

The future of retail? Without physical stores (or shopping streets)?

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Conference distribution

Towards a sustainable and competitive Belgian distribution sector and e-commerce

The Clash of the Titans: On Retailer and Manufacturer Vulnerability in Conflict Delistings

The days of dominant manufacturers dictating the game to obedient retailers are long gone. When parties believe they have equal bargaining power, negotiations end in deadlock more frequently and result in conflict delistings where in the manufacturers' brands get removed from the retailers' assortments. This might cause major sales losses as consumers are forced to change stores or brands. The authors study both parties' vulnerabilities by investigating their market share shifts during a highly publicized real-life conflict delisting executed by a major retailer against a major manufacturer, involving multiple brands and categories. Generally, both parties lost sales, yet the retailer was the most vulnerable party. Manufacturer-brand and retailer-assortment characteristics moderated both parties' vulnerability: the manufacturer and retailer became respectively less and more vulnerable when a high-equity brand was delisted in a small assortment. Both parties lost more in necessity than in impulse categories. The authors additionally investigate long-term consequences that occurred after the conflict was settled: the retailer's market share recovered to the pre-delisting level, whereas the manufacturer's share underwent a long-term level rise.

Keywords: conflict delisting, bargaining power, retailer–manufacturer negotiations, brand equity, assortment size

Only a few decades ago, large and dominant manufacturers could easily impose prices and other buying conditions on typically small retailers in a fragmented retailer landscape (Ailawadi, Borin, and Farris 1995). Over time, retailers have gained bargaining power and have altered the retailer–manufacturer relationships thanks to the rise of store brands, the scarcity in shelf space (product proliferation), and the availability of scanner data (Ailawadi et al. 2010; Farris and Ailawadi 1992; Kadiyali, Chintagunta, and Vilcassim 2000; Messinger and Narasimhan 1995). Instead of being at the beck and call of all-powerful manufacturers, retailers now can stick to their guns during negotiations. As a counterbalance to large manufacturers bringing their highly popular brands into the game (Soberman and Parker 2006), retailers can force manufacturers to cooperate by leveraging their final decision about which items to carry in their assortments (Dukes, Geylani, and Srinivasan 2009). The interdependency, and the often conflicting interests of retailers and manufacturers, can cause major clashes between parties with equal bargaining power

that can fairly be called “titans” (Gaski 1984; Rosenberg and Stern 1971).

When a clash of the titans is set on a collision course, retailers as well as manufacturers can decide to delist the manufacturers' brand(s) from the retailers' assortment. We refer to these delistings as “conflict delistings.” In case of disagreement, manufacturers can decide to stop distributing their brand(s) via a specific retailer, and retailers can likewise delist all items of a manufacturer's brand(s) from the assortment (Sloot and Verhoef 2008). Business press articles confirm that conflict delistings frequently occur when parties fail to agree on terms and conditions. For example, in 2009, Colgate-Palmolive decided to remove all of its products from the shelves of the Philippine grocery store SM because of disputes over terms of trade (Isip 2009). In November 2010, Costco, the third-biggest retailer in the United States, decided to cease stocking Coke, Sprite, Fanta, Powerade, and Dasani products because the Coca-Cola Company did not satisfy Costco's request to lower its prices (Ritson 2010). Other conflict delisting examples include the decision of toy shop Fun in 2009 to stop offering Mattel's Barbie because of the manufacturer's unacceptable price increase (Lecluyse 2011). The media attention typically accompanying conflict delistings triggers consumer awareness, making it very likely that consumers take this information into consideration even before their shopping trip starts.

