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Theories of retailing

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Introduction

It could be argued that retailing theories are much less developed than theories of shopping and they are certainly less diverse. This under-development can be in part attributed to the fact that retailing research has tended to be of secondary importance within many universities and this is principally because retailing has, certainly until the recent past, been perceived to be a marginal, low-skill, low status sector. However, as a result of the perseverance of a cluster of high calibre researchers within the US, the UK and Scandinavia over the past 40 years, a credible, if narrow, theory of retailing has been established.

More recently, the status, scope and pace of research within retailing has improved and this enhancement is clearly linked to improved perceptions of the status of retailing which is due in part to the emergence of retailers such as Wal-Mart, Tesco, Carrefour and Zara, as among the world's largest and most successful companies. As perceptions of retailers have improved, so too have attitudes and orientations towards retailing research.

One area of retail theory dominates the field – that which relates to retail change. Before discussing these aspects of retailing theory in the remainder of this chapter, the next section will consider and locate this area within the wider context of shopping and consumer behaviour.

Shopping for a theory of retail change

Invariably, retailing and shopping are used as interchangeable terms and little or no attempt is made to locate their differences, similarities or functions. Clearly, both are interdependent but distinct: shopping is a consumer act, retailing is a business system. Retailing and shopping are inextricably linked. Shopping is the often repetitive, demonstrable act of acquiring goods and services for personal use by a consumer. Its counterpart in the supply chain is retailing. Retailing is the formalized business system that emerges, establishes and evolves as a means of facilitating, enabling and stimulating the consumer's shopping act.

Arguably, the study of shopping is more theoretically advanced than that of retailing. Drawing contributions from a variety of fields and disciplines (particularly psychology, social anthropology and human geography), the study of shopping is used to provide insights into how products, brands and shopping are adopted by consumers to create, augment and enhance their personal identities, and define their role and status within society, and to explain how individuals find their place within sub-groups and other social forms.

In the past generation, in particular, the case for the study of shopping has advanced as a result of three significant drivers. The first is the emergence of consumer behaviour as a critical component of marketing education. The study of shopping provides an accessible and inclusive platform for researchers to explore and understand a variety of behavioural dimensions, including the dynamics that influence and affect patterns of consumption, the dynamics of group interaction upon brand selection, and the impact of product aesthetics and environmental cues upon product choice within discrete consumption settings.

The emergence of postmodern marketing is an important second driver. While wide in its scope and diverse in its coverage, the postmodern perspective places particular emphasis upon capturing, challenging and reinterpreting the meaning, form and style of the consumption act, particularly in everyday life. The resultant research outputs have provided new interpretations of the purpose and function of the shopping experience and have provided critical commentary for the ceaseless desire among some to acquire pseudo-symbolic, image-laden, brand embossed products. The postmodernist view enables us to view shopping as the new opium of the people and the shopping act as a preoccupation of contemporary living. As such, it really does seem to be the case that *I shop therefore I am*.

The third research driver is practitioner based. Expressed in crude economic terms, shopping is big business, and, by virtue of its significance, the 'professionalization of shopping research' has occurred, whereby consultants – using evidenced-based research – have sought to provide explanations for the process of shopping, from both a retailer and customer perspective. Initially, their research was industry-facing and was used principally to inform the decision making of retail managers and those involved in product and brand management. This research type initially explored how consumers' behaviour and the shopping experience were influenced by particular store layouts, product adjacency, and music and colour systems.

The scope and influence of the professional shopping consultant has in the past decade reached beyond that of the retail sector. Though the development of a new category of books based around the 'science of shopping', the subject has emerged as being of interest to a wider public. Leading this field is the American 'shopping expert' Paco Underhill whose (1999) book, '*Why We Buy: The Science of Shopping*' became an international bestseller. His work brought to the mainstream not only insights into how people shop, but also the various techniques that retailers deploy in order to manipulate consumption behaviour within stores. Non-academic interest in 'shopping science' within the UK was further developed in the 1990s with the Channel 4 series, 'Shop 'til you Drop', while more recently, the 'shopping guru' Mary Portas' BBC series, 'Mary, Queen of Shops' has reignited the public's interest in this area.

