

Handel und Internationales Marketing  
Retailing and International Marketing  
Bernhard Swoboda · Thomas Foscht *Hrsg.*

RESEARCH

Christoph Schröder

# The Replication of Retail Fashion Formats into Foreign Countries

A Qualitative Analysis



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# Handel und Internationales Marketing / Retailing and International Marketing



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Christoph Schröder

# The Replication of Retail Fashion Formats into Foreign Countries

A Qualitative Analysis

With a foreword by  
Univ.-Professor Dr. Prof. h.c. Bernhard Swoboda

 Springer Gabler

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## Foreword

With the process of internationalization of retail and vertically integrated firms gaining momentum since the 1990s, retailing is more and more becoming an international industry. Indeed, many of the world's prominent retailers already derive a significant proportion of their sales from international operations. This occurs in particular for leading fashion retailers and verticals (e.g., Inditex, adidas, Tommy Hilfiger, or LVMH) in the second largest retail sector in most economies. Those firms face specific challenges when going abroad, which are not relevant if a retailer works in its home country only. In particular, they have to decide on the design of retail format elements, what is known as an important success driver. They may transfer their format elements unchanged or may adapt those elements. One successful strategy is known to be an unchanged format replication, which is linked to the fashion sector and which is analyzed in the present study.

The study by Dr. Christoph Schröder aims to answer three important questions in the research on replication strategy:

- Are different format replication strategies present and successful in a retail sector which is said to always transfer format elements unchanged?
- How do fashion firms design format elements (culture, marketing and supply-chain processes, and offers) abroad and which of the elements represent core format elements, which are transferred unchanged, and which represent peripheral format elements, which are allowed to vary in different countries?
- Whether replication of retail format elements is stable over time and in different countries.

All three topics are under-researched in the literature on format transfer and are analyzed in the present dissertation based on theoretical propositions as well as empirical results based on over 20 leading fashion firms from western countries. The results underline the importance of two different successful replication strategies, they show various new insights into how format elements (culture, processes, and offers) are characterized as core and peripheral elements when transferred abroad, and finally provide an overview on changes in the replication of retail format elements as well as on strategies over a period of five years and in two culturally different but actual major fashion markets, namely China and France.

With his work Dr. Christoph Schröder makes an important contribution to international retailing and international business research. He advances knowledge on international retailers' and vertically integrated firms' core decisions and disentangles the

interrelation of important format transfer elements in foreign countries. On the one hand, his work impresses with the extent of attention paid to the extensive literature review and to the conceptualization in a difficult field of research. On the other hand, he has developed a unique sample – questioning C-level executives of over 20 leading firms in their headquarters all over the world twice in five years – and derives valuable insights for future research as well as for retailing expansion managers. Finally, his present dissertation addresses one of the core research fields of my chair in Trier.

I am particularly pleased with Dr. Christoph Schröder work as he presents the twelfth dissertation at my chair for Marketing & Retailing at the University of Trier. I am glad that Dr. Christoph Schröder has successfully finished his dissertation project during intense years of working on the dissertation on one side and on his career in the world's number one business software provider on the other side. At the end of this time he is able to present this valuable piece of work. I thank Dr. Schröder for working together and I wish him all the best for his future professional endeavors as well as for his private life.

Univ.-Professor Dr. Prof. h.c. Bernhard Swoboda

## Acknowledgements

A doctoral thesis can be compared to climbing a mountain, in which under maximum effort, an unimaginably long and tedious way is to be completed. This can only succeed if the person is driven by a deep motivation to reach the top. The completion of my doctoral dissertation has been a long journey and like climbing a mountain there are more and less challenging sections. It is true that life does not stand still, nor wait until you are finished and have time to manage it. Very much has happened and changed in the time I have been involved with this project, or as some of my dear friends have so affectionately referred to it "The Paper."

This doctoral thesis has been completed also thanks to many persons who guided me, contributed with suggestions, thoughts, and constructive criticisms. I take therefore the occasion to briefly mention them here.

First and foremost, I am greatly indebted to my supervisor Univ.-Prof. Dr. Prof. h.c. Bernhard Swoboda. He guided me during my researches, and has been very available and patient. His professional knowledge and constant support helped me proceed throughout my studies. I appreciate all his contributions of time and ideas to make my Ph.D. experience productive and stimulating.

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My deepest thanks and apologies go to my wife Kristin. Through her love, patience, support, sacrifices and unwavering belief in me, I have been able to complete this long dissertation journey. She is my biggest fan and supporter. She has taken care of whatever needed tending to without complaining, just so I could focus on completing my thesis. She has patiently endured many, many long hours alone while I worked on my dissertation. At the same time, she has also given me so many happy and beautiful memories throughout this journey. There are no words that can express my gratitude and appreciation for all you have done and been for me. As I ramble, I still have not found the words that describe or express how I feel for this woman and what her presence in my life has meant. She loves me like no one else has and has changed me for the better. Thank you with all my heart and soul. I love you and am forever indebted to you for giving me life, your love, your heart, and most importantly Emily our bundle of joy. Your complete and unconditional love carries me always through.

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I dedicate this doctoral thesis to my beloved family.

Christoph Schröder

## Table of Contents

Foreword .....	V
Acknowledgements .....	VII
List of Figures .....	XIII
List of Tables .....	XV
List of Abbreviations .....	XIX
<b>Chapter 1: Introduction .....</b>	<b>1</b>
A. Focus and relevance of the study .....	1
B. Structure of the study .....	7
<b>Chapter 2: State of research and specification of objectives .....</b>	<b>9</b>
A. Definitions .....	9
B. Literature review .....	15
I. Introduction .....	15
II. Basic international strategies of retail firms .....	16
1. Basic strategy typologies .....	16
2. Format transfer .....	26
3. Success and failure .....	47
4. Context factors .....	54
III. Standardization and adaptation of retail format elements .....	58
IV. Flexible format replication .....	75
C. Identified research gaps and specification of objectives for the replication of retail fashion formats .....	87

<b>Chapter 3: Theoretical foundation and conceptual framework .....</b>	<b>95</b>
A. Comparison of theoretical approaches to explain format replication.....	95
B. Theoretical foundation .....	99
I. Contingency and configuration approach.....	99
1. Overview.....	99
2. Contingency approach.....	100
3. Configuration approach .....	102
4. Critics of the contingency and configuration approaches .....	109
II. Format replication theory .....	110
1. Overview.....	110
2. Replication organization .....	111
3. Replication of core and peripheral format elements .....	116
4. Critics of format replication theory .....	118
III. Learning and flexible format replication theories.....	120
1. Overview.....	120
2. Knowledge theories .....	122
3. Flexible format replication.....	128
4. Critics of learning and flexible format replication theories.....	131
C. Conceptualization and propositions .....	131
I. Conceptual framework.....	131
II. Specification of successful format transfer strategies .....	134
1. Introduction.....	134
2. Patterns and context factors as the basis of format transfer strategies.....	135
3. Success of format transfer strategies .....	145
III. Specification of the design of core and peripheral format elements.....	148
1. Introduction.....	148
2. Design of the retail format.....	148
3. Format elements in the context of different countries .....	152
4. Format elements in the context of different format transfer strategies.....	156

IV. Changes in strategy over time .....	158
1. Introduction .....	158
2. Different strategy changes over time .....	159
3. Format element changes over time .....	160
4. Format element changes in different countries over time .....	163
<b>Chapter 4: Empirical study of the fashion industry .....</b>	<b>167</b>
A. Introduction .....	167
B. Sample design .....	168
C. Measurement: in general and country specific.....	172
I. Overview .....	172
II. Retail format elements and strategy .....	172
III. Context factors.....	175
IV. Success .....	176
D. Method: Qualitative research .....	177
E. Results of the empirical study .....	180
I. Introduction .....	180
II. Successful format transfer strategies .....	180
1. Identification of patterns and context factors .....	180
2. Identification of format transfer strategies.....	188
3. Contrast of identified format transfer strategies with IR strategies as an excursion .....	191
4. Success of the identified format transfer strategies .....	193
III. Design of core and peripheral format elements .....	196
1. Design of retail culture, retail offers and background processes in general.....	196
2. Design of retail culture, retail offers and background processes in France and China .....	199
3. Design of retail culture, retail offers and background processes within format transfer strategies.....	205

IV. Changes in strategy and format elements over time .....	211
1. Changes in format transfer strategies over time .....	211
2. Different changes in format elements in general over time.....	212
3. Different changes in format elements in countries over time .....	217
<b>Chapter 5: Key findings, implications and limitations.....</b>	<b>221</b>
A. Introduction .....	221
B. Implications for research and practice .....	223
I. Theoretical implications .....	223
1. Overall results.....	223
2. Successful format transfer strategies .....	226
3. Design of core and peripheral format elements .....	227
4. Changes in format transfer strategies and format elements over time and in different countries.....	231
II. Managerial implications .....	234
III. Limitations and further research.....	236
References .....	239
Appendix.....	267
Interview guide .....	267

## List of Figures

Figure 3–1: Foundational model of contingency .....	101
Figure 3–2: Configuration approach .....	102
Figure 3–3: Different equifinalities .....	107
Figure 3–4: Learning to replicate .....	114
Figure 3–5: Replicators located in the integration-responsiveness framework .....	115
Figure 3–6: Exploration and exploitation of formats .....	116
Figure 3–7: Theoretical framework of the Uppsala model as a basic approach .....	123
Figure 3–8: Shift of knowledge sharing between headquarters and subsidiaries .....	124
Figure 3–9: Learning curve effects resulting from exploration and exploitation .....	127
Figure 3–10: Research framework .....	132
Figure 3–11: Replicators in the IR-framework .....	144

## List of Tables

Table 1–1:	FDI by SWFs by sector/industry, cumulative flows, 2005-2011 .....	3
Table 1–2:	Comparison of retail industry profiles .....	4
Table 1–3:	Top global fashion retailers .....	5
Table 2–1:	Studies of the classification of retail firms .....	19
Table 2–2:	International strategic orientation of retail firms .....	21
Table 2–3:	Studies of the classification of fashion firms .....	26
Table 2–4:	Studies of retail offers .....	28
Table 2–5:	Studies of retail offers in the fashion industry .....	29
Table 2–6:	Studies of the transfer of retail offers .....	31
Table 2–7:	Studies of background processes .....	35
Table 2–8:	Studies of background processes in the fashion industry .....	37
Table 2–9:	Studies of the transfer of background processes .....	39
Table 2–10:	Studies of retail culture .....	44
Table 2–11:	Studies of retail culture in the fashion industry .....	46
Table 2–12:	Studies of the success and failures of retail firms .....	52
Table 2–13:	Studies of the success and failures of fashion firms .....	54
Table 2–14:	Studies of the context factors of format transfer strategies .....	58
Table 2–15:	Standardization versus adaptation of retail formats .....	71
Table 2–16:	Standardization versus adaptation of retail fashion formats .....	75
Table 2–17:	Studies of the replication (of retail formats) .....	85
Table 2–18:	Studies of the replication of fashion-specific retail formats .....	86
Table 3–1:	Matrix of configurations .....	103
Table 3–2:	Comparison of contingency and configuration approaches .....	104

Table 3–3:	Concept of the Arrow core .....	112
Table 3–4:	Possible core and peripheral program and process elements in retailing.....	118
Table 3–5:	Organizational characteristics of format transfer strategies .....	144
Table 3–6:	Possible retail format elements.....	150
Table 4–1:	Examined fashion firms in 2009 and 2013 .....	171
Table 4–2:	Measurement of retail format elements .....	173
Table 4–3:	Measurement of basic strategic orientation within the scope of this study I.....	174
Table 4–4:	Measurement of basic strategic orientation within the scope of this study II.....	174
Table 4–5:	Examples of barriers to format replication.....	175
Table 4–6:	Measurement of success .....	176
Table 4–7:	Format replication pattern groups .....	181
Table 4–8:	Format replication pattern groups in France .....	181
Table 4–9:	Format replication pattern groups in China .....	181
Table 4–10:	Most important context factors for format replication in general.....	183
Table 4–11:	Most important context factors for format replication in general.....	185
Table 4–12:	Most important context factors for format replication in France .....	186
Table 4–13:	Most important context factors for format replication in China .....	187
Table 4–14:	Format replication strategies.....	188
Table 4–15:	Categorization of format replication strategies in France.....	190
Table 4–16:	Categorization of format replication strategies in China.....	191
Table 4–17:	Manager self-assessment of integration responsiveness .....	191
Table 4–18:	Results of judgments of integration responsiveness.....	192
Table 4–19:	Results of integration-responsiveness clusters.....	192
Table 4–20:	Comparison of IR cluster results with format transfer strategies.....	193



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Table 4–21: Comparison of format transfer strategies and success .....	194
Table 4–22: Retail culture design .....	196
Table 4–23: Retail offer design in general .....	197
Table 4–24: Background process design in general .....	199
Table 4–25: Retail culture design in France and China .....	200
Table 4–26: Retail offer design in France and China .....	201
Table 4–27: Background process design in France and China .....	204
Table 4–28: Retail format element design within the scope of a global format extension strategy.....	206
Table 4–29: Retail format element design within the scope of a transnational competitive position oriented strategy .....	208
Table 4–30: Retail format design within the scope of different format replication strategies (degrees of standardization) .....	210
Table 4–31: Format replication strategies in 2009 and 2013 .....	212
Table 4–32: Changes in retail culture elements over time .....	212
Table 4–33: Changes in retail offer elements over time.....	214
Table 4–34: Changes in background process elements over time .....	215
Table 4–35: Changes in retail format elements depending on format transfer strategies (degrees of standardization) over time .....	217
Table 4–36: Changes in retail format elements over time in France and China ...	220
Table 5–1: Overview of propositions addressed in the present study .....	222
Table 5–2: Propositions related to successful format transfer strategies.....	226
Table 5–3: Propositions related to core and peripheral format element design .....	229
Table 5–4: Propositions related to changes in format transfer strategies over time and in different countries.....	232

## List of Abbreviations

A	Adapted
Bn.	Billion
ca.	circa
CEO	Chief Executive Officer
CHN	People's Republic of China
CIO	Chief Information Officer
CMO	Chief Marketing Officer
CRM	Customer Relationship Management
CSA	Country specific advantage
CXO	Chief (Executive, Information, Financial, or Operating) officer
Diss.	Dissertation
DK	Denmark
DoS	Degree of Standardization
e.g.	exempli gratia / for example
ERP	Enterprise resource planning
ESP	España / Spain
et al.	et alia/and others
etc.	et cetera
EU	European Union
F	France
FDI	Foreign direct investment
FFR	Flexible format replication
FSA	Firm specific advantage
GER	Germany
GPN	Global production network
GPS	Global purchasing strategy

i.e.	id est / that is
IPO	Initial public offering
IRC	International retail chain
ITA	Italy
LE	Large enterprise
m	million
MEF	Market Entry Factors
MES	Market Entry Strategy
MF	Manufacturing
Mio	Million
MNC	Multinational corporation
MNE	Multinational enterprise
MV	Mean value
NZL	New Zealand
p.	page
POR	Portugal
POS	Point of Sale
RBV	resource-based view
R&D	Research & Development
RI	Retail Internationalization
RT	Retail
S	Standardized
SCM	Supply Chain Management
SME	Small and Medium-sized Enterprise
STDEV	Standard deviation
SVP	Senior Vice President
SWE	Sweden
SWF	Sovereign wealth fund

---

UK .....	United Kingdom
UNCTAD.....	United Nations Conference on Trade and Development
US(A).....	United States (of America)
USD .....	US Dollar
Vol. ....	Volume
vs. ....	versus
WH .....	Wholesale
# .....	number
% .....	percent

# Chapter 1: Introduction

## A. Focus and relevance of the study

The goal of this study is to examine retail format replication in international retail fashion firms. The foundation of the study is the identification of format replication patterns and strategies with a connection to the success of international fashion retailers. A dynamic dimension over time complements the study. Fashion retail firms are generally understood to be heavily internationalized and are expected to replicate their entire format unchanged in foreign countries when pursuing a global strategy. Such firms' format replication strategy—defined in terms of format change patterns and the factors motivating the format change decision—substantially contributes to their success and is primarily associated with strong standardization and global strategy (Goldman 2001). This thought-provoking statement will be traced in a theoretically grounded and empirically tested study that examines the development of fashion retail firms over a period of time. A qualitative approach on the chief executive level (CXO) is used as an appropriate method to understand the behavior of firms and managers over the five years analyzed (Chen, Murray and Jones 2007). To categorize the respective format replication strategies and to analyze successful strategies and the transfer of format elements, decisions are analyzed on a general, internationally holistic level and on the level of activities in two countries that are particularly important in the fashion industry.

The relevance of this study results from the dynamic but relatively young phenomenon of retail internationalization, which has become relevant in the last two decades for most retail firms (Swoboda, Zentes and Elsner 2009). Thus, the distinction between "national firm" and "international firm" appears linguistically simple: national firms limit their activities to one country, whereas international firms operate in several countries. An international firm is therefore present when it has sales activities abroad—regardless of the type of foreign activity and regardless of the functional areas that are internationally oriented. In the present study, an international retail firm is defined as a firm with own-store activities in at least two foreign countries (Waldman 1978, p. 1; Zentes, Swoboda and Morschett 2004, p. 7-8). More precisely, retail internationalization is dominated not by the pure export of products but primarily by the transfer of offers, processes and management culture into foreign markets. Furthermore, internationalization in the retail business is connected with strategies of global, multinational or transnational activities driving foreign value chain activities. In other words, a configuration of value chain activities is executed based on various environmental factors (Liebmann, Zentes and Swoboda 2008, p. 15ff.).

As the process of retail internationalization is gaining momentum, retailing is on a path to becoming a global industry. To become global, retailers must expand their businesses and transfer their retail formats into foreign countries. To set the scene for the topic of retail formats, it is necessary to emphasize the major characteristics of retail internationalization in contrast to manufacturing internationalization to justify the need for retail-specific research. According to Dawson (1994), Sparks (1995), and Currah and Wrigley (2004), the main differences are related to marketing, management and financial characteristics.

Retail stores are combinations of tangible (e.g., product assortment) and intangible offers (e.g., store layout), but these aspects are only the visible parts of internationalization. There are also processes that must be adjusted during the process of internationalization. Retailers have direct contact with consumers and high transaction frequencies (Dawson and Mukoyama 2006, p. 24). Markets for retailers are local and are restricted by market barriers (e.g., local rules on store location and opening hours) and store design, and retail knowledge cannot be trademarked.

International retail store networks can encompass 500 or more stores, which can cause some degree of geographical dispersion in firms and requires a balance between centralized and decentralized decision making (Wrigley, Coe and Currah 2005). The importance of local product assortments and a large number of suppliers enhance the relative value of stock and the importance of sourcing and supply chain activities (Mukoyama 2000). Retailers have a specific cost structure. The share of purchase costs constitutes a major portion of the total costs; thus, it is important to realize economies of scale (Dawson and Mukoyama 2006, p. 22-23). In retailing, the income stream generated after an investment decision and the cash flow characteristics differ from those for manufacturers. Because of the high level of direct investments that are typically made, related exit costs are enormous (Dawson 1993, p.28).

For the period between 2005 and 2011, UNCTAD shows that FDI flow in services cumulatively increased nearly 1,100% (from 6,903 to 81,659 m. USD) compared with 900% in manufacturing (3,114 to 31,594 m. USD) during the same period (see Table 1-1).

Target Industry	2005	2006	2007	2008	2009	2010	2011
Manufacturing	3,114	4,369	10,675	16,357	30,122	31,470	31,594
Services	6,903	13,124	27,316	43,673	53,709	64,120	81,659

Note: Values are millions of US Dollars

Table 1–1: FDI by SWFs by sector/industry, cumulative flows, 2005-2011

Source: United Nations Conference on Trade and Development World Investment Report (2012, p. 15).

In particular, leading fashion retailers grew dynamically abroad. Furthermore, fashion retailers tend to grow in a standardized manner and have entered as many as seventy countries in the last two decades (Bonnin 2002; Moore and Birtwistle 2004; Bhardwaj and Fairhurst 2010). Fashion retailers have been acknowledged to be among the most dynamic operating firms (Alexander and Doherty 2009), especially with the emergence of fast fashion retailer brands, such as H&M, Gap (Moore and Burt 2007), Uniqlo, and Zara. Undeniably, the international expansion of fashion retailers in Europe is far greater than the host country activities of retailers in other industry sectors, such as food or hard-line products (Mollá-Descals, Frasquet-Deltoro and Ruiz-Molina 2011, Doherty 2000). Fashion firms operate with product assortments that change on a monthly basis, which is more complex than grocery retailing, for which articles are listed for a longer period (Swoboda, Pop and Dabija 2010). In addition to the quick time to market and design, marketing and capital investment have also been recognized as the driving forces of competitiveness in the fashion industry (Bhardwaj and Fairhurst 2010). Fashion retailers have realized that flexibility and rapid responsiveness to the market are the areas of greatest importance in today's world (Bhardwaj and Fairhurst 2010). From a consumer perspective, people are becoming more demanding and fashion savvy, which forces fashion retailers to focus on providing the appropriate assortment at the right time (The Economist 2005). This context leads to the issue of the retail format, which consists of different elements—such as price, location and processes—that must be configured adequately to attract local consumers. Because the consumer market is heterogeneous in terms of consumption patterns, speed and adaptation in fashion are gaining in importance (Bhardwaj and Fairhurst 2010).

Expanding this view to the complexities of internationalization, a foreign target market can be similar to the home country. Thus, the pressure to adapt is slight (O'Grady and Lane 1996). However, in many cases, at least some adaptation is necessary (Dawson 2007). A retailer operating internationally must adapt to customer-specific demands to ensure success (Goldman 2001). It is unclear whether this necessity also applies the fashion industry and whether firms recognize this need and are willing to respond to foreign differences. Furthermore, the web has revolutionized the industry. The rise of China and other Asian countries has overhauled the supply chain, thus driving the success of fast fashion. Moreover, the recent economic downturn has

changed shopper attitudes toward value (Retail week June 2012). The changing dynamics of the fashion industry, which include the vanishing of mass production, the growing number of seasons and collections, and modified structural characteristics in the supply chain, have enforced retailers to aim for cost advantages and flexibility in design, quality, distribution and lead time to market (Doyle, Moore and Morgan 2006).

A comparison of the different industries of retailing demonstrates that fashion is the industry with the highest revenue earned from foreign operations and the highest average number of countries served. Table 1-2 shows the data for the 250 largest retail firms in four different retail sectors. As indicated, fashion retailing is the most internationalized retail industry. As a result, fashion retailers are confronted with the challenge of successfully and extensively transferring their format to foreign countries.

Segment	Number of firms	Average retail revenue (m. USD.)	% of retail revenue from foreign operations	Average number of countries	% of firms operating only in one country
Top 250*	250	17,085	23.8%	9.0	38.0%
<b>Fashion Goods</b>	<b>39</b>	<b>8,813</b>	<b>29.5%</b>	<b>21.3</b>	<b>20.5%</b>
Fast-Moving Consumer Goods	135	21,464	22.6%	4.9	47.4%
Hardlines and Leisure Goods	55	12,013	26.6%	9.6	30.9%
Diversified	21	17,577	22.5%	10.1	28.6%

Table 1-2: Comparison of retail industry profiles

Source: Deloitte Global Powers of Retailing 2013. Based on the Top 250 global retailers.

Upon closer examination of the fashion industry, revenue growth for fashion retailers declined to 4.8% in 2011 from 7.4% in 2010. Fashion retailers continued to be the most internationalized. In 2011, nearly 80% operated outside of their home country, engaging consumers in an average of 21.3 countries. Not surprisingly, these companies derived a larger share of revenue from foreign operations (29.5%) than the other product sectors (Deloitte 2013). Table 1-3 shows that the Swedish fashion firm Hennes & Mauritz (H&M) remains the leader.



