

Chapter 7

The Mechanisms for the Emergence and Evolution of Retail Formats

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ABSTRACT

The main aim of this chapter is to explain the mechanisms for the emergence of selected innovative formats on the basis of the existing format change theories. The chapter comprises three main parts. First, the nature of a retail format is explored and the classification of retail formats is presented. Second, four groups of theories (cyclical, conflict, environmental, and integrated theories) explaining the emergence and evolution of retail formats are analysed. Third, retail formats theories are applied in explaining the emergence of two formats: pop-up store and m-commerce. The approach involves a review of literature and the analysis of some empirical data concerning the structure of the retail trade turnover in the chosen countries.

INTRODUCTION

A retail format is one of the fundamental concepts in the retail sector, being a synthesis of the marketing strategy of a commercial company. The choice of retail format determines the choice of enterprise resources which are necessary to perform the sales function. Thus the decision regarding the choice of format by means of which a company operates on the market is one of the fundamental decisions that a retailer has to make, and it has far-reaching consequences (Yu & Ramanathan, 2008). This applies particularly to store-based retailing.

The resources necessary to run them are capital-intensive (Dragun, 2004) and significantly specific in the context of the types of asset specificity distinguished by Williamson (1991). This means that the growing dynamics of market phenomena and the evolution of economic structures increases the level of risk for retailers connected with their choice of retail format. The retail formats which exist today are characterised by unprecedented variability: new formats are appearing, existing formats are evolving, and their life-cycles are becoming significantly shorter (Davidson et al., 1976; McGoldrick & Davies, 1995).

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The aim of this chapter is to explain the mechanisms for the emergence of innovative formats on the basis of existing theories of format change. Therefore, the chapter presents the conceptualisation of a retail format, a critical analysis of the four groups of theories relating to format change (cyclical, conflict, environmental and integrated theories), as well as the mechanisms for the emergence of new formats based on the examples of pop-up stores and m-commerce. In order to explain these phenomena an integrated theoretical approach has been adopted. The chapter also indicates some probable new fields of research and new formats which are likely to appear in the retail trade.

CONCEPTUALISATION OF A RETAIL FORMAT

The Nature of a Retail Format

The need for clarifying the nature of a retail format stems from the fact that there is some ambiguity regarding the interpretation of this notion in the scientific literature (Reynolds et al., 2007). As a starting point for the conceptualisation of a retail format the essence of the product of a retail company must be explained. This product is a service, and the basis for the service is a set of goods, which is the range of products on offer. This means that a retailer's product is a service which is based on a set of products originating outside the retail sector. Essentially, it is the service element that provides the added value generated by a retail company (Dawson, 2000). This product is intended for two groups of recipients: the basic, traditional group of buyers being consumers; and the second group of recipients being producers. To individual customers a retailer offers access to goods manufactured in a variety of sectors, i.e. it offers in one place a bundle of relationships between the retailer and manufacturers (usually numerous, though this is not a necessary condition). To producers a retailer

offers access to individual consumers in the form of a bundle of relationships with individual buyers (Walter et al., 2001). In other words, the essence of a retailer's product is offering usability in the form of access to manufacturers (and in the case of producers – access to consumers) whose products are offered to the consumer in a convenient form in terms of configuration, location, time and volume, with favourable terms of service and payment (in the latter case convenience ought to be treated as the result of the competitive situation in a given sector, which depends on the number of participants and the intensity of competition).

A retailer's product, when considered structurally, has a very complex nature: it is defined by a number of components such as the form of the product assortment (in terms of dimensions such as depth, width and the criteria for its creation); and the conditions in which it is offered (location, time, presentation, range of services, price level, forms of payment, how customers receive goods). This product meets two types of buyers' needs. The first type are needs which to be satisfied require a product from the product range of a shop. The other type of needs are to a large extent independent from the product assortment of a shop. These are social needs (related to contact with people, developing interpersonal relations, a sense of belonging to a group, and building one's position in it); aesthetic needs (being in a place with a visually attractive interior); educational needs (learning new patterns of consumption, discovering innovative products and their applications); and needs connected with spending leisure time, either by doing shopping itself or by taking advantage of an 'entertainment package' offered especially by shopping centres, which includes exhibitions, shows, competitions etc. (Fiore & Kim, 2007).

The considerable complexity of a retailer's product means that, taking into account the actual transactions between a retailer and a customer, the product is highly individualised, which is typical of service products. On the other hand, it is essential to ensure mass (and also economical) access to goods,

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