While there may be no definitive and/or universal theory of shopping, there does exist an advanced understanding of the characteristics of shopping behaviour, of the impact of shopping within society and its contribution to the creation and maintenance of individual identity.

Retail change theories

Expressed simply, the core theme of retail change theories has been to provide some explanation of the patterns and drivers of change that impact upon the dominant retail formats, the nature of their businesses, their outlets and their trading activities. These theories share a common view that change within retailing is cyclical – and is therefore deterministic and predictable. These theories suggest that retailers follow a sequential pattern of evolvement and development that provides little or no opportunity for deviation. Consequently, the theories infer that retailers have little or no scope for strategic choice. Their advancement is pre-meditated and inevitable.

Brown (1987, 1995) has provided perhaps the most extensive and challenging critique of the various theories of retail change and he questions the extent to which these rigid expectations of retail evolvement reflect an environment that is by its very nature unpredictable, unstable, fragmented and constantly varying. Brown rightly questions their appropriateness in general terms and his reservations will be used to critique the core perspectives of these theories later. However, while mindful of these potential limitations, it is important to note that other researchers see some value in reviewing longitudinal patterns of retail development in order to gain some insight into trends and opportunities within the sector. McGoldrick (2002) noted Hollander's (1986) view that taking a longer term view is advantageous and while history may not repeat itself, it will suggest both questions and useful answers with respect to the nature of retail change.

We will now discuss the three cyclical theories of retail change: the Wheel of Retailing; the Retail Life Cycle; and the Retail Accordion.

The Wheel of Retailing

First proposed by Professor Malcolm P. McNair in 1958, the purpose of the Wheel of Retailing was to suggest a cyclical pattern for retail business development. The essence of McNair's hypothesis is that new types of retailers begin life at the lowest end of the retail price, status and margin spectrum. From this low price positioning, they change and become more sophisticated in their activities and complex in their organization and ultimately begin to 'trade-up' in terms of their pricing policy, selling methods and service provision. They achieve this shift upmarket through investments in store environments and by selecting bigger and better locations and through the diverse scrambling of their product and service provision. As a result of these significant investments, these retailers become high operating cost businesses. The final stage of their evolvement (as predicted by the theory) is that these retailers mature to become high-cost, high-price, inefficient businesses. At this stage, these once flexible and efficient businesses become vulnerable to the innovations and cost-efficiencies of newer, more agile low-price entrants.

Brown (1988) provides a clear representation of the Wheel of Retailing as consisting of three distinct phases – Entry, Trading-up, Vulnerability. Further, as Figure 16.1 illustrates, Brown proposes that each phase is characterized by distinct management activities and priorities.

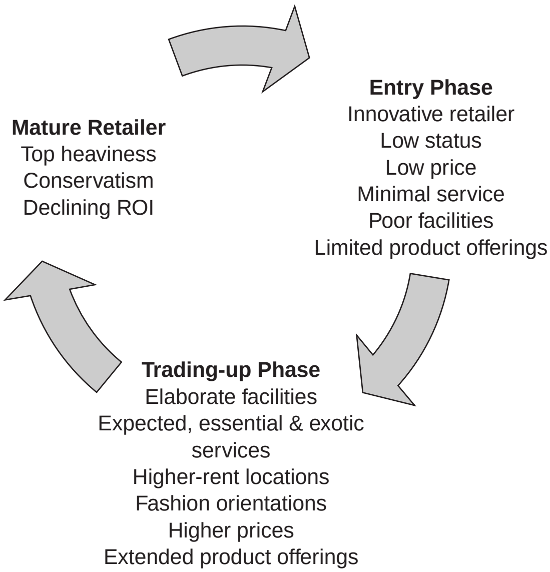

Figure 16.1 The Wheel of Retailing (Brown, 1988)

In his analysis of McNair's theory, Hollander (1960) acknowledged many examples which conform to this pattern of retailer development. In particular, he noted that department-store merchants, who originally emerged as strong low-price competitors to specialist retailers, themselves became vulnerable to discount houses and supermarket competition. However, as a caveat to the supporting evidence, Hollander also questioned whether the expectation of an increase in operating expenses and a decrease in profitability was indeed inevitable and possible to demonstrate from external evidence. He noted some difficulties associated with the verification methodology – such as the ease by which access could be gained to historical retail expense information due to the scarce and fragmented nature of data sources. Furthermore, such data is usually published on an aggregate basis and as such may mask significant divergent tendencies.