Fashion firm	Country of Origin	Total Sales 2011 Rank (across all segments)	2006 Rank	2011 Rank	2011 revenue – m USD
H&M	Sweden	3	1	1	16,123
Inditex	Spain	2	3	2	13,058
C&A Mode Bren- ninkmeijer & Co	Germany	5	2	3	7,476
TJX Cos Inc, The	USA	1	4	4	4,417
Adidas	Germany	20	8	5	3,051
Gap Inc, The	USA	4	5	6	2,838
Foot Locker Inc	USA	9	6	7	1,863
Benetton Group SpA	Italy	19	7	8	1,490
Esprit Holdings Ltd	Germany	25	9	9	1,401
Heinrich Deichmann	Germany	11	10	10	1,033
Associated British Foods Plc (ABF)	UK	12	11	11	992
Abercrombie & Fitch Co	USA	16	19	12	776
Vivarte SAS	France	22	12	13	539
Fast Retailing Co Ltd	Japan	7	18	14	534
Limited Brands Inc	USA	8	21	15	466
Tengelmann Group	Germany	27	15	16	460
Collective Brands Inc	USA	23	13	17	446
Arcadia Group Ltd	UK	28	14	18	342
Peek & Cloppenburg	Germany	21	16	19	323
Genesco Inc	USA	30	21	20	321

Table 1–3: Top global fashion retailers

Source: Retail Euromonitor International.

On a scientific level, several scholars focus on retail formats. Many studies traditionally analyze standardization versus adaptation decisions, in addition to global versus multi-domestic strategies (see literature research in Chapter 2-B). Those studies leave open questions in terms of the described challenges for fashion retailers, including the following: are there specific format transfer strategies that fashion retailers follow, how successful are those strategies, how is a retail format designed, how is a retail format adapted to foreign circumstances and how much maintenance or adjustment of a retail format is required over time (Yahagi and Kar 2009; Gielens and Dekimpe 2007; Burt et al. 2005; Goldman 2001). Within the scope of this study, the need for structure detection methods is emphasized to support the growing knowledge with new empirical evidence, including successful replication strategies in international retailing. International strategy typologies have greater explanatory power if they can be applied to a specific industry (Harzing 2000). Alternatively, the retail industry itself may only be considered a moderating variable in international business models. Consequently, some researchers make extensive use of general international business research findings, whereas others claim that conceptualizations are retail specific—particularly

those in conceptual studies—and use only the literature on retail research. There is no research examining the fashion industry in particular. It is assumed that cases are found to support existing assumptions with regard to the standardized replication of retail formats. However, some firms in the fashion industry could transfer the format in a highly adapted form. One implication of this lack of research is that variations within retail format types are inadequately addressed. Ultimately, we have insufficient information regarding the development and management of formats by particular retail firms (Alexander 2008). According to the literature, retail format elements can be divided into core and peripheral elements based on the degree of change allowed (Winter and Szulanski 2001). In particular, fashion firms are known for expanding from their home countries to foreign economies by installing replicas (Jonsson and Foss 2011). This approach to creating and operating a large number of similar stores that deliver a product is also known as replication or as the McDonald's approach (Winter and Szulanski 2001). However, how do retailers react to changing environments, customer preferences or uncertainties? An ongoing learning process appears to be important for adjusting the format for replication (Jonsson and Foss 2011). However, the question remains as to how often and how much adjustment is necessary during a certain period of time, and the literature provides no answer as to how a retail format changes over time and how changes are applied in different countries.

Consequently, the goals of this study are threefold.

- First, successful retail format replication strategies must be addressed. The contingency shall be a starting point for this analysis.
- Second, the question of how formats are specifically designed by fashion retailers in general and in foreign countries must be answered.
- Third, the analysis of whether format replication is stable over time and in different countries is not addressed by former scholars and will be approached within the scope of this study. Consequently, the combination of different theoretical approaches, such as contingency and format replication theory, is applied to examine the goals of the study.

The described objectives will be further specified after the literature review in Chapter 2.

## B. Structure of the study

The approach of the present analysis follows the characteristic pattern of confirmatory work. As indicated, there is a comprehensive review of the literature on Anglo-American literature on the subject in **Chapter 2**. The goal of the literature review is the further specification of the three research questions:

1. Do format replication patterns or strategies exist for fashion firms, and if so, how successful are they?
2. How is a retail fashion format designed in general and in different countries with regard to permitted changes?
3. Is retail format replication a stable phenomenon with regard to different countries and over time?

First, the terminology is defined. During the literature review, empirical (large-N-designs compared with small-N-designs) and conceptual studies are reviewed to increase the level of knowledge and to identify research gaps. As of today, there is no existing study with a qualitative design with C-level executives, and every study will be summarized with the research questions, theoretical foundation, empirical basis, method, and key results and implications. Subsequently, the research questions are refined, which leads to different levels of analysis.

Within the scope of the detailed literature review and the resulting identified non-homogeneous results, the theoretical foundation is constructed in **Chapter 3**. The starting point is the comparison and categorization of the central explanatory approaches to explain strategies of internationalization and format transfer. First, contingency and configuration approaches are examined. This examination solidifies one particular level in the theoretical framework. The realization of this foundation allows the identification of characteristic patterns and—in combination with context factors—allows format transfer strategies to be derived. Because contingency theory is not specific in naming structures and processes as well as success, additional theories are considered. This leads to the conceptualization of successful format transfer strategies. Furthermore, because contingency theory does not cover the content of the respective strategies, the studies of Szulanski (2001), Swoboda and Elsner (2013), and Goldman (2001) are used to explain standardization versus adaptation of the retail format. Next, format replication theory is used to address the second aspect of the study in terms of whether retail format elements are designed identically and which are considered core and peripheral. Differences in the design of dedicated format elements are expected in regards to different countries. Finally, flexible format replication theory based on Jonsson and Foss (2011) is used to explain the structure of retail formats over time and across countries to assist in answering the question of

whether format replication is a stable phenomenon. The research questions derived relate to all three levels of analysis. This chapter establishes the theoretical framework, conceptualizes the areas of examination and derives the propositions.

**Chapter 4** consists of the empirical study, which includes an introduction to the qualitative approach of the study, the sample design, the measurements and the methodological approach. I conducted personal interviews with C-level executives of twenty-one firms at two points in time. The content of the interviews and the measurements are based on past studies regarding format transfer. The retail format and its elements, context factors, retail format strategies and success are also measured. Furthermore, the method of the empirical study is described, concluding with results and discussion.

**Chapter 5** summarizes the key findings, the central theoretical and empirical results, and the most important implications for research and practice. Subsequently, areas for further research are outlined. Finally, limitations that result from the holistic and empirical study are discussed, and recommendations for retail fashion firms are offered.

## Chapter 2: State of research and specification of objectives

### A. Definitions

This study covers international format replication in the retail industry. Thus, definitions of the central components are provided below.

#### *Retail internationalization*

Various definitions of retail internationalization frequently consist of opaque terminology and the unfortunate use of manufacturing expressions to service firms (Zavrsnik 2007). Aiming on specific features of retail internationalization, international retailing is defined as having “visible” and “invisible” dimensions (Wigley 2009; Zavrsnik 2007, p. 13). The visible dimension are retail offers (Manrodt and Vitasek 2004). “The ‘invisible’ aspects of retail internationalization are defined as being the international sourcing of products and services and the cross-border transfer of management expertise in the form of managerial policies or technical skills” (Zavrsnik 2007, p. 13).

Some retail firms follow high-risk strategies despite a lack of internationalization knowledge, which suggests the use of additional factors, such as a strong brand (Guy 2001). A noteworthy part of retail internationalization studies has involved examining the strategic approaches implemented by firms as they differentiate operations in foreign countries (Wigley 2009). Those strategic approaches are derived from the non-retail-specific literature, largely based on the Uppsala model popularized by Johanson and Wiedersheim-Paul (1975). This model visualizes how firms approach host market development in an incremental and sequentially organized way by accumulating experience, providing confidence and adjusting market entry procedures, operations, and article and service offers (Wigley 2009; Davies and Fergusson 1995; Whitelock 2002). Although several authors (e.g., Cannon and Willis 1981; Dawson 1993) show that the Uppsala model is not fully appropriate for retail, Wigley (2009) postulates that its main suggestion of a firm’s approach to developing internationalization over time is consistent with subsequent studies and particularly with the studies of Salmon and Tordjman (1989) and Treadgold (1991). Treadgold (1991) elaborates on how retailers sequentially develop their strategic and tactical processes to foreign countries as exposure to them grows and confidence increases. Parts of this model may be considered too strict (Wigley 2009). However, this framework does highlight the adaptable character of a retail firm’s strategic methodology to internationalization (Alexander and Myers 2000; Bianchi and Ostale 2006; Huang and Sternquist 2007; Wigley 2009). The resulting situation or opportunity is that at any time during the internationalization process and in any foreign market, a retail firm is

able to implement a marketing strategy that varies from its previous strategies or from the strategies executed in other markets (Wigley, 2009; Dawson 1994).

Salmon and Tordjman (1989) acknowledge three strategies for internationalization that depend on the retailer's operating model and internal competencies. Each of these strategies is defined by the nature of articles sold by the retail firm, the degree of desired market participation, the demanded degree of operational control and the retailer's experience (Wigley 2009). Each strategy is characterized by the retailer's host market entry approach, which includes the structure and control of foreign businesses and the retail format (Salmon and Tordjman 1989; Dawson 1994; Sparks 1996). The international strategy requires the cross-border transfer of assets by one firm typically assisted by the acquisition of a foreign retailer (Alexander 1995; Hamill and Crosbie 1990). As a result, operations in one market may be unique in comparison with those in other markets, and foreign operations may be executed in different formats (Wigley 2009). A multinational strategy requires the creation of retail structures in host markets that are related but not necessarily identical to a firm's home market (Wigley 2009). Typically, multinational retailers use decentralized decision structures and adapt their formats based on the cultural and customer preferences in the market in which they are acting (Wigley, 2009; Sternquist 1997). This global strategy requires the creation of standardized retail formats by offering similar products and using equal branding and communication across borders (Wigley, 2009; Sternquist 1997).

### *Fashion*

Fashion is defined as an expression that is commonly accepted by a group of people over time and has been characterized by several marketing factors, such as low levels of predictability, more frequent impulse purchases, shorter product life cycles and highly volatile market demand (Bhardwaj and Fairhurst 2010; Fernie and Sparks 1998).

The fashion industry has expressively advanced, particularly during the last two decades. The shifting dynamics of the industry have required retail fashion firms in particular to seek cost savings and flexibility in design, quality and time to market as key strategies in maintaining a lucrative position in the progressively challenging market (Bhardwaj and Fairhurst 2010).

Today's fashion business is highly competitive, and the constant need to "refresh" product assortments has led to an explosion in the number of fashion seasons in which the entire merchandize within a store is adapted. With the appearance of small collections of articles, fashion retailers encourage customers to enter their stores more frequently with the idea of "here today, gone tomorrow." This strategy results in

a shorter life cycle of articles and higher profit margins from the sale, thus avoiding markdown processes (Bhardwaj and Fairhurst 2010). Because fashion is known to be a temporary and cyclical occurrence that is adopted by consumers at a specific time (Sproles 1979, p. 116), it is no surprise that the lifecycle for fashion articles is rather short.

### *Retail format*

The retail format plays an important role within the scope of international market development strategies. The literature shows that the term “format” is used frequently and often simplistically. Goldman (1981) describes retail format as an entity that consists of two basic parts: the external demand side and the internal supply side.

At a high level, the retail format is discussed in the retailing literature in a variety of contexts, including the history of retailing and the evolution of retail formats (e.g., Messinger and Narasimhan 1997) and retail management (e.g., Ghosh 1990). Recent studies examine retail formats in more detail as complex mix of visible and hidden components (Alexander 2008), which helps to explain why it can be difficult for outside observers to identify retail formats accurately, to agree on clear definitions of the most common types and to gain consensus regarding these definitions (Alexander 2008). Retail oriented definitions such as that mentioned above reflect only those building blocks of a format that are visible in the store—in this case, assortment, size of store, shopping atmosphere and service. No attention is given to more hidden factors or to those that take place away from the store, such as the systems supporting stores and the operating firms’ organizational structure and management culture (Alexander 2008). This lack of attention is challenging because the nature of firms’ different format design and their success or failure in operating formats are also influenced by such structures, processes and cultures (Alexander 2008). Lewison (1997) highlights the prominence of a retail format to competition. Competitive advantages are achieved by realizing a retail format that is designed to the specific needs of a precisely determined segment of the entire market (Alexander 2008).

Retail formats embrace the total mix of operating and merchandizing tactics and practices used by a retail firm to separate and differentiate itself from other competing retail formats. Davies (1998) and Dawson and Mukoyama (2006) view formats as “combinations of technologies” and posit that retailing involves the bundling of these technologies in ways that are considered most appropriate for the marketplace. Viewing formats in this way can assist in understanding format variation.

Goldman (2001) offers a more fine-grained consideration of the nature of the format and describes it as consisting of two parts: the retail offer (external) and the know-how (internal). The offering includes elements such as article assortment, shopping

atmosphere, service, location and price. The know-how determines a retail firm's operational strength and strategic direction and consists of the retail technology dimension (the systems, methods and processes that the retail firm uses) and the retail culture (including the collection of concepts, norms, rules, practices and experiences) (Alexander 2008). Kacker (1988), to whom Goldman (2001) refers, conceptualizes retail know-how as a central antecedent of internationalization and defines it as a combination of a technical dimension (e.g., location choice, store layout and atmosphere) and a management dimension (e.g., retail concept, systems, control and strategy). In contrast to some recent interpretations that have restricted attention to the visible elements, Au Yeung (2003) adopts Goldman's conceptualization.

In summary, the retail format identifies a retailer's capability and serves as the unifying component of its strategy. The specification of retail service-output levels—also known as retail offers, background processes, and the learning and experiences based in the retail culture—determine the position that a retail firm obtains in the marketplace (Goldman 2001). Therefore, those three parts of a retail format will be further specified.

*Retail offers* are the visible parts of the format (Manrodt and Vitasek 2004). Format elements that are visible to consumers are also known as marketing instruments and are primarily investigated with regard to the 4P classification of McCarthy and Perreault (1993): product, price, promotion and placement. This traditional typology has its weaknesses with distribution-based companies because of their inherent proximity to end customers (Wigley and Chiang 2009; Dawson 2007). Moreover, retail format elements refer to store location, product assortment, retail brand, pricing, communication, store configuration and additional services (Davies and Liu 1995). The most comprehensive accumulation is provided by Mulhern (1997) and consists of store location, store format, store layout, product assortment, price, advertising, sales promotion and customer services.

*Background processes* can generally be defined as the use of sequences of work and problem-solving approaches on a worldwide level (Manrodt and Vitasek 2004). Srivastava, Shervani and Fahey (1999) divide background processes into the areas of planning and supply chain. Porter (1998, p. 10-11) categorizes these processes into two basic processes for creating customer value: demand-focused processes and supply chain-focused processes. Accordingly, planning processes that refer to demand-focused processes are defined in this study as the development of approaches according to the marketing values, principles and technology employed in the planning and preparation for decision making (Griffith, Hu and Ryans 2000; Walters 1986). Furthermore, supply chain processes consist of purchasing and logistics strategies and processes in every country of operation (Pauwels and Matthussens 2006). Pederzoli (2008) states that supply chain processes should be regarded as



purchasing and logistics in every country of operation; hence, such processes are defined as an integrative connection between purchasing and logistics processes (Swoboda et al. 2008; Pederzoli 2008). The accelerated development of low-margin, high-turnover retailing through larger self-service stores places increased pressure on the supply chain and necessitates progress in stock handling (Alexander 2008).

*Retail culture* comprises the capability of adapting to existing norms (Goldman 2001). In today's retail business, local tastes play an important role in effectively attracting customers. The ability to adapt to existing norms is also part of the retail culture of every retailer (Goldman 2001). Retail culture refers to the manner in which similar or related activities and processes (in different countries) should be harmonized with one another (Porter 1986). Retail culture is often used synonymously with the concept of coordination. The advantages of an existing retail culture are warranties of single-decision conformity to overall strategy, in addition to uniform appearance and reduction of coordination difficulties between different country markets (Swoboda, Foscht and Cliquet 2008). The advantages of low retail culture are a higher degree of motivation, entrepreneurial initiative and creativity for foreign employees. Retail culture consists of finance and investment planning, strategic controlling and wider cultural aspects such as HRM (Swoboda, Foscht and Cliquet 2008). In general, retail culture helps firms to evaluate situations and address challenges (Goldman 2001).

The current study adopts the definition from Goldman (2001), who divides the retail format into three parts: the retail offer, background processes and retail culture. The format elements can be further divided into core and peripheral elements. The core format elements are unchanged, which implies that the adjusted format elements are peripheral (Winter and Szulanski 2001; Jonsson and Foss 2011; Swoboda and Elsner 2013).

#### *Retail format transfer and format replication*

According to Goldman (1981), retail format transfer can be defined as the entity that is transferred abroad. As previously defined, the retail format is divided into three aspects: the transfer of the retail offer, the transfer of background processes and the transfer of the retail culture.

Replication is the process of exploitation obtained by exactly reproducing tangible and intangible assets (Nelson and Winter 1982, p. 1ff.). Retail format replication describes a specific strategy or routine that is the main form of growth for replicating organizations such as McDonald's, Walmart and Starbucks. Firms may grow from their home countries to host economies by implementing replicas of their value chain processes (Jonsson and Foss 2011). Such organizations grow by creating and operating a large number of similar stores that deliver an article or perform a service

(Winter and Szulanski 2001). By definition, replication is effective only when the necessary value-creating aspects of a template are identified and replicated and when no time or effort is wasted in replicating deleterious features (Winter and Szulanski 2001). Consequently, attempting to modify a successful template increases the risk of failure even when such attempts are deemed favorable or appropriate *ex ante*. Within the scope of replication, the degree of standardization of format elements is important. Zou and Cavusgil (2002) define the degree of standardization as the extent to which activities are similar abroad relative to the home market.

### *Context factors*

Context factors are of particular importance for the analysis of format replication. According to contingency theory, format replication strategies consist of format replication patterns in combination with context factors driving them. Consequently, context factors will be further specified.

The context factors of format transfer are categorized into external and internal factors. External factors relate, for example, to the host or home country or are country-specific or inter-country factors. In this study, I distinguish between culturally close and distant countries; thus, external context factors in a country may differ, although similarities may occur across countries. McGauran (2001) supports this statement and argues that different selling processes are necessary because of differences in the economic and cultural environments across countries. Goldman (2001) supports this proposition and postulates that transfers are not guided solely by the goal of gaining a competitive advantage in the targeted host country, which disregards the possibility of transfer decisions being driven by additional, more global goals that extend beyond the firm's position in the targeted host market. Some studies identify consumers, supply and distribution conditions, legal regulations and the local retail system as restricting the replication of format elements such as price, service, location and promotions (e.g., Goldman 2001).

Internal factors such as the economic advantages of global sourcing, the use of advanced technologies and the intent to standardize must be considered within the scope of format transfers. Additionally, the use of specialized knowledge and financial resources must be both considered and leveraged to be successful (Goldman 2001; Craig and Douglas 2000; Douglas and Craig 1995; Prahalad and Doz 1987). For example, Evans, Treadgold and Mavondo (2000) consider corporate characteristics such as company size and ownership to explain variations of success. Other scholars consider store type (interpreted as a core resource of a retailer); Pederzoli (2006) considers the international experience and financial resources; and Vida, Reardon and Fairhurst (2000) consider the international experience and size of companies.

## **B. Literature review**

### *1. Introduction*

This study focuses on international retail business with a special focus on the fashion industry. Many firms in many different industries choose to internationalize. Although this trend is seldom analyzed in the retail space, this study will provide insight into this topic. The focus of this study is format replication of fashion retailers. To answer the question regarding which format elements are transferred, an extensive literature research is conducted with a special focus on the fashion industry in contrast to manufacturers and other retail segments. For central components such as flexible format replication, an exhaustive literature review as well as comprehensive descriptions of different format replication concepts is provided.

The evaluation of existing research can be conducted in different ways. First, a state-of-the-art collection of empirical studies on a topic can be undertaken. Second, in extreme cases, a meta-analysis may be conducted in which empirical evidence on a particular topic is methodologically integrated. In this particular case, there is scarcely any literature available to conduct a state-of-the-art literature survey of all contrasting work in the replication of retail formats. Given this background, case study-based and conceptual studies must be considered sources of cognitive progress.

From a general perspective in revisiting the present reviews, it is clear that the particular motivations and research questions as well as the content breadth and the respective implications vary widely. Hence, the literature review includes analyses of both conceptual and empirical studies. Based on the three areas of research (1. successful format transfer strategies, 2. retail format design, and 3. format replication over time and countries), the systematization of the literature review follows the sequence of research questions.

In order to gain insight into successful format transfer strategies, it is of particular importance to review international strategies of retail firms. Subsequently, the topic of format transfer needs to be evaluated. Specific context factors influence format transfer and are consequently important to analyze. Lastly, format transfer strategies shall be successful which is why studies of success and failure will be taken into account.

In order to shed light on the second area of research, the retail format design it is of particular importance to summarize existing research on standardization and adaptation of retail format elements. The orchestration of retail offers, background processes and retail culture between the boundaries of standardization and adaptation lead to specific retail format designs.

The first two areas of research partly build the foundation of flexible format replication over time and over countries. It is of particular importance to not only summarize ex-

isting studies but also in a more comprehensive way. As a result, the literature review is structured as follows:

- Strategies of internationalization and format transfer
  - Basic international strategies of retail firms
  - Format transfer
  - Success and failure
  - Context factors of retail format transfer
- Standardization versus adaptation of retail format elements (retail offers, background processes and retail culture)
- Flexible format replication over time and countries

In the upcoming literature review, every source has been structured based on the author, year, research question, theoretical framework and summaries of core results. To obtain a state-of-the-art summary, most sources are well-received international journals. To emphasize the focus on the fashion industry, dedicated sections with fashion-specific research will be presented.

## *II. Basic international strategies of retail firms*

### 1. Basic strategy typologies

At the beginning of this study, the basic strategic orientation was characterized as an important dimension in the present analysis. Consequently, strategy typologies within the scope of format transfers are reviewed. The literature review shows that the classification of retail firms is frequently consistent with the basic strategic orientation of Prahalad and Doz (1987, p.36) or Bartlett and Ghoshal (1989, p. 65) (global, multinational, international and transnational). The categorization is performed by estimates of the authors and occasionally with the support of "experts" (see Sternquist 1997; Alexander and Lockwood 1996; Experts at Pederzoli 2006; Swoboda, Elsner and Morschett 2012).

Studies that are based on internationalization strategies and the corresponding classification of retail firms in various international strategy types are summarized in Table 2–1 below.

