store similarity and uniqueness as well as value dimensions within different sectors, based on in-depth interviews using qualitative techniques, such as Kelly's repertory grid and the laddering approach. A content analysis of the transcripts of these consumer interviews will provide useful insights into the perceptual space in which consumers position different stores, the determinants at the basis of this distinction and the main sources for consumer value. This consumer perspective will be researched both in a high- and in a low-symbolic value retail context, such as in fashion retailing respectively in the grocery business sector.

Next, we will search for appropriate measures for the operationalization of the concepts in the model that resulted from the previous stage. For some constructs, there are already validated measurement scales at hand (e.g. for the concepts 'self-congruity', 'store awareness', 'store image', 'store personality', 'attitude', 'preference', 'choice', 'time', 'money' and 'shopping pleasures'). For the operationalization of 'retailer differentiation strategy', we can make use of the typology that resulted from the previous, exploratory phase in this research. The level of differentiation that has been achieved, can be assessed by systematically analyzing Aaker's (2001) three conditions to differentiation for each of the retailers (i.e., offering perceivable consumer value that is not easily copied by competitors). The symbolic value of a retail context is to be judged case-by-case. The most suitable measurement instrument of this possibly moderating variable still has to be identified. Since uniqueness is an important condition in order to speak of retail differentiation (Aaker, 2001), finding a reliable and valid 'store uniqueness' measure is highly ranked on our research priority list. A repertory grid analyses on our exploratory consumer in-depth interviews, might provide us with the necessary input to develop a measurement scale for this construct, which will have to be validated quantitatively. The greatest challenge in our operationalization stage, will however be the measurement of store equity. Hartman and Spiro (2005) suggest the applicability of a direct and/or an indirect approach. Whether we will take on both approaches or focus on only one (and in that case 'which one?'), is still to be decided. The direct approach consists in an experimental design, in which the experimental group responds to a specific differentiation measure when it is attributed to a real store, while the control group responds to that same measure when it is attributed to a fictitiously or unnamed version of the store. The differential effect of store knowledge can be measured by taking a look at the differences in customer responses between both groups. Measuring store equity indirectly, however, implies that store awareness, store image, store personality and store uniqueness are all measured separately in order to get an idea about a store's customer-based equity.

Finally, we want to aggregate our knowledge by testing the quality of our resulting retail differentiation model. In order to check the link between differentiation strategies and favourable consumer responses, we will first identify a number of – both fashion and grocery - retailers that are well versus poorly differentiated. These cases can serve as stimuli in the subsequent consumer survey in which we will question the participants with regard to the constructs in our model. Finally, to complete our comprehensive model, all these data (on antecedents, mediating/moderating variables and ultimate consequences) will have to be integrated. Structural equation modelling will be used to test the most relevant relations in the model and between-groups comparisons will be made to test the impact of several moderating variables.

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