Yet, setting aside the difficulties associated with verifying the theory, Hollander did identify six dimensions which may precipitate the cyclical forms of retail developments as espoused by the Wheel of Retailing. These were as follows:

1. *Retail personalities*. New types of retail businesses are founded by aggressive, highly cost-conscious entrepreneurs who make every penny count and who have no interest in providing unprofitable frills. However, as these entrepreneurs increase in age and wealth, their cost control vigilance deteriorates. Further, their successors may be less competent and they (or their successors) may be less able to manage costs effectively and less dexterous in responding to environmental changes. This change and deterioration in management results in a movement along the wheel.
2. *Misguidance*. Retailers are seduced by the power of supplier advertising and marketing persuasion to install overly elaborate facilities and undertake unnecessary modernizations. This results in a shift towards a higher, more expensive market positioning.
3. *Imperfect competition*. Based upon the premise that most retailers would prefer to avoid direct price competition – principally to avoid damaging retaliation from competitors – they instead seek to compete through service improvements, particularly in terms of selecting better locations. Through, what Hollander described as ‘a ratchet process’, retailers – across all sectors – appear almost predisposed to provide more elaborate services at increasingly higher margins.
4. *Excess capacity*. Linked to the above, as more retailers enter the market, available demand is spread thinly. As McGoldrick (2002) suggests, in order to avoid suicidal price-cutting, retailers opt instead for non-price competition which typically involves the development of additional service provision.
5. *Secular trend*. As markets become more affluent, opportunities emerge for retailers to trade-up their offer in response to the aspirations of their customers. This results in a shift of the wheel through the provision of additional services and higher-margin goods.
6. *Illusion*. Rather than supporting the premise of the Wheel of Retailing, Hollander suggests that the trend towards the extension of ranges through merchandise scrambling may in fact create an incorrect illusion of trading-up – when the reality is that the margins on the original merchandise may remain unchanged.

A further dimension in support of the 'Wheel Hypothesis' is provided by McGoldrick (2002) who suggested that the personal preferences and tastes of retail owners/senior management may result in their creating enhanced store environments and adding services which they themselves may expect but which are in reality beyond the financial capabilities and interests of their less affluent customers.

Marks and Spencer – a perfect Wheel?

The corporate development of leading British retailer Marks and Spencer, reflects – in broad terms – the various phases included in the Wheel of Retailing. In 1884 Michael Marks, a Russian-born Polish refugee opened a stall in Leeds' Kirkgate Market. All items – ranging from nails and spoons; to soap and luggage labels – were sold for a penny. Within 10 years, the firm had extended to 12 stores and a partner found – Thomas Spencer – who developed the company's skills in organizational structure development and supplier contract management. By 1901 the company had built a stock-holding warehouse to its own specification. After a period of acquisition of other smaller 'Penny Bazaars' before the First World War, the company then began to move up-scale with the launch of their own branded merchandise range, the opening of a flagship store in London's Oxford Street and the establishment of an impressive headquarters in a prime district within central London. Furthermore, throughout the inter-war years, the company extended the scope and complexity of their business to include premium grocery departments, a scientific research lab for garment testing and product development, and went on to provide enhanced customer services in the form of coffee bars and self-service forms of product merchandising.

Internally, from the 1930s onwards, the company became a leading provider of staff welfare programmes, through the development of a generous pension scheme, subsidized canteens, health and dental services, hair dressing and a generous staff clothing allowance.

As the company grew in scale and success in the years after the Second World War, it became more complicated as a business (in 1954 an internal initiative, Operation Simplification removed 26 million paper forms from internal processes), while the products and services offered by the company became more extensive and elaborate. Marks and Spencer was the first UK chain to offer a no quibble refund and exchange policy and the company also pioneered new product categories – such as petite clothing ranges for smaller women – and introduced new food technologies – such as 'boil-in-the-bag' cooking in 1973, followed by sell-by dates marked on all food products and ready-made Chinese and Indian meals in 1975.

Selling space is arguably a retailer's most expensive asset and any attempt to use it for service provision is clearly an indication of business trade-up. In 1979 Marks and Spencer introduced their first fitting rooms – thereby sacrificing valuable selling place to augment and enhance the customer experience.

