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Retail marketing: From distribution to integration

Francis J. Mulhern *

Department of Integrated Marketing Communications, Northwestern University, Evanston, IL 60208, USA

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Abstract

Retailing represents the culmination of the marketing process, the contact point between consumers and manufacturer products, marketing communications and customer service. This paper reviews the research on retail marketing that has appeared in the academic literature in the last several years. The review will address the revolutionary changes occurring in retailing today brought on by the availability of purchase transaction databases and new forms of marketing communications. The author suggests a reorientation of the role of retailers away from the prevailing focus on distribution toward an emphasis on integrated communications and the management of customer relationships. Research on many aspects of both store and nonstore retailing are discussed in terms of this orientation. © 1997 Elsevier Science B.V.

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1. Introduction

Retailing, one of the world's largest and most diverse industries, is in the midst of a broad based revolution that is transforming a once simple way of doing business into a highly automated and sophisticated form of management. Presently, the most advanced areas of retail management are logistics, inventory control and operational procedures, not marketing. However, retail marketing is on the threshold of a new era that will feature more efficient, more meaningful and more profitable marketing practice. This new era is being spawned by technological developments in data management and communications as well as the ongoing consolidation of ownership in retail markets.

This paper sets forth a conceptualization of retail marketing appropriate for this new era of retailing. It is a truly customer centered conceptualization that encompasses a data driven approach to effectively manage customer relationships. To develop this conceptualization, this paper provides a review of academic research on all aspects of retail marketing. The review coalesces and summarizes the vast amount of research conducted on retailing topics to help academic researchers, teachers and marketing practitioners better understand, explain or practice retail marketing. A review such as this provides an opportunity to assess the prevailing depiction of retailing in the academic research literature and offer a more customer based, integrated marketing emphasis.

Historically, academic research has regarded retail marketing as primarily a distribution activity. This is no better indicated than by the placement of retailing

* Fax: (+1) 847-491.5925.

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and wholesaling in the same or adjacent chapters in Marketing Management textbooks. With an emphasis on product availability, retailing research has focused on distribution related topics such as store location, the delineation of geographic market areas, retail assortment, and other marketing mix decisions.

The review of the retail marketing literature that follows reflects the distribution and marketing mix orientation that prevails in the literature. As the review will show, researchers have advanced the understanding of retail marketing quite substantially in this direction. However, the "retailing as distribution" model is presently yielding to a different conceptualization of retailing that begins with customer databases and integrates retail merchandising practices to profitably satisfy customer wants.

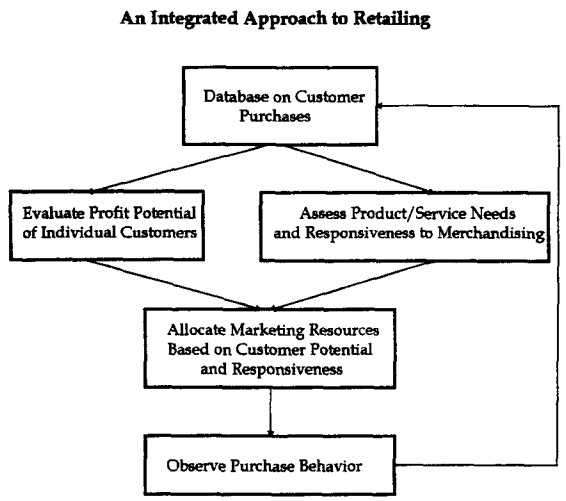

Fig. 1. An integrated approach to retailing.

2. An integrated approach to retailing

Retailing has long had the opportunity to be customer oriented because retailers engage in personal contact with customers. However, retailers have been slow in taking advantage of their closeness to the customer as they have placed the highest priorities on buying decisions, operational concerns and merchandising practices, not customer management. In general, most retailers are very product oriented as they attempt to manage an assortment of merchandise in a profitable manner. This orientation is changing because of the availability of databases on the purchases of individual customers. Such databases allow retailers to conduct an integrated approach to marketing that systematically ties merchandising practices to customer buying behavior. In a world of integrated retailing, retailers will be less concerned with the profitability of items in stock and more concerned with the profitability of the customers in the store.

The changes taking place in retail marketing, most notably those dealing with technologies for data collection and communication, provide retailers with the ability to concentrate their marketing efforts on managing their customers. This approach to retailing fundamentally differs from the operations and merchandising orientation which is unlikely to result in the utilization of resources in a profit maximizing manner. For example, consider the common practice in grocery stores of having quick check-out lines for shoppers purchasing only a few items. While this is a sound operational practice that facilitates the check-out process, it is poor customer management; the best service is delivered to the least profitable customers.

As depicted in Fig. 1, an integrated approach to retailing involves analyzing customer databases to evaluate the present and potential value of individual customers, determining how customers respond to retail merchandising variables, and allocating marketing resources to individual customers accordingly. Customer management is made possible by databases on individual purchases, and can potentially be implemented by marketers at all levels, not just retailing (Blattberg and Glazer, 1994). However, retailers, like other large-scale service providers, stand to gain the most from database driven customer management practices because retailers control enormous amounts of high quality purchase data, and the preponderance of retail profits stem from a small portion of the customer base. The shift toward an integrated approach to retailing has many important implications, among them:

- Retailers will be less oriented toward volume (which is what the manufacturers want) and more oriented to individual customer profitability.
- Merchandising efforts will be concentrated on the small portion of shoppers who contribute the most toward profits.

- Retailers will manage customer relationships by combining products and services into meaningful offerings for individual customers.
- Less emphasis will be placed on attracting additional shoppers to stores (as with advertised promotions) as more emphasis is put on rewarding regular shoppers.
- Relationships with manufacturers will deal much less with moving volume and more with providing manufacturers with access to attractive consumers and market segments.

As we will see in the review that follows, much of the existing research on retailing contributes to this framework. In order to help generate future research that adopts a more integrated approach to retailing, each major section will feature an assessment of how research in that area can be redirected toward issues relating to customer management

3. The retailing literature

The word *retailer* stems from *tailor* – one who cuts into pieces; a term that reflects the breaking down of bulk function performed in marketing channels. Today, the scope of retailing goes well beyond breaking bulk and is typically defined as the set of activities involved in selling products and services to the ultimate consumers (individuals and households). While some definitions explicitly stipulate that retailing pertains only to products purchased for personal, nonbusiness use (e.g., Kotler, 1991, p. 535), that restriction is implied in the terms "ultimate" and "final". Note that existing definitions distinguish retailing from nonretailing (business marketing) based on whether the customer is a business or an individual consumer.

Table 1 provides a classification of the three ways goods can be purchased – personal selling in a store, personal selling outside a store, and impersonal (electronic) selling. The table also shows the typical split of the market into consumer and business segments. The scope of retailing typically includes any sale to the final user, regardless of the manner by which the sale is transacted. Even though it forms a basis for the definition of retailing, the distinction between businesses and final consumers is problematic, particularly since there are now some retail stores that cater to businesses. Defining the scope of retailing in terms of final consumers is consistent with an integrated approach to retailing which attempts to profitably manage those consumers (Schultz et al., 1993). In many ways, an integrated approach to retailing resembles personal selling where product offerings and marketing communications are customized for individual customers.