Author(s) and year	Research question	Theoretical basis / framework	Empirical basis / method	Core results
<b>Large-N-designs</b>				
Swoboda / Elsner / Morschett 2012	Examination of strategies of retailers that have been internationalizing	Integration-Responsiveness (I-R) framework	In-depth face-to-face interviews with 112 executives in 90 retailing firms' headquarters	<ul style="list-style-type: none"> <li>- Retailers use all four strategies (international, global, multinational and transnational) but that their preferences for these strategies vary across retail sectors (food and non-food).</li> <li>- The food and non-food retailers apply four strategies. However, a stronger multinational orientation can be seen for the food retailers, whereas a stronger global orientation can be found for the non-food retailers.</li> </ul>
Pederzoli 2006	Explanation of retail internationalization process	Common literature on international strategic models and literature on retail internationalization; Sternquist 1997	Secondary data + expert interviews (N=37) / Food + Non-Food;	<ul style="list-style-type: none"> <li>- Global and multinational strategy as orientation for marketing.</li> <li>- This strategic orientation is one of the most important variable within retail internationalization.</li> <li>- Global orientation dominates.</li> </ul>
Leknes / Carr 2004	Application of Caloris Framework strategic configuration in retail	Typology of Calorie	Secondary data (N=64) / worldwide, / qualitative, regressions	<ul style="list-style-type: none"> <li>- Nine strategic orientations by six dimensions, geography, segment coverage, MEF, standardization, international integration of value chain activities.</li> <li>- Categorization into fashion, food and misc.</li> <li>- Significantly more successful are fashion retailers compared to all other segments.</li> </ul>
Goldman 2001	Process of business format transfer by foreign retail firms to China, dependent on motivation to adapt the business format	Inductive, "grounded theory", concept of a "retail format" according to Hollander 1970, Kacker 1985, Kacker 1988	Primary data (N=27) / overall / qualitative, frequencies, "classification"	<ul style="list-style-type: none"> <li>- Counts 40 external (visible) and internal (know-how related ) variables as basis for adaptation/standardization of formats.</li> <li>- Four patterns of format adaptation (None to substantial adaptation).</li> <li>- Six format transfer strategies, depending on conditions in China compared to home market, targeted market segments.</li> <li>- Characterized by no. of changed elements, int. orientation and scope of int. operations: global niche protection, opportunism, format pioneering opportunism, format extension, portfolio-based transfer, competitive position-oriented.</li> </ul>
<b>Small-N-designs and conceptual studies</b>				
Cavusgil / Cavusgil 2012	Reflections on international marketing: destructive regeneration and multinational firms	None	None	<ul style="list-style-type: none"> <li>- Globally integrated enterprises In an increasingly interconnected global market, firms will have no choice but to tightly integrate their worldwide operations and coordinate their positioning and strategic moves across the globe. Clearly, the days of autonomous, loosely connected country units are over.</li> <li>- To minimize redundancy in operations and investments, and to rationalize value-adding activities, firms will need to adopt common practices, platforms, and reward mechanisms.</li> </ul>

- will be continued

- Table 2-1 continued

Douglas / Craig 2011	Why to rethink a global marketing strategy?	Theory of internationalization	None	<ul style="list-style-type: none"> <li>- As firms expand operations across a much broader geographic base, they are facing an increasingly complex range of scenarios. This makes it difficult to develop a unified and integrated strategy for global markets.</li> <li>- Rather, firms should establish direction and manage operations in multiple, highly diverse markets spread out across the world.</li> <li>- The authors advocate developing a semiglobal marketing strategy, which involves following different directions in different parts of the world, resulting in greater autonomy at the local level.</li> </ul>
Haugland 2010	The integration-responsive-ness framework and subsidiary management	Integration-Responsive-ness (I-R) framework	Conceptual	<ul style="list-style-type: none"> <li>- Those MNCs that have defined specific roles for their subsidiaries and manage their subsidiaries in line with these roles perform better than those subsidiaries that have not developed a close match between subsidiary roles and management.</li> </ul>
Girod / Rugman 2005	Explanation of retail internationalization and its success with network strategy	Flagship-Network-Strategy, based on firm and country specific advantages (FSA + CSA)	Case study Analysis (N=3), primary data (Tesco, LVMH, Body Shop) /	<ul style="list-style-type: none"> <li>- Took over „International Strategy“ from Rugman/Girod 2003.</li> <li>- FSA/CSA Matrix: Categorization of retail firms with the dimensions of CSA and geographic FSA.</li> <li>- The Flagship-Relationships, which is developed by the retail firm is dependent on its position in the FSA/CSA Matrix .</li> </ul>
Hutchinson / Quinn / Alexander 2006	Conceptual framework of retail internationalization process for SME	Literature: motives, product-market-, management factors, networks, environment, MEF, strategic orientation	None	<ul style="list-style-type: none"> <li>- Consider international marketing strategy („global skimming or multinational“).</li> <li>- Global Skimming: Specialist in luxury segment, no product adaptation necessary.</li> <li>- Multinational: Specialist in middle segment, local product adaptation necessary.</li> </ul>
Alexander / Myers 2000	Modelling of retail internationalization process	Treadgold 1988	Conceptual	<ul style="list-style-type: none"> <li>- Analyze „Strategy“ in foreign country as decision between global, transnational, multinational, investment and mixed.</li> <li>- Synthesis: Retail internationalization processes matrix, which combines the company based and foreign country based perspective: proximale , transnational, multinational, global.</li> <li>- No further specification or empirical validation.</li> </ul>
Helfferrich / Hinfelaar / Kasper 1997	Classification model for international retail firms	Literature review on retail internationalization process; Bartlett/Ghoshal's terminology and Keegan 1995; (culture as influencing variable)	None	<ul style="list-style-type: none"> <li>- Use four types: international, global, multinational and transnational based on Bartlett/Ghoshal 1989.</li> <li>- Five parameters: <ul style="list-style-type: none"> <li>1) geographic reach,</li> <li>2) cultural expansion</li> <li>3) cultural orientation</li> <li>4) Marketing dimension (format adaptation),</li> <li>5) Management (central/decentral).</li> </ul> </li> </ul>
Stern-quist 1997	Prediction of future steps of internationalization of retail firms	OLI-Paradigma; Process model of int.l risk evaluation based on Eroglu; concept of Salmon/Tordjman (1989)	Short examples	<ul style="list-style-type: none"> <li>- Based on Salmon/Tordjman 1989; global and multinational approach.</li> <li>- Only naming of single company examples which shall be in respective category (global: Toys'R' Us, Gap, Ikea, Benetton; multinational: Sears, Walmart).</li> </ul>

- will be continued

- Table 2-1 continued

Alexander / Lockwood 1996	Comparison of retail internationalization with hotels	None	Unspecific	- Based on Salmon/Tordjman 1989; global and multinational approach. - Only naming of single company examples which shall be in respective category.
Treadgold 1991	Development of phae model for RI (Review of increasing international activities of retail firms)	None	None; partly secondary data	- Three phases of internationalization: Reluctance, Caution, Ambition. - Link to Bartlett/Ghoshal 1989: Multinational, global and transnational retail firms. - Multinational: BAT, Dairy Farm, Vendex. - Global: Benetton, Ikea, Body Shop, Toys'R'Us. - Transnational: C&A, Carrefour, Marks&Spencer.
Salmon / Tordjman 1989	Different strategies of retail firms in context of OLI-Paradigma	Scholars name Bartlett / Ghoshal)	None (partly use of single macro economic data)	- Apart from previous investment strategies (money transfer into foreign country) there are two additional strategies of internationalization: global and multinational. - Global: replication of same format, standardization of marketing, centralized management. - Multinational: Format and marketing is adapted to local circumstances, decentralized management.
Treadgold 1988	Typology of retail firms with support of different strategies	None	Unspecific; some secondary data on MEF	- Dimensions of typology: Geographic presence (= Number of countries, divided into: concentrated int., dispersed int., multinational, global) and MEF. - Result: - Cluster 1: „Cautious Internationalists“, Cluster 2: „Emboldened Internationalists“, Cluster 3: „Aggressive Internationalists“, Cluster 4: „World Powers“.

Table 2-1: Studies of the classification of retail firms

Source: Own creation.

- An international firm is present when the foreign activities to achieve and maintain company goals are of crucial importance (Perlitz 2004). By contrast, the importance of international activities in international firms is not a defining characteristic. The term has a broader understanding. These companies are active in at least one foreign country. Noteworthy in this context is the home market-oriented international firm, which is characterized by a simple multiplication of the concepts developed in the domestic market in foreign countries. International firms (home market oriented) adapt only slightly to foreign countries and do not integrate their foreign units, which appear to be an extended division of headquarters. International firms use the abilities and knowledge created in their home markets in the worldwide distribution of retail offers. Host country operations are executed as a security instrument for the home country, and the foreign units are highly dependent on the home country (Bartlett and Beamish 2013, p. 201; Swoboda, Elsner and Morschett 2012; Bartlett and Ghoshal 1989, p. 14-15).
- Global firms are characterized by an integration of all corporate activities into a coherent system of (largely standardized) market development and marketing (primarily tight) management of subsidiaries abroad. Global firms are defined as building cost advantages through economies of scale, and competition occurs on a global level (Bartlett and Beamish 2013, p. 201; Bartlett and Ghoshal 1989, p. 14).

Global retailers are confronted with two possibly competing forces (Waldman 1978, p. 1ff; Findlay and Sparks 2002, p. 86). The first force is the requirement to adapt to local markets to better serve consumer preferences. The second force is the need to leverage company resources to achieve economies of scale.

- For a multinational company, the objective of ensuring the company's success typically requires placing a variety of national markets at the heart of strategic considerations. The subsidiaries are empowered to focus on the needs of each domestic market and to act as more or less autonomous organizations. Multinational firms are categorized by their sensitivity to host country administrations and local customer preferences, by the differentiation of their retail offers, by the independence of their subsidiaries and by geographically distributed activities. Retail offers are adapted to meet local needs effectively. Host market subsidiaries are relatively autonomous with respect to one another and with respect to headquarters (Bartlett and Beamish 2013, p. 201; Swoboda, Elsner and Morschett 2012; Bartlett and Ghoshal 1989, p. 14).
- A transnational firm is characterized by the following structural features: a variety of different internal perspectives, the interdependence of resources related to the overall results despite their distribution to its foreign subsidiaries, and an intensive and flexible internal integration process in the sense of a network model. Bartlett and Ghoshal (1989, p. 16-17) and Sundaram and Black (1993) claim that a transnational strategy incorporates the benefits of global integration and local responsiveness. However, this orientation may not be easy to implement because simultaneous coordination in the firm is required for both. Wasilewski (2002) postulates that a transnational orientation is a preferable model. According to Bartlett and Ghoshal (1989, p. 17), many firms must become transnational in character in the increasingly diverse, complex, and dynamic international business environment because uni-dimensional strategies are inappropriate for attaining competitive advantages. Furthermore, a transnational strategy enables a firm to achieve the different and sometimes contradictory goals of cost efficiency, customer responsiveness and learning at the same time on an international basis (Devinney, Midgley, and Venaik 2000). Strategies that are fundamentally multidimensional require a firm to gain the skills to effectively manage these objectives (Devinney, Midgley, and Venaik 2000). Bartlett and Ghoshal (1989, p. 17) perceive such capabilities as necessary for survival in the new international business environment.

The definition and features of these four types are nonhomogeneous. Rugman and Girod (2003) claim that there is only one truly global retail firm (Louis Vuitton Moët Hennessy LVMH), according to Rugman and Girod secondary data, measured by the percentage of foreign sales in different regions of the world), whereas Pederzoli (2006) regards the global orientation as the most frequently chosen strategic direction (based on expert judgements).



Noteworthy research is the work of Helfferich, Hinfelaar and Kasper (1997, p. 299ff. and p. 303) that directly relates to the four basic orientations of Bartlett and Ghoshal (1989, p.65) and shows descriptive parameters. These authors conclude with a list of retailers that have been assigned to one of the four basic orientations. Depending on the basic orientations, they also explicitly select a marketing and management dimension: the marketing dimension includes the adaptation of the format and the retail marketing mix, whereas the management dimension comprises the centralized versus decentralized management of foreign activities.

Even the well-known paper by Salmon and Tordjman (1989) leads to the same four basic orientations without naming them specifically. These authors distinguish different global and multinational retail firms but characterize both forms based on their marketing and management. Treadgold (1991, p. 24ff.) also refers directly to Bartlett and Ghoshal (1989) and classifies retail firms according to his own discretion while avoiding a deeper explanation.

	Global	Multinational
<b>Definition</b>	- Replicate the same formula worldwide	- Adapt the formula to local conditions
<b>Business format</b>	- Specialty chains	- Hypermarkets, department stores, variety stores
<b>Marketing</b>	- Global segmentation and global positioning - Standardization of marketing mix - Uniform assortment, price, store design, service advertising	- Reproduction of the concept but adaptation of the content - Adaptation of marketing mix - Similar worldwide definition of store decor, price strategy, service strategy - Adjustment of assortment and advertising strategies
<b>Organizational implications</b>	- Vertical integration of design function, production processes, distribution system	- Multidomestic approach
<b>Management implications</b>	- Centralized management - Excellent information system - Rapid capacity to growth - Large economies of scale - Very little transfer of know-how	- Decentralized management - Frequent communication with HQ - Average capacity to growth - No economies of scale - Important transfer of know-how

Table 2-2: International strategic orientation of retail firms

Source: Based on Salmon and Tordjman (1989, p. 12).

Furthermore, the number of strategies is relatively open. For example, some scholars differentiate only between multinational and global strategies (see table 2-2 and e.g., Alexander and Lockwood 1996; Pederzoli 2006; Salmon and Tordjman 1989; Sternquist 1997), whereas others add a third, transnational strategy (Treadgold 1990/91) or a fourth, international strategy (Alexander and Myers 2000; Helfferich et al. 1997; Hutchinson et al. 2005). Other researchers develop retail-specific typologies (e.g., Goldman 2001; Leknes and Carr 2004; Rugman and Girod 2003). In addition to the studies referred to above, one or two of these forms—such as Leknes and Carr (2004, p. 33-34)—choose a deep clustering and expect nine types of configurations. In their assessment of these types of retailers, significantly more fashion retailers are

adjudged to be "global," whereas food retailers are increasingly in configuration types with a focus on a strategy for a specific country. More recently, there have been general discussions on the robustness of the IR-framework (e.g., Haugland 2010, Lin and Hsieh 2010).

### *Fashion specific research*

Fashion firms have traditionally been recognized as the most predominant and successful international retailers (Hollander 1970; Fernie and Fernie 1997; Doherty 2000, 2007; Moore and Burt 2007). As a growth strategy, the international growth of a fashion retailer's supply chain may be considered a successful process because of a variety of factors that are specific to the manufacturing and marketing of fashion products (Wigley 2009). The literature understands these factors as part of the firms' vision and the flexibility of market members (Hutchinson et al. 2007), the international appeal of prominent fashion brands (Laulajainen 1993; Wigley, Moore and Birtwistle 2005), the variety and simplicity of market entry methods (Dawson 1994; Treadgold 1991), and the potential for international formats (Dawson 1994; Sparks, 1996).

Fashion retailers may internationalize in many different ways, as shown by the differences between the strategies (Završnik 2007). Some scholars have recognized a global standardization strategy as critical to the success of fashion retailers (e.g., Burt, Johansson and Thelander 2011; Završnik 2007). Success has been recognized as the presentation of attractive brand imaging through standardized advertising, retail formats and similar products that execute international campaigns (Wigley 2009). Moore and Fernie (2005) consider motives, strategies, market selection, market entry strategy, adaptation and other aspects in fashion retailing. Few studies examine the effect of organizational structure, firm culture and management with regard to fashion internationalization (Završnik 2007; Moore and Fairhurst 2003).

As a result, although specific examples of international fashion retailing have been examined, there have been few efforts to analyze them with regard to broader strategic approaches or in the particular context of the retail format, which is estimated to be crucial to success. Analysis of high-end designer brands' experiences of retail internationalization (e.g., Louis Vuitton by Laulajainen 1992; Burberry by Moore and Birtwistle 2004; Gucci by Moore and Birtwistle 2005) frequently suggest a global approach (i.e., a single brand name and equal retail formats) (Wigley 2009). The current hype of franchising in the international fashion industry (Doherty 2000; Quinn and Doherty 2000) implies that some retail firms may have a more flexible interpretation of global strategy (Wigley 2009). Similarly, negative customer reactions to globalization, the psychological reputation of fashion to consumers (Horn and Gurel 1981), and particularly global climate differences and human physiology suggest that a high-

ly adaptive strategy may be appropriate (Wigley, 2009; Wigley, Moore and Birtwistle 2005).

Complete reviews of the global fashion market are complex because of the diversity of articles and firms operating in this market (Wigley 2009). In addition, sophisticated distribution and marketing structures as well as subjective understandings of brand image and competitive positioning lead to further complexity (Saviolo 2002). Thus, it is unclear how retail fashion firms fit into the strategy model presented by Salmon and Tordjman (1989), as concluded by Mollá-Descales, Frasset-Deltoro and Ruiz-Molina (2011) in their secondary data analysis of four strategic groups of Spanish fashion retailers. Moore, Fernie and Burt (2000) present a structure for international fashion retailers (product specialists with narrow product range and a precisely defined customer segment, designer retailers as internationally recognized brands with exclusive positioning, general merchandise retailers with a combination of fashion and non-fashion goods and large format stores, and general fashion retailers with a broad range of products with accessible pricing) (Wigley 2009; Moore). These retail firms are positioned in international markets and are characterized by marketing efforts and retail offerings, which fuel the overall brand image (Bridson and Evans 2004). However, “a typology integrating the nature of the goods sold by the retailer, its degree of market involvement, nature of the operational control, and experience as typified by its foreign market entry method, structure and control of non-domestic businesses, store formats, and market communications, has not been provided” (Wigley 2009, p. 4).

Table 2-3 summarizes the classification of studies according to fashion firms’ international strategy.

Author(s) and year	Research question	Theoretical basis / framework	Empirical basis / method	Core results
<b>Large-N-designs</b>				
Mollá-Descales / Fra-squet-Deltoro / Ruiz-Molina 2011	Internationalization patterns in fashion retail distribution	Retail internationalization	Secondary data; Spanish fashion retailers; N=64	<ul style="list-style-type: none"> <li>- Identification of four strategic groups of fashion retailers:               <ol style="list-style-type: none"> <li>1. Global chain</li> <li>2. National retailer</li> <li>3. Selective international retailer</li> <li>4. Smaller global retailer</li> </ol> </li> <li>- Scholars conclude that the differentiated approaches towards internationalization explain differences in firm results, as both intensive international expansion (Big global chains) and concentration in the national market (National retailers) provide better results than other approaches.</li> </ul>
Pederzoli 2006	Explanation of retail internationalization process	Common literature on international strategic models and retail internationalization; Sternquist 1997	Secondary data + expert interviews (N=37) / Food + Non-Food,	<ul style="list-style-type: none"> <li>- Global and multinational strategy as orientation for marketing.</li> <li>- This strategic orientation is one of the most important variables within retail internationalization.</li> <li>- Global orientation dominates.</li> </ul>
Rugman / Girod 2003	Analysis of degree of international activities of retail firms	Rugman 2000, MNC as flagships. Value chain activities are location dependent	Secondary data (N=49) / worldwide, descriptive	<ul style="list-style-type: none"> <li>- Retail firms do not operate on a global basis. They rather focus on two to three regions measured on sales: domestic, home-based, bi-regional and global.</li> <li>- Only one real global firm: LVMH.</li> </ul>
<b>Small-N-designs and conceptual studies</b>				
Burt / Johanson / Theland-er 2011	Standardization of marketing strategies in retailing three different countries	Psychic distance; Standardization and adaptation debate according to Levitt (1983) and Buzzell (1968)	Case study; IKEA; qualitative & quantitative, N=1	<ul style="list-style-type: none"> <li>- Whilst IKEA operates a standardized concept, degrees of adaptation can be observed in customer facing elements, and in the supporting 'back office' processes which support these elements. These adaptations arise from differences in consumer cultures and the length of time, and subsequent exposure to and experience of, the market. This suggests that standardization in international retailing should be considered from the perspective of replicating the concept, rather than replicating the activities.</li> <li>- However, even a global retailer is forced to adapt according to experience in the host market and to consumer culture.</li> </ul>
Wigley / Chiang 2009	Fashion retail internationalization	Retail internationalization	Qualitative case study; UK fashion retailer "per una"; N=1	<ul style="list-style-type: none"> <li>- To be a successful international fashion retailer, the ability to apply and adjust the retail marketing mix elements according to specific target-market conditions and a wider global strategy is very important.</li> <li>- A global strategy is recommended.</li> <li>- Successful international fashion retailing requires both strategic (perhaps head-office) initiatives and tactical (perhaps local franchisee) initiatives, both taking into account company capabilities.</li> </ul>
Fionda / Moore 2009	Anatomy of a luxury brand	None	Case studies; qualitative; N=12	<ul style="list-style-type: none"> <li>- A global strategy is consistent across luxury fashion retailers.</li> </ul>
Wigley 2009	Dimensions of fashion retail internationalization	Literature	Literature review	<ul style="list-style-type: none"> <li>- A significant element of retail internationalization research has been to investigate the strategic approaches applied by retailers as they diversify operations across borders.</li> </ul>

- will be continued

**- Table 2-3 continued**

Završnik 2007	Critical success factors for international fashion retailers entering foreign markets	Retail internationalization	Case study (H&M and Zara)	<ul style="list-style-type: none"> <li>- The most significant factor when planning to enter into international markets is the selection of an appropriate entry mode.</li> <li>- Fashion retailers most frequently choose between direct investments or franchising.</li> <li>- Most of the global and multinational companies have spread their activities throughout the markets where there are advantageous possibilities for growth and further development.</li> </ul>
Hutchinson et al. 2007	Internat. motives and facilitating factors	Retail internationalization	Case study; qualitative	<ul style="list-style-type: none"> <li>- Though a strong company brand identity is the most significant motive for expansion, other internal and external factors facilitate the international decision-making process.</li> </ul>
Moore / Burt 2007	Developing a research agenda for the internationalization of fashion retailing	Retail internationalization	Conceptual	<ul style="list-style-type: none"> <li>- Despite the prominence of fashion companies as international retailers, the attention invested by researchers in this area has largely been perfunctory, and our appreciation of the nature and characteristics of the internationalization of fashion retailing remains largely incomplete.</li> <li>- The internationalization of fashion retailing is distinguished by its clear emphasis upon the exploitation of the brand as the fundamental driver for foreign market expansion and the fact that the possibilities for future expansion show little signs of abatement in the near future.</li> </ul>
Doherty 2007	Factors influencing the choice of franchising as a market entry strategy	Resource allocation theory; Agency theory;	Case studies; Qualitative; N=6	<ul style="list-style-type: none"> <li>- Motivating influences to be a combination of both organizational and environmental factors:</li> <li>- International retailing experience, availability of financial resources, presence of a franchisable retail brand, company restructuring and influence of key managers emerge as the organizational factors while environmental influences are revealed as opportunistic approaches, local market complexities, domestic competitive pressures and availability of potential franchise partners.</li> </ul>
Wigley / Moore / Birtwistle 2005	Critical success factors in the internationalization of a fashion retailer	Retail internationalization	Case studies; Qualitative; N=2	<ul style="list-style-type: none"> <li>- Defines the critical success factors especially contingent to their businesses, emphasizing the importance of brand management, product development and differentiation to international fashion retailers.</li> <li>- Scholars classify each retailer as follows: The British as "Proactive Opportunistic" and the American as "Reactive Opportunistic".</li> </ul>
Moore / Birtwistle 2004	Burberry business model: creating an international luxury fashion brand	None	Case study; N=1; Burberry	<ul style="list-style-type: none"> <li>- Scholars provide a review of the history of Burberry; evaluate Burberry's re-positioning strategy as defined by the firm in their IPO prospectus; and critically delineate Burberry's current business model. Five key areas for a successful business model:</li> <li>- 1. The importance of a clearly defined brand Positioning</li> <li>- 2. Maintain a coordinated distribution strategy</li> <li>- 3. Strong brand identity</li> <li>- 4. Flexible approach to the management of important foreign markets</li> <li>- 5. Importance of media relations management</li> </ul>
Saviolo 2002	What are the peculiar aspect of brand management for fashion firms	None	Case study; N=1; Giorgio Armani	<ul style="list-style-type: none"> <li>- For fashion companies particular importance is assumed by three kinds of brand attributes: corporate and brand history and core competencies, stylistic identity and visual identity.</li> </ul>

- will be continued

- Table 2-3 continued

Moore / Fernie / Burt 2000	The internationalization of the designer retailer's brand	Retail internationalization	Qualitative; semi-structures interviews; European and US designers	<ul style="list-style-type: none"> <li>- Initial exploratory research revealed that there were 114 international fashion design houses competing for a global market of around £24 bn.</li> <li>- Identifies four stages of market development: wholesale channels to department stores; the creation of ready-to-wear flagships; large diffusion flagships; the opening of stores in provincial cities.</li> </ul>
Doherty 2000	Factors Influencing international retailers' market entry mode strategy	Retail internationalization	In-depth study of seven major UK international fashion retailers	<ul style="list-style-type: none"> <li>- Entry mode choice decision process of seven major UK international fashion retailers. It is found that entry mode strategy emerges over time as a result of a combination of historical, experiential, financial, opportunistic, strategic and company-specific factors.</li> </ul>

Table 2-3: Studies of the classification of fashion firms

Source: Own creation.