Buoyed by the successes that emerged as a result of these developments, further trading-up in the form of international store openings, acquisition of premium foreign retailers (such as the American Brooks Brothers and Kings supermarket chains in 1988), premium-priced furniture goods selling and the launch of a financial services company, became an essential element of the firm's trading strategy. By 1997, company pre-tax profits exceeded £1 billion, making Marks and Spencer Europe's most profitable retailer. The following year, pre-tax profits grew a further 6 per cent to £1.17 billion. The Chairman, Sir Richard Greenbury in his statement in their Annual Report for 1998 stated that:

'Our business [Marks and Spencer] has become increasingly complex, both operationally and in terms of product'. Further, he noted that

> **there is no longer a typical Marks and Spencer store. Outlets vary enormously in size and each is laid out and merchandised for a specific purpose – from a departmental store of 150,000 square feet serving a wide area such as Newcastle to a sandwich shop in the City of London. The extra space we are acquiring also enables us to create a more comfortable and convenient shopping environment – with improved facilities for elderly people and parents with young children, more and better fitting rooms and toilets and, in larger stores, coffee bars and restaurants. (1998: 5)**

The Chairman's final observations were that the company had 'entered a period of bold investment – however, we have always prudently managed our cash resources, and, more important, taken the long-term view when growing your business. I am therefore confident that we will remain as we are today; the most profitable retailer in Europe' (Marks & Spencer Annual Report 1998: 7).

As the old adage goes: pride comes before a fall. This was certainly the case for Marks and Spencer. The next year, 1999, Sir Richard Greenbury, in his last statement as company Chairman, adopted a very different tone. His statement read:

> **In the year just ended, the Group suffered a major setback, interrupting our record of consistent and profitable progress over many previous years. Pre-tax profits were £665.7m compared with last year's record breaking figure of £1,114.8m. … Unfortunately, and notably over the all-important Christmas trading period, clothing sales fell away very badly and significant quantities of fashionable merchandise needed to be reduced in the post Christmas sale. The demand for food was also flat with extremely competitive prices, whilst our Home Furnishings Group suffered from the cyclical downturn in demand for such products. As I forewarned, the ambitious expansion programme in prime selling footage, infrastructure developments, property acquisitions and the Catalogue, has significantly cut into our operating profits. (*Marks & Spencer Annual Report*, 1999: 4–5)**

In the 10 years since this fall from grace, the company has suffered significantly from the effects of strong competitors – many of whom, in classic Wheel of Retailing style, operate at the discount/value end of the market. These companies, with their simplified business models, lower operating overheads and agile supply chains have continually outpaced Marks and Spencer in terms of product ranges, value-led pricing and market responsiveness.

Reflecting upon their origins as a 'one penny' market-stall trader, and by tracking the trading-up development of Marks and Spencer to become, at one point, Europe's most profitable retailer, the decade of difficulties that Marks and Spencer has faced fits perfectly with the schema suggested by the Wheel of Retailing.

Non-Conforming retailing formats

While it is possible to find some broad applications for the Wheel of Retailing, many commentators have noted there is a paucity of hard empirical evidence to support its claims. Indeed, there are sufficient examples of retailer formats that do not conform to the Wheel's stages. Three particular formats can be readily identified.

The first is the specialist, luxury retailer. Firms, such as Louis Vuitton, Gucci and Hermes were founded by expert craftsmen who established their businesses in order to serve the needs of affluent customers. The salons that they established were immediately prestigious and impressive – principally to match the expectations and requirements of demanding rich clients. Their service levels were high to match their prices and margins. Consequently, these luxury retailers avoided the low-price, low-service phase as dictated by the linear progression of the Wheel and instead acquired a top positioning from their earliest days.

The advent of e-commerce has provided an opportunity for the internet-only retailer to provide an impressive 'brand experience', complete with a deep and wide merchandise range and an array of relevant and compelling customer service dimensions. Online businesses like Amazon, Net-a-Porter and ASOS have been able to avoid the elementary stages of business development as expected by the Wheel, due to the very nature of their trading medium. Furthermore, these firms have created businesses where none previously existed and have in so doing, secured a dominant market positioning. As such, internet-only retailers are a second non-conforming format.