The literature review that follows is organized in terms of the existing streams of research as shown in Table 2. Because retailing is such a broad area, no attempt is made to include every published article in the area. Instead selected papers are discussed to highlight the most important research issues. In general, this review will be limited to the consumer side of retailing, and will not cover buying and other upstream channel aspects.

As shown in Table 2, we first separate research on store retailing and nonstore retailing (direct marketing). Since the majority of retailing research ad-

Table 1
Selling/delivery systems for consumer and business markets

Selling/delivery system mechanism			
Customer type	Personal-store	Personal-nonstore	Impersonal
Consumer (final user)	*Store retailing* *	*Door-to-door* *	*Direct marketing* *
	Food stores *	Cosmetics *	Catalog sales *
	Dept. stores *	Fund raising *	Telephone sales *
	Restaurants *		Home shopping network (TV) *
Business	*Store retailing*	*Personal selling*	*Direct marketing*
	Office supplies	Industrial sales	Catalog sales
	Computer store		Telephone sales
			Computer links

* Areas represent activities typically included in retailing.

Table 2
Organization of review

dresses store retailing, the preponderance of the review covers that area. Under store retailing, we dichotomize research as either strategic – marketing the store as an entity to consumers, or tactical – merchandising individual items and sets of items within the store. Strategic level marketing includes store location and choice, store image and positioning, overall pricing and promotional strategies, physical environment and service. Tactical level marketing encompasses unit pricing and promotional activity, advertising, display and shelf space allocations. A separate, and much smaller area of research is nonstore retailing which encompasses the rapidly growing area of direct marketing. Finally, we address two major topics affecting retailing today – the automation of retailing and international retailing.

4. Store retailing – strategic decisions

The vast majority of consumer purchases are made at retail stores. Strategic aspects of store retailing include store location, image, retail assortment, and overall pricing practices. Before discussing these particular aspects, we overview the more general issue of store evolution.

4.1. Retail store evolution

There has been a considerable effort to describe how stores evolve over time. The most comprehensive overview of store evolution is provided by McNair and May (1976) who describe the major structural changes in retail stores this century. More recent overviews are provided by Hollander and Omura (1989) and McLafferty and Ghosh (1991). The prevailing forces behind the evolution of retailing are changes in social, political and economic conditions as well as consumer tastes. McLafferty and Ghosh (1991) note that spatial transformations in retailing result from broader changes in political, economic and social conditions. For example, specific changes in demographics, lifestyle and buying behavior continually force retailers to alter their delivery systems to accommodate factors such as aging populations, harried shoppers, and heightened price consciousness (Anderson, 1992).

Three theories of retail store evolution have been described in the literature. The most popular is the wheel of retailing (Hollander, 1960) which maintains that stores enter the market as low cost operations with relatively low prices and product quality. Over time, stores evolve to higher levels of service, quality and price, leaving room for new stores to enter the market at the low end. While the wheel of retailing does not encapsulate all of the changes in the retail marketplace (Savitt, 1988), it does describe a frequently observed phenomenon in store evolution (Brown, 1988, 1990).

A second theory of retail evolution, the retail accordion model, maintains that retailing is alternatively dominated by stores offering a wide variety and low depth assortment, followed by retailers offering a more narrow variety and high depth assortment (for a review, see Brown, 1988). A third theory is the retail life cycle which posits that stores go

through life cycles much like products go through the product life cycle (Davidson et al., 1976). Instances for each of these theories can be found in retailing practice. While these conceptualizations do provide some insight into how retail stores change, they do not constitute comprehensive theories about how retailing in general changes over time (Peterson, 1992).

Recent research on retail evolution has focused on shopping center and mall development. The major impetus for the development of shopping centers and malls has been the geographic shift in the population from cities to suburbs. Recent research on store evolution addresses this shift and the clustering of stores (Ghosh and Craig, 1991). This generalizes the level of analysis from individual stores to sets of stores. Given the rapid development of agglomerations of stores, this is an important advance in the study of retail evolution.

Assessment. While there is relatively little recent research on store evolution, stores continue to evolve. The newest store types are wholesale clubs and extended specialty stores (Bates, 1989). Continued research is needed on retail evolution as stores continually evolve to better match changing economic conditions and consumer preferences. Research on store evolution can be made more comprehensive by imbedding it into a more general historical framework that accounts for economic, social and political conditions as well as the related business ventures of supply, production and wholesaling (Savitt, 1989). More pertinent to an integrated approach to retailing is the overall evolution of all retailing practice, not just store retailing. The ongoing changes in retailing brought on by an integrated approach to marketing, particularly electronic communications, is bringing about revolutionary changes in retailing (Schultz, 1992). In fact, much of the future evolution of retailing will involve moving some aspects of retailing away from the traditional store format toward electronic means of transacting retail sales.

4.2. Store location

Store location research determines the spatial patterns of outlets that best meet the objectives of retailers. In many retail industries where competing stores offer comparable products, prices and services, location is the primary determinant of consumer store selection. Location is critical to the success of stores, and can be a source of market power (Ingene and Ghosh, 1991). Research on store location has addressed three main topics: the geographic areas a retailer should enter, the location of individual stores, and the delineation of geographic market areas.

Research on market selection decisions involves evaluating the untapped sales potential in geographic areas. Retailers seek to locate stores in markets where sales are below saturation levels (Mahajan et al., 1988). Duke (1991) maintains that retailers should attempt to maximize the size of the geographic area served in markets that are not yet saturated. In markets that have reached saturation levels, competitive activity should shift to item level merchandising activities.

The preponderance of academic research on store location addresses the evaluation of potential locations for individual stores and sets of stores, and the related problem of delineating retail trading areas. Store location is crucial to retail success since location has a major effect on patronage behavior, and location cannot easily be changed. Basic models of store location have been derived from central place theory which provides a normative foundation for the spatial organization of retail facilities. Huff (1964) incorporates the main concepts of central place theory in a probabilistic model of consumer store choice. The Huff model was the first popular spatial interaction model. Such models rely on the premise that the drawing power of an outlet is directly related to its attractiveness to consumers, and inversely related to distance. Much of the research on store location stems from Huff's formulation (e.g., Drezner, 1994).

More recently, optimization algorithms have been applied to retail location problems. These models have the advantage of simultaneously considering several retail locations, and incorporating interdependencies among them. Ghosh and Craig (1986) present an optimization model that jointly locates several service outlets in a market area, and tells service retailers how many outlets should be in a market, and what are the optimal locations and levels of price and other operating variables. Most location models rely on consumer survey data. An alternate approach is utilizing managerial judgments to cali-

brate how a new entrant will draw sales from competing retail locations (Durvasula et al., 1993).