## 2. Format transfer

### *Retail offers*

The first defining elements of the retail format are retail offers. The following section contains studies which first of all classify retail offers, followed by fashion specific research and concludes with the transfer of retail offers.

Retail offers are primarily investigated with regard to the 4P classification of McCarthy and Perreault (1993): product, price, promotion and placement. This traditional typology has its weaknesses in the case of distribution-based companies because of their inherent proximity to end customers (e.g., Wigley and Chiang 2009; Dawson 2007). Moreover, retail offers refer to store location, product assortment, retail brand, pricing, communication, store configuration and additionally offered services (Davies and Liu 1995). However, there is currently no comprehensive classification of retail offers (Evans and Bridson 2005). Mulhern (1997) provides the most comprehensive accumulation, consisting of store location, store format, store layout, product assortment, price, advertising, sales promotion and customer service. Table 2-4 summarizes the studies which classify the content of retail offers. The design as well as the distinction of core and peripheral elements will be presented later.

Author(s) and year	Research question	Theoretical basis / framework	Empirical basis / method	Core results
<b>Large-N-designs</b>				
Swoboda / Elsner 2013	Transferring the retail format successfully into foreign countries	Flexible format replication theory, profit maximization theory	N=102, in-depth face-to-face interviews with international retailers from Austria, Germany, and the German-speaking part of Switzerland	<ul style="list-style-type: none"> <li>- Scholars propose that successful retailers build on the unchanged know-how parts of the format by combining more standardized core elements with adapted peripheral elements.</li> <li>- The results show that retailers transfer offers (marketing programs) and processes (marketing and supply chain) differently and hierarchically; that is, peripheral elements are allowed to vary, whereas core elements are transferred in a more standardized manner.</li> <li>- Furthermore, the relationship between marketing program elements and performance varies: the use of standardized core elements (e.g., store types, locations) and adapted peripheral elements (e.g., assortments, promotions) is advisable for increasing performance in another country.</li> <li>- Processes are only indirectly associated with performance.</li> <li>- Observations hold true for both psychically close and distant countries.</li> </ul>
Evans / Bridson 2005	Explanation of the adaptation degree of retail marketing instruments through perception of psychic distance	Concept of psychic distance	Primary data (N=102) / non-food, worldwide / regressions	<ul style="list-style-type: none"> <li>- No comprehensive classification of retail offers exist.</li> </ul>
<b>Small-N-designs and conceptual studies</b>				
Wigley / Chiang 2009	Success of international retailers through adaptation	None	Primary data/ international fashion retailer per una (UK) in Taiwan/ case study (N=1)	<ul style="list-style-type: none"> <li>- Adaptations are necessary for success in the retail marketing program.</li> <li>- However, it is also important for fashion retailers to establish a consistent retail concept through a standardized brand image, product design and store layout, as well as through standardized logistics and customer relationship management.</li> </ul>
Alexander 2008	The importance of so-called retail 'offering' components to the supermarket format in post-war Britain	None	Conceptual	<ul style="list-style-type: none"> <li>- The first offering element for consideration is "Location".</li> <li>- "Shopping Environment and Service" is the second offering element.</li> <li>- "Product Assortment", the third offering element components.</li> <li>- The fourth offering component, "Price", represented an increasingly important element of the supermarket.</li> <li>- The final offering component for consideration is "Marketing and Promotion".</li> </ul>
Mulhern 1997	Review on retail marketing that has appeared in the academic literature	None	Literature review	<ul style="list-style-type: none"> <li>- 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.</li> <li>- Store location, store format, store layout, assortment, price, advertising, sales promotion and customer service.</li> </ul>
Davies / Liu 1995	Examination of retailer's marketing mix	None	Postal survey with British retailers	<ul style="list-style-type: none"> <li>- The elements of the retailer's marketing mix are identified: store location, assortment, retail brand, pricing, communication, store configuration and additionally offered services</li> </ul>

- will be continued

- Table 2-4 continued

McCarthy / Perreault 1993	Descriptions (semantics) of the evolution of marketing over time	None	Literature review	- Product, price, promotion and placement.
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Table 2-4: Studies of retail offers

Source: Own creation.

### *Fashion-specific research*

Fashion-specific research on visible offers is conducted inter alia by Fam and Yang (2006), which is a comparative study that addresses marketing mix instruments in a primary data analysis of promotions by national fashion retailers in Portugal and New Zealand. An older example is the analysis of 16 marketing mix attributes in US and UK fashion firms conducted by Brady, Mills and Mendenhall (1989). Table 2-5 summarizes the studies of retail offers in the fashion industry.

Author(s) and year	Research question	Theoretical basis / framework	Empirical basis / method	Core results
<b>Large-N-designs</b>				
Fam / Yang 2006	Binational comparison of budget expenses for promotions in small retail firms	Environment-Strategy-Performance-Paradigm	Primary data (N=337; fashion, shoes; POR + NZL / Regressions	- In-Store-Promotions are more preferred than outdoor promotions due to less cost and better planning possibilities.
<b>Small-N-designs and conceptual studies</b>				
Wigley / Chiang 2009	Success of international retailers through adaptation	None	Primary data/ international fashion retailer per una (UK) in Taiwan/ case study (N=1)	- Adaptations are necessary for success in the retail marketing program. - However, it is also important for fashion retailers to establish a consistent retail concept through a standardized brand image, product design and store layout, as well as through standardized logistics and customer relationship management.
Dawson 2007	What does the committed international retailer transfer to the host country during the internationalization process?	None	Conceptual	- Suggests that the core of the internationalization process involves four major transfers to the new market: - 1. Transfer of the total culture and business model of the firm - 2. Transfer of the skills to adapt to the market - 3. Transfer of operational techniques of retailing - 4. Transfer of consumer values and expectations.

- will be continued



- Table 2-5 continued

González-Benito / Munoz-Gallego / Kopalle 2005	Optimization of location choice with support of geodemographic segmentation	Location choice, geodemographic segmentation	Secondary data / ESP, Food / frequencies,	<ul style="list-style-type: none"> <li>- Customer structure of each chain shows different customer profiles.</li> <li>- Within the scope of internationalization those profiles can ease the location decision.</li> </ul>
Burt / Sparks 2002	Analysis of the relevance of corporate branding (CB) within retail internationalization	Corporate branding approaches	Case studies (N=3), secondary data / GMS, UK (Tesco, Marks&Spencer, Sainsbury) / qualitative	<ul style="list-style-type: none"> <li>- Internationalization makes standardized corporate branding difficult, as positioning and image are hard to standardize, dependency on employees, local relationship networks.</li> <li>- International brands in retailing are often to be found in niche markets, even there adaptations (in terms of assortment, communication policies, service) are necessary, i.e. fashion.</li> <li>- Strategic decision on whether international attitude emphasizes standardized approach or local adaptation.</li> </ul>
Davies / Sanghavi 1995	Analysis of category-killer format through comparison of assortment and price; competitive advantages for internationalization	None	Case study analysis (N=12), field study / toys, USA / frequencies, means	<ul style="list-style-type: none"> <li>- Identification of two central elements of the new category killer-format for potential to internationalize:               <ol style="list-style-type: none"> <li>1. In toy store retailing, brand penetration is low and thus allows all brands to survive.</li> <li>2. Cost structure allows category killers to offer marginally lower prices.</li> </ol> </li> </ul>

Table 2-5: Studies of retail offers in the fashion industry

Source: Own creation.

### *Transfer of retail offers*

According to Goldman (2001), the number of format transfer possibilities is large. Retailers must decide whether to transfer each offer element unchanged or adjust it in some way. If the decision is made to transfer an element changed, then executives must determine which elements must be adapted. This question is addressed in the standardization/adaptation debate in the literature. A group of scholars (Hollander 1970; Kacker 1985, 1988; Rosenbloom et al. 1997; Salmon and Tordjman 1989; Segal-Horn and Davison 1992) discuss two transfer possibilities: as is and adaptation. The first possibility is understood largely as a special case that is limited to retailers catering to global segments (Goldman 2001). There have been few discussions of the possibilities of adaptation regarding retail offers on an international scope (Alexander 2008). It can be assumed that there is a high standardization rate of retail offers within the scope of culturally close markets (Calantone et al. 2006; Evans and Bridson 2005). Additionally, it can be argued that standardization varies across different offer elements (Evans, Mavondo and Bridson 2008). Price is typically adapted to meet local needs more than store layout or distribution strategies (Salmon and Tordjman 1989). Based on the existing literature, the possibilities to transfer retail

offers are large. There have been many detailed scientific discussions on retail offer transfer. There are many different aspects which need to be considered when transferring retail offers. Some scholars discuss the differences between home and host country. Others focus on the concept of psychic distance. A different group of scholars postulate the connection of strategy typologies and retail offers. In summary, most of the studies address this issue within the scope of the standardization/adaptation debate. However, not many studies focus on the important fashion industry. Thus, a more detailed investigation of the fashion business elements that are typically standardized appears to be appropriate and will be addressed later in the literature review. Table 2-6 summarizes the studies of transfer of retail offers.

Author(s) and year	Research question	Theoretical basis / framework	Empirical basis / method	Core results
<b>Large-N-designs</b>				
Calantone et al. 2006	Influence of internal and external firm factors on international product adaptation strategy and export performance	Resource based view (RBV)	Data collected from 239, 205, and 145 managers in the United States, Korea, and Japan	<ul style="list-style-type: none"> <li>- Product adaptation strategy is positively associated with export performance in all three countries. In addition, export dependence, which has received little consideration in the literature, is an important antecedent of product adaptation strategy.</li> <li>- The similarity between the home and target market generally is considered an important factor in choice of export market, but its relationship with product adaptation strategy and export performance varies across the three countries.</li> </ul>
Evans / Bridson 2005	Explanation of the notion of adaptation of retail marketing instruments through perception of psychic distance	Concept of psychic distance	Primary data (N=102) / non-food, worldwide / regressions	<ul style="list-style-type: none"> <li>- Psychic distance = cultural + business-related distance.</li> <li>- (Perceived) psychic distance leads to stronger adaptation of the marketing mix.</li> <li>- Particularly market structure, business processes and language (business-related distance) enhance the degree of adaptation.</li> <li>- No significant influence by cultural distance.</li> </ul>
<b>Small-N-designs and conceptual studies</b>				
Goldman 2001	Process of business format transfer by foreign retail firms to China, dependent on motivation to adapt the business format	Inductive, "grounded theory", concept of a "retail format" according to Hollander 1970, Kacker 1985, Kacker 1988	Primary data (N=27) / overall / qualitative, frequencies, "classification"	<ul style="list-style-type: none"> <li>- Counts 40 external (visible) and internal (know-how related) variables as basis for adaptation/standardization of formats.</li> <li>- Four patterns of format adaptation (None to substantial adaptation).</li> <li>- Six format transfer strategies, depending on conditions in China compared to home market, targeted segments.</li> <li>- Characterized by no. of changed elements, int. orientation and scope of int. operations: global niche protection, opportunism, format pioneering opportunism, format extension, portfolio-based transfer, competitive position-oriented.</li> </ul>
Segal-Horn / Davison 1992	Standardization of retail activities in global markets	Standardization and adaptation debate (Levitt 1983)	Secondary data / retailers with international operations/ descriptive	<ul style="list-style-type: none"> <li>- Antecedents of standardization: global market segments, global economies of scale and existence of distribution infrastructure.</li> <li>- Some elements have to be adapted, including format, merchandize, store location and design.</li> </ul>

- will be continued

**- Table 2-6 continued**

Salmon / Tor-djman 1989	Different strategies of retail firms in context of OLI-Paradigm	None (name Bartlett/Ghoshal )	None (partly use of single macro-economic data)	<ul style="list-style-type: none"> <li>- Apart from previous investment strategies (money transfer into foreign country) there are two additional strategies of internationalization: global and multinational.</li> <li>- Global: replication of same format, standardization of marketing, centralized management.</li> <li>- Multinational: Format and marketing is adapted to local circumstances, decentralized management.</li> </ul>
Kacker 1988	Conceptualization of conditions, effects and transfer processes of retail know-how across country borders	None (criticizes different evolutionary and growth theories, which do not explain transfer of retail concepts between two locations)	Conceptual, secondary data for some internationally operating RFs and three case studies / descriptive	<ul style="list-style-type: none"> <li>- Conceptualization of "retail know-how": subdivided into technical dimension (location selection, store design and atmosphere etc.) and management dimension (retail concept, systems, control, strategies).</li> <li>- Transfer of retail concepts not planned / planned</li> <li>- Successful internationalization is dependent on certain conditions in the host country (i.e. economic growth), also on compromises / adaptation regarding price level, assortment, etc. and finally on creation of the appropriate infrastructure</li> </ul>
Goldman 1981	Establishment of a framework to explain transfer of formats (especially supermarkets)	Innovation-diffusion-theory	Conceptual	<ul style="list-style-type: none"> <li>- Two areas postulated for research:</li> <li>- (1) Supply side: dependency on technologies such as infrastructure are required for a format.</li> <li>- (2) Demand side: consumer behavior in a country</li> <li>- Result: As there are different conditions on both sides, supermarkets do not yet fit into China.</li> </ul>

Table 2-6: Studies of the transfer of retail offers

Source: Own creation.

### *Background processes*

The second element of the retail format besides retail offers are background processes. The following section contains studies which first of all classify background processes, followed by fashion specific research and concludes with the transfer of background processes.

The accelerated development of low-margin, high-turnover retailing through larger self-service stores and supermarkets has placed increased pressure on supply chain systems and has necessitated improvements in stock handling (Alexander 2008). In some studies, the terms "process standardization" and "centralization" are used interchangeably (e.g., Halliburton and Huenerberg 1987). However, these terms should be differentiated, as Quester and Conduit (1996) note. Standardization refers to uniform operations across countries, whereas centralization refers to the degree to which decision-making processes are concentrated in headquarters or in subsidiaries. Within the scope of adaptation, retail firms must compare their technologies with the host country (Martenson 1987). For the case of Tesco, supply chain processes are reported to determine market offers, such as compelling product assortments or attractive prices based on optimized sourcing (Ganesan et al. 2009) or logistics (e.g.,

Lynch, Keller and Ozment 2000). Ultimately, fashion firms must not only adapt to local needs but also have the capabilities to do so (Dawson 2007). According to the examined studies, background processes of particular importance are first of all divided into planning and supply chain related processes. Dedicated processes are e.g., location planning, assortment planning, forecasting, sourcing and buying, the selection of suppliers, inbound and outbound logistics processes. Table 2-7 summarizes the studies of background processes.

Author(s) and year	Research question	Theoretical basis / framework	Empirical basis / method	Core results
<b>Large-N-designs</b>				
Jayaraman / Luo 2007	How to better operate the supply chain with „Reverse Logistics Perspective“	Value Chain	Case studies (N=60)	- Only a few retailers use the information of returns and integrate them into strategy and supply chain operations.
Johansson 2002	Different use of information- and IT in retail sourcing process in three countries	Studies on organizational buying behavior; Value chain perspective	Case studies (ca. 50 interviews in 3 countries out of 7 retail firms), primary data / UK, I, SWE, Food / qualitative	- Sourcing process in all three countries quite similar - Use of IT had rather no influence on process. - Degree of vertical integration had a big influence on the process. The process is less complex the more control the company has. - Buying in more and more seen as strategic. - Information (to suppliers etc.) is available through the whole process. The challenge is to efficiently use all the information. - Buying is an inter-functional and inter-organizational process which is why the configuration is complex.
Wall / Sommers / Wilcock 2001	Process differences in the configuration of supply chains of nationally and internationally sourced fashion articles	Sheth Model	Primary data (Interviews; N=40)	- International supply chains have their strengths in network of suppliers in order to have the flexibility with regards to capacity whereas national supply chains are less expensive and have a shorter lead time.
Bengtsson / Elg / Johansson 2001	Impact of retail internationalization process on supplier relationships in home country	Networks, Resource based view (RBV)	Primary data (N=621; Store Managers)	- Due to internationalization the retailer has more options to select suppliers. At the same time better relationships with the suppliers become more important. - Due to internationalization of retailers home based suppliers are more heavily impacted than main suppliers. The need to adapt on new requirements.

- will be continued

- Table 2-7 continued

Small-N-designs and conceptual studies				
Karthik / Sri-vastava / Rawwas 2014	Aligning supply chain relational strategy with the market environment	Contingency theory	Hoover database; N=115	- Collaboration in supply chain management is key in today's world. - Supply chain collaboration leverages specialized resources and pooled complementary partnership resources to create competitive advantage and deliver performance improvements.
Bardaki / Kou-routhana ssis / Prama-tari 2012	Deploying RFID-enabled services in the retail supply chain	Theory of acceptance	Conceptual; Pilots in Greece and Ireland	- RFID technology helps retail fresh food supply chains to gain efficiency when applied properly.
Kotzab / Munch / Faultrier / Teller 2012	Environmental retail supply chains: when global Goliaths become environmental Davids	None	Analysis of web sites	- The authors identified 34 environmental sustainability initiatives which were grouped into eight categories; they refer to "fundamental environmental attitude", "use of energy", "use of input material", "product", "packaging", "transport", "consumption" and "waste". The level of environmental supply chain management can be characterized as very operational and very short-term oriented (green operations).
Yahagi / Kar 2009	Transfer of business models of Seven-Eleven from the USA to Japan to China	None	Primary and secondary data/ Seven-Eleven USA, Japan, China/ case study (N=1)	- Seven-Eleven's core capability is the across-the board continuous adaptation of all elements of the business model, ranging from retail format to procurement to supply chains. - In the case of China, adaptations were not necessary so the business model implemented was mainly standardized.
Cheung / Zhang 2008	How do different replenishment strategies impact supply chain	None	Mathematical model development	- Balanced ordering does not improve supply chain efficiency.
Richey / Skinner / Autry 2007	How to successfully integrate customer and supply chain perspective	None	None	- For an efficient and effective management of supply chains it is important to transfer the customer perspective on supply chain operations.
Chen / Murray / Jones 2007	Analysis of Fashion Supply Chains between UK and China	None	Qualitative; (Interviews N=9)	- Three topics show room for improving supply chains between China and UK: Deficits in design specifications, language barriers and cultural distance.
Kumar / Craig 2007	Supply chain configuration of Dell	None	Case study (N=1); Dell	- Dell operates a reverse supply chain, which is triggered by a sales order. - There is a direct connection between supply chain excellence and success.
Li / Lin 2006	Supply chain operations within the scope of different demand situations	Portfolio theory	None	- A bullwhip effect which occurs due to different demand situations can be eliminated with an adaptation of order numbers as well as additional coordination.

- will be continued

- Table 2-7 continued

Jacobs 2006	How to successfully connect demand and supply side in fashion	None	None	- The focus on supply chain excellence on the one hand and the deeper understanding of customer demand on the other hand helps fashion firms to improve efficiency and effectiveness of their processes.
Doyle / Moore / Morgan 2006	Supplier management in fashion business	None	Case studies (N=2)	- Price, quality and capacity are the most important factors in the area of fashion supply chains in the era of global sourcing and own production. A globally oriented supply chain results in less cost and higher flexibility.
Pan / Holland 2006	Supply chain implementation strategies for manufacturers in the fashion segment	None	qualitative (N=12)	- Focus of this study is on interface between design and production. Mass customization is an important part and has been neglected until now in process improvement. The balance between supply push of manufacturers and the demand-pull of customers offers a lot of potential for more efficient supply chain processes.
Tyler / Heeley / Bhamra 2006	Which factors in fashion supply chains influence company activities?	None	Case studies (N=3), partly structured interviews,	- Seven factors were identified which influence fashion supply chains significantly: timing of garment buying, missing monitoring mechanisms during garment buying, forecasting errors, late change of products, geographic distance to target market, trend independent decisions, stock outs and slow seller.
Lam / Postle 2006	Specialties of supply chain management in fashion	None	None	- Typical challenges in SCM for fashion are short product lifecycles, long lead times and forecasting errors. - The categorization into Basic and Fashion products enables the supply chain to apply different strategies (responsive SC for Fashion and efficient SC for Basic).
Barnes / Lea-Greenwood 2006	Impact of Fast Fashion on SCM in fashion	None	Case study; interviews (N=15)	- Impact of Fast Fashion on supply chains is heavily determined by dynamic demand at the customer side. - A shift of power from the manufacturer to the retailer took place. In times of Fast Fashion this power moves further towards the customers
Coe / Hess 2005	Impact of retail internationalization process on restructurings of supplier networks in Asia and Europe	Concept of Power + GPN (Global Production Networks)	Primary data (N=25; from 6 companies, unspecific / qualitative	- Retail internationalization process as overlap of two dimensions: Store level and Supplier level. - Analysis of configuration different value chain activities. - Result: no general statements possible due to many options.
Coe 2004	Impact of retail internationalization process on restructurings of supplier networks in Asia and Europe	Concept of Power + GPN (Global Production Networks)	Primary data (single interviews) / unspecific / qualitative	- See Coe/Hess 2005. - In addition: Supply chain structures for „transnational“ retail firms. → Global sourcing is changed into local sourcing.

- will be continued

**- Table 2-7 continued**

Fernie 2004	Overview of supply chain management with focus on logistics of international retail firms	Value chain perspective, Resource based view (RBV), Transaction cost theory, Network theory	None	<ul style="list-style-type: none"> <li>- Change of SCM over time (from control and centralization to Just-in-time concepts and relationship management.</li> <li>- International differences of logistics which are not only related to supplier-retailer relationships but rather on differences between different formats.</li> </ul>
Wrigley 1997	Case study analysis on Sainsbury's market entry into USA, focus on processes	None	Case study (N=1), primary data / UK, Food (Sainsbury) / qualitative	<ul style="list-style-type: none"> <li>- Different relationships of power in US and UK with regards to sourcing and SCM. Tried to do central sourcing and process transfer. Challenging due to different private labels.</li> <li>- Distribution and logistics: tried to use UK principles but failed</li> </ul>
Fernie 1992	Descriptive, comparing illustration of distribution strategies (warehouse, buying co-operations) in Europe	None	Different secondary data on European retail business	<ul style="list-style-type: none"> <li>- The current structure in European countries has been developed from a concentration on home market.</li> <li>- The food segment uses more distribution centers than other segments.</li> </ul>

Table 2-7: Studies of background processes

Source: Own creation based on Schwarz (2009, p. 42-43).

### *Fashion-specific research*

Compared with visible offers, scholars have focused more intensely on background processes regarding the specifics of the fashion industry.

Because of short lead times in this industry, Chen, Murray and Jones (2007) posit that three topics (deficits in design specifications, language barriers and cultural distance) show room for improvement in supply chains between China and the UK. Jacobs (2006) focuses on the question of how to combine the demand and supply sides in the fashion business and argues that both a focus on supply chain excellence and a deeper understanding of customer demand helps fashion firms to improve the efficiency and effectiveness of their processes. Doyle, Moore and Morgan (2006) analyze supplier management in fashion and conclude that price, quality and capacity are the most important factors in the area of fashion supply chains in the era of global sourcing and own production. A globally oriented supply chain leads to lower costs and greater flexibility.

