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Exploring the Retail Makeover Typology

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Abstract

This paper presents the Retail Makeover Typology (RMT) under the New Retail Concept Development (NRCD) umbrella. First, the roles of retail Makeovers are discussed. Next, the four types and four dimensions of the multilevel RMT are presented, and are illustrated with 'real world' examples. Research propositions to guide future research conclude the paper.

Introduction

Retail Makeovers are serious business for retailers, where "remerchandising, repositioning, renovations and redevelopment projects accounted for 40 percent of shopping centre real estate capital expenditures today, compared to 25 percent in the mid-Eighties" (Little and Czech, 2002). The retail Makeover includes renovations, refurbishments and changes in the image (and thus positioning) of the retail store. Thus, the retail Makeover, a type of new retail concept development (NRCD), can be seen to impact retail store image.

Retail store image is something taken seriously by retailers. Retailers devote considerable energy and resources to plan and build physical space that creates the retail purchase setting (Baker, Grewal and Levy, 1992; Ward, Barnes and Bitner, 1992). Managers are encouraged to "engineer customer experiences" that establish and maintain customer preference for an institution, much as Disney has done with its theme parks and Barnes & Noble with its bookstores (Carbone and Haeckel, 1994). In short, the retailer seeks to communicate "something" (a certain image) to shoppers. In this sense, we can see the retail store as "a bundle of cues, messages and suggestions which communicate to the shoppers" (Marking, Lillis and Narayana, 1976, p. 43). Oxenfeldt (1974-1975, p. 9) views the image of a store as a combination of factual and emotional material, and, like a photograph, "...is *more than the sum of its parts*". Thus, retailers are doing things to (re-engineer) their image, yet our understanding as to what might be driving this process for Makeovers is poor.

In this paper, we build on earlier NRCD work (Rosenberger, Merrilees and Miller, 2002, 2001a, 2001b), exploring the specific NRCD area of retail Makeovers. After establishing the roles of Makeovers (and, thus, the rationale for the RMT), using a theory-in-use approach (Zaltman, Lemasters and Heffring, 1982), we propose a Retail Makeover Typology (RMT) and explore various dimensions of each Makeover type as a way of better understanding what differentiates one Makeover type from another. Finally, we conclude with a number of research propositions to guide future RMT research.

The Role(s) and Why of Makeovers

A Makeover is can be defined as being a more substantial change/innovation than a minor innovation and one that has an impact on the store's image, i.e. a Makeover *noticeably* impacts customer *perceptions* of the store. Makeovers can be both high- and low-cost in nature, though usually requiring a more substantial visible modification investment.

Makeovers also tend to be more storewide in nature (e.g. remodelling the whole interior) and/or a repositioning of the store/brand itself (Rosenberger, Merrilees and Miller, 2001a). Makeover examples include: store relocation, a new slogan indicating a step up in the market (e.g. a positioning change), as well as a redesign/refurbishment of the store fittings and décor. The reasons for undertaking a Makeover can be varied and include enhancing or changing customer perceptions of the retail image as well as the retailer's desire to "keep things fresh" and "interesting" for the consumer. There are also retail-specific factors: *legal requirements*, due to Council planning requirements or safety/fire code changes; *lease changes*, such as the landlord's non-renewal of the lease; and *safety & security concerns*, such as the personal, personnel, merchandise safety and security. For example, in 2002, Bi-Lo Newcastle (a supermarket) moved its customer service counter from against the wall to the middle of the checkout area, put down black rubber floor matting in the fruit-and-veg section and changed the shelf location of around a fifth of the store's merchandise (a Makeover). This is in contrast to Bi-Lo Newcastle's changing only the checkout till used in 2000 (a minor innovation).

Ways of Revitalising a Retail Store

Drawing from the branding (e.g. Keller, 1998) and the general retailing (e.g. Merrilees and Miller, 1996) literatures, a number of ways to revitalise the retail brand/store can be suggested. Firstly, *increase usage*, by (1) making use easier or more convenient, and (2) identifying new and completely different ways to use the retail location (such as by adding in new elements/facilities/services). Secondly, *entering new markets*, by (1) targeting a new geographic location (by either opening a new location or relocating), and (2) a change in the assortment/offering to appeal to new/additional segments. Thirdly, *repositioning the store/retail brand*, by (1) changing the associations customers currently hold and/or creating new associations, (2) changing the logo or other brand elements, (3) changing the tangible and intangible elements of the store itself (e.g. layout and atmosphere elements), (4) retaining existing customers that would have eventually moved away from the brand, (5) recapturing lost customers who no longer use the brand, and (6) abandoning the consumer group that supported the brand in the past to target a completely new market segment.