The third are those retail formats that are created by previously successful entrepreneurs or by established, cash-rich conglomerates that create upscale businesses from scratch from their significant investment capability. These firms are created with a specific target segment in mind and their trading dimensions are precisely defined in order to match the segment's requirements. The American apparel retailer, Abercrombie and Fitch has extended the company's retail format portfolio to include other brands, such as Abercrombie, Holster and Ruehl. Each brand, respectively, is geared towards a progressively older age segment. The product assortment, store environment, pricing strategy and communications plan for each brand is customized to match the aspirations and expectations of their four discrete target groups.

Each of the Abercrombie and Fitch Group brands has been created to be format-precise and ready. None has evolved in the manner predicted by the Wheel of Retailing, since the positioning plan, investment resources and trading support were immediately available from the outset to establish each brand as premium within their respective markets. None entered the market and evolved in the staged and predicted route as suggested by the Retailing Wheel.

Consequently, as Hollander (1960) noted, the number of non-conforming examples clearly indicates that the Wheel of Retailing theory does not universally define the evolvement of all forms of retailing. However, there is sufficient evidence that the Wheel does reflect at least a general pattern of progression for certain retailing forms. Perhaps most importantly, the Wheel of Retailing connects the development of retailing formats with the increasing affluence and prosperity of consumers. As such, this theory of retailing certainly hints that format evolvement is linked to external environmental influences.

The Retail Life Cycle

McGoldrick (2002) recognized that the Wheel of Retailing was inadequate in two fundamental areas. Firstly, because of its particular focus upon changes in costs and margins as the sole basis for understanding format evolution, it fails to accommodate the existence of those retailers that enter the market, from the outset, as premium/luxury firms with a high margin position. Nor does it allow for these retailers to retain their high profitable, high cost, high price positioning indefinitely. Secondly, he notes that given the sequential nature of the 'Wheel of Retailing' framework, it is unable to accommodate the speed, diversity and variability of modern retailing developments.

Davidson et al. (1976) proposed in an article in the *Harvard Business Review* an alternative theory of retail development in the form of the Retail Life Cycle. Paralleling the phases and strands of Levitt's (1965) Product Life Cycle, this version for retailing proposes that businesses follow a four-stage pattern of development: Introduction, Growth, Maturity and Decline.

A number of business and trading characteristics are particular to each stage. As retailers enter the introductory stage – motivated by the desire to bring some innovation or novelty in the market – they operate with few competitors. At this first stage, they enjoy a rapid sales growth but gain only low or moderate levels of profitability. The next is the growth stage – where rapid sales increases not only generate uplifts in profitability, they also attract the interest of competitors who likewise will seek to make gains in the new area/sector. The maturity stage follows, and this is when the sector is populated with the largest number of competitors and as a result, price competition increases and profitability levels reach a plateau. Finally, the decline stage sees the emergence of agile, often indirect, competitors in the market – and with the onslaught of such high levels of competitor challenge, the retailer faces the double difficulty of declining sales and reduced profitability.

As McGoldrick (2002) noted, the Retail Life Cycle theory has been applied to both specific retail business and to general retail formats. In terms of the latter, Davidson et al. (1976) provide some interesting observations with respect to the life cycle gestations of a range of retail formats in the USA. Noting the time taken for each format to reach its peak and then to fall into decline, American department stores were found to have reached their maturity stage after 80 years, while variety stores peaked after 45 and discount department stores within 20 years. Other than identifying the gestation of each of the formats, these observations also highlight the fairly rapid contraction in the sustainability and viability of retail formats in recent years.

Looking specifically at examples of the Retail Life Cycle at the retailer level, the decline of Woolworths in the UK provides a clear application of the Retail Life Cycle theory. Established in Liverpool in 1909, as a subsidiary of the American retailer F.W. Woolworth that had been founded 30 years earlier in Pennsylvania, Woolworths entered the UK with an innovative trading, product and pricing formula. With most items costing threepence, and none over sixpence, their product assortment was large and included children's clothes, haberdashery, stationery, toys and of course, pic'n'mix sweets. The business gained a significant cost advantage from the scale economies obtained from its American parent and this enabled Woolworths to sell china and glassware basics at far cheaper price than their British competitors. Significantly, Woolworths were the first variety store retailer to adopt a self-service layout plan. Rather than every product being 'sold' to a customer by an assistant, the Woolworths approach was to allow customers to browse, self-select, purchase and leave.