Tyler, Heeley and Bhamra (2006) identify seven factors that influence fashion supply chains significantly: the timing of garment buying, missing monitoring mechanisms during garment buying, forecasting errors, late change of products, geographic distance to target market, trend-independent decisions, stock-outs and slow sellers. In another study, Lam and Postle (2006) examine the specialties of fashion supply

chains. Typical challenges in supply chain management for fashion are short product life cycles, long lead times and forecasting errors. In addition, categorization into “basic” and “fashion” products enables a supply chain to apply different strategies (responsive supply chains for fashion and efficient supply chains for basic articles). Barnes and Lea-Greenwood (2006) focus on fast fashion and postulate that the influence of fast fashion on supply chains is heavily determined by dynamic demand on the customer side. Furthermore, a shift of power from the manufacturer to the retailer has occurred, and this power moves further toward customers in times of fast fashion. Pan and Holland (2006) examine the interface between design and production and claim that mass customization is an important but neglected aspect of process improvement. The balance between the supply push of manufacturers and the demand pull of customers provides significant potential for more efficient supply chain processes. Wall, Sommers and Wilcock (2001) conclude that international fashion supply chains have strong supplier networks to ensure flexibility in their capacity, whereas national supply chains are less expensive and have a shorter lead time. Table 2-8 summarizes the studies of background processes in the fashion industry.

Author(s) and year	Research question	Theoretical basis / framework	Empirical basis / method	Core results
<b>Large-N-designs</b>				
Wall / Sommers / Wilcock 2001	Process differences in the configuration of supply chains of nationally and internationally sourced fashion articles	Sheth Model	Primary data (Interviews; N=40)	- International supply chains have their strengths in network of suppliers in order to have the flexibility with regards to capacity whereas national supply chains are less expensive and have a shorter lead time.
<b>Small-N-designs and conceptual studies</b>				
Castelli / Brun 2010	Alignment of retail channels in the fashion supply chain	None	Qualitative; (Interviews; N=23)	- Overview of the extent to which fashion retailers in Italy pursue channel alignment; it suggests a relationship between the degree of alignment and two relevant drivers (channel type and lifecycle phase).
Chen / Murray / Jones 2007	Analysis of fashion supply chains between UK and China	None	Qualitative; (Interviews N=9)	- Three topics show room for improving supply chains between China and UK: Deficits in design specifications, language barriers and cultural distance

- will be continued



- Table 2-8 continued

Jacobs 2006	How to successfully connect demand and supply side in fashion	None	None	- The focus on supply chain excellence on the one hand and the deeper understanding of customer demand on the other hand helps fashion firms to improve efficiency and effectiveness of their processes.
Doyle / Moore / Morgan 2006	Supplier management in fashion business	None	Case studies (N=2)	- Price, quality and capacity are the most important factors in the area of fashion supply chains in the era of global sourcing and own production. A globally oriented supply chain results in less cost and higher flexibility.
Pan / Holland 2006	Supply chain implementation strategies for manufacturers in the fashion segment	None	Qualitative (N=12)	- Focus of this study is on interface between design and production. Mass customization is an important part and has been neglected until now in process improvement. The balance between supply push of manufacturers and the demand-pull of customers offers a lot of potential for more efficient supply chain processes.
Tyler / Heeley / Bhamra 2006	Which factors in fashion supply chains influence company activities?	None	Case studies (N=3), partly structured interviews,	- Seven factors were identified which influence fashion supply chains significantly: timing of garment buying, missing monitoring mechanisms during garment buying, forecasting errors, late change of products, geographic distance to target market, trend independent decisions, stock outs and slow seller.
Lam / Postle 2006	Specialties of supply chain management in fashion	None	None	- Typical challenges in SCM for fashion are short product lifecycles, long lead times and forecasting errors. - The categorization into Basic und Fashion products enables the supply chain to apply different strategies (responsive SC for Fashion and efficient SC for Basic).
Barnes / Lea- Greenwood 2006	Impact of Fast Fashion on SCM in fashion	None	Case study; (Interviews N=15)	- Impact of Fast Fashion on supply chains is heavily determined by dynamic demand at the customer side. - A shift of power from the manufacturer to the retailer took place. In times of Fast Fashion this power moves further towards the customers.

Table 2–8: Studies of background processes in the fashion industry

Source: Own creation.

### *Transfer of background processes*

Wrigley (1997) discusses the transfer of supply chain operations of the UK-based retailer Sainsbury to the US. Sainsbury introduced private labels in close cooperation with suppliers and transferred its UK physical distribution and logistical processes to the US. However, Sainsbury had difficulties in transferring the UK level of its distribution management, the use of IT and third-party logistical contracting, which is standard in the UK but not common in the US, resulting in market exit some time later.

Bengtsson, Elg and Johansson (2001) analyze how retail-supplier relationships in domestic markets are affected by the internationalization of retail activities. Their survey of 621 Swedish store managers shows that relationships do not become less important even when retailers become less dependent on their domestic suppliers as

their internationalization activities grow. These results are valid for both small and large suppliers.

In a case study-based research design, Bourlakis and Bourlakis (2001) examine which retail logistic strategies are more efficient—deliberate or emergent. It can be concluded that deliberate retail logistics strategies, including the establishment of warehouses abroad, lead to greater logistical efficiency. Thus, retailers with international operations employ a standardized retail logistics strategy in their host countries using warehousing processes.

Similar to Bengtsson, Elg and Johansson (2001), Coe and Hess (2005) analyze the influence of retail internationalization on international supply networks by interviewing 25 managers from large international retailers and nine managers from suppliers. These scholars argue that supply networks become more complex because of increasing international retail activities and consequently must be restructured.

Regarding the transfer of comprehensive business models, Coe and Lee (2006) and Coe (2004) examine the use of sourcing, employees and strategic decisions. By analyzing the Samsung-Tesco joint venture in South Korea, these scholars conclude that the joint venture shows a high degree of local responsiveness compared with its competitors (Walmart and Carrefour) by offering local products from primarily local suppliers and by employing local staff with a high degree of decision autonomy for local managers.

Yahagi and Kar (2009) examine the business model transfer of Seven-Eleven both from the USA to Japan and from Japan to China and, from the perspective of a process-based view of internationalization, argue that all elements (including retail store format, procurement and the supply chain) must be considered to ensure the successful transfer of a complete business model. By moving from the US to Japan, Seven-Eleven was able to suit local tastes through continuous adaptation. However, to serve the Chinese market, only partial adaptations were necessary, and the business model was transferred in a more standardized manner. Table 2-9 summarizes the studies of transfer of background processes.

Author(s) and year	Research question	Theoretical basis / framework	Empirical basis / method	Core results
<b>Large-N-designs</b>				
Bengtsson / Elg / Johansson 2001	Influence of retail internationalization on domestic retailer - supplier relationships	Network perspective (Jarillo 1988) and resource dependent theory (Pfeffer and Salancik 1978)	Primary data / Swedish food retailers/ correlations (N=621)	<ul style="list-style-type: none"> <li>- With the increase in international retail activities, retailers become less dependent upon domestic suppliers.</li> <li>- However, the relationship towards small and large domestic suppliers does not become less important.</li> </ul>
<b>Small-N-designs and conceptual studies</b>				
Yahagi / Kar 2009	Transfer of business models of Seven-Eleven from USA to Japan to China	None	Primary and secondary data / Seven-Eleven USA, Japan, China/ case study (N=1)	<ul style="list-style-type: none"> <li>- Seven-Eleven's core capability is the across-the board continuous adaptation of all elements of the business model, ranging from retail format to procurement to supply chains.</li> <li>- In the case of China, adaptations were not necessary so the business model implemented was mainly standardized.</li> </ul>
Coe / Lee 2006, Coe 2004	Local responsiveness of transnational retailers	Global production network	Primary and secondary data / Joint venture Samsung and Tesco / case study (N=1)	<ul style="list-style-type: none"> <li>- Transnational retailers show a high level of local responsiveness through the offer of local products from local suppliers as well as through the employment of local employees with a high degree of decision autonomy for leading positions.</li> <li>- Transnational retailers are well embedded into the host market.</li> </ul>
Coe / Hess 2005	Impact of retail internationalization on supply network	Global production network perspective according to Henderson et al. (2002)	Primary data / International retailers in Asia and Europe/ qualitative (N=34)	- Restructuring of the retail supply network by the centralization of procurement, the use of standardized and established logistic systems, simplification of the supply chain by removing unnecessary intermediaries, imposition of strict contracts for local suppliers and use of own standards and certifications.
Bourlakis / Bourlakis 2001	Logistic strategies in food retailing	None	Primary and secondary data / food retailers in Greece / case study (N=7)	- Deliberate logistic strategies meaning the establishment of warehouses of international food retailers before market entry, leads to greater efficiency compared to emergent logistic strategies of domestic retailers International food retailers employ standardized logistic strategies in their host markets.
Wrigley 1997	Transfer of UK based supply chain operations	None	Primary and secondary data / Sainsbury's (UK) market operations in the USA/ case study (N=1)	<ul style="list-style-type: none"> <li>- Transfer of supply chain activities is difficult due to differences between UK and USA.</li> <li>- Introduction of private labels and establishing of close relationships to suppliers are both uncommon in the USA and hamper implementation of the UK level of distribution control.</li> </ul>
Mathe / Dagi 1996	The use of technology in global service business	None	Secondary data / Wal-Mart, IKEA, Laura Ashley and Europcar / case study (N=4)	<ul style="list-style-type: none"> <li>- Back office operations are customized to support front-line operations.</li> <li>- The degree of internationalization and success is not influenced by the sheer use of technology, but is supported.</li> <li>- The examples of Wal-Mart and Laura Ashley show that technology has to comply with the merchandising system.</li> </ul>

Table 2-9: Studies of the transfer of background processes

Source: Own creation.

### *Retail culture*

The third and last element of the retail format besides retail offers and background processes is retail culture. The following section contains studies which first of all classifies retail culture, followed by fashion specific research and concludes with the transfer of retail culture.

Retail responds to culture (Dawson 2007). An internationally operating company must adapt to customer-specific demand to be successful. When the target market is similar to the home country's market, the pressure to adapt is low (O'Grady and Lane 1996). However, in many cases, some adaptation is necessary (Dawson 2007). The question is whether this necessity also applies to the fashion industry and whether companies have the ability to react to differences. Local tastes play an important role in this industry to effectively attract consumers. This assumption leads to expected adaptation—even in culturally close markets.

The ability to adapt to existing norms and routines is part of the retail culture of every fashion firm (Goldman 2001). Nadolska and Barkema (2007) consider routines to consist of a company's rules, procedures, conventions and strategies, in addition to its underlying structure of knowledge and beliefs (Levitt and March 1988; Greenwood and Hinings 1988). A key insight of the learning literature is that routines replace and economize cognitive effort—with automatic scripts replacing time and attention devoted to conscious thought—which accelerates decision processes in situations of bounded rationality and improves the success of subsequent trials (Cyert and March 1963, p. 1ff.; Nelson and Winter 1982, p. 1ff.).

Through experience, firms expand their routines (Levitt and March 1988; Zollo and Winter 2002) and knowledge (Cohen and Levinthal 1990; Walsh 1995) by discovering which old routines can and cannot be used in new settings and then by combining the successful routines with new routines; thus, firms retain what is productive and weave new routines into their repertoires (Levitt and March 1988). Hence, they create new and successful repertoires. Because “routines are based on interpretations of the past more than anticipations of the future” (Levitt and March 1988, p. 320), routines based on past experiences are “routinely” used in new situations, except in situations in which negative feedback ultimately causes firms to reconsider. Changes in repertoires are typically made only when success levels decline (March and Simon 1958) and when organizations experience problems or receive negative feedback (Cyert and March 1963, p. 1ff.; Sitkin 1992). Thus, through trial and error—and perhaps multiple failed foreign expansions—firms learn when previously acquired knowledge and routines can be successfully applied and when they cannot. That is, firms learn what the domain of useful applications is, when it can be productively applied in its adapted form and when it should be complemented by new rou-

tines. This knowledge leads to a modified, richer repertoire, which is further improved and fine-tuned as a firm gains experience in a new setting. To be successful in foreign acquisitions, firms must develop the knowledge and skills needed to screen targets with corporate and national cultures that differ from their own and integrate them into their own organizations (Vermeulen and Barkema 2001). The managerial ability to adapt is more important than the details of the adaptation undertaken (Dawson 2007).

A comprehensive study is presented by Swoboda and Anderer (2008). The scholars operationalize structures, processes and firms culture. The configuration dependent on competitive strategy in foreign countries is the focus and leads to ideal patterns of international retailers.

Table 2-10 summarizes the studies of retail culture.

Author(s) and year	Research question	Theoretical basis / framework	Empirical basis / method	Core results
<b>Large-N-designs</b>				
Swoboda / Penne- mann / Taube 2012	Can retailers use their core advantage of a global retail brand and how consumer perceptions of such global retail brands drive retail patronage?	Accessibility diagnosticity framework (Feldman & Lynch 1988)	N=1188 consumer surveys; N=36 retailers	<ul style="list-style-type: none"> <li>- Local identity and local culture are resources that local firms can translate into a competitive advantage.</li> <li>- Global retail brands convince consumers more strongly if the retailer is foreign and if the target segment is receptive to global culture.</li> <li>- Western retailers can benefit from broader opportunities, whereas Asian retailers should understand that their retail brands attract consumers predominantly through an attractive price-quality relationship and do not benefit from their cultural proximity to get consumers emotionally involved.</li> </ul>
Chan / Finnegan / Stern- quist 2011	Country and firm level factors in international retail expansion	Retail internationalization	Desk re- search, N=200	<ul style="list-style-type: none"> <li>- Relates to Dawson's (2007) four major transfers.</li> <li>- Firms acquire experiential knowledge by learning on the job (Von Hippel, 1988). Salmon and Tordjman (1989) argue convincingly that there are two types of international retailers, those who adapt their offering when they move to foreign countries (multinational retailers) and those that retain a standard, centralized format (global retailers).</li> </ul>
Swoboda / Anderer 2008	Coordinating the international retailing firm including firms culture	System theory, Networks, Contingency theory	Primary data (N=60); European retailers; Cluster, Anova	<ul style="list-style-type: none"> <li>- Structural, systemic and cultural coordination including centralization and formalization as a concept.</li> <li>- Four clusters based on competitive strategy and areas mentioned above.</li> </ul>

- will be continued

- Table 2-10 continued

Small-N-designs and conceptual studies				
Frasquet / Dawson / Mollá 2013	Post-entry internationalization activity of retailers: An assessment of dynamic capabilities	Retail internationalization	Case study; N=5; qualitative;	<ul style="list-style-type: none"> <li>- Scholars suggest a framework that makes a distinction between first level or generic dynamic capabilities relevant to the internationalization process and second level or specific dynamic capabilities that are linked to particular strategies used by individual retail firms as they internationalize.</li> <li>- First level: entrepreneurial vision, knowledge acquisition and learning, adaptation capability.</li> <li>- Second level: customer relationship management, brand building, location and store design management, channel management</li> </ul>
Lowe / George / Alexy 2012	Organizational identity and capability development in internationalization	Retail internationalization; Grounded theory	Case study; N=1; Tesco	<ul style="list-style-type: none"> <li>- To achieve growth, two organizational attributes become critical—structural coherence of the firm's capabilities and organizational identity.</li> <li>- Three processes of capability development during market entry—transference, splicing and enhanced imitation.</li> </ul>
Lu / Karpova / Fiore 2011	Factors influencing international fashion retailers' entry mode choice	Transaction cost theory, Bargaining theory, Resource based view,	Conceptual	<ul style="list-style-type: none"> <li>- Three groups of factors were identified that influence entry mode choice in the fashion:               <ul style="list-style-type: none"> <li>- 1. Retail market: firm-specific factors of asset specificity, brand equity, financial capacity, and international experience.</li> <li>- 2. Country-specific factors of country risk, cultural distance, and government restrictions.</li> <li>- 3. Market-specific factors of market potential and market competition.</li> </ul> </li> <li>- Identified 11 dimensions of dynamic capabilities.</li> <li>- Learning by doing is one important way of sensing the local market.</li> <li>- Being able to shape the local market because of the embedded investment.</li> <li>- Reconfiguration in the local context needs to be facilitated by bottom-up innovation.</li> </ul>
Cao 2011	Dynamic capabilities in a turbulent market environment: empirical evidence from international retailers in China	Grounded theory	Qualitative; In-depth interviews with top managers; N=20	<ul style="list-style-type: none"> <li>- Identified 11 dimensions of dynamic capabilities.</li> <li>- Learning by doing is one important way of sensing the local market.</li> <li>- Being able to shape the local market because of the embedded investment.</li> <li>- Reconfiguration in the local context needs to be facilitated by bottom-up innovation.</li> </ul>
Picot-Coupey 2009	Determinants of a retailer's choice of international expansion mode	Transaction cost theory, Network theory, Resource base view	N=43; French fashion retailers, questionnaires	<ul style="list-style-type: none"> <li>- Marketing variables like international marketing policy, the strategic and capitalistic profile and the perceived attractiveness of the foreign market influence foreign expansion.</li> <li>- Elements of the firm's culture are dissemination risk, control over decisions and resource commitment.</li> </ul>
Dawson 2007	Examination of retail internationalization process	None	Desk research; Planet Retail; Conceptual	<ul style="list-style-type: none"> <li>- Core of the internationalization process involves four major transfers to the new market:               <ul style="list-style-type: none"> <li>- 1. Transfer of the total culture and business model of the firm</li> <li>- 2. Transfer of the skills to adapt to the market</li> <li>- 3. Transfer of operational techniques of retailing</li> <li>- 4. Transfer of consumer values and expectations.</li> </ul> </li> </ul>

- will be continued

- Table 2-10 continued

Palmer 2004	Conceptual approach to explain learning during retail internationalization	Learning theory (Concept of Palmer / Quinn 2004)	Case study (N=1), / UK, Tesco / qualitative	<ul style="list-style-type: none"> <li>- Goal: How does international experience influence strategic decision process?</li> <li>- Dimensions of international experience are internal (market choice, divestment, learning processes) and external (competition, regulations), internal operational functions (HRM, finance, marketing, sourcing and SCM).</li> <li>- Learning perspective enables better adaptation abilities for firms.</li> </ul>
Mitronen / Möller 2003	Management or configuration of coordination in retail organizations with more than one channel	Hybrid or- organizations, governance structures	Case study (N=1) / Kesko, FIN / qualitative	<ul style="list-style-type: none"> <li>- Organization of retail firm on four management levels: corporate, division, chain and store management level; analysis of values and processes.</li> <li>- Instead of financial KPI's it is recommended to install autonomy of channels.</li> </ul>
Arnold 2002	Success factors of retailers which are relevant for all segments	None	Case study, secondary data (N=5) / qualitative	<ul style="list-style-type: none"> <li>- World leading retailers have similarities: 1. Inspiring leadership, 2. Motivating culture, 3. Innovation, ability to adapt and opportunistic behavior as a result of culture, 4. relevance for customers, 5. Relevance for community.</li> <li>- Success measured on revenue, growth, number of outlets, number of countries and sustainability.</li> </ul>
Zollo / Winter 2002	Deliberate learning and the evolution of dynamic capabilities	Organizational learning	Conceptual	<ul style="list-style-type: none"> <li>- Investigates the mechanisms through which organizations develop dynamic capabilities, defined as routinized activities directed to the development and adaptation of operating routines.</li> <li>- It addresses the role of (1) experience accumulation, (2) knowledge articulation, and (3) knowledge codification processes in the evolution of dynamic, as well as operational, routines.</li> </ul>
Goldman 2001	Process of business format transfer by foreign retail firms to China, dependent on motivation to adapt the business format	Inductive, "grounded theory", concept of a "retail format" according to Hollander 1970, Kacker 1985, Kacker 1988	Primary data (N=27) / overall / qualitative, "classification"	<ul style="list-style-type: none"> <li>- Counts 40 external (visible) and internal (know-how related) variables as basis for adaptation/standardization of formats.</li> <li>- Four patterns of format adaptation (None to substantial adaptation).</li> <li>- Six format transfer strategies, depending on conditions in China compared to home market, targeted market segments.</li> <li>- Characterized by no. of changed elements, int. orientation and scope of int. operations: global niche protection, opportunism, format pioneering opportunism, format extension, portfolio-based transfer, competitive position-oriented.</li> </ul>
Vermeulen / Barkema 2001	Learning through acquisitions	Learning theory	Largest nonfinancial companies on the Amsterdam Stock Exchange at the end of 1993; N=21;	<ul style="list-style-type: none"> <li>- Scholars argue that exploitation of a firm's knowledge base through 'greenfields' eventually makes a firm simple and inert.</li> <li>- In contrast, acquisitions may broaden a firm's knowledge base and decrease inertia, enhancing the viability of its later ventures.</li> <li>- Over time, firms strike a balance between the use of greenfields and acquisitions.</li> </ul>

- will be continued

**- Table 2-10 continued**

Shackleton 1998	Role of corporate strategy and culture on international success. In particular transfer, adaptation and implementation	Concept of corporate culture	Case study (N=1), Analysts / Sainsbury, UK, USA / qualitative	<ul style="list-style-type: none"> <li>- Success of Sainsbury in US is based on successful transfer of corporate culture and strategies with connected management principles.</li> <li>- At the same time, failure in home country UK due to inability to adapt on environmental context factors.</li> <li>- For problem solving change of organizational structures and decision makers is pursued.</li> </ul>
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Table 2–10: Studies of retail culture

Source: Own creation.

### *Fashion-specific research*

Picot-Coupey (2009) shows in her study that marketing variables like international marketing policy, the strategic and capitalistic profile and the perceived attractiveness of the foreign market influence foreign expansion. In parallel, elements of the firm's culture are dissemination risk, control over decisions and resource commitment.

Lu, Karpova and Fiore (2011) recently identified in their conceptual study three groups of factors that impact entry mode choice in the fashion industry: First, retail market specific factors like firm-specific factors of asset specificity, brand equity, financial capacity, and international experience. Second, country-specific factors like country risk, cultural distance, and government restrictions. And lastly, market-specific factors such as market potential and market competition.

Cao (2011) identifies eleven elements of a firm's culture with the method a qualitative approach using in depth interviews with executives. It is vital for fashion retailers to enable learning by doing in order to sense the local market. Furthermore, being able to shape the local market because of the embedded investment is highly recommended. And lastly, being able to reconfigure based on the local context needs to be facilitated by bottom-up innovation. According to Swoboda, Foscht and Cliquet (2008) it can be argued that all value chain activities including firm's culture are a potential foundation for a competitive advantage of a retail firm.

Table 2-11 summarizes the studies of retail culture in the fashion industry.