Recent research has focused on lifting the assumptions of the basic models to account for multipurpose shopping trips and multiple store locations. For example, location models derived from central place theory ignore the interrelationships that exist among different retailers. To overcome that limitation, Ghosh (1986) and McLafferty and Ghosh (1987) generalize central place theory to account for multipurpose shopping trips – which may represent as many as half of all shopping trips. The premise of this approach is that geographic agglomerations of retail stores reduce shopper travel costs. Ingene and Ghosh (1991) find that the frequency of single versus multiple shopping trips depends on where consumers are located relative to the store. Shoppers living close to a retail location are more likely to make frequent visits. An additional concern is anticipating future location strategies of competing stores (Ghosh and Tibrewala, 1992).

Closely related to store location is the spatial distribution of customers. Traditionally, market delineation models have identified the boundaries of retail market areas with approaches such as Rielly's law of retail gravitation. More recently, location modeling has become more sophisticated to incorporate information on the location and shopping patterns of individual customers (Rust, 1991; Donthu and Rust, 1989; Rust and Donthu, 1995). Most location research incorporates shopper travel by car or public transportation. For inner city shopping, location models should include pedestrian travel (Borgers and Timmermans, 1986).

A final consideration in store location is the composition of the residents of the market area. Several recent studies have reported on shopping behaviors of distinct demographic and ethnic segments (Green, 1995; Mulhern and Williams, 1994). Incorporation of the customer characteristics reported in these studies can improve the predictive accuracy of location models.

4.2.1. Store choice

Store choice is very closely related to store location because location is usually a primary attribute in store choice, and many location models are essentially choice models. For example, the Huff (1964) model is expressed in the mathematical form of the Luce (1959) choice axiom.

Research on store choice closely parallels research on brand choice in the marketing literature. Several recent studies investigate how consumers form sets of alternative stores to patronize. Fotheringham (1988) provides a hierarchical decision making model whereby consumers evaluate a small set of stores, in contrast to other multinomial models which assume consumers evaluate all possible alternatives. Timmermans et al. (1991) show that competition among shopping centers is stronger for centers that belong to the same hierarchical level in consumer choice sets, and weaker for shopping centers that are in different sets. The findings of these studies have important implications for retail strategy since a retail store must be included in a consumer's evoked set in order to be selected. Finn and Louviere (1990) find that different market segments have different evoked sets of retail centers. Each market segment has a different set of attributes that defines whether a store is included in a shopper's consideration set. They find that one attribute, store location, is an important attribute for all market segments.

A second aspect of recent store choice research is the influence of various store attributes on consumer store choice. Research has shown that the predominant attributes affecting store choice are location, service, and width of selection (Finn and Louviere, 1990) and price, quality and store atmosphere (Hortman et al., 1990). The distance and price attributes parallel the most important determinants of store choice found by Arnold et al. (1983). The consumer store selection involves a sequential decision process for selecting products, brands and store features (Stoltman et al., 1990).

A topic closely related to consumer store choice is shopping trip behavior. Kahn and Schmittlein (1989) empirically investigate the timing of consumer shopping trips. They discover two primary market segments of shoppers: one segment makes frequent shopping trips for small dollar amounts; a second segment makes few trips for large dollar amounts. Many consumers shop for groceries in seven day intervals, indicating a pattern of shopping on the same day of the week. In another study, the same authors relate promotion purchasing to whether a shopping trip is a major trip (large dollar purchase

basket), or a fill-in trip (small dollar purchase basket) (Kahn and Schmittlein, 1992). They report that shoppers use coupons more often on major trips but are more likely to purchase featured (advertised) brands on fill-in trips.

Assessment. Store location may be the theoretically richest topic in retailing research. In particular, central place theory and Hotelling's principle of minimal differentiation (for a review, see Brown, 1989) provide theoretical underpinnings for research on the spatial aspects of retailing. It is encouraging to see that much of the recent work on store location is taking into account the changes taking place in store location practices, particularly the development of shopping centers and malls. Because of the critical importance of location for retail success, location will continue to be one of the most important aspects of store retailing. In one sense, the importance of location research is becoming overshadowed by the rise of nonstore retailing. However, there will always be a spatial aspect of retailing. In fact, more integrated approaches to retailing should enhance the quality of location modeling as databases on individual shopping behavior can be incorporated into location models. Such data can reveal more precise relationships between store location and individual purchasing behavior.

4.3. Store positioning

The overall positioning of a store reflects the quantity and quality of goods offered, quality of service, pricing strategy, store format and related aspects that influence shopper perceptions and purchase behavior. We concentrate on the two primary dimensions that stores are positioned on – overall price and quality, and retail assortment.

4.3.1. Overall price and quality

The price/quality dimension of store positioning represents the position of a store with respect to overall prices and quality of merchandise. While these could be two separate dimensions, they are generally highly correlated as described by the wheel of retailing. In many retail industries stores are positioned along a price/quality dimension. The low end of the continuum features off-price retailers while the upper end features high price, high quality and high service retailers. In industries such as grocery retailing, price image stems from whether a retailer utilizes a policy of every day low price (EDLP) or of higher regular prices and lower discount prices (high–low). For example, department stores tend to have high overall prices, but offer frequent sales while, by definition, discount stores offer consistently low prices. A store's position on the price/quality dimension can be represented by its prestige among consumers. One study finds that consumers have a prestige hierarchy for clothing stores as follows (in ascending order): discount, mass merchandisers, local department, specialty, and national department stores (Dawson, 1988).

4.3.2. Retail assortment

The retail assortment (product lines, brands, styles, services, etc.) is a second major dimension of store positioning. To effectively match consumer wants with manufacturer products, retailers must properly manage the assortment of goods carried in the store. Retailers select product and service assortments to match consumer wants and attract certain customers. For example, grocery shoppers who buy baby foods purchase about twice as large (in dollars) a basket of goods as nonbaby food buyers (Progressive Grocer, 1991). The common practice of aggressively pursuing this market segment is an excellent example of a customer oriented approach characteristic of integrated marketing. One difficulty with assortment decisions is that many stores must have an assortment that is broad enough to accommodate the wants of different consumer segments (Kopp et al., 1989). The retail assortment made available directly affects purchase behavior. For example, Bawa et al. (1989) find that stores with small assortments have more brand loyal shoppers despite higher promotional activity. They also find promotion effectiveness is higher in stores with larger product assortments that have frequent promotions.

4.3.3. Store brands

One of the most dramatic developments in retail assortment has been the proliferation of store brands. [1] While store brands usually have higher unit

[1] Store brands are also known as private labels, own brands, and distributor brands (for a discussion of the terminology, see De Chernatony and McWilliam, 1988).

margins than national brands, overall profitability depends on the relative movement of the different items, and may not always be higher for store brands (Salmon and Cmar, 1987).

Sethuraman (1992) relates the penetration (market share) of store brands to several descriptive factors. A cross-sectional analysis of several grocery categories reveals that store brand penetration is higher when the price difference between national and store brands is small, national brands are infrequently promoted, national brands use little couponing and advertising, and category price elasticity is low.

In the UK, own label sales account for market shares in the 30% and 40% range for many food categories (Davies et al., 1986). Similarly, in the US, store brands have become more popular as retailers have aggressively marketed them, and the quality levels of these items often match those of nationally branded products. The current malaise of some prominent national brands can be attributed, in part, to the rise of store brands (The Economist, 1993).