Woolworths in the UK really accelerated in terms of growth in the mid-1920s – with a new store opening every month across the country. Their British success led the parent company to float a 15 per cent stake in their British subsidiary on the London Stock Exchange in 1931. The floatation was so successful that the company was able to pay 90 cents for every dollar invested as an exceptional dividend to all of its shareholders. The emergence of the post-war baby boomers provided a new consumer category – the teenager – and this brought new and important spending power into the company. With their interest in music, magazines and fashions, the company extended their offer to become the leading entertainment/leisure retailer in the country.

Having been acquired from its American owners in 1982 by Paternoster stores, (a forerunner of the Kingfisher Group), a variety of strategies was deployed in order to resuscitate growth after a sharp decline in the late 1980s. However, by the early 1990s, the company faced formidable competition from specialist firms, such as HMV and Superdrug who offered a more authoritative brand and product offering within Woolworths' core product areas. Further, the rise and expansion of food retailers, particularly Tesco and Asda, into non-food areas meant that Woolworths was further undermined by the huge scale, competitive pricing and convenience offered by these important retailers. New ventures, such as Big W, were launched by the company. This large store format sought to compete head-on with the major food retailers on edge and out-of-town locations. However, without a food offer, these stores failed as destination centres for the more affluent, car-travelling customer and their non-high-street location meant that these stores were inaccessible for the traditionally older and poorer Woolworths customer.

The company was demerged from Kingfisher to become Woolworths Group plc on the London Stock Market in 2001. With an opening (modest) share price of 32p, their shares peaked at 55p in April 2005. However, with relentless price, brand and product competition, company performance withered and their shares fell into constant decline from January 2008. Share dealing was eventually suspended on 26 November 2008. A Woolworth ordinary share was now worth 1.2p. Unable to secure a buyer in December 2008, all 800 stores were closed just short of the company's 100th anniversary of UK trading.

Woolworths provides a competent example of Davidson et al.'s (1976)'s Retail Life Cycle. A once innovative business that pioneered new retail formats, helped create and shape new customer segments and which became part of the very fabric of the British high-street landscape, it eventually fell foul of the twin pressures of the changing consumer and more efficient and enticing competitors.

It is perhaps to oversimplify the history and situation of all failed retailers to explain their demise simply by relying upon the Retail Life Cycle. However, the theory does provide at least some indication of how retailers typically evolve and develop. However, as was identified previously with respect to the Wheel of Retailing, the Retail Life Cycle theory does not accommodate those retailers that are able to sustain demand and increase profitability over protracted periods of time. In particular, luxury retailers, like Louis Vuitton and Cartier, have been able to achieve consistently strong growth and profit performance. Nor does the Life Cycle theory recognize that a retailer may, through brand repositioning and business re-engineering, enhance the long-term sustainability of their business. The theory assumes that retailers are passive victims of the vagaries of market change and competitor action. There are a sufficient number of examples of retailers who have successfully reinvented, repositioned and re-engineered their organizations to significantly grow their businesses to prove that the inevitable decline predicted by the Retail Life Cycle is not necessarily the case.

Perhaps the more significant value of the Retail Life Cycle theory is its application to the evolvement of retail formats in general. Davidson et al. (1976) emphasize the shortening of the life cycle for retailing formats. More recent work by Burns et al. (1997) suggested that earnings for new formats/concepts would be likely to stagnate within a decade after launch. The truncation of retail life cycles has important implications for retailers and McGoldrick (2002) suggested that retailers must carefully consider the implications of long-term investments in expensive, inflexible and confining property assets. Further, the life cycle encourages retailers to adopt a portfolio approach to brand management and so provide for a coherent balance of risk, cost and opportunity. Perhaps, most importantly, contemporary applications of the Retail Life Cycle indicate that in the future retailers must recognize that an acceptable return on investment must be secured within an ever-decreasing timescale.