Author(s) and year	Research question	Theoretical basis / framework	Empirical basis / method	Core results
<b>Large-N-designs</b>				
Swoboda / Anderer 2008	Coordinating the international retailing firm including firms culture	System theory, Networks, Contingency theory	Primary data (N=60); European retailers; Cluster, Anova	<ul style="list-style-type: none"> <li>- Structural, systemic and cultural coordination including centralization and formalization as a concept.</li> <li>- Four clusters based on competitive strategy and areas mentioned above.</li> </ul>
<b>Small-N-designs and conceptual studies</b>				
Frasquet / Dawson / Mollá 2013	Post-entry internationalization activity of retailers: An assessment of dynamic capabilities	Retail internationalization	Case study; N=5; qualitative;	<ul style="list-style-type: none"> <li>- Scholars suggest a framework that makes a distinction between first level or generic dynamic capabilities relevant to the internationalization process and second level or specific dynamic capabilities that are linked to particular strategies used by individual retail firms as they internationalize.</li> <li>- First level: entrepreneurial vision, knowledge acquisition and learning, adaptation capability.</li> <li>- Second level: customer relationship management, brand building, location and store design management, channel management</li> </ul>
Cao 2011	Dynamic capabilities in a turbulent market environment: empirical evidence from international retailers in China	Grounded theory	Qualitative; In-depth interviews with top managers; N=20	<ul style="list-style-type: none"> <li>- Identified 11 dimensions of dynamic capabilities.</li> <li>- Learning by doing is one important way of sensing the local market.</li> <li>- Being able to shape the local market because of the embedded investment.</li> <li>- Reconfiguration in the local context needs to be facilitated by bottom-up innovation.</li> </ul>
Lu / Karpova / Fiore 2011	Factors influencing international fashion retailers' entry mode choice	Transaction cost theory, Bargaining theory, Resource based view,	Conceptual	<ul style="list-style-type: none"> <li>- Three groups of factors were identified that influence entry mode choice in the fashion:               <ol style="list-style-type: none"> <li>1. Retail market: firm-specific factors of asset specificity, brand equity, financial capacity, and international experience.</li> <li>2. Country-specific factors of country risk, cultural distance, and government restrictions.</li> <li>3. Market-specific factors of market potential and market competition.</li> </ol> </li> </ul>
Picot-Coupey 2009	Determinants of a retailer's choice of international expansion mode	Transaction cost theory, Network theory, Resource base view	N=43; French fashion retailers, questionnaires	<ul style="list-style-type: none"> <li>- Marketing variables like international marketing policy, the strategic and capitalistic profile and the perceived attractiveness of the foreign market influence foreign expansion.</li> <li>- Elements of the firm's culture are dissemination risk, control over decisions and resource commitment.</li> </ul>

- will be continued

- Table 2-11 continued

Swoboda / Foscht / Cliquet 2008	Framework of retail internationalization process, oriented towards value-chain process; axes adaptation and coordination	Value-added process concept	Conceptual; three case studies	<ul style="list-style-type: none"> <li>- Supply chain and market processes.</li> <li>- Country axis (degree of adaptation) and coordination axis (degree of centralized/formalized management).</li> <li>- Coordination, configuration and externalization as management dimensions for each value-added process; also in a dynamic process.</li> <li>- Within the scope of value chain activities the retail firms have to define what can be offered competitively and successfully abroad.</li> <li>- Relevant factors are for example, assets like the format although it should be separated from configuration decisions relating more to marketing instruments, such as customer service, location etc.</li> </ul>
Jonsson / Elg 2006	Analysis of knowledge exchange during retail internationalization	Learning theory; process models of internationalization	Case study (N=1); primary data; furniture (IKEA); Sweden, Russia; qualitative	<ul style="list-style-type: none"> <li>- Scholars show that different knowledge is required during different stages of internationalization.</li> <li>- This persists in firm's culture.</li> </ul>

Table 2-11: Studies of retail culture in the fashion industry

Source: Own creation.

Frasset, Dawson, and Mollá (2013) suggest a framework that makes a distinction between first level or generic dynamic capabilities relevant to the internationalization process and second level or specific dynamic capabilities that are linked to particular strategies used by individual retail firms as they internationalize. First level culture elements consist of entrepreneurial vision, knowledge acquisition and learning, and adaptation capability. Second level culture elements are customer relationship management, brand building, location and store design management, and channel management.

### *Transfer of retail culture*

In their secondary data analysis, Gauri, Trivedi and Grewal (2008) argue that retailers attempt to differentiate themselves by adopting different formats when there is competition. On the basis of grounded theory, Cao and Dupuis (2009) interview 18 subsidiary managers from foreign retailers and identify numerous basic and architectural competencies that are necessary to reproduce a strong retail concept. Additionally, the authors emphasize the importance of adaptation by acknowledging the habits of consumers in the host country.

Burt et al. (2008) understand the question of format adaptation as part of the management perspective. All three companies in this study recognize the need for local market responsiveness (adaptation), which is clearly articulated in corporate statements and consequently part of firm's culture. The locus and degree of managerial

autonomy and empowerment vary from the chain to the format to the regional level and is reflected in part by differing approaches to branding at the format and product levels. The organizational learning process has become increasingly formalized and typified by the centralized support of the local adaptation of retail operations through various mechanisms for knowledge transfer, best practice dissemination and cross-country benchmarking. Similarly, the authors show evidence of a multiformat and multichannel approach to markets, but underlying the transfer process in each case are core skills in specific formats that have provided market innovation and have driven the internationalization process. The manner in which a company organizes and projects itself is also evident in the two “competing” corporate models of “globalized retail operations” identified by Wrigley (2002): the intelligently federal umbrella organization model, which is characterized by partnerships and alliances, skill and knowledge transfer, format adaptation and system integration; and the aggressively industrial category killer model, which is characterized by centralized bureaucracy, exported corporate cultures and limited format adaptation.

During the process of internationalization, a foreign retailer matches a firm's systems and operations to the economy and culture in the host country; in so doing, change may occur in the systems of domestic firms (Martenson 1987). Local firms perceive this change and may adapt this change to their own operations. Thus, to be successful in a host country, a retailer must not only pursue adaptations but also (and more essentially) transfer the skills to adapt to local culture (responsive capability) and the skills to change local markets (proactive capability) into the host market (Dawson 2007).

### 3. Success and failure

Across international retailers, there are significant inter-firm differences in adaptation skills that directly affect success (Dawson 2007). Nine existing quantitative studies focus on the performance of international retailers (Swoboda and Elsner 2013; Assaf et al. 2012; Swoboda, Elsner and Morschett 2012; Evans, Mavondo and Bridson 2008; Gielens et al. 2008; Etgar and Rachman-Moore 2008; Fam and Yang 2006; Evans and Mavondo 2002; Gielens and Dekimpe 2001).

Swoboda and Elsner (2013) propose that successful retailers build on the unchanged know-how parts of the format by combining more standardized core elements with adapted peripheral elements. The relationship between marketing program elements and performance varies. The use of standardized core elements (e.g., store types, locations) and adapted peripheral elements (e.g., assortments, promotions) is advisable for increasing performance in another country. Lastly, processes are only indirectly associated with performance.

Assaf et al. (2012) examine the effect of internationalization on retail-firm performance. The study introduces a new performance metric, and an advanced methodology to account for the dynamic aspects of organizational learning. The scholars find that the relationship between internationalization and performance is U-shaped, and moderated by mergers and acquisitions, age at entry to international markets and country of origin.

Swoboda, Elsner and Morschett (2012) examine the international strategies of retailers that have been internationalizing. Most of the international firms are “poor performers”, whereas multinational firms are mainly “good performers”. Transnational and global firms are mainly “top performers”. Furthermore, global food and non-food retailers show that the latter are more successful, whereas multinational food retailers are more successful than multinational non-food retailers. No difference within the international and transnational strategies was found.

A more recent series of studies focuses on the increasing number of market exits of retailers. The most recent studies of divestments in retail are conducted as case studies (e.g., based on the multiple divestments of Ahold and Marks & Spencer).

Table 2-12 summarizes the studies of success and failures of retailers.

Author(s) and year	Research question	Theoretical basis / framework	Empirical basis / method	Core results
<b>Large-N-designs</b>				
Swoboda / Elsner 2013	Transferring the retail format successfully into foreign countries	Flexible format replication theory, profit maximization theory	N=102, in-depth face-to-face interviews with international retailers from Austria, Germany, and the German-speaking part of Switzerland	<ul style="list-style-type: none"> <li>- Scholars propose that successful retailers build on the unchanged know-how parts of the format by combining more standardized core elements with adapted peripheral elements.</li> <li>- The results show that retailers transfer offers (marketing programs) and processes (marketing and supply chain) differently and hierarchically; that is, peripheral elements are allowed to vary, whereas core elements are transferred in a more standardized manner.</li> <li>- Furthermore, the relationship between marketing program elements and performance varies: the use of standardized core elements (e.g., store types, locations) and adapted peripheral elements (e.g., assortments, promotions) is advisable for increasing performance in another country.</li> <li>- Processes are only indirectly associated with performance.</li> <li>- Observations hold true for both psychically close and distant countries.</li> </ul>

- will be continued

**- Table 2-12 continued**

Assaf et al. 2012	Internationalization and performance of retail firms	Organizational learning theory	Several sources, including Compustat database, Euromonitor, and firm's annual reports. N = 430	- Relationship between internationalization and performance is U-shaped, and moderated by mergers and acquisitions, age at entry to international markets and country of origin.
Swoboda / Elsner / Morschett 2012	Preferences and performance of international strategies in retail sectors	IR-Framework	extensive pre-tests, in-depth face-to-face interviews with N = 112 executives in 90 retailing firms' headquarters	- Study observes retailers' preferences for four strategies. - I-R framework is appropriate for further analysis in the retail context and is useful for reducing the complexity of interrelated firm characteristics. - Stronger multinational orientation can be seen for the food retailers, whereas a stronger global orientation can be found for the non-food retailers. - International strategy is the least successful, whereas the transnational strategy is the most successful.
Pioch / Gerhard / Fernie / Arnold 2009	Consumer acceptance and market success: Wal-Mart in the UK and Germany	Institutional theory	N = 370 via telephone surveys in two regional German and UK markets in 2002/2003	- In the German context, the institutional theory approach to explaining Wal-Mart's problems clearly foreshadows market failure and exit. - In UK market, no clear pattern between retailers adhering to salient patronage norms, patronage behavior and market position could be established. - The constructs of institutional theory were more likely to predict and explain market failure than success.
Etgar / Rachman-Moore 2008	Effects of international expansion on the sales volumes of large-scale retailers.	Industrial organization theory (Bain 1956)	Sales data of 200 largest retailers from around the world reported in the 2004 Deloitte "Global Retail Power" survey were analyzed	- Even though internationalization makes a positive contribution to retailers' sales volumes its impact is small; this effect is not impacted by the moderating factor of the degree of retailer specialization along product lines; while another moderating factor, namely the identity of the retailer's country of origin, does make a difference. - Retailers seeking to expand their sales volumes should not rely too much on internationalization but consider also other strategic options. - They should therefore analyze carefully whether large investments in overseas operations are justified. This is particularly relevant for US retailers.
Evans / Mavondo / Bridson 2008	Success of non-food retailers with the help of adaptation of retail marketing instruments through perception of psychic distance	Concept of psychic distance	Primary data (N=102) / non-food, worldwide / regressions	- The findings recommend that when entering psychically distant markets, non-food retailers should adopt low-cost/low-control entry strategies and adapt their retail strategy to a higher extent than in psychically close markets in order to be successful. - Yet, the authors discover that strategic responses have a contrary effect on success. They find that international experience, psychic distance, entry strategy, and retail strategy adaptation are significant drivers of organizational performance and factors that determine critical success in international retailing.

- will be continued

- Table 2-12 continued

Fam / Yang 2006	Bi-national comparison of budget spent for promotions in small retail firms	Environment-Strategy-Performance-paradigm	Primary data (N=337; national retailers) / Fashion, regressions	<ul style="list-style-type: none"> <li>- In-Store-Promotions in more appreciated than Outdoor-Promotions in both countries,</li> <li>- In Portugal less outdoor activities, since traditionally this is handled by big manufacturers</li> </ul>
Evans / Bridson 2005	Explanation of the notion of adaptation of retail marketing instruments through perception of psychic distance	Concept of psychic distance	Primary data (N=102) / non-food, worldwide / regressions	<ul style="list-style-type: none"> <li>- Psychic distance = cultural + business-related distance</li> <li>- (Perceived) psychic distance leads to stronger adaptation of the marketing mix</li> <li>- Particularly market structure, business processes and language (business-related distance) enhance the degree of adaptation</li> <li>- No significant influence by cultural distance</li> </ul>
Alexander / Quinn / Cairns 2005	Instead of single company perspective analysis of historic degree and patterns of divestment over time	Name Palmer 2002 (corporate restructuring) and Burt 2002/2003	Secondary data (N=153; 1987- 2003) / focus UK	<ul style="list-style-type: none"> <li>- Segment specific: most divestments in fashion; in food segment mostly within the first ten years</li> <li>- Influence of Country-of-Origin on speed of divestment not proved</li> <li>- Target market specific: often divestments in Europe within first three years</li> <li>- Larger companies do less divestments</li> <li>- Environmental factors influence divestment activities</li> </ul>
Burt / Dawson / Sparks 2004a	Analysis of geographic, MEF and format related divestments in European food retailing	None	Secondary data (N=271; 1970-2003) / Food, Europe	<ul style="list-style-type: none"> <li>- Distinction of Exit (N=177; complete exit), Closure (N=51; partly) and organizational restructuring (N=43)</li> <li>- Most exits in 1999, 1997, 1996, 2003 and 1991; Exits mostly from North America and southern Europe</li> <li>- Influence of MEF: Divestment occurs seldom in company that follows organic growth. Occurs mostly with alliances and franchising</li> </ul>
Burt / Dawson / Sparks 2004b	Analysis of geographic, MEF and format related divestments in European food retailing	None; name Benito/Welch 1997	Secondary data (N=271; 1970-2003) / Food, Europe	<ul style="list-style-type: none"> <li>- Since 1994 significant increase of divestments</li> <li>- Influence of format: Supermarkets are hit the most by divestments, followed by hypermarkets</li> </ul>
Evans / Mavondo 2002	Psychic distance and organizational performance	Psychic distance	Questionnaires; N=102; USA, UK, Germany	<ul style="list-style-type: none"> <li>- Psychic distance, as a summary construct, explains a significant proportion of the variance in financial performance and strategic effectiveness.</li> <li>- However, disaggregation of the construct substantially increases its explanatory power.</li> <li>- The results also support a psychic distance paradox, where psychic distance has a positive relationship with organizational performance.</li> </ul>

- will be continued

- Table 2-12 continued

Gielens / Dekimpe 2001	Demonstration of effects of strategic time of entry decisions on long-term performance	None	Secondary data (N=169 entries) / West-EU, food, grocery / descriptive, correlations	<ul style="list-style-type: none"> <li>- Five strategic time of entry decisions: scale of entry, mode of entry, order of entry, the adaptation of the retail format to local market conditions and the familiarity of the store format to the parent organization.</li> <li>- Positive performance effects: Size (larger are better in the beginning), Greenfield investments (better than acquisitions and joint ventures), order of entry (the earlier the better), new format (better in host country) and familiar format (better).</li> </ul>
<b>Small-N-designs and conceptual studies</b>				
Dawson 2007	Examination of retail internationalization process	None	Desk research; Planet Retail	<ul style="list-style-type: none"> <li>- Core of the internationalization process involves four major transfers to the new market:               <ol style="list-style-type: none"> <li>1. Transfer of the total culture and business model of the firm.</li> <li>2. Transfer of the skills to adapt to the market</li> <li>3. Transfer of operational techniques of retailing</li> <li>4. Transfer of consumer values and expectations.</li> </ol> </li> </ul>
Palmer / Quinn 2007	Analysis of divestment within the scope of retail internationalization process	Process perspective	Case study (N=1), primary data / Food (Ahold), NL / qualitative	<ul style="list-style-type: none"> <li>- Different forms of divestment, „operational“ and „non-operational“.</li> <li>- Divestment is to be looked at within the scope of external and internal context factors.</li> <li>- Divestment not always a sign of issues; can be also a strategic option within retail internationalization process.</li> </ul>
Bianchi 2006	Reasons for failure of Home Depot in Chile	Institutional perspective	Case study (N=1), Expert interviews + secondary data / DIY, Chile / qualitative	<ul style="list-style-type: none"> <li>- Management of Home Depot did not analyze the market sufficiently with regards to culture.</li> <li>- Behavior to suppliers was not adapted to country specifics.</li> <li>- Loss of partners as a result.</li> </ul>
Bianchi / Ostale 2006				
Jackson / Mellahi / Sparks 2004	Analysis of market exit process of Marks & Spencer in France	Process perspective;	Case study (N=1) / Department Stores (Marks&Spencer), UK / qualitative	<ul style="list-style-type: none"> <li>- From an economic point of view exit was a good decision → increase of stock price.</li> <li>- Due to bad process management of M&amp;S the image was hit badly → social and additional environmental factors are crucial in an exit process.</li> </ul>
Palmer 2004	Meaning of divestments within the scope of retail internationalization process (Tesco)	None; names five methods of restructuring by Bowman/Singh 1993 and Young et al. 2001	Case study (N=1) / Food (Tesco), UK / qualitative	<ul style="list-style-type: none"> <li>- Within the process of internationalization. Divestments are usually not seen as an option. They are rather perceived negative and people try to eliminate them from the company's history.</li> <li>- Possibilities of learning are included in divestments (e.g. fitting exit strategies, communication and image of the company).</li> </ul>
Burt / Dawson / Sparks 2003	Definitions and conceptualization of a framework for failures in retailing	Mellahi et al. 2002 (Industrial Organizations-( IO-) and Organizational Studies-(OS-) Perspective and Benito 1997	Conceptual	<ul style="list-style-type: none"> <li>- Defined and distinguish failure an unplanned disappointment in a country which leads to six options: Divestment (reduction of investment), Closure (closing of respective outlets or sales channels in a market), Restructuring (changed organizational structure while continuing of activities) and Exit (complete exit from a country).</li> <li>- Propose four areas of „Failures“: market oriented, competitive oriented, organizational oriented and company specific.</li> </ul>

- will be continued

- Table 2-12 continued

Wrigley / Currah / 2003	Show organizational challenges during internationalization into countries with different institutional environment	„Comparative study of forms of industrial capitalism“	Case study (N=1), Primary data / Food (Ahold), NL / qualitative	<ul style="list-style-type: none"> <li>- Process of divestments is not enough conceptualized.</li> <li>- Process of internationalization is „dialectic“ with regard to influence of home and host country institutions.</li> <li>- The relationships of retail firm to financial institutions are a critical factor of internationalization and are less prioritized.</li> </ul>
Alexander / Quinn / 2002	Analysis of divestments of Marks & Spencer and Arcadia	Decision process perspective by Godar 1997	Case study (N=2), secondary data / Fashion, Department Stores, UK / qualitative	<ul style="list-style-type: none"> <li>- Three phases of divestment processes:               <ol style="list-style-type: none"> <li>1. Decision phase;</li> <li>2. Process of divestments;</li> <li>3. (Financial) effects by Godar 1997 as framework.</li> </ol> </li> <li>- Reasons for failure are easy to identify and the whole process need to be understood better.</li> <li>- Switch to franchising as an option, if organic growth does not work.</li> </ul>
Burt / Mellahi / Jackson / Sparks / 2002	Analysis of external and internal influencing factors on the crisis of Marks & Spencer	Combination of IO- and OS- perspective, internal and external influencing factors	Case study (N=1), primary data / Department Store UK / qualitative	<ul style="list-style-type: none"> <li>- Internal factors as main reasons of crisis, especially management decision as well as inertia, underestimation of situation and inappropriate reactions.</li> <li>- External factors (e.g. fast changing market environment accelerate the crisis.</li> </ul>
Whysall / 1997	Story of reasons for selling Boots to US investors with following re-buy to UK	None	Case study (N=1), secondary data / Drug store (Boots), UK/US / qualitative	<ul style="list-style-type: none"> <li>- Organizational disorientation, bad structure after big acquisition as main trigger for crisis.</li> <li>- Disregard of complex cultural reasons were responsible for failure of new management.</li> </ul>
Dupuis / Prime / 1996	Connection between business distance and success	None	Case study; Carrefour	<ul style="list-style-type: none"> <li>- Propose a preliminary model of analysis of the key success and failure factors in retail internationalization.</li> <li>- Indicates that a business distance between the domestic and target markets are creating a “prism effect” on the original competitive advantages.</li> <li>- Give the examples of the internationalization of French hypermarket in the USA (failure) and in Asia (success) as illustrations.</li> <li>- Missing adaptation to American consumer requirements for the one-stop shopping concept is a main reason for the failure of French supermarket chain in the American market.</li> <li>- Similarly, they partially attribute the success of Carrefour, the leading French hypermarket operator in the Asian region, to its willingness to adapt its concept to the local situation.</li> </ul>
Lane / Hunter / Hildebrand / 1990	Analysis of reasons for divestments	None	Case study, primary data (N=4) / CAN,	<ul style="list-style-type: none"> <li>- Customer specific reasons for failure: different customer preferences.</li> <li>- Company specific reasons for failure: retail structure, competitive situation, no access to suppliers, missing experience and knowledge of management.</li> </ul>

Table 2–12: Studies of the success and failures of retail firms

Source: Own creation.



Adaptation involves understanding not only the differences between home and host countries but also the differences in consumer culture within the host country (Dawson 2007). Intercountry differences are the first level of difference in consumer culture. The ability to adapt to these differences is important. The ability to understand and adapt to inter- and intramarket dimensions of consumer culture is an essential managerial capacity that is transferred to the host country by the successful international retailer (Wrigley and Currah 2003; Currah and Wrigley 2004). The absence of this capability, either in the firm (Boots, Marks & Spencer) or in the transfers to a particular country (Ahold in China, Carrefour in Japan and the US, IKEA's original entry to Japan and Walmart in Germany), is one reason for "failed" international retailing (Dawson 2007).

Dupuis and Prime (1996) examine the lack of adaptation to American consumer requirements in the one-stop shopping concept as the main reason for the fiasco of French supermarket chains in the American market. Similarly, researchers moderately attribute the success of Carrefour, the French supermarket chain, in Asia to its readiness to adapt its concept to regional circumstances (Evans, Mavondo and Bridson 2008).

Nonetheless, it appears that market exposure is terminated in retail less frequently than in other industries. Currah and Wrigley (2004, p. 6) assert that retailers must be close to the market with their offering, which requires high investments upfront. Moreover, the sunk costs of exit are higher as a result of the outlet and supplier networks. Finally, there is a considerable time lag between the development of the necessary operations in a country and the initial generation of income streams. Those findings need to be taken into account within the scope of a successful format transfer.

#### *Fashion-specific research*

International fashion retailers require adequate resources and competitive advantages and must own some "differential firm advantages," including a dedication to developing an attractive brand to ensure international success (Završnik 2007, p.14). Those advantages could incorporate product, image and niche differentials, as demonstrated by internationally appealing brands and products or innovative retail formats that enable international success. A solid brand has been identified as one aspect that supports the international growth of fashion retailers offering suited products in unique retail formats (Završnik 2007). Table 2-13 summarizes the studies of success and market exits of fashion firms.

Author(s) and year	Research question	Theoretical basis / framework	Empirical basis / method	Core results
<b>Large-N-designs</b>				
Evans / Mavondo / Bridson 2008	Success of non-food retailers by adaptation of retail marketing instruments through psychic distance	Concept of psychic distance	Primary data (N=102) / non-food, worldwide / regressions	<ul style="list-style-type: none"> <li>- The findings recommend that when entering psychically distant markets, non-food retailers should adopt low-cost/low-control entry strategies and adapt their retail strategy to a higher extent than in psychically close markets in order to be successful.</li> <li>- Scholars discover that strategic responses have a contrary effect on success. International experience, psychic distance, entry strategy, and retail strategy adaptation are significant drivers of organizational performance and factors that determine critical success in international retailing.</li> </ul>
<b>Small-N-designs and conceptual studies</b>				
Završnik 2007	Critical success factors for international fashion retailers entering foreign markets	Retail internationalization	Case study (H&M and Zara)	<ul style="list-style-type: none"> <li>- The most significant factor when planning to enter into international markets is the selection of an appropriate entry mode.</li> <li>- Fashion retailers most frequently choose between direct investments or franchising.</li> <li>- Most of the global and multinational companies have spread their activities throughout the markets where there are advantageous possibilities for growth and further development.</li> </ul>
Clarke / Rimmer 1997	Performance due to adaptation	None	Case study (Daimaru's)	<ul style="list-style-type: none"> <li>- Poor performance in Australia due to its lack of adaptation.</li> <li>- Daimaru tried to replicate its offer and positioning in Australia. Competitive and consumer conditions required the firm to reconsider its position and eventually adapt its offer.</li> </ul>

Table 2–13: Studies of the success and failures of fashion firms

Source: Own creation.