One reason retailers have pushed store brands has been to deal with the commodity-like nature of some retail markets caused by having competing retailers offer the same branded products (Wortzel, 1987). Store brands provide an opportunity for differentiation. Since consumers wishing to purchase a store brand must shop at the store that offers that unique brand, successful store brands may influence consumer store choice.

4.3.4. Repositioning

Retailers sometimes want to alter a store's competitive position. Repositioning closely relates to store evolution, and is most likely to be a function of changes in consumer or competitive conditions. Repositioning is often conducted on the price/quality dimension. In fact, the premise of wheel of retailing is that stores reposition themselves on this dimension. Many stores, as predicted by the wheel of retailing, increase prices and quality of merchandise over time. However, there are also many instances of stores moving in the opposite direction, particularly in markets with intense price competition.

Another manner of repositioning is altering the assortment of goods offered by a store. Corstjens and Doyle (1989) examine the profitability effects of changes in merchandise portfolios – i.e., the trade-off between incremental business generated from newly carried products and business lost from product deletions. They describe repositioning as being either zero – maintain the same target market despite a changing environment; gradual – regular small adjustments in the assortment to match the store to a changing environment; and radical – major, discontinuous shift in merchandise carried.

4.4. Store image

Closely related to retail positioning is the image of a store. Consumers' images consist of specific store attributes such as price and service levels, as well as global impressions of the store (Zimmer and Golden, 1988). Store image is closely related to the quality and reputation of the brands carried in the store. Retailers can project a favorable image by stocking merchandise that has positive images in consumers' minds (Chu and Chu, 1994). In fact, Manrai and Manrai (1992) find that the strongest determinant of store preference is the nature of the merchandise carried (brands, fashions, variety, quality).

Just as brands carried in a store affect store image, a store's image may affect brand image. Dodds et al. (1991) find that favorable information about a store positively influences consumer brand level perceptions and willingness to buy.

Assessment. While existing research has explored many aspects of retail positioning, many questions remain about how retail positioning relates to profitability, shopper perceptions, and store patronage. More research is needed on the development of perceptual maps of competing retailers, particularly in light of the crossing over of product assortments among various types of retailers (e.g., wholesale clubs offering groceries). In the future, more data driven approaches to retailing should help retailers better position themselves to consumers by providing retail assortments and marketing communications that are designed for individual consumers.

4.5. Physical environment

An important but little understood aspect of retailing is how the physical environment affects shopping

behavior and perceptions. Physical attributes such as store layout, lighting, color, crowding, and music can influence shopping behavior and affect store choice (Grossbart et al., 1990). For example, in a study of the effects of music, Yalch and Spangenberg (1988) find that shoppers exposed to unfamiliar music believed they spent more time shopping than those exposed to familiar music. Even pleasurable scents have been shown to positively affect shopping behavior (Spangenberg et al., 1996).

A particularly important environmental factor is retail crowding. Crowding is a psychological variable but is usually operationalized with the more objective measures of density. Eroglu and Machleit (1990) find that consumers committed to accomplish a purchase task experienced more feelings of crowding than nontask oriented consumers. Perceptions of retail crowding were intensified among shoppers with greater perceived risk and time pressure. In general, retailers can create more effective retail environments by altering physical conditions to make the shopping experience more pleasurable and increase shopper willingness to buy (Babin and Darden, 1995; Baker et al., 1994; Baker et al., 1993; Donovan et al., 1994).

Assessment. The physical environment has long been an under-researched area in retailing as the study of the environment requires research skills more common in geography and urban planning than the behavioral sciences marketing more readily borrows from. While existing work in this area has often been atheoretical, Bitner (1992) and Titus and Everett (1995) provide some theoretical underpinnings for a more cohesive approach to studying the relationship between the physical environment and shopping behavior. Because the physical environment is central to store retailing, more research in this area should be encouraged.

4.6. Retail service

Unfortunately, very little research has addressed the service aspects of retailing. Retail services include personal selling, return policies, financing, and warranties. Services are a primary means of achieving retail differentiation. An extremely important area is the degree of personal selling support provided in retail stores. The movement toward more price oriented retailing has detracted from personal selling support in many retail markets. There has been some research on sales return related aspects of retailing. For example, Davis et al. (1995) provide a theoretical basis for how money back guarantees can contribute toward profitability. More generally, research is required that incorporates service into the retailing mix. It would be useful for retailing if some of the existing research streams in service marketing were more specifically applied to retailing.

5. Store retailing – tactical decisions

Tactical decisions include merchandising individual products and sets of products to consumers. Because of their proximity to consumers, retailers exercise a great deal of control over merchandising decisions. Here, we review research on retail merchandising activities – pricing, price promotions, advertising, in-store displays and shelf space allocations.

5.1. Pricing

As in all of marketing, pricing is a crucial element in retailing. Retail price is unique among marketing variables as it can be changed quickly, and it has immediate and dramatic effects on sales. In its simplest form, retail pricing deals with setting prices for specific products. However, retail pricing is complex because all items offered by a retailer are substitutes in that they compete for finite consumer resources; so too all items in a store are purchase complements in that they can be purchased together. Retail pricing should encompass demand interdependencies – substitute and complementary relationships among product offerings (Vilcassim and Chintagunta, 1995). Mulhern and Leone (1991) provide a theoretical basis for retail pricing called implicit price bundling – the practice of pricing items with respect to other items without an explicit joint price. Hence, retail pricing practices, along with price related promotions, are essentially intended to allow retailers to price discriminate across shoppers and achieve profits higher than those obtainable with fixed pricing (Dhar and Hoch, 1996). A simple example of such price discrimination is the practice of chain stores

charging different prices in different market areas based on the price sensitivity of the residents (Hoch et al., 1995).

To properly set prices, retailers must understand how consumers use price in purchase decisions. By directly questioning grocery customers immediately after a purchase, Dickson and Sawyer (1990) find that only 58% of shoppers claimed to have checked the price of an item purchased. Only about one in five shoppers claimed to have checked the price of a competing good. When asked to provide the price paid for an item, slightly less than half the respondents could state the exact price correctly. In a similar study, Krishna et al. (1991) find that about half to three-fourths of the buyers of a product class knew correctly if the item was on sale. These studies clearly show that many consumers do not know the retail prices of the merchandise they purchase. Consequently, information on prices provided by retailers can only influence the buying patterns of some of the shoppers.

Most retail price changes are either small increases over time that have little immediate effects on sales or large price cuts in the form of price promotions. Inflationary price increases lead consumers to adapt their purchase and consumption behavior (Jensen and Rao, 1988). Adaptive activities included switching brands, using coupons and buying in larger quantities.

Recent research has explored the two general pricing policies mentioned above (EDLP and high–low). While EDLP is often seen as an attractive way of simplifying price, it may be detrimental to retail profits (Hoch et al., 1994). High–low pricing, while often yielding higher profits, may encounter charges of deception and is often subject to regulation (Kaufmann et al., 1994). Many retailers offer promotion prices so frequently that the regular price, often regarded as a reference price, loses its meaning. Kaufmann et al. (1991, 1992) discuss several cases where fairness in retail pricing may have been compromised. They suggest that a return to more stable prices over time would be more fair to shoppers. Some regulatory agencies require certain "rules of reason" for discount pricing whereby a price may not be called a "sale" price unless certain criteria are met such as having the regular price in place for a specified minimum length of time.