The Retail Accordion

The third of the three important theories of retail change is the Retail Accordion. Proposed by Hollander (1970) as a means of understanding the oscillations of prominent retailing formats, it proposes that domination by wide-assortment retailers is subsequently followed by domination by narrow-line specialized sellers. McGoldrick (2002) argued that this theory is clearly evident in the evolution of retailing within the USA. He noted that in the early settlements, the general stores offered comprehensive assortments to locals, but as settlements grew in scale and sophistication, more specialist and sophisticated retailers emerged. These specialists subsequently lost ground to department store operators that offered a wide merchandise assortment to a new urbanized customer base. But these wide assortment sellers in turn lost market share to specialised chains who responded better to the particular needs of a more demanding customer. These specialist retailers, in an attempt to retain customer loyalty through the provision of convenience and choice, extended their offering, and so retailers, such as supermarkets and drug store operators, began to sell merchandise categories that were not typically associated with their particular format type. However, as these specialist retailers became more general in their offer, they became susceptible to the impact of other retailers with a particular focus within a product category.

Table 16.1 Tesco's retail formats

Tesco Format Name	Number of Stores
Extra	177
Homeplus	10
Superstore	448
Metro	174
Express	961
One Stop	512

Source: www.Tescoplc.com/plc/media/qf

While the Retail Accordion Theory recognizes the wide-narrow-wide pattern of the dominant retailing forms within a market, it has little or no value for the purposes of predicting or explaining future retailing developments. The theory does not offer any insights as to why one form inevitably gives way to another – nor does it explain why that format should return to dominate at some future point. Instead it serves only to illustrate the predominance of particular formats at specific points in time.

What the model fails to recognize, if applied to the experience of a particular business, is the capability of certain firms to operate wide and narrow formats concurrently. Leading retailers, such as Tesco, Marks and Spencer, The Limited and The Gap have developed a variety of formats and brands which cover a range of different narrow and wide segments. For example, Tesco operates six different formats within the UK market. These range from small local stores – often attached to petrol stations – which trade as One Stop. These outlets, which are, on average, 1,300 square feet, serve to provide essential (often described as distress) products to customers on a 24/7 basis. Tesco Extra stores are typically at least 70 times bigger and cover the majority of consumer goods categories, including foods, clothing, electrical goods, furniture and entertainment.

Tesco has more than 2,200 stores in the UK. Table 16.1 shows the number of stores operated by the company by format as at May 2009.

In an era where retailers have the resources, expertise and management expertise to cover what would appear to be all market eventualities, the usefulness of the Retail Accordion theory to provide any new and relevant insights with respect to retail developments at the macro or the corporate business unit level is at best limited and at worst irrelevant.

Non cyclical theories of retailing change

The cyclical theories of change – while offering some broad insights – are largely inadequate in that their linearity reflects a deterministic, prescriptive and inflexible perspective on the nature of retailer development. These models speculate that businesses are powerless to resist the force of the change cycle and, as such, are predestined to follow a non-negotiable path. Further, as Brown (1991) noted, the models fail to allow for the influence of the economic environment or for the strategic plans and interventions of management. Consequently, he proposed that non-cyclical, environmental theories are more flexible and efficient in providing an explanation for the patterns of change within the sector.

Likewise, McGoldrick (2002) proposed that changes in retail formats are better explained as an outcome of economic and socio-cultural developments within a market. Meloche et al. (1988) identified that the failure of retail businesses and the demise of particular formats was invariably linked to some negative environmental change or market alteration. Failure was not always an inevitable stage in the history of an organization. Nor are retailers passive participants in some grand market lottery. Instead, traders may deploy strategies that either circumnavigate difficult market trends or which exploit opportunities that arise from changed market conditions. Environmental theories therefore provide an alternative explanation for retail change and also provide frameworks which recognize that retailers can proactively respond to market challenges. Corporate fate is not therefore viewed as predestination nor is the survival of a particular trading format destined to be active for a prescribed and finite period as suggested by the cyclical theories.

Environmental change – such as economic downturns – provides some explanation as to why market demand may shift away from premium retailers to those that operate on a value/discount basis. The recent, significant growth in the popularity and profitability of value retailers – such as Aldi, Lidl and Primark – is inextricably linked to the recession that began in 2008 and has affected consumer confidence in the UK and Europe. Survival in periods of change and challenge depends upon a retailer's ability to respond positively to challenging market conditions. Etgar (1984) and McGoldrick (2002) have suggested that the environmental perspective on retail change recognizes that an 'economic ecology' exists within retailing where the principle is that only the fittest survive. It is the level of retailer fitness that determines their continuance and explains their decline.