Draganska, Klapper, and Villas-Boas (2010) point out that if both parties seem to have equal bargaining power, it becomes unclear who gains the upper hand when negotiations run around. In a conflict delisting, both parties may get hurt because they both risk sales losses. The magnitude of these sales losses, and thus the retailer's and/or manufacturer's vulnerability in the conflict, depends on the decisions made by the

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How Retailers Change Ordering Strategies When Suppliers Go Direct

Michiel Van Crombrugge, Els Breugelmans, Femke Gryseels, and Kathleen Cleeren

Abstract

This study empirically investigates whether and to what extent suppliers' decisions to start selling directly to end consumers provoke reactions in the ordering strategy of downstream channel partners, such as independent multibrand retailers. Using a multimethod approach that combines transactional data, survey data, and a scenario-based experiment, the authors demonstrate that retailers tend to exit these relationships after a direct channel introduction, as exhibited by their strategic decisions to order fewer distinct stockkeeping units (SKUs), accompanied by higher wholesale prices per unit. On average, retailers decrease the number of distinct SKUs ordered by 15 (or 18.75%) and pay a higher average wholesale price by €.79 (or 20.84%). Yet the responses also differ across retailers, reflecting moderating impacts of retailer power, expertise, and relationship quality. Retailer power emerges as a robust moderating factor, with more powerful retailers indicating a lower propensity to exit the relationship. Expertise and relationship quality have more nuanced influences on retailers' ordering strategies. The multimethod approach serves to reveal the underlying mechanisms of these moderating effects, such that both rational (coercive power and switching costs) and emotional (conflict and confidence) considerations are in play.

Keywords

direct channel introduction, dual distribution, ordering strategy, B2B relationships, retailer characteristics

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Submitted March 22, 2021

E-commerce growth and logistical challenges in increasingly crowded markets lead companies to rethink their distribution systems. In retailing, for example, suppliers frequently supplement their indirect distribution channels (e.g., independent multibrand retailers) with direct channels, through which they sell directly to end consumers, meaning they encroach on the retailers' sales terrain (Ailawadi 2021; Frazier 1999; Gielen and Steenkamp 2019; Tahirou and Glock 2022). Citing the significant growth of direct channels during the COVID-19 pandemic, eMarketer (2022) predicts that direct channels will grow by around 17% in 2024. For retailers, direct channels represent a worrisome new form of competition (Ailawadi 2021; Sa Vinhas and Anderson 2005). As a result, a direct channel introduction can create channel conflict that might hamper collaborations between downstream (retailer) and upstream (supplier) partners (Ailawadi 2021; Sa Vinhas and Heide 2015; Tsay and Agrawal 2004).

Hirschman's (1970) seminal writing on behavioral responses when partner firms fail to live up to expectations suggests two likely reactions by the downstream partners to direct channel encroachment by the upstream partner: (1) (partially) disengaging from the relationship by decreasing the quantity they order from the partner (i.e., “exit”) or (2) engaging in constructive discussions with the partner to seek improved terms of trade

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What is happening to my nearby stores? The own- and cross-effect of a radical store transformation on existing customers

Els Breugelmans¹ · Marleen Hermans² · Manfred Krafft^{3,4} · Mirja Kroschke^{3,5} · Felix Lehmkuhle³ · Murali Mantrala⁶

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Abstract

Brick-and-mortar grocery retailers that undertake major format changes often do so in a staggered rollout and radically transform just one store at a time. This approach begs two questions: What effects does a radical store transformation have on existing customers' sales at the transformed store (own-effect) and at the chain's nearby untransformed stores (cross-effect)? Do the effects vary with customer characteristics? These questions are investigated using a quasi-field experiment of a staggered radical store transformation of a German retailer. Conventional wisdom would predict cannibalization of nearby untransformed stores' sales. However, applying our proposed theoretical framework shows, for this empirical case, a negative own- but a positive cross-effect on existing customers. Further, existing customers who had a greater preference for and shopped more at the old format are most likely to migrate. Thus, nearby untransformed stores can help retain existing customers who may get turned off by a radical store transformation.

Keywords: Quasi-field experiment · Major format change · Own- and cross-effect · Sales performance · Store choice

To remain competitive and grow, many brick-and-mortar grocery retail chains introduce new store formats that look radically different from their old store formats. They generally do so in an attempt to provide enhanced shopping experiences for customers and thereby achieve increased engagement, sales revenue, and growth. Between 2016 and 2019 for example, the German hypermarket retailer Real transformed four of its stores into a so-called *Markthalle*, a setting that resembles an indoor marketplace where customers can find a broader assortment of fresh, authentic, and regional products accompanied by a much higher level of personal service than in Real's old

format stores (Macridi, 2018). Thus, *Markthalle*'s value proposition is radically different from that of longstanding Real stores. Similarly, the Belgian retailer Delhaize radically transformed nine of its 140 stores in 2018: this “totally new concept which completely changes the classic store design” focused on an enlarged assortment of fresh, organic, and local products, on high-quality grab-and-go meals, and it had a heightened level of service (Retail Times, 2018).