Sustainable price advantage in retailing is usually only possible when a true cost advantage exists. The appropriate pricing strategy is also a function of the competitiveness of the market. Retailers should incorporate competitive reaction to price changes in their pricing policies. For example, knowledge that competitors are more likely to follow price cuts than price increases can be useful for setting promotional prices (Dickson and Urbany, 1994).

Assessment. The studies mentioned above provide important insights into how consumers use, and react to price information. Additional research in this area, particularly for nonfood items will further that understanding. As retailing becomes more of an integrated process, pricing will become even more important. A more direct, data based approach will allow retailers to better match their prices to consumers' reservation prices, achieving a higher level of price discrimination.

5.2. Price promotions

Price promotions have been the most widely studied aspect of retailing recently because of their prevalence and the availability of scanner data. While some manufacturers have been trying to eliminate promotional prices, most retailers, who ultimately control retail prices, continue to offer discounts on an ongoing basis. Retail price promotions take the form of random discounts (occur randomly over time), and periodic discounts (occur systematically over time). Random discounting has become so pervasive in retailing that some consumers have become conditioned to wait for promotional prices rather than pay full price. Krishna et al. (1991) find that deals on frequently promoted goods are not surprises to consumers. They report that consumers tend to overestimate deal frequency for infrequently promoted goods and underestimate it for frequently promoted goods (i.e., they err toward the mean). In one recent study, among shoppers purchasing promoted items, only half were aware that the item purchased was on sale (Dickson and Sawyer, 1990). Price promotions are an imperfect price discrimination mechanism because many shoppers receive the price discount even though they would have purchased the item at full price. However, more integrated approaches to retailing will allow retailers to

better price discriminate by setting prices for individual consumers based on past purchase behavior. In making promotion decisions, retailers must evaluate the effects of promotions on the promoted item itself, the product category, other categories, and on overall store performance.

5.2.1. Direct effects

The effects of price promotions on the promoted items is immediate and dramatic. Most promotional activity involves a relatively small number of frequently purchased product categories within the retail assortment (Fader and Lodish, 1990). Typically, these are frequently purchased, high profile items that may induce store switching. Promotion elasticities tend to be larger than regular price elasticities because promotions represent large price changes and are temporary (Blattberg and Wisniewski, 1989; Mulhern and Leone, 1991).

Several product and market characteristics relate to promotion response. Small share brands have larger elasticities than large share brands – a result that reflects the larger portion of the market that small share brands can take sales from (Bolton, 1989; Bemmaor and Mouchoux, 1991). Other characteristics that have been shown relate to direct price elasticity include the number of brands in the category, overall category penetration, interpurchase times, the storability of the product, and the depth and timing of promotions (Kumar and Pereira, 1995; Narasimhan et al., 1996).

5.2.2. Substitution effects

Retail profits are directly affected by the impact of a promotion on the sales of other items in the same category. Information on cross-price effects within a category can help retailers select items for promotion to increase category profits. This is particularly important because cross-price elasticities are generally not symmetric (Bemmaor and Mouchoux, 1991).

An additional consideration is how promotions affect overall category sales. Raju (1992) reports on how brand level promotions affect the variability of category sales. An analysis of 25 grocery categories reveals that higher magnitude discounts lead to greater variability in category sales, more frequently promoted categories and bulky categories have less variability in category sales, and higher competitive intensity leads to lower variability in category sales.

5.2.3. Cross-category effects

As a mechanism for implicit price bundling, price promotions work by positively influencing the sales of nonpromoted merchandise. Recent studies have looked at the specific cross-category effects of retail promotions. Mulhern and Leone (1991) and Walters (1991) show that price promotions can positively affect sales of complementary products in grocery stores. Both of these studies find that complementary relationships are not symmetric. Thus, retailers can increase profits by promoting items that most strongly influence the sales of other profitable items. Betancourt and Gautschi (1990) incorporate such cross-category effects into a model based on household production theory. They conclude that the most attractive products to promote are those with many high cross-elasticities with other items.

5.2.4. Overall store effects

For the retailer, an important aspect of price promotions is how item level promotions affect overall store performance and the sales of nonpromoted items in the store. One of the motivations for using temporary price cuts is inducing shoppers to patronize the store offering the discount. Recent research has demonstrated price cuts in one retail store can negatively influence the sales levels of the same and competing brands in competitive stores (Bucklin and Lattin, 1992; Kumar and Leone, 1988; Mulhern and Leone, 1990; Walters, 1991). This is an important finding because it shows that price promotions on individual items can motivate consumers to switch stores.

A common type of price promotions is loss leader pricing which is designed to attract incremental shoppers to the store, and have those shoppers also purchase regularly priced merchandise. For a price promotion to work best, the net profitability should be positive after considering direct, substitute, and complementary effects. Mulhern and Padgett (1995) find that three-fourths of the shoppers who specifically go to a store in response to an advertised price special also purchase regular price merchandise. In aggregate, these shoppers spend more money on regular price merchandise than on promoted items.

Ideally, price promotions should contribute to store performance in terms of profits and customer traffic. Studies that have attempted to explore this have not found a very strong relationship (Walters, 1988; Walters and MacKenzie, 1988). In general, the contribution promotions make to store performance is likely to be closely related to the overall retail mix and quality of goods and services offered.

Other important decision variables for retail promotions include the size of price cut, the length of promotion, and the time between promotions. Multiperiod promotions have been shown to have a waning effect over time (Blattberg and Wisniewski, 1989). With respect to the timing of promotions, research has shown that the longer the time between promotions, the deeper the discount should be (Achabal et al., 1990; Helsen and Schmittlein, 1992; Karande and Kumar, 1995). A more comprehensive approach is to combine information of promotions amount, timing, etc. to optimize retail profits. Tellis and Zufreyden (1995) develop such a model which reveals that it is most profitable for retailers to offer deeper discounts as retail margins, consumer responsiveness to discounts and category attractiveness increase. They also note that simultaneous discounts usually do not work in the retailer's favor. An alternative approach to achieve optimal promotions using both an empirical analysis and decision calculus is described by Dhebar et al. (1987). They find some positive long term effects of automobile promotions on ancillary services and repeat sales.

5.2.5. Store brand promotions

Many retailers offer price promotions on store brands. An important consideration is consumer switching between national and store brands in response to promotions. Several studies using regression models find that consumers readily switch from store brands to purchase promoted national brands, but do not switch from national brands to purchase promoted store brands (Blattberg and Wisniewski, 1989; Mulhern and Leone, 1991; Sethuraman, 1992). However, Mulhern and Jain (1993), using an alternate methodology, do find evidence that consumers switch away from national brands to purchase promoted store brands. That result has serious implications for retailers as it shows that retailers can use price promotions to increase store brand sales at the expense of national brands.