To illustrate this, consider The Co-op Bookshop's Newcastle branch situation. Though forced to relocate by losing its book-selling franchise at the University of Newcastle (Callaghan campus) in 2000, The Co-Op Bookshop's (Newcastle) move to the Hunter Street Mall area (11km away in the centre of Newcastle) has given it access to both a new geographic segment. Due to its new location away from the main university campus (only a small satellite campus is now nearby), The Co-Op Bookshop (Newcastle) has changed its focus to now include professionals (e.g. architects and lawyers) as well as the general public, as it is now on the edge of an outdoor shopping mall across from a David Jones (Begley, 2002).

Existing NRCD Typologies & the Retail Makeover Typology (RMT)

An area lacking a well-developed research stream, as NRCD is, can benefit from the development of a classification schemata or typology (Hunt, 1991). With respect to the NRCD area, two typologies have been identified. Avlontis, Papastathopoulou and Gounaris (2001) proposed an empirically based new service development typology. Their typology comprises six different new service types (New to the market services, New to the company services, New delivery processes, Service modification, Service line extensions, and Service repositionings) and was based on 84 Greek financial services firms. With respect to 'bricks-

and-mortar' retailers, Rosenberger, Merrilees and Miller (2001a, 2001b) proposed and initially evaluated a new retail concept development (NRCD) typology focusing on the *micro* level—the individual store/retail concept level—with seven types (Minor Retail Mix Changes, Brand Extensions in an Allied Field, Store-Within-a-Store Concepts, Makeovers (e.g. updates/renovations), Brand Extensions in an Unrelated Field, Combinations (of other formats), and Radical New Formats).

Using a theory-in-use approach, we will now further explore the underpinning of the NRCD process by focussing on one specific category: the retail Makeover. A theory-in-use approach is a more inductive, inferential process for discovering theory, reflecting two research traditions—single-subject research and grounded theory—and involves considerable interaction with individual subjects (Zaltman, Lemasters and Heffring, 1982). The process used to build the Retail Makeover Typology (RMT), presented in Table 1, involved initial observations and evaluations at the general NRCD level (Rosenberger, Merrilees and Miller 2001a, 2001b), initial interviews with cases (e.g. Rosenberger, Merrilees and Miller, 2002), followed by a further refinement of the theory-in-action 'map' (the typology in this case) based on further observation and case studies.

We conceptualise the multilevel Retail Makeover Typology (RMT) as comprising four types of Makeover with four key dimensions that we propose differ for each Makeover type. The four types are: Total (Major) Makeover; Total (Minor) Makeover; Combination; and Store-Within-A-Store. The four dimensions are: Motivation for Change; NPD Process Used; Key Concepts for the Relevant Type; and the Dominant Element(s) of the Retail Mix.

The first two types of Makeover relate to whether they are major or minor. Major Makeovers would tend to require a more substantial investment in visible modifications than Minor Makeovers. Relocation could apply to both categories, though the nature of the relocation and its impact on the store's image would be a key discriminator (e.g. a shift to significantly larger premises, shifting two doors down or a shift to a more upmarket shopping mall). In Newcastle, The Audio Junction not only relocated suburbs, but expanded its product range to new categories (home cinema) and changing its image (both store look and logo) [a Major Makeover], whilst Civic Bikes moved 200m up the street to slightly larger and "lighter feeling" premises in October, 2000 (a Minor Make-over). A Combination draws on key elements from and/or combines two (or more) different retail categories, such as bookshop-café or petrol station-fast food outlet combinations. Finally, a Store-Within-a-Store is similar to a Combination in the sense that there are two discreet elements apparent, however, the nature of the relationship is that the Store-Within-a-Store element is a much smaller part of the whole store and seeks to create its "own space" within the larger confines of the whole store. Store-Within-a-Store examples include a small Vodaphone or Optus mobile phone kiosk within K-mart or Big W, or the small Colonial Bank outlets (once) located within Coles supermarkets.

The first dimension in the table is the Motivation for Change. The varied motivations comprise four broad categories: Proactive (e.g. a regular store review process, or looking for potential synergy from a new development, such as technology or another retail format), Cooperation (e.g. cooperating with a partner or supplier/brand owner for a Combination), Reactive (e.g. to a competitive reaction or environmental force, such as change in laws, a change in consumer consumption or lifestyle trends) and Opportunistic (e.g. relocation opportunity, buying a discounted display case). The second dimension, the type of NPD process utilised, has two sub-dimensions: Linearity and Organisation. With Linearity, there

are two divisions: Linear and Non-linear. With Organisation, there are three divisions: Formal, Not Formal but Highly Structured (NFHS), and Unstructured. The third dimension covers the key concepts (or issues) that a firm needs to consider for each type, such as the potential synergy between two retail formats (in the case of a Combination). For example, a Major Makeover repositioning the retailer needs to consider the image desired as opposed to the current image held by customers in order to plan the Makeover effectively. Finally, the fourth dimension relates to the Dominant Element(s) of the Retail Mix, as we expect the Makeover types will differ in the composition and importance of the nine retail mix elements used by each type: Selling, Strategic Alliances, Location, Store Design, Merchandising, Pricing, Promotion, Customer Service (Merrilees and Miller, 1996). For example, Promotion for a Total (Major) Makeover would likely focus on facilitating communicating the image makeover and (possible) change in market focus by the store/retail brand image (and where).