Oftentimes, such store format changes involve radically transforming existing stores in their current locations as finding equally favorable new spots for new stores is very challenging in most developed countries. Furthermore, as a practical matter, the large investments entailed in such radical transformations usually allow only staggered transformations of stores across the chain. Given such gradual rollout, it is often the case that only one store in a region gets transformed, and then coexists with nearby untransformed stores that hold the old format for months, years, or even permanently.

While attracting new customers to the retail chain is one of the objectives when introducing major format changes, the fact that transformations usually happen at current locations makes the impact on existing customers of considerable interest and importance to the chain's management too. Also, extant marketing literature acknowledges that retaining loyal customers has substantial profit benefits (Gupta

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The Clash of the Titans: On Retailer and Manufacturer Vulnerability in Conflict Delistings

Article

How Retailers Change Ordering Strategies When Suppliers Go Direct

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ORIGINAL EMPIRICAL RESEARCH

What is happening to my nearby stores? The own- and cross-effect of a radical store transformation on existing customers

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SUPERMARKTKETENS GAAN ALMAAR VAKER IN CONFLICT MET FABRIKANTEN

De tactiek van het lege rek

Supermarktketens spelen het soms hard in conflicten met leveranciers, tot het weren van producten uit de schappen toe. Maar dat is niet zonder risico. *Jeremie Lempereur*

Achter de schermen van de grote supermarkten spelen zaken waar we als consument zelden iets van merken. Zo zijn er de jaarlijkse onderhandelingen na de zomervakantie. De distributiegroepen praten dan met hun leveranciers over de aankoopvoorwaarden. Die discussies, die naar verluidt zeer moeizaam verlopen, worden altijd in het geheim gehouden. Maar soms voelt ook de klant hoe hard het eraan toegaat. Soms zijn producten niet meer te vinden in de winkels. Dat betekent dat de onderhandelingen mislukt zijn. Een van beide partijen denkt sterk genoeg te staan om het tot een conflict te laten komen en heeft een of meerdere producten uit de schappen laten verwijderen.

Hoe langer het conflict aansluit, hoe meer de klanten nieuwe merken ontdekken.

CARREFOUR

Waarom de extra grote warenhuizen passé zijn

De hypermarkt is niet meer super

AN VAN DER BROEK

Wij shoppen online. En bij die spectaculaire groei van de online markt is de fysieke winkel steeds minder aantrekkelijk. Bij het grote warenhuis is op een donkerwip van de dreigende afvalmarkt in de winkelruimte van de winkelruimte te horen: 'Hoe langer het conflict aansluit, hoe meer de klanten nieuwe merken ontdekken.'

Wat doet Jeroen Broek van de evolutie zo nu? De retailer is niet meer aan de consument bepalend en wanneer hij wil kopen. Om deze reden kan hij niet meer van efficiëntie profiteren. Een van de manieren om dit te overtuigen is door op te vragen, zijn de volgende winkels waar we nog heen gaan om onze aankopen te doen?

Viel onderhand

En dat is een feit. Het is een feit dat de fysieke winkel steeds minder aantrekkelijk wordt. De consument zoekt de laagste prijs in de winkelruimte van de winkelruimte en de afvalmarkt van de afvalmarkt.