A second non-cyclical change theory exists. Pioch and Schmidt (2000) noted that conflict theory attributes retail change, not to the impact of environmental challenge, but instead to the trading rivalry that exists between new and established retail businesses. A pattern of conflict emerges which contains three stages: Thesis, Antithesis and Synthesis. When an established retailer is threatened by the differential advantage of a new entrant, it will seek to respond to that challenge by imitating the core features of the competitor's advantage. In response, the new entrant will modify its strategy to regain the momentum. Pioch and Schmidt (2000) predict that the adaptations undertaken by both sides result in their adopting strategies that are largely similar in terms of scope and impact. As such, a position of synthesis is reached and in the end there is much less to differentiate the two businesses that initially appeared to be so different.

Examples exist within both the food and clothing sectors of this form of inter-firm rivalry. The emergence of Asda as the leading innovator and challenger within the British grocery market in the 1970s, prompted Sainsbury's and Tesco, the market leaders, to rapidly adopt the large format, edge and out-of-town locations pioneered by their new up-start competitor. Likewise, through time, Asda adopted many of the trading features of their competitors in such areas as own-brand development, premium food ranges and customer service provision. Within a generation, these initially very disparate operators soon began to merge in terms of their core business and soon there was little to differentiate the top three in terms of their competitive strategies. More recently, in the clothing sector, retailers such as Marks & Spencer and Next have responded to the sharp price challenge of value fashion retailers Primark and New Look by launching their own low price, basic clothing ranges. In turn, both discount challengers have evolved their business models to include bigger, more impressive stores within premium shopping locations. Further, New Look has moved upmarket to include a premium range within their assortment – including a celebrity-range endorsed by pop star Lily Allen and a high fashion range designed by leading designer, Giles Deacon.

Yet, while it is possible to find evidence to support the general principles contained within the conflict theories, Pioch and Schmidt (2000) also recognized that these fail to take into account the importance and impact of environmental drivers related to economic and social change that impact upon a retailer's success. To assume that retail change depends only upon inter-firm rivalries is narrow and incomplete. Therefore, in this regard, the conflict theories are not so different from the limited perspectives contained within the cyclical theories of retail change.

A combination of theories?

While each of the theories of retail change may incorporate dimensions that offer some insight and value in terms of explaining developments within the sector, none provide a comprehensive and complete account of the dynamics of that change. As a means of assimilating all that is good from the theories and models, as well as addressing their areas of weakness, a number of combination models have been proposed. Bringing together dimensions of the cyclical with the environmental and conflict theories, new hybrid-form models have been proposed by researchers, such as Brown (1991) and Sampson and Tigert (1994). These models, which bring together dimensions from all three model formats serve, in particular, to highlight the complexity and diversity of change within the retailing sector. In so doing, they provide a comprehensive system for explaining both the manner and the reasons for change within retailing.

What is perhaps most interesting is the fact that many of the theories of retail change were developed some time ago during a period when retailers were less advanced in their strategic thinking and less efficient in their ability to understand and respond to environmental challenges. As retailers have become more professional, strategic and robust in the planning and execution of their strategies, their capabilities and resources now often exceed the limitations that are implicit in the theories of retail change. As such, the emergence and acceptance of combination models of change – which incorporate more complex systems of influence, is perhaps inevitable and necessary. This reflects the trend towards pluralism of theories and theorizing in the wider marketing domain (Maclaran, et al., 2009) The multi-dimensionality of these new models better reflect the realities of retailing markets that are both complex and turbulent and which require, by necessity, strategic responses that are complex, agile and robust.

But rather than dismiss these various theories of retailing as inadequate, anachronistic and/or overly simplistic, McGoldrick (2002) reminds us that these do have merit and value – not least in terms of their ability to identify and remind us of the factors and influences that have resulted in the demise and failure of individual firms, or trading formats and/or even whole sectors of retailing. There is value in the recognition that sometimes history does repeat itself – regardless of the why and the how.

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