Research also demonstrates that a missing adaptation of the retail offer adversely affects the success of international retail business (Evans, Mavondo and Bridson 2008). Clarke and Rimmer (1997) attribute the initial weak success of the Japanese department store group Daimaru in Australia to a lack of market adaptation. Daimaru attempted to replicate its offer and positioning in Australia, but different competitive and consumer preferences required the firm to reevaluate its position and eventually to adapt its retail offering. Consequently, a retail offer that is adapted to the requirements of the host economy will be more successful than an offer that is grounded in a standardized strategy (Evans, Mavondo and Bridson 2008).

#### 4. Context factors

In order to result in successful format transfer strategies, specific context factors drive the decision how to transfer a format. Consequently, studies on context factors are subsequently summarized.

Different context factors with differing intensities are also considered in the studies reviewed. These context factors are primarily external to, for example, a host or

home country or are country-specific or intercountry factors. Resources such as knowledge become internal context factors that can be applied to format transfer strategies. Goldman (2001) assumes that transfers are not guided solely by the goal of gaining a competitive advantage in the targeted host country, which ignores the possibility of transfer decisions being driven by additional, more global goals extending beyond a fashion firm's position in the targeted foreign markets.

McGauran (2001) investigates external factors as context factors in the design of visible offers in two markets abroad. The author focuses on a comparison of the selling process between fashion retail stores in Dublin and Paris and emphasizes cross-national differences in the selling process while other retail marketing programs remain the same. McGauran (2001) argues the need for different selling processes caused by differences in the economic and cultural environments.

Changing a format creates cost, difficulties and risk. Such changes typically require resources and may be associated with reduced effectiveness, damage to a firm's global image, and the loss of scale and standardization advantages. Conversely, adapting the format to a new context to meet local needs may also result in benefits to the adapting firm. However, even standardized transfers produce costs, difficulties and risk. Format elements may be costly to transfer and may not be relevant in a foreign economy. These negative consequences must be evaluated against the potential benefits that the retail firm may realize from maintaining the format intact with only slight adaptation. Such considerations are influenced by external and internal factors that include the conditions in the host country, the compatibility between the host and home countries (the concept of geographical and psychological distance), and a firm's global strategy and resources (e.g., Evans, Mavondo and Bridson 2008, Goldman 2001).

Host country conditions may restrict the ability of retail firms to realize the capabilities embedded in the format. However, these conditions may also create opportunities to leverage format advantages. Studies of the transfer of retail formats to developing countries underline the challenges that modern retail formats encounter in such economies. These studies identify consumers, supply and distribution conditions, government policies and domestic retail systems as limiting unchanged/standardized transfers of elements such as price, service, location and promotions (Goldman 2001).

Factors such as economic advantages of global sourcing, the use of advanced technologies and the intent to standardize must be considered in format transfers. Additionally, the use of specialized knowledge and financial resources must be considered (Goldman 2001). The advantages generated from global operations and limita-

tions on their utilization in host countries have been broadly discussed in the internationalization literature (Craig and Douglas 2000; Douglas and Craig 1995).

Psychological distance is defined as the perception of differences between home and host countries in terms of cultural and business elements (Evans and Mavondo 2002). The effects of cultural and geographical distance are frequently addressed (e.g., Brewer 2007) as opposed to business distance (Evans and Mavondo 2002). Evans and Bridson (2005) demonstrate that perceived psychic distance forces a greater adaptation of marketing mix for retailers. In particular, the perceptions of different market structures, business processes and languages (as elements of business distance) are responsible for adaptation, whereas no significant effect of cultural distance could be found (Evans and Mavondo 2002; Evans et al. 2000). Calof and Beamish (1995) indicate that there are different reasons for mode changes in smaller firms that could be similar to format changes. Table 2-14 summarizes the studies of context factors.

Author(s) and year	Research question	Theoretical basis / framework	Empirical basis / method	Core results
<b>Large-N-designs</b>				
Evans / Mavondo / Bridson 2008	Explanation of the notion of adaptation of retail marketing instruments through perception of psychic distance	Concept of psychic distance	Primary data (N=102) / non-food, worldwide / regressions	<ul style="list-style-type: none"> <li>- Conceptual model of the psychic distance–organizational performance relationship that incorporates organizational factors (international experience and centralization of decision making), entry strategy, and retail strategy implications.</li> <li>- The findings recommend that when entering psychically distant markets, retailers should adopt low-cost/ low-control entry strategies and adapt their retail strategy to a greater extent than in psychically close markets.</li> <li>- However, the authors find that such strategic responses have an adverse effect on performance. They find that international experience, psychic distance, entry strategy, and retail strategy adaptation are significant drivers of organizational performance and factors that determine critical success in international retailing.</li> </ul>
Fam / Yang 2006	Bi-national comparison of budget spent for promotions in small retail firms	Environment-Strategy-Performance paradigm	Primary data (N=337; national retailers) / Fashion, regressions	<ul style="list-style-type: none"> <li>- In-store-promotions in more appreciated than outdoor-promotions in both countries.</li> <li>- In Portugal less outdoor activities, since traditionally this is handled by big manufacturers.</li> </ul>

- will be continued

- Table 2-14 continued

Singh / Kumar / Baack 2005	Examination of how culture influences the content of e-commerce websites	Standardization / Adaptation debate; Hofstede 1980, Hall 1976	Secondary data (N=98) / US-retailers with activities in France, Germany, Turkey	<ul style="list-style-type: none"> <li>- Different cultural values exist in the countries; websites are culturally sensitive.</li> <li>- Retailers adapt their website content to cultural specialties to a small degree.</li> </ul>
Newman / Patel 2004	Comparison of positioning of a US and UK fashion retailer in UK	Market orientation, Positioning; Retail Image	Consumer (N=300) / Fashion, UK / Factor analysis	<ul style="list-style-type: none"> <li>- Both retailers target similar customer segments; customers perceive same attribute as important.</li> <li>- At Gap, the total image seems not to fit for single components.</li> <li>- Marketing activities need to be adapted to always changing customer preferences.</li> </ul>
Goldman 2000	Analysis of success factors in the supermarket format in China	"Food retail modernization theory"	Secondary data of consumer behavior + analysis of primary data (N=approx. 80) / China, food (supermarkets) / qualitative	<ul style="list-style-type: none"> <li>- Comparison of traditional/new formats in China in terms of external (visible to customer, assortment, store design, service, location, price) and internal factors</li> <li>- (a) repertoire in terms of norms, experience, strategies,</li> <li>- (b) technology in terms of systems, methods, techniques, organizational structures).</li> <li>- Conclusion: Modernization of retail structures of local chains compulsory, but not for foreign chains; when establishing format, supply chain factors are a problem, but not consumer behavior, government, or traditional retailers.</li> </ul>

#### Small-N-designs and conceptual studies

Brewer 2007	Cultural distance through the estimation of perceived "differences" between countries	Psychic distance	Globalization index by A.T. Kearney	<ul style="list-style-type: none"> <li>- The operationalization of psychic distance in empirical investigations is most commonly accomplished through the estimation of perceived "differences" between countries because it is argued that differences account for impediments to knowledge flows.</li> <li>- However, this process is highly flawed. This article responds to the many calls for an improvement in the understanding and operationalization of psychic distance.</li> <li>- It does so not only by holding to the original definition but also by accounting for wider measures than the differences between the firm's home country and the target country.</li> <li>- Scholar identifies 15 variables from the literature and discusses the relationship between the variables and psychic distance. Using these variables, he constructs an index that measures psychic distance and then applies it to measure distances between 25 country combinations. Finally, he compares the results with actual exporter behavior.</li> <li>- A close, negative correlation exists between the psychic distance index and firms' actual selection of export markets.</li> </ul>
González-Benito / Munoz-Gallego / Kopalle 2005	Location choice optimization with geodemographic segmentation	Location choice; geodemographic segmentation	Secondary data / Food	<ul style="list-style-type: none"> <li>- Customer structure of every chain (of 10 leading food chains) shows specific customer profiles</li> <li>- In an international context this can ease the location choice of international retailers.</li> </ul>

- will be continued

- Table 2-14 continued

Thompson 2003	Location choice with methods of geographical analysis (effective store-networks)	None	Conceptual	- Use of geographic methods can deliver a lot of data to managers while deciding on location.
McGauran 2001	Explanation of differences in marketing design in France and the UK	Intermediary society affects theories, approaches by Rubery 1994, Lee 1993	Primary data (N=27) shop managers / fashion, UK, France / qualitative	<ul style="list-style-type: none"> <li>- Fashion stores in Paris are more engaged in the selling process by actively attracting customers, giving much professional advice and spending of a lot of time per customer in contrast to fashion stores in Dublin.</li> <li>- Differences can be explained by differences in cultural factors, including the importance of fashion, and by differences in economic factors, including the development of capitalism.</li> <li>- Economic and cultural factors explain different cross-national designs (i.e. retail system/structure, labor law, level of fashion).</li> <li>- Retail Firms have to pay attention to these factors to be successful.</li> </ul>

Table 2-14: Studies of the context factors of format transfer strategies

Source: Own creation based on Schwarz (2009, p. 32-36).

In summary, the literature review on internationalization and format transfer strategies reveals that different format elements based on visible retail offers, background processes and retail culture combine to form different format transfer patterns. Furthermore, the combination of format transfer patterns and context factors may result in different successful format transfer strategies. This issue must be analyzed in a subsequent step.

### III. Standardization and adaptation of retail format elements

In order to answer the second research question of how formats are specifically designed by fashion retailers, the area of standardization and adaptation is reviewed. This debate spans across areas such as market entry literature, market development research, and retail internationalization. In one of the previous sections on format transfer, different transfer options were summarized. One is to analyze the standardization and adaptation of format elements that is connected to the design of format elements. Consequently, this issue will be analyzed in more detail in this paragraph. The question of *which format to use* in a foreign market is covered in the choice of market entry literature. With this question, firms must decide how to break down this choice to their retail formats. The institutional economic framework of Huang and Sternquist (2007) argues that retailer's international decisions (e.g., choice of markets, of entry strategies etc.) are influenced by regulative, normative and cognitive dimensions. On a broad conceptual basis, Picot-Coupey (2006) argue that the desires for flexibility, knowledge transfer, resource commitment and control are central

determinants of the choice of market entry strategy. The conceptual studies by Alexander and Doherty (2004), Doherty (2000) and Doherty (1999) are similar but relate specifically to fashion retailers. Burt, Davies, Dawson and Sparks (2008) discuss elementary decisions regarding market selection, market entry strategies, the standardization and adaptation of marketing instruments, and culture/management in their conceptual study. Swoboda, Foscht and Cliquet (2008) examine the configuration and coordination of value chain activities with a broader scope. Palmer and Quinn (2005) and Colla and Dupuis (2002) discuss alternative dimensions. Dawson (2007) structures the retail internationalization process according to the business model, the ability to adapt to the market, operational techniques of retailing, and consumer values and expectations. Empirical approaches to address standardization vs. adaptation can be found in the works of Hutchinson, Quinn and Alexander (2006) and Pederzoli (2006) with 20 dimensions.

The decision regarding *how to set up the chosen format* is analyzed within the scope of market development research. This category covers studies investigating the standardization and adaptation of marketing mix instruments (retail offers), background processes and retail cultures. Each decision regarding market development presents some type of unique retailing strategy involving positioning and retail differentiation (Etgar and Rachman-Moore 2007), which is bundled in a unique package of products and services that is defined as a retail format and a retail concept (Cox and Brittain 2004, p. 1ff.). Studies of the market development of foreign retail markets can be divided into manager- and customer-based surveys. Papers from the first group analyze format transfer strategies and standardization versus adaptation decisions. A review of the second group is not included in this study because the question of format strategy and format transfer is handled at the company level rather than the consumer level.

As introduced, the design decision of a retail format should be related to standardization or adaptation with respect to retailing concepts abroad. Swoboda and Anderer (2008) view this decision as the equivalent of foreign market adaptations, for which many analyses are available. The standardization or adaptation decision, however, should refer to a basic decision or basic orientation of a firm (global, multinational or international), whereas adaptation is more specific to each country and instrument (Burt et al. 2003). An international retail firm may adopt a variety of different strategies upon entering a new market. Such strategies include the following:

- duplicating the original retail format—the so-called internal expansion strategy (Moore and Fernie 2004),
- making some adjustments to the original format because of competitive and market pressures (Goldman 2001),

- portfolio or financial investment in a local chain strategy that bears little relationship to its retail format in the home market (Etgar and Rachman-Moore 2007).

The work provided by Goldman (2000, 2001) is likely the most prominent with regard to retail formats. He divides the format transfer into 40 external (offer-related) and internal (know-how-related) elements. The degree of adaptation is classified into a binary system from which patterns of format adaptation result. Goldman identifies six transfer strategies of retail companies entering a developing market. These options revolve around the degree of managerial flexibility or adaptation of a core retail concept (Burt et al. 2008). Although the global niche and opportunism options align with traditional global or multinational views, Goldman (2001) suggests other options that are variations on a theme. The format pioneering opportunity strategy involves the development of a "regional" format that is replicated within a dedicated region of the world. The format extension-compatible country-of-origin strategy applies to the transfer of a home format with limited changes. A portfolio-based format extension involves a similar transfer but is based on a non-domestic format. Finally, the competitive position oriented strategy entails maximizing the key strengths of the format in view of existing indigenous competition. Gielens and Dekimpe (2001) consider format strategies based on secondary data. Retail formats that are innovative for the host country and simultaneously familiar to the internationally operating retailer appear to be promising, as evidenced by the authors in an exploratory manner using pattern recognition (considering market entry strategy and the timing of entry simultaneously). Salmon and Tordjman (1989) paint a simplified picture of format configuration and discuss only two possibilities: standardization and adaptation. Zou, Andrus and Norvell (1997) analyze the amount of standardization of international marketing strategy in an emerging economy context. Their results show that the standardization of format elements such as product and pricing increases exports (Evans, Mavondo and Bridson 2008). Conversely, the standardization of format elements, such as brand or warranties or even customer service levels, decreases export levels (Evans, Mavondo and Bridson 2008). Thus, firms should think globally but act locally. Medina and Duffy (1998) indicate that standardization is a strategy that derives from domestic operations, which requires the creation of a "standard to be applied" rather than the creation of a "standard to be achieved" in a host market. The international retailing literature also supports this proposition (Clarke and Rimmer 1997; Dupuis and Prime 1996; McGoldrick 1998; Segal-Horn and Davison 1992).

McGoldrick (1998) proposes that most international retailers are required to adapt at least some elements of their offer to the specific environmental factors and requirements of the host economy, which is consistent with the statement from Segal-Horn and Davison (1992, p.50) that "one of the most important things that has been learnt by international retailers is that formats, merchandising, store design, and store loca-



tion often have to be customized to local conditions to achieve success.” In their case study of Boots, Burt et al. (2005) show that the domestic store format, although clearly recognized and accepted by British consumers with more than a century of exposure to the Boots brand, has proven to be an unmanageable concept when transferred abroad. Bianchi and Ostale (2006) and Bianchi and Arnold (2004) choose an institution-oriented perspective—highlighting local norms and rules, among other aspects—and focus on internal and external elements for the design of market activities, which is similar to Goldman (2001). In addition, Currah and Wrigley (2004) comply with the structure used by Goldman in terms of content, but they choose network theory and the competence-based view as a theoretical basis. Both studies conclude that internationally operating retailers largely tend to adapt their international operations and offers. Retailers use back-end processes to adapt their front-end processes to the consumer culture abroad.

Earlier studies can also be aligned with the issue regarding the standardization and adaptation of retail formats. For example, both Goldman (1981) and Martenson (1987) conceptualize the supply side (internal elements) and the demand side (customer-oriented/external elements). In a case study-based research design, Goldman (1981) discusses whether standardization is feasible in culturally bound industries. The marketing program consisting of products, prices, distribution and promotions is roughly standardized, and only exact pricing and local advertising leave room for adaptation. Segal-Horn and Davison (1992) analyze the antecedents of retail marketing program standardization on the basis of secondary data and examples in a descriptive manner. These scholars conclude that global market segments, global economies of scale and distribution infrastructures are necessary for standardization, although certain elements of the retail marketing program have yet to be adapted. Nonetheless, Brown and Burt (1992) note that the standardization versus adaptation debate in international retailing must be conducted on different levels, including the levels of brand/image, concept/format, marketing instruments and management systems. Thus, there are different implications for the market development of retail firms at each level. Segal-Horn and Davison (1992) underline this point and noted that some instruments are easier to standardize than others. Kaufmann and Eroglu (1999) draw a distinction with respect to franchising between core and peripheral format elements.

Other studies addressing market development are consumer oriented, such as the works of Elg, Ghauri and Sinkovics (2004) and Ghauri, Elg and Sinkovics (2004). These authors posit a fit between internal and external elements in foreign markets and thus assume that the strategic customer orientation and commitment in the host country has an influence on the inter- and intracountry market orientation, which in turn influences the position of the retail firm in the host country.

A vast body of research concerning market development addresses isolated marketing mix elements in general, in a country context or in relation to specific retail formats. Burt and Sparks (2002) consider the standardization opportunities of the corporate brand modulated as a strategic decision, noting that standardization is hampered by internationalization and that visible offers require some adaptation, even for standardized corporate brands. Burt et al. (2005) investigate strategies relating to the international expansion of private labels. In addition to the single-format studies that were initially excluded from this study, the conceptual study by Pietersen and Schrahe (2004) should be discussed. These authors demonstrate which domains have potential for adaptation in hypermarkets and where there are possibilities for enforcing control, in addition to describing the general advantages and disadvantages. Corstjens, Corstjens and Lal (1995) compare price levels and private labels of grocery retailers in France and the UK.

Table 2-15 summarizes the studies of standardization versus adaptation of retail formats.

Author(s) and year	Research question	Theoretical basis / framework	Empirical basis / method	Core results
<b>Large-N-designs</b>				
Sousa / Lengler 2009	Implications of following a standardization or adaptation strategy	Psychic Distance, Concept of standardization / adaptation in marketing	Questionnaires, N=201; exporting firms based in Rio Grande do Sul (Brazil)	<ul style="list-style-type: none"> <li>- Firms have to adapt their products and communication to foreign countries in the following situation:</li> <li>- High cross-national psychic distance.</li> <li>- In contrast, firms' pricing and distribution have to be standardized across nations.</li> </ul>
Schilke / Reimann / Thomas 2009	When does international marketing standardization matter	Concept of standardization / adaptation in marketing	Large scale survey among firms from various industries: consumer packaged goods, consulting, retailing, telco / IT, utilities; Questionnaire; N=489	<ul style="list-style-type: none"> <li>- Firms have to adapt their products to foreign countries in the following situations:</li> <li>- High cross-national differences in the economic and sociocultural macro-environments.</li> <li>- High cross-national differences in the marketing infrastructure and stage of the product life cycle.</li> <li>- Specific experience with the export venture market.</li> <li>- Long duration of the export venture.</li> </ul>

- will be continued

**- Table 2-15 continued**

Hultman / Robson / Katsikeas 2009	Investigation of the issue of balancing the benefits gained through standardized strategies with those achievable when adapting to local conditions	Contingency theory; Strategic fit	Questionnaire; Statistics Sweden's business register service; N=341	<ul style="list-style-type: none"> <li>- Firms have to standardize their products, distribution, and communication across nations in the following situations:</li> <li>- Cost leadership strategy.</li> <li>- High degree of cross-national coordination of marketing activities.</li> <li>- High number of foreign markets operated.</li> <li>- High product homogeneity.</li> <li>- Large firm size.</li> </ul>
Gauri / Trivedi / Grewal 2008	Determinants of retail strategy	Three categories of antecedents of retailer pricing, format, and combination strategies based on literature research	Secondary Data (Specra Marketing DB & U.S. Census Bureau Data → 3315 Stores	<ul style="list-style-type: none"> <li>- Retailers try to differentiate themselves by adopting a different format in the presence of competition.</li> </ul>
Evans / Mavondo / Bridson 2008	Explanation of the notion of adaptation of retail marketing instruments through perception of psychic distance	Concept of psychic distance	Primary data (N=102) / non-food, worldwide / regressions	<ul style="list-style-type: none"> <li>- Conceptual model of psychic distance–organizational performance relationship that incorporates organizational factors (international experience and centralization of decision making), entry strategy, and retail strategy implications.</li> <li>- Findings suggest that when entering psychically distant markets, retailers should adopt low-cost/ low-control entry strategies and adapt their retail strategy to a greater extent than in psychically close markets.</li> <li>- However, the authors find that strategic responses have an adverse effect on performance.</li> </ul>
Etgar / Rachman-Moore 2007	Reasons why international retail chains fail in regards of international expansion	Psychic distance; Literature on organizational failure;	Structured questionnaire; N=140; Israel; el;	<ul style="list-style-type: none"> <li>- The specific constructs that the authors find to have the greatest impact on the failure of IRCs in Israel are:</li> <li>- the quality of strategic decision making which includes the question on adapting the retail format,</li> <li>- the quality of the decision-making by the management of the large enterprise and</li> <li>- the quality of cooperation between the IRC and its LE.</li> </ul>
Pederzoli 2006	Explanation of retail internationalization process	Common literature on internationalization, strategic models and retail specific on retail internationalization process	Secondary data + expert interviews (N=37) / Food + Non-Food, Focus on EU / Correlations	<ul style="list-style-type: none"> <li>- Identified 20 Variables from theories, which die presumably can explain retail internationalization process; bi-variant molding. Experts were asked to categorize retail company as well as prioritization of variables.</li> <li>- „Location + Management“: Format, Channel management, Organization, Competition; „Culture“: Marketing strategy, Positioning, Level of format adaptation, cultural distance to target markets, Management (-origin); „Growth“: market entry factors, growth strategies; „in addition“: Strategic orientation, Experience, financial resources.</li> <li>- Generic strategic orientation as most important variable within the scope of retail internationalization process; „global“ orientation dominant.</li> </ul>