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Els Breugelmans
Professor Marketing KU Leuven

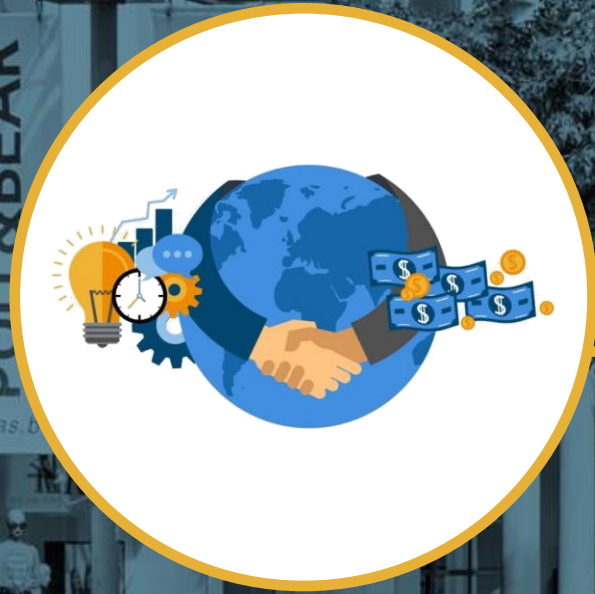
Fysieke winkels en e-commerce

Where do you buy shoes?





In the past...



Globalisation

**Pure
players**

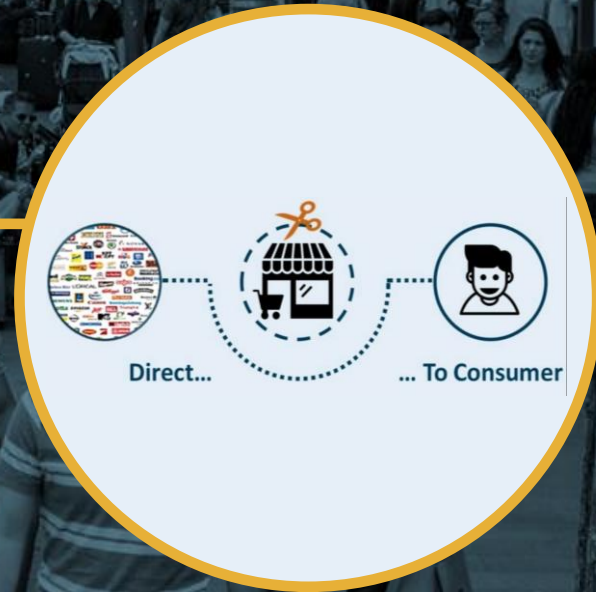


Today



**Online
marketplaces**

**Direct-to-
consumer
initiatives**





Physical stores under attack



STOCK
CLOSING

City centers under attack

Big questions

Physical stores

=

no future?

City centers

=

dead?



Academic
study:
Future of
physical
stores

The Future of Physical Stores: Creating Reasons for Customers to Visit

Els Breugelmans^{a,1,*}, Lina Altenburg^{a,1}, Felix Lehmkuhle^{b,1}, Manfred Krafft^{b,c,1}, Lien Lamey^{a,1},
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Available online xxx

Abstract

This research presents a novel, conceptual perspective on distinctive opportunities available to retailers with a physical location to create reasons for customers to visit the physical store. A multi-method approach is used, where we combine the study of more than 25,000 online announcements of new approaches implemented in physical stores with 12 interviews with retail experts from around the globe. The result is an integrative framework with five key benefits and 14 subdimensions which retailers can use to create reasons for customers to visit their physical store. The five benefits are discovery, convenience, customization, community, and shoppertainment. In discussing the framework, the authors provide rich examples which illustrate different ways retailers can establish these benefits. This research also details the value and challenges of collaborating with partners when implementing new approaches to leverage such benefits. The paper concludes with a discussion of external and internal contingency factors that can impact the decision (of when) to implement (which) new approaches and offers a list of questions for further research.