In Table 1, the key aspects of each dimension are presented for each type in the RMT. The numbering represents the order of importance that aspect is posited to play for that type. For example, we propose the Proactive motivations will be most important for Total (Major) Makeovers, with Opportunistic motivations fourth-most important, whereas Opportunistic motivations will be second-most important for Total (Minor) Makeovers.

Conclusions & Research Propositions

A Retail Makeover Typology (RMT) was proposed that contributes to the understanding of the area by stimulating thinking on what types of Makeovers there are and how they differ in their development. As one reviewer expressed reservations as to the number of retailers that actually think these (Makeover) things through, we believe that a better understanding from this research on how Makeovers emerge and the key success factors that influence them will enable better “prescriptive” (best practice) advice to be given to practitioners. Therefore, a number of research propositions for Makeovers emanating from the RMT are put forward to guide future research in this area, most likely using a theory-in-use approach (or other qualitative approach) due to the relatively large “unknown” factor about this area at this time:

- Proposition 1: Proactive and Cooperative motivations will be more important for Total (Major) Makeovers, whilst Reactive and Opportunistic motivations will be more important for Total (Minor) Makeovers.
- Proposition 2: Proactive then Cooperative motivations will be more important for Combinations. Store-Within-A-Store concepts will be the opposite.
- Proposition 3: Formal and Linear NPD processes will feature for medium and large firms and Not Formal but Highly Structured and Linear will feature for small firms.
- Proposition 4: Store-Within-A-Store will have the greatest diversity of NPD processes used.
- Proposition 5: Total (Minor) Makeovers will exhibit a major change in the new image vs. the old image, whereas Total (Major) Makeovers will feature a minor (“just noticeable difference) change in the new image.
- Proposition 6: Successful for Store-Within-A-Store concepts and Combinations will feature better Fit (in capability, market and other party) and Synergy.
- Proposition 7: Store Design will be the most important retail mix element across all types.

Table 1: The Retail Makeover Typology (RMT)

	Motivation for Change	NPD Process Method	Key Concepts (Issues) for the Relevant Type	Dominant Element(s) of the Retail Mix
Total (Major) Makeover	<ol style="list-style-type: none"> 1. Proactive 2. Cooperation 3. Reactive 4. Opportunistic 	<ol style="list-style-type: none"> 1. Formal and Linear (medium & large firms) 2. Not Formal but Highly Structured (NFHS) and Linear (small firms) 	<ol style="list-style-type: none"> 1. Major change in the new image vs. the old image 2. New or existing premises 	<ol style="list-style-type: none"> 1. Store design 2. Promotion 3. Merchandising 4. Most other retail mix elements
Total (Minor) Makeover	<ol style="list-style-type: none"> 1. Reactive 2. Opportunistic 3. Proactive 	<ol style="list-style-type: none"> 1. NFHS and Linear 2. Informal and Non-linear 	<ol style="list-style-type: none"> 1. Minor change in the new image vs. the old image (the “just noticeable difference” point) 2. New or existing premises 	<ol style="list-style-type: none"> 1. Store design 2. Location (relocation)
Combination	<ol style="list-style-type: none"> 1. Proactive 2. Cooperation 3. Reactive 4. Opportunistic 	<ol style="list-style-type: none"> 1. Formal & Linear (medium & large firms) 2. NFHS and Linear (small firms) 	<ol style="list-style-type: none"> 1. Fit capability (for the retailer’s skills) 2. Fit with the market (customer expectations) 3. Fit with other party (if relevant) 4. Synergy (or affinity) between the two categories (i.e. the totality of the experience) 5. New or existing premises 	<ol style="list-style-type: none"> 1. Store design 2. Merchandising 3. Strategic Alliance 4. Customer Service
Store-Within-A-Store	<ol style="list-style-type: none"> 1. Cooperation 2. Proactive 	<ol style="list-style-type: none"> 1. Formal and Linear (large firms) 2. NFHS and Linear (medium & small firms) 3. NFHS and Non-linear (small firms) 	<ol style="list-style-type: none"> 1. Image of product (brand) desired vs. current image held by customers 2. Fit with other party (if relevant) 	<ol style="list-style-type: none"> 1. Store design 2. Strategic Alliance 3. Merchandising 4. Customer Service

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