5.2.6. Promotions and unplanned purchases

As discussed above, a major element of retail merchandising is the demand interdependencies among items in the retail assortment. Item level marketing works best when it favorably influences sales of other items carried by the retailer. One way to observe the effects of multiproduct merchandising by retailers is to measure unplanned or impulse purchases by consumers. One study reports that just over one-fifth of purchases for nonfood household items are unplanned (Abratt and Goodey, 1990).

To isolate unplanned purchases, Cobb and Hoyer (1986) describe three market segments of purchasers in a product category. The first segment, planners, go to a store with the intent of buying a specific brand in a category; the second segment, partial planners, intend to buy in a category but have no prespecified brand preference; the third segment, impulse buyers, do not plan to buy from the category. The authors investigate two product categories, coffee and tissues, and find that only 13% of coffee buyers and 11% of tissue buyers are in the impulse segment. The largest segment is planners (68% for coffee, 51% for tissues). This result indicates that, for these categories, most consumers intend to purchase a specific brand in a category when shopping.

Park et al. (1989) also evaluate impulse buying patterns. They formulate four market segments based on a combination of high and low store knowledge and the presence or absence of time pressure. The highest rate of unplanned purchases, 47%, occurred for consumers in the low knowledge, no time pressure condition. This rate is substantially higher than the rates for shoppers in the other three conditions. The authors attribute the high rate of unplanned purchases to the opportunity to process information extensively because of high knowledge and the lack of time pressure. Another interesting aspect of this study is the evaluation of consumers' failure to purchase items that were planned. The highest failure to purchase rates were among the segments with the time pressure condition. An implication of this result is that retailers may be able to lessen buyers' failure to purchase planned items by accommodating the "hurried" shopper.

Finally, Bucklin and Lattin (1991) explore brand choice behavior for planned versus unplanned purchases. These authors distinguish shopping in a planned state where price and promotion have no impact from shopping in an opportunistic state where brand choice probabilities are influenced by in-store merchandising. They find brand choice decisions vary quite dramatically across shoppers in the two decision states.

Assessment. Historically, much of the research on promotions has been from a manufacturer perspective and has emphasized how promotions affect brand choice. As the retail perspective becomes more prominent, research has begun to explore retailer oriented issues such as cross-category effects, store switching behavior and unplanned purchases. This trend will continue as price promotions become more exclusively the domain of retailers, not manufacturers. In fact, some of the manufacturer oriented research is shifting away from price promotions and coupons to focus more on branding issues. However, more integrated approaches to retailing are likely to continue the heavy use of promotions as they allow retailers to better cater their offering to individual customers. Most importantly, individual (personal) communications will bring about more use of differential pricing as currently practiced in direct marketing.

5.3. Advertising

The two primary streams of research on retail advertising address (1) consumer response to promotional advertising, and (2) mathematical models to allocate advertising expenditures.

While some retail advertising occurs at the store level, most involves tactical advertising for specific products or brands. Most item level advertising is concomitant with price promotions. Advertising has a synergistic effect with promotions in boosting short term sales (Bemmaor and Mouchoux, 1991). However, the effects of advertisements on long term sales are less well understood. Most studies on promotional advertising have attempted to separate the effects of advertising from the promotion effects. An alternative approach is to evaluate these two activities jointly since they are typically administered together (Mulhern and Leone, 1994).

The use of short term promotion oriented advertisements presumes the presence of a market segment that regularly reads those advertisements. The portion of the market that claims to read such advertisements for grocery shopping has been estimated to be as high as 50% (Urbany et al., 1996). This segment is likely to be more price oriented and price knowledgeable than other shoppers (Krishna et al., 1991). A central aspect of advertised price specials is how the sales of those items relates to the sales of regular price items. Theoretically, advertised price specials can act as a signal of the overall price levels in the store (Simester, 1995). Cox and Cox (1990) show that when a price special is described as a reduction from a regular price, the store is perceived as having lower overall prices. As noted above, empirical evidence that the sale of advertised price promotions positively relates to regular price purchases has recently been demonstrated (Mulhern and Padgett, 1995).

Promotional advertisements often contain information intended to convey the benefits of making deal purchases. Advertisements that contain information on reference prices (e.g., regular prices) generate larger promotional response than advertisements without such information (Bearden et al., 1984; Biswas and Blair, 1991).

A recurring issue in retail promotional advertising is the problem of stock-outs of advertised items. This can be a serious problem for retailers as stock-outs may generate negative sentiments among shoppers who make a special trip to a store in response to advertised price specials. Two recent studies specifically address how shoppers respond to stock-outs. Emmelhainz et al. (1991) find, through an in-store survey, that 41% of the shoppers desiring the stocked-out item purchased a different size of the same brand, one-third purchased a different brand, 14% traveled to another store to find the item, and 13% delayed the purchase. Kelly et al. (1991) find similar results with a survey of 3000 shoppers who received rain checks from retailers. Shopper response to stock-outs is mediated by the urgency of the need for the item, brand loyalty, and the perceived risk of buying alternative brands or sizes.

The availability of retail sales databases has led to the development of large-scale modeling systems that can help retailers allocate advertising expendi-

tures optimally. An example of such a model was developed by Doyle and Saunders (1990) who address allocation of advertising expenditures across several product lines. They keep the total advertising budget constant, and show how a reallocation can increase profits and sales. In general, advertising expenditures can be allocated most effectively by taking advantage of demand interrelationships (D'Souza and Allaway, 1995).

Assessment. Empirical research has provided a sufficient understanding of the short term effects of retail promotional advertising. Future research should be directed toward long term effects and store image advertising. Advertising will continue to be important in an integrated approach to retailing. However, the emphasis will be much less on broad based communications and more on individual level communications based on customer purchase histories. Consumer databases will allow researchers to track individual purchase behavior and attribute purchases to specific marketing communications. Such information will allow retailers to manage advertising much more efficiently. Finally, advertising should be evaluated in conjunction with other marketing communications such as promotions, direct marketing and public relations.

5.4. In-store displays

In-store displays represent the final contact point of marketing communications. Displays are crucial for retail performance because (1) consumers make most brand choice decisions in the store, and (2) the time consumers spend making those decisions is extremely short (Dickson and Sawyer, 1990). Effective management of in-store displays can have substantial effects on store performance. Displays are commonly, though not always, accompanied by price decreases. Shoppers have been shown to respond to negligible price discounts when displays or shelftalkers are in place (Inman and McAlister, 1993).

A recent innovation in retailing has been the use of shelf displays to dispense coupons. Since these coupons are distributed at the point of sale, they can be more effective than coupons distributed in other vehicles, and have even been shown to be more effective than price discounts of the same amount (Dhar and Hoch, 1996).

Assessment. Research on in-store displays has often been a peripheral consideration in studies focusing on other aspects of retail merchandising. More work should focus directly on display effects as in the Inman and McAlister (1993) study. More integrated approaches to retailing will continue to emphasize displays for store retailing because of the presence of displays at the point of purchases.