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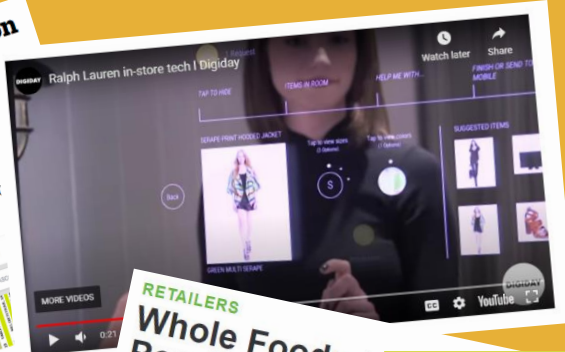
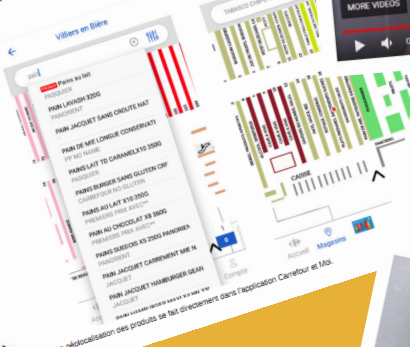
"Retail is not dead.
Good retail is live
and creative. And
bad retail – rest
in peace."

Barbara Kahn



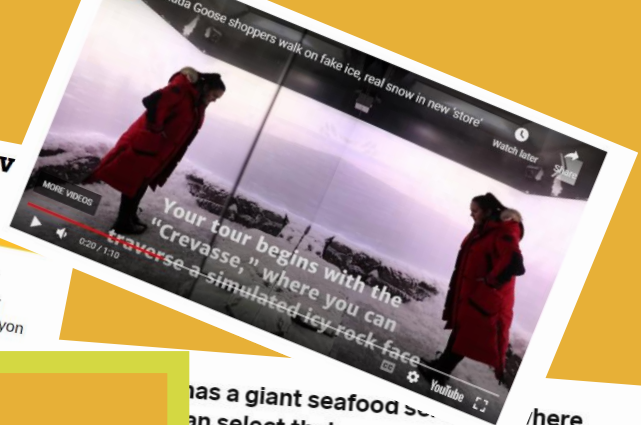
Carrefour a déployé un service de géolocalisation des produits dans 45 hyperv

Le distributeur a travaillé avec Pricer pour ajouter dans l'application Carrefour une fonction de géolocalisation des produits, précise à 1 mètre. Les 45 plus gros hypermarchés proposent le service et une nouvelle vague devrait suivre sur 2021



A Montesson, Carrefour emprunte la voie du vrac avec des marques nationales

Dans l'hypermarché de Montesson (78), Carrefour a déployé plusieurs espaces qui proposent des grandes marques vendues en vrac. Cette démarche est appuyée par l'affichage de la différence de prix au kilo, favorable au vrac par rapport au prix en rayon pour 90% des produits.



Whole Foods to Pop-Ups
Complimentary trattoria-style dinners to be held at 10 locations nationwide starting in Feb. 10, 2020



Review > 25,000 online announcements (Edge Retail Insight)
Thorough secondary search (literature review, consultancy reports, business press)
Qualitative interviews with retail experts from around the globe

First look: Amazon's first-ever hairdressing salon concept to launch in London



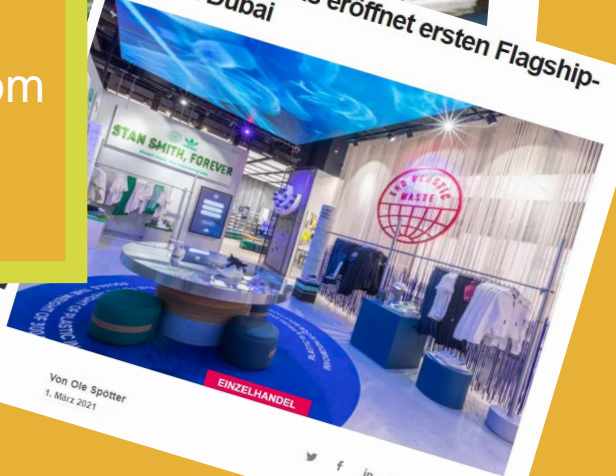
Calvin Klein opens holiday collection with Amazon



...has a giant seafood bar where you can select their own seafood and send it home to be cooked before they leave



In Bildern: Adidas eröffnet ersten Flagship-Store in Dubai

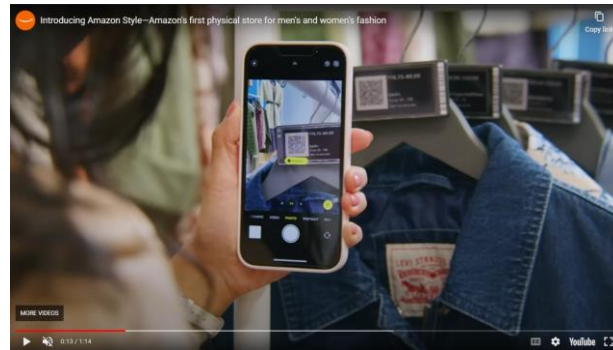






Discovery

Physical stores allow consumers to discover (information about) products, using five senses





Discovery

*Projection to the city
center*



Interesting

Want to visit







Convenience

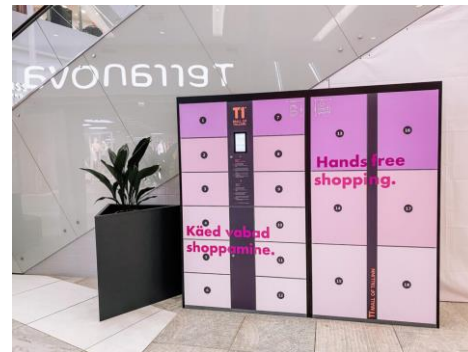
Physical stores allow consumers to make shopping tasks easier, faster, and/or less effortful





Convenience

Projection to the city center



Easy

No barriers to visit

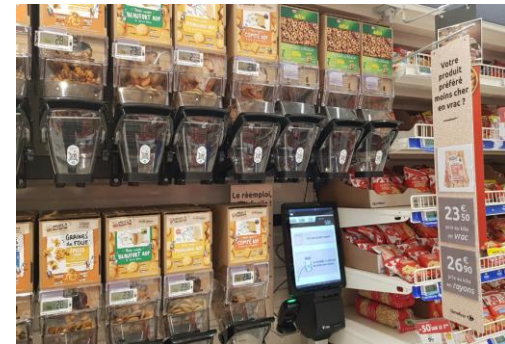






Customization

Physical stores allow to adapt the shopping journey or a product more closely to customers' individual needs.





Customization

Projection to the city center



Personal & local

Unique to visit







Community

Physical stores help to build social relationships and develop a sense of belonging.





Community

*Projection to the city
center*



Blurring

*Multiple
purposes to visit*

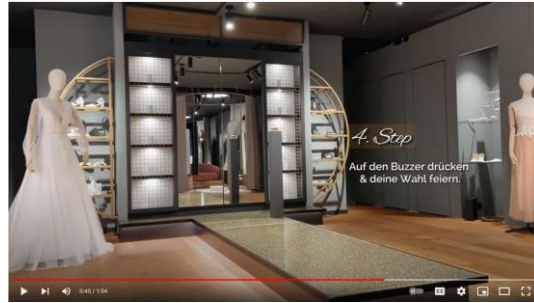






Shoppertainment

Physical stores can provide entertainment while still directly or indirectly encouraging consumers to shop.





Shoppertainment

Projection to the city center



Fun

Nice to visit



Physical stores

=

~~no future?~~



Future looks bright but different

City centers

=

~~dead?~~



Should be evolving (make it interesting,
easy, personal/local, blurred and/or fun)

A woman with long dark hair, wearing a yellow ribbed turtleneck sweater, is focused on her work. She is sitting at a desk in what appears to be a control room or a recording studio. In front of her is a laptop, and she is using a tablet or a small screen attached to it. To her left, there are several large headphones hanging from a rack, and a complex array of cables is visible. The background is dark with some blurred lights and a screen showing a colorful image. The overall atmosphere is professional and concentrated.

In summary

-
- Physical stores are (still) an important touchpoint
 - Physical stores have unique strengths
 - But it will be crucial to focus on customer (benefits)

-
- City centers can be vibrant
 - City centers need to evolve
 - And there too it will be crucial to focus on customer (benefits)

The future of retail? Without physical stores (or shopping streets)?

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