5.5. Shelf space

The essential purpose of research on shelf management is to allocate limited shelf space in a manner that maximizes retail profit (Dreze et al., 1994). The traditional approach in retailing has been to allocate shelf space according to market share or retail margin. Allocations according to market share, while very common, represents circular reasoning because shelf space is a function of market share which is a function, in part, of shelf space. One problem with many shelf space allocation models is that they do not explicitly address profitability. Lately, models have been developed to allocate shelf space to optimize profits by accounting for unit margins and product movement. One approach is to evaluate the direct product profitability for each item and allocate shelf space accordingly (Borin and Farris, 1990, 1995).

A more comprehensive approach is to incorporate demand interdependencies in shelf allocation models. The Sh.A.R.P. model (Bultez and Naert, 1988), extends earlier work by Corstjens and Doyle (1981) by evaluating both cost and demand factors in the development of a model that accounts for demand interdependencies. This approach represents an important contribution because it reflects the multiproduct nature of retail merchandising as opposed to the individual unit analysis of direct product profitability. Bultez and Naert note that interdependencies occur because there is a fixed amount of available total shelf space. While an increase in the shelf space for one item may increase its sales, the accompanying decrease in shelf space for another item may decrease its sales. This model assumes symmetric cross-product effects which is an obvious limitation given the prevalence of asymmetric relationships across products described earlier. To overcome this limitation, Bultez et al. (1989) provide an asymmet-

ric model which reveals unequal cannibalizations across items.

While most models of brand sales assume products included in retail assortments are always available, Farris et al. (1989) consider the effects of product unavailabilities on sales and market shares. This framework is extended by Borin and Farris (1993) to include product assortment decisions in shelf allocations. Their model optimizes shelf allocations by incorporating the possibility that some items are not available in the retail assortment. While excluded items have zero shelf space, their absence may affect the sales of other items included in the assortment.

Assessment. Algorithms for allocation of shelf space are important for improving retail profitability. Recent attention on demand interdependencies and profits is making these algorithms more pertinent to retail decision making. However, shelf allocations are generally less influential to retail performance than other marketing mix considerations (Dreze et al., 1994). Nevertheless, the growth in retailing databases will allow for even better shelf allocation models, and, perhaps more importantly, will facilitate the development of more sophisticated allocation models that encompass all variables in the retailing mix.

6. Nonstore retailing

Nonstore retailing refers to marketing goods and service in a manner that does not involve retail stores. This includes door-to-door selling, vending machines, and most importantly, direct marketing. While nonstore retailing represents a small portion of retail sales, it continues to grow quite rapidly. The primary impetus behind the growth of nonstore retailing is the automation of direct marketing practices made possible by computer technology. Technological developments assist direct marketing in two aspects. First, data collection, storage and retrieval technology make available large databases of information on individual consumers. Second, communications technology is making it more efficient and practicable to reach individual consumers with target marketing strategies. Communications developments include cable television, interactive video services, fax machines, and the internet.

Very little academic research has addressed nonstore retailing. A few studies have looked at the characteristics of consumers who make purchases from direct marketers. For example, Peterson et al. (1987) find that 57% of respondents reported having made a purchase from a direct sales company in the past year. (This result closely parallels the 54.4% statistic reported by the Direct Marketing Association, 1992.) Direct marketing customers were younger, more educated and more affluent than noncustomers. The primary reasons cited for buying from a direct sales company are convenience and low price. The primary disadvantage cited was pressure to buy exerted by salespeople. The characteristics of direct shoppers found in this study may be helpful for profiling early adopters of new direct marketing technologies becoming available.

Darian (1987) performs a similar analysis relating demographics to in-home shopping. In-home shoppers are more likely to be middle income, housewives, part-time workers and young single males. Timmermans et al. (1989) explore the potential adoption of teleshopping technologies as a function of the characteristics of the technologies and retail store shopping conditions. Their findings suggest that teleshopping will play a minor role in retailing when shopping centers are attractive to shoppers. Thus, teleshopping is more likely to be adopted where the quality and access to shopping centers is poor.

A notable distinction between store retailing and direct marketing is that in store retailing, the consumer initiates the transaction and travels to the seller; in contrast, in direct marketing, the seller initiates most transactions and travels (communicates) to the buyer. However, web pages represent a form of direct marketing where contact is initiated by customers. As direct marketing becomes more prevalent, retailing will become more proactive as retailers pick customers who match the products and services that the retailer can deliver. In store retailing, shoppers select from among the products made available by the retailer. In contrast, direct marketing allows sellers to, in a sense, select customers. Accordingly, we should see retail decisions become more focused on segmenting and targeting individual consumers.

One important stream of research deals with mathematical models that help direct marketers target consumers. As retailers become more involved in direct marketing, these forms of marketing modeling will become more prevalent. We can expect to see an increase in the level of sophistication and precision in this modeling as it is applied to retail databases (Bult, 1993; Bult and Wansbeek, 1995).

Assessment. The importance of nonstore retailing to marketing practice is growing tremendously. In fact, direct marketing is the most visible component of an integrated approach to retailing now in place. Importantly, the mere use of direct marketing does not always constitute a customer based approach to integrated marketing. Frequently, sellers use direct marketing to do broad based marketing communications practices with little or no targeting.

Much more research is needed on direct marketing both as a way of communicating with customers and a way of distributing products. Of particular concern are methods for utilizing databases to efficiently target customers, and harnessing new communications technologies to reach individual consumers.

7. The automation of retailing

Many aspects of retailing have become, or soon will be, automated. The most significant automation is store scanner systems. Scanner technology affects retailing practice in many ways. Cutter and Rowe (1990) note several important marketing implications of scanner systems including the ability to change prices instantaneously, faster customer check-outs with fewer errors, the scanning of coupons to verify purchases. Scanner systems provide an abundance of data useful for marketing analysis. Researchers in marketing have harnessed scanner data to study many aspects of consumer purchasing behavior discussed in this review.

Data from retail scanner systems provides information on prices, costs and aggregate sales volumes for each time period. Recent developments in scanner systems, and marketing practices, are making possible the retention of information on the purchase histories of individual customers. Many retailers now offer buyers' clubs which provide opportunities for shoppers to receive discounts or prizes for purchasing goods at a store. Through buyers' clubs retailers reward shoppers who continually patronize the same store (Wrightman, 1990). Buyers' clubs represent a strategy designed to turn discrete purchases over time into a continuous relationship. This is a common practice in service marketing best evidenced by airline frequent flyer programs. The advent of buyers' clubs represents a major advance in relationship marketing in retailing – a practice that will become much more prevalent in the future. The shift towards relationship marketing in retailing is consistent with a general movement in that direction in all of marketing (Webster, 1992).

Because retailers have data on customer purchases and can maintain ongoing relationships with customers, they have gained power in marketing channels. Drucker (1992) describes how the real-time information retailers have on purchase behavior leads to greater decision making power. For example, specific information that retailers have on consumer purchases (e.g., styles, sizes and colors for clothing) can be directly transmitted from retailers to manufacturers to modify production schedules. Achabal and McIntyre (1987) describe some of the ways technology is revolutionizing retailing. They describe how in-store electronic retailing can be used to order customized products for shoppers – a practice sometimes called "mass customization". Such systems improve a retailer's ability to satisfy customer wants, as well as provide an abundant database of preference and shopping information.

Data on individual purchase histories can be directly linked to merchandising strategies. Retailers can direct store coupons, weekly advertisements and other marketing tools to highly specific consumer segments. The retailer's capability to price discriminate is greatly enhanced relative to the more blunt methods of placing store coupons in newspapers and discounting prices in certain time periods. Further, individual level scanner data can be combined with other databases to better target consumer segments. One useful link is with geographic information systems (GIS) which can enhance the spatial aspects of retailing (Goodchild, 1991). GIS can link data on consumer shopping to spatial information which can be related to the location of retail stores. The spatial

organization of information has numerous applications in retailing including location modeling, demographic analysis and sales forecasting.

Another aspect of retail automation is single source systems. By integrating data on purchases, media exposure, in-store displays, etc., single source systems allow researchers to evaluate causal relationships between marketing activities and purchase behavior (Curry, 1989). To date, much of the focus of such systems has been on manufacturer applications.

The vast amount of data made available by retail automation is motivating the development of decision support systems in retailing. Decision support systems can assist retailers in applications such as regionalized pricing, shelf allocations, and seasonal advertising. Some of the decision support systems take the form of expert systems which can be used by retailers on a real-time basis to assist in making merchandise decisions. Borgers and Timmermans (1991) provide an expert system for retail planning that evaluates potential locations and consumer choice behavior to identify the most attractive retail plan from several alternate plans under consideration.

Assessment. Automated technologies are changing many aspects of retailing practice including electronic data interchanges that streamline purchasing by retailers, electronic vendor catalogs for buying decisions, quick response or just-in-time delivery systems that streamline inventory management, and video selling systems which offer advertisements or other video presentations to store customers. Most of these applications have dealt with operational or merchandising issues. In the future, we can expect to see comparable technological developments, particularly the use of consumer databases, that will facilitate the management of customer relationships.

In general, the technologies can be expected to contribute to retailing by helping retailers merchandise more effectively, and improve the selection and availability of products for consumers. However, we should not ignore the unintended consequences that will surely arise from the deployment of such technologies. Privacy has become a major concern as retailing databases contain extensive personal information on purchase behavior. Another possible negative consequence may ensue from the depersonalization of some forms of retailing brought on by the growth in direct marketing and other automated forms of selling (Forman and Sriram, 1991).

8. International retailing

As with many areas of marketing, retailing is undergoing internationalization. Firms can internationalize their operations by either investing in foreign retailers, operating establishments in many nations (multinational retailing), and globalization – conducting a unified retailing strategy in many countries. Since retailing has very strong ties to local markets, it is not globalizing as rapidly as other areas of marketing. Little research has explored the international aspects of retailing. Existing research is largely limited to the analysis of distribution and retailing practices in individual countries, or in developing countries.

A comprehensive review of distribution and retailing issues in developing countries is provided by Samiee (1993). Since that paper reviews many aspects of retailing in developing countries, we refrain from a detailed discussion of the topic here. In general, Samiee describes how the economic and social conditions in developing countries give rise to many unique aspects of retailing in developing countries including channel inefficiency, low unit markups and net profit margins, and shopper preferences for product variety and small package sizes.

Goldman (1992) provides a detailed profile of the Japanese distribution system. The Japanese distribution system is sometimes criticized for being inefficient and restricting access to foreign companies. Goldman adopts an institutional–ecological perspective to show that while the Japanese distribution system is inefficient by some measures (labor productivity, price levels), it is efficient in terms of customer service, responsiveness to customer needs, and the adoption of new technologies. The value of this analysis for international retailing in general is that it shows how distributional methods that are effective in some countries may not, and perhaps should not, be employed in other countries. In an earlier study, Goldman (1991) shows that the political economy in Japanese retailing has remained very traditional. Changes in Japanese retailing will only come about as that political economy changes to

accommodate more modern and efficient distribution practices.

Assessment. Many aspects of international retailing are identical to those of international channels in general. The structure of marketing channels is closely tied to the physical infrastructure. As developments take place in infrastructure, more globalization of retailing practice should take place.

9. Conclusions

It is evident from this review that many aspects of retailing and consumer shopping behavior are well understood. While many questions remain to be explored in the existing research streams, future research should be directed more toward the integrated approach to retailing that has been described in this paper. Research should address topics such as customer valuation and revenue potential, the direct impact of all forms of marketing communications on purchase behavior, and the analytic methods required to capture marketing information from purchase transaction databases – the core element of integrated marketing and the most valuable retail marketing resource (Blattberg and Deighton, 1991; Deighton et al., 1994). Research must address the new priorities of information and communication (Schultz, 1992). The development and application of research in these areas will bring retail marketing to the level of sophistication and efficiency already present in buying, logistics and operations. This will bring marketing to the forefront of retailing practice.

The movement toward more data based, integrated marketing has enormous consequences for store retailing. As direct marketing overtakes many of the routine aspects of retailing, stores will evolve to become places for social gathering and interaction. In 1972, Edward Tauber wrote a paper called "Why do people shop?" In it he argues that people shop not only to acquire goods but to experience "social interaction outside the home" (Tauber, 1972). Retail stores, especially upscale shopping centers and malls, provide a comfortable place for people to gather. In many developed countries, the third most likely place for an individual to be after home and work, is a store. Shopping in stores is more than a means of acquiring products. For many consumers, shopping is a recreational activity – an opportunity to socialize in a public place. In this respect, shopping centers and malls have become modern day town centers (Bloch et al., 1994). This social aspect of shopping should not be ignored. Direct marketing has the potential to supplant many forms of store shopping. However, it does not provide the social interaction and the sense of place of retail stores. For this reason, we are beginning to see, in a new turn of the wheel of retailing, stores become gathering places – bookstores with in-house coffee shops, malls with meeting rooms and exercise areas, supermarkets with cafeterias. Research on store retailing needs to broaden to encompass the holistic aspects of store shopping, not just purchasing.

We are presently witnessing a transformation of retailing where day-to-day merchandising is being overtaken by what Salmon (1989) calls "execution". In the past, retailers, in their role at the end of the distribution channel, concerned themselves largely with in-store merchandising – assortment, pricing, promotion, etc. The emergence of relationship marketing, spawned largely by the availability of customer databases, is making paramount the execution of higher level marketing skills – database management, direct marketing, and a continual striving to achieve better matches between product offerings and consumer wants. Many of the concepts about retailing appearing in marketing management and retailing textbooks were conceptualized prior to the advent of such skills. Academic researchers should work toward the development of new principles and methods to accompany the new skills and technologies being used in retail marketing.

Retailing research has sometimes been regarded with low esteem in the academic community research because of its overly applied character and the difficulty of applying rigorous research to it. Today, due in part to the emergence of a retail dominated perspective and the abundance of data provided by automated scanner systems, retailing has become one of the most fruitful areas of research in marketing. Retailing research has become more rigorous, more popular and more central to marketing as a whole. In discussing the rise of the retailer perspective relative to other aspects of business, Drucker (1993) recently notes that, "Retailing – rather than manufacturing and finance – may be where the action is now."

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