**- will be continued**

**- Table 2-15 continued**

Quintens / Pauwels / Matthyssens 2006	Global purchasing strategy: Concept and measurement.	Resource based view (RBV)	Belgium; N=151 global purchasing firms	<ul style="list-style-type: none"> <li>- Global Purchasing Strategy (GPS) as an explanatory construct of global purchasing performance.</li> <li>- Purchasing strategy determines offers.</li> <li>- Retailers use various purchasing and distribution options to assure assortment quality and thus standardize both.</li> </ul>
Evans / Bridson 2005	Explanation of adaptation of retail marketing instruments through perception of psychic distance	Concept of psychic distance	Primary data (N=102) / non-food, worldwide / regressions	<ul style="list-style-type: none"> <li>- Psychic distance = cultural + business-related distance.</li> <li>- (Perceived) psychic distance leads to stronger adaptation of the marketing mix.</li> <li>- Particularly market structure, business processes and language (business-related distance) enhance the degree of adaptation.</li> <li>- No significant influence by cultural distance.</li> </ul>
Grace / O' Cass 2005	Extent to which repatronage intentions of retail stores are affected by perceived value for money, customer satisfaction and consumption feelings	None	Self-administered survey that was part of a larger study on services. N=256	<ul style="list-style-type: none"> <li>- Department store consumers are more emotion-sensitive rather than price-sensitive.</li> <li>- On the other hand, the discount store marketer needs to be mindful of the consumer's motivation to seek out value in this store.</li> <li>- However, this does not mean that a concentration on lowering prices is the only way to achieve this.</li> <li>- Value, in terms of perceived benefits derived from service dimensions that facilitate, for example, ease of merchandise selection and transaction completion and convenience to consumers, and can be gained through facility and service process planning. The focus may not need to be offering the lowest possible prices in town, but providing the best possible value to customers through the service offer.</li> </ul>
Gielens / Dekimpe 2001	Demonstration of effects of strategic time of entry decisions on long-term performance	None	Secondary data (N=169 entries) / West-EU, food, grocery / descriptive, correlations	<ul style="list-style-type: none"> <li>- Five strategic time of entry decisions: scale of entry, mode of entry, order of entry, the adaptation of the retail format to local market conditions and the familiarity of the store format to the parent organization.</li> <li>- Positive performance effects: Size (larger are better in the beginning), Greenfield investments (better than acquisitions and joint ventures), order of entry (the earlier the better), new format (better in host country) and familiar format (better).</li> </ul>
Lynch / Keller / Ozment 2000	Effects of logistics capabilities and strategy on firm performance	Resource based view (RBV)	Questionnaires sent to CEO's and Vice Presidents; N=77	<ul style="list-style-type: none"> <li>- Logistics capabilities are significantly linked to strategy.</li> <li>- A firm attempting to differentiate itself through a competitive strategy will best achieve this goal by leveraging its logistics value-added service capabilities.</li> <li>- Supply chain processes determine market offers like excellent assortments or prices, due to excellent sourcing.</li> </ul>
Goldman 2000	Analysis of success factors in the supermarket format in China	"Food retail modernization theory"	Secondary data of consumer behavior + analysis of primary data (N=approx. 80) / China, food supermarkets / qualitative	<ul style="list-style-type: none"> <li>- Comparison of traditional/new formats in China in terms of external (visible to customer, assortment, store design, service, location, price) and internal factors (a) repertoire in terms of norms, experience, strategies, b) technology in terms of systems, methods, techniques, organizational structures).</li> <li>- Conclusion: Modernization of retail structures of local chains compulsory, but not for foreign chains; when establishing format, supply chain factors are a problem, but not consumer behavior, government, or traditional retailers.</li> </ul>

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**- Table 2-15 continued**

Hadjimar cou / Barnes 1998	Adaptation of the market- retailers in border zones (especially USA / Mexi- co)	Concept of standardiza- tion / adapta- tion in mar- keting	Primary data (N=176) / USA / Mexi- co, unspecif- ic / frequen- cies, means	<ul style="list-style-type: none"> <li>- Retailers from cross-border regions adapt their retail marketing mix to accommodate foreign customers.</li> <li>- Marketing mix selected: store atmosphere, promotion, merchandising, price, service, convenience; these were surveyed regarding the influence of currency depreciation and competition.</li> <li>- Cross-border-competition within the marketing mix is usually not considered, but currency depreciation is; thus, instruments that are not price-related should be considered more seriously.</li> </ul>
<b>Small-N-designs and conceptual studies</b>				
Burt / Johans- son / Theland- er 2011	Standardiza- tion of mar- keting strat- egies in retailing three differ- ent countries	Psychic distance; Standardiza- tion and adaptation debate ac- cording to Levitt (1983) and Buzzell (1968)	Case study; IKEA; quali- tative & quantitative, N=1	<ul style="list-style-type: none"> <li>- Whilst IKEA operates a standardized concept, degrees of adaptation can be observed in customer facing elements, and in the supporting 'back office' processes which support these elements. These adaptations arise from differences in consumer cultures and the length of time, and subsequent exposure to and experience of, the market. Suggests that standardization in international retailing should be considered from the perspective of replicating the concept, rather than replicating the activities.</li> <li>- However, even a global retailer is forced to adapt according to experience in the host market and to consumer culture.</li> </ul>
Hieu / Truong 2010	International- ization and its impacts on the standardiza- tion / adapta- tion mode of operations	Standardiza- tion and adaptation debate	Case study; N=2; Italian firms; Candy Company, Adh Compa- ny	<ul style="list-style-type: none"> <li>- Internationalization of operations shows a combination of both standardization and adaptation.</li> <li>- Not only the local conditions, but also the involvement and commitment of the head office in the operations of the local offices play significant roles in determining whether firms should standardize or adapt their operations in foreign markets.</li> </ul>
Cao / Dupuis 2009	Central role of core com- petences in retail interna- tionalization	Grounded theory	Qualitative in- depth inter- views of Chinese subsidiary managers (N=18)	<ul style="list-style-type: none"> <li>- The inductive process identified two types of core competences in the subsidiaries of international retailers: basic competences and architectural competences.</li> <li>- Identification of basic competences including retail concept, flow management (e.g., information and financial flow), organizational capabilities and upstream- downstream relationships, as well as architectural competencies which refer to the link between basic competencies.</li> <li>- Supply chain processes determine market offers.</li> <li>- Competence to reproduce retail concepts and integrate product services, information flows and purchasing leads to standardized policies in the host market.</li> <li>- Retailers need competencies: „for retail formats within the internationalization process.</li> </ul>
Bianchi 2009	International- ization pro- cess of re- tailers from emerging countries	None	Case study analysis (N=1), based on primary and second- ary data / Chile / quali- tative	<ul style="list-style-type: none"> <li>- Successful Retail internationalization from emerging markets.</li> <li>- Home and host country networks, innovation orientation, organizational learning, marketing knowledge, entry mode strategy and management capabilities as driving forces for successful internationalization.</li> </ul>

- will be continued

- Table 2-15 continued

Ganesan et al. 2009	Supply chain management and retailer performance: emerging trends, issues, and implications for research and practice	None	Conceptual	<ul style="list-style-type: none"> <li>- Authors discuss how three recent trends - global sourcing practices, multichannel routes to market, and relationship-based innovation—are transforming the retail landscape and leading to a variety of performance improvements with regard to brand image, reputation, sales and profits, innovation, and relationships.</li> <li>- Supply chain processes determine market offers like excellent assortments or prices, due to excellent sourcing.</li> <li>- Effectively managing supply chains takes on increasing importance for the financial performance of retailers.</li> </ul>
Swoboda / Foscht / Cliquet 2008	Framework of retail internationalization process, oriented towards value-chain process; axes adaptation and coordination	Value-added process concept	Conceptual; three case studies	<ul style="list-style-type: none"> <li>- Supply chain and market processes.</li> <li>- Country axis (degree of adaptation) and coordination axis (degree of centralized/formalized management).</li> <li>- Coordination, configuration and externalization as management dimensions for each value-added process; also in a dynamic process.</li> <li>- Within the scope of value chain activities the retail firms have to define what can be offered competitively and successfully abroad.</li> <li>- Relevant factors are assets like the format although it should be separated from configuration decisions relating more to marketing instruments, such as customer service, location etc.</li> </ul>
Pederzoli 2008	Study of international value chain activities of buying groups	Value Chain Approach	Case study (N=3); Inter-sport, Guilde de Lunetiers; Joue Club	<ul style="list-style-type: none"> <li>- Management of international activities, market oriented processes and supply chain processes form the framework of the analysis of value chain activities.</li> <li>- Demonstrate market- and supply oriented WSK-activities as well as the management of the whole system.</li> <li>- Partnerships which are established abroad constitute a specific characteristic.</li> </ul>
Burt / Davies / Dawson / Sparks 2008	Patterns and processes of grocery internationalization	Value Chain Approach,	Case study (N=3); Food; Carrefour, Delhaize, Ahold;	<ul style="list-style-type: none"> <li>- All three companies recognize the need for local market responsiveness (adaptation).</li> <li>- The locus and degree of managerial autonomy and empowerment varies from the chain to the format to the regional level, and this is reflected in part by differing approaches to branding at format and product level.</li> <li>- Evidence of a multi-format and multichannel approach to markets, but underlying the internationalization process in each case are core skills in specific formats which have provided market innovation and driven the internationalization process.</li> </ul>
Von Birnik / Bowman 2007	Marketing mix standardization in multinational corporations	RBV, Institutional theory, Strategic choice,	Literature review	<ul style="list-style-type: none"> <li>- Half the examined studies concerned a wide variety of marketing mix elements, and 30% focused specifically on advertising.</li> <li>- Detailed studies of other mix elements including distribution, pricing and web sites were rare.</li> <li>- Need for rich qualitative studies. The review found that only 5% of the articles primarily relied on qualitative research methodologies.</li> </ul>

- will be continued

- Table 2-15 continued

Huang / Sternquist / 2007	Conceptual explanation of market entry of Retail Firms	Institutional theory	Conceptual	<ul style="list-style-type: none"> <li>- Framework to explain whether a Retail Firms will enter a market, to determine the point in time of entry, and to explain the choice of MES.</li> <li>- Thus, consideration of a regulative, a normative and a cognitive dimension.</li> <li>- Retailers need to understand that adaptation may be required and takes place not only in terms of changes in merchandize but also changes in format and formula as they enter new markets.</li> </ul>
Bianchi / Ostale / 2006	Retail Firms adopted to market conditions are more successful in terms of less divestments	Institutional theory and concept of Goldman (2001)	Case study analysis (N=4), based on primary data / Chile, comprehensive / qualitative	<ul style="list-style-type: none"> <li>- Hypothesized that Retail Firms are more successful if they are adapted to the host country institutional norms, rules etc.; adjustments of internal and external elements (according to Goldman 2001).</li> <li>- Hypothesis based on negative examples; all Retail Firms fail in specific market if they do not gain legitimacy.</li> </ul>
Bianchi / Arnold / 2004	Test whether retail firms that are better adapted to market conditions are more successful; on the basis of divestments and Home Depot in Chile	Institution-related perspective and concept of Goldman 2001	Case study analysis (N=4), primary data based / Chile, overall / qualitative	<ul style="list-style-type: none"> <li>- Theory that retail firms are successful abroad if they stick to the local institutional norms, regulations etc.; this can be achieved by adapting internal and external instruments (similar to Goldman 2001).</li> <li>- Negative examples: all 4 retail firms fail on the market as they have not acquired legitimacy in society.</li> <li>- Retail firms are successful when they act according to institutional norms and hence receive legitimacy from society; supply mix adapted to social habits, manager integrated in social networks and also relevant in success: behavior of competitors, market share.</li> </ul>
Picot-Coupey / 2006	Determinants of choice of MES	Network theory and born-global approach	Conceptual, six case studies / France, fashion and accessories / qualitative	<ul style="list-style-type: none"> <li>- Firm's characteristics, marketing policy and characteristics of the foreign markets act as explanatory variables and motives for internationalization; networks act as moderating variables on four factors that lie behind the decision process during the choice of MES.</li> <li>- These four factors are: flexibility, unintentional transmission of knowledge, restrictions to resources and control; and choice of MES as result of the decision process.</li> </ul>
Burt / Davies / McAuley / Sparks / 2005	Evolution of store format approach to private label management. Demonstration of internationalization instead of traditional formats with assortment (retail brand)	Different areas of retail internationalization processes, motives, MES, cultural / psychic distance, etc.	Case study analysis (N=1), secondary data / Drugstore (Boots), UK / descriptive	<ul style="list-style-type: none"> <li>- The domestic store format, although clearly recognized and accepted by British consumers with over a century of exposure to the Boots brand, has proved to be an unmanagable concept when transferred abroad.</li> <li>- In the case of Boots, the configuration of the group, with substantial experience in manufacturing and exporting has provided an alternative option for the company. This route may not be open to other "pure" retailers.</li> <li>- There is an obvious need for retailers to understand what it is that is being internationalized and the value this has to consumers in the destination market.</li> </ul>

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- Table 2-15 continued

Coe / Lee 2006	Explain a holistic framework with GPN-approach for retail internationalization process	Global Production Network (GPN)	Case study (N=1), primary- + secondary data / Tesco, UK-Korea / qualitative	<ul style="list-style-type: none"> <li>- Retailers in foreign countries are more locally engaged than industrial companies. This is why the consideration of host country conditions is more important (economic, social etc.).</li> <li>- Internationalization process (=local adaptation process), has to be analyzed on product level (= Format, assortment etc.), Sourcing level (local procurement networks and level of management behavior (decision making etc.).</li> <li>- All visible adaptations of retail companies reflect local factors.</li> </ul>
Manrodt / Vitasek 2004	How can processes be globally standardized to meet the needs of a global market, while still taking into account various cultural and geographic dimensions	Economies of scale through standardization	Case study; N=1; semi structured Interviews	<ul style="list-style-type: none"> <li>- Development of framework for global process standardization.</li> <li>- The case study provides a method for understanding what aspects of a process can be modified to the local market without impacting the robustness of the global process and provides a method for continuous improvement.</li> <li>- Process standardization improves success.</li> </ul>
Elg / Ghauri / Sinkovics 2004; Ghauri / Elg / Sinkovics 2004	Development of a model for market selection and orientation that lives up to the complexity of retailing	Networks and market orientation; export and FDI literature, resource-based view	Conceptual and cases, secondary data (N=2) / US-Retail Firms, overall / qualitative	<ul style="list-style-type: none"> <li>- Positioning in host country is dependent on general matching as well as matching of the host country's actors, activities and resources on macro and micro level.</li> <li>- Strategic customer orientation and commitment in the host country affects inter- and intra-market orientation in the host country and, ultimately, the firm's position in there.</li> </ul>
Pietersen / Schrahe 2004	Introduction of hypermarkets in general and market activities	None	Case study analysis, secondary data / "hypermarkets" / qualitative	<ul style="list-style-type: none"> <li>- Format: General overview of characteristics and spread of hypermarkets, chances and risks of internationalization.</li> <li>- Range between possible local adaptation and control means, each of which has its own advantages and disadvantages.</li> </ul>
Currah / Wrigley 2004	Explanation of adaptation of Retail Firms (according to Goldman 2001) through learning	Networks and competence-based view, in the sense of learning according to Goldman (2001)	Conceptual	<ul style="list-style-type: none"> <li>- Description of international Retail Firms as "Retail TNCs" with own network structure; learning could/should take place in the whole network through top-down or bottom-up mechanisms.</li> <li>- According to Goldman 2001, know-how (internal) and offerings (external), inter-relations in between.</li> <li>- Retail TNCs prefer to adapt within international activities; they use innovations in back-end processes to adapt front-end processes of the format to the culture.</li> <li>- Strategic importance of transferring process-based knowledge to adapt the retail format successfully and manage geographically dispersed knowledge.</li> </ul>

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**- Table 2-15 continued**

Fernie 2004	Overview of supply chain management, furthermore logistics of international retail companies	Value chain concept, RBV, Transaction cost theory, Network theory	Literature Review	<ul style="list-style-type: none"> <li>- Evolution of SCM (trend of centralization to just-in-time-concepts and relationship management).</li> <li>- International differences in logistics not only between suppliers and retailers but especially on existing formats and logistic costs etc.</li> </ul>
Simova / Clarke-Hill / Robinson 2003	Longitudinal study of changes in retail formats and merchandise assortment in fashion retailing	None	Case study; five categories of towns according to their size of population;	<ul style="list-style-type: none"> <li>- Significant changes in retail format have been identified in towns with more than 20k inhabitants.</li> <li>- Comparing changes in retail format and assortment among towns with different population, the development of clothing retailing in terms of retail format and assortment did not differ in 1994-1997.</li> <li>- Since 1998 the structure of clothing retailing amongst towns with different size of population has changed.</li> </ul>
Chandra / Griffith / Ryans 2002	Association between process and program advertising standardization: an illustration of U.S. multinationals operating in India	None	Sample of U.S. multinationals operating in India	<ul style="list-style-type: none"> <li>- Results indicate a positive association between process and program advertising standardization of U.S. multinationals operating in India.</li> <li>- Retailers' efficiency and local sales of MNC are determined by standardized internal processes across countries and adapted visible marketing programs in a specific county.</li> <li>- The process of promotion and sale planning determine those of promotional offers as well as daily prices.</li> </ul>
Goldman / Ramaswami / Krider 2002	Barriers to the advancement of modern food retail formats	Retail Modernization Literature	Qualitative, in depth interviews (N=12) with primary grocery shoppers	<ul style="list-style-type: none"> <li>- Study of the process of food retail modernization with focus on the factors limiting supermarket share growth in developing countries between 1995 &amp; 1999.</li> <li>- There are two key components of the supermarket's format market share: diffusion of supermarket use across consumer segments (geographic, economic) and its relative use by different product categories.</li> <li>- If changes in consumer shopping preferences occurred between 1995 and 1999, they had no observable impact on format choice.</li> </ul>
Burt / Sparks 2002	Analysis of the relevance of corporate branding (CB) within retail internationalization	Corporate branding approaches	Case studies (N=3), secondary data / GMS, UK (Tesco, Marks&Spencer, Sainsbury) / qualitative	<ul style="list-style-type: none"> <li>- Internationalization makes standardized CB difficult, as positioning and image are hard to standardize, dependency on employees, local relationship networks.</li> <li>- International brands in retailing are often to be found in niche markets, even there adaptations (in terms of assortment, communication policies, service) are necessary, i.e. fashion.</li> <li>- Strategic decision on whether international attitude emphasizes standardized approach or local adaptation.</li> </ul>

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**- Table 2-15 continued**

McGauran 2001	Explanation of differences in marketing design in France and the UK	Intermediary society affects theories, approaches by Rubery 1994, Lee 1993	Primary data (N=27) shop managers / fashion, UK, France / qualitative	<ul style="list-style-type: none"> <li>- Fashion stores in Paris are more engaged in the selling process by actively attracting customers, giving much professional advice and spending of a lot of time per customer in contrast to fashion stores in Dublin.</li> <li>- Differences can be explained by differences in cultural factors, including the importance of fashion, and by differences in economic factors, including the development of capitalism.</li> <li>- Economic and cultural factors explain different cross-national designs (i.e. retail system/structure, labor law, level of fashion). Retail Firms have to pay attention to these factors to be successful.</li> </ul>
Goldman 2001	Process of business format transfer by foreign Retail Firms to China, dependent on motivation to adapt the business format	Inductive, "grounded theory", concept of a "retail format" according to Hollander 1970, Kacker 1985, Kacker 1988	Primary data (N=27) / overall / qualitative, frequencies, "classification"	<ul style="list-style-type: none"> <li>- Counts 40 external (visible) and internal (know-how related) variables as basis for adaptation/standardization of formats.</li> <li>- Four patterns of format adaptation (None to substantial adaptation).</li> <li>- Six format transfer strategies, depending on conditions in China compared to home market, targeted market segments.</li> <li>- Characterized by no. of changed elements, int. orientation and scope of int. operations: global niche protection, opportunism, format pioneering opportunism, format extension, portfolio-based transfer, competitive position-oriented.</li> </ul>
Kaufmann / Eroglu 1999	Standardization and Adaptation of formats in the context of franchising	Globalization- / standardization debate according to Levitt 1983	Conceptual	<ul style="list-style-type: none"> <li>- Distinction between core and peripheral elements of the format.</li> <li>- Pros/Cons of standardization vs. adaptation based on influencing variables (market differences, maturation effects, industry maturation, system maturation, franchise maturation, franchise motivation).</li> <li>- For franchising to deliver on its promised efficiency, the franchisor must incorporate the balance of decision responsibility into the performance of each of required roles.</li> </ul>
Beninati / Evans / McKinney 1997	Adaptation of assortment to local conditions	None	Conceptual	<ul style="list-style-type: none"> <li>- Due to differences in customer needs and wants across countries, retailers are forced to adapt their assortments.</li> <li>- Assortment adaptation can be achieved by developing an assortment planning process in cooperation with employees and customers in the stores abroad for example.</li> </ul>
Davies / Sanghavi 1995	Analysis of category-killer format through comparison of assortment and price; competitive advantages for internationalization	None	Case study analysis (N=12), field study / toys, USA / frequencies, means	<ul style="list-style-type: none"> <li>- Identification of two central elements of the new category killer-format for potential to internationalize: 1. in toy store retailing, brand penetration is low and thus allows all brands to survive; 2. cost structure allows category killers to offer marginally lower prices.</li> </ul>
Dawson 1994	Retail internationalization process	Transactions cost theory, OLI-paradigm	Conceptual	<ul style="list-style-type: none"> <li>- Limited use of OLI-Paradigms, subsequently summary of motives from retail literature.</li> <li>- Core dimensions of retail internationalization: a) Mechanisms (= MEF), b) organizational decision level (=between centralization and decentralization), c) Organizational structures, d) Market positioning and e) Format.</li> <li>- These dimensions are only named, not connected to theories, and not empirically supported.</li> </ul>

- will be continued

- Table 2-15 continued

Brown / Burt 1992	Summary of different studies on retail internationalization processes	Mentions several concepts, i.e. OLI paradigm by Dunning, Pellegrini 1991/1992	Conceptual	<ul style="list-style-type: none"> <li>- Standardization / adaptation debate can be held on different levels within retailers.</li> <li>- Level of standardization at brand/image level; level of concept/format and marketing instruments; level of management systems.</li> <li>- The external host country environment, consisting of the customers and the marketplace, provides the main context factor for standardization/ adaptation.</li> </ul>
Segal-Horn / Davison 1992	Lead standardization / adaptation debate within retail sector (for the first time, was neglected before)	Standardization and adaptation debate according to Levitt (1983)	None; sporadic short case studies based on secondary data	<ul style="list-style-type: none"> <li>- Antecedents of standardization: global market segments, global economies of scale and existence of distribution infrastructure.</li> <li>- Some elements have to be adapted, including format, merchandize, store location and design and merchandising.</li> <li>- Some instruments are easier to standardize than others; three management components considered: role and management of employees, role of intermediaries.</li> </ul>
Kacker 1988	Conceptualization of conditions, effects and transfer processes of retail know-how across country borders	None (criticizes different evolutionary and growth theories, which do not explain transfer of retail concepts between two locations)	Conceptual, secondary data for some internationally operating RFs and three case studies / descriptive	<ul style="list-style-type: none"> <li>- Conceptualization of "retail know-how": subdivided into technical dimension (location selection, store design and atmosphere etc.) and management dimension (retail concept, systems, control, strategies).</li> <li>- Transfer of retail concepts not planned / planned.</li> <li>- Successful internationalization is dependent on certain conditions in the host country (i.e. economic growth), also on compromises / adaptation regarding price level, assortment, etc. and finally on creation of the appropriate infrastructure.</li> </ul>
Martenson 1987	Coordination of marketing activities between standardization and adaptation in culturally bound industries, as well as factors influencing standardization	Concept of standardization / adaptation in marketing	Case study analysis (N=1), primary data / furniture (IKEA), Sweden / qualitative	<ul style="list-style-type: none"> <li>- In general, the retail marketing program is mostly standardized, although small adaptations are permitted regarding exact prices and local advertisements.</li> <li>- Forces in favor of standardization come from the internal and external retail environment.</li> <li>- Factors of standardization: internal (behavior of management, organization structure, level of decentralization) and external (consumer-oriented behavior).</li> <li>- As the targeted customer group is likely to adopt new trends, it is possible to exist with a standardized marketing concept in an otherwise locally shaped business; supported by a highly coordinated purchase</li> </ul>
Goldman 1981	Establishment of a framework to explain transfer of formats (supermarkets)	Innovation-diffusion-theory	None; conceptual	<ul style="list-style-type: none"> <li>- Two areas postulated for research:</li> <li>- Supply side: dependency on technologies, infrastructure are needed for a format.</li> <li>- Demand side: consumer behavior in a country.</li> <li>- Result: As there are different conditions on both sides, supermarkets do not yet fit into China.</li> </ul>

Table 2-15: Standardization versus adaptation of retail formats

Source: Own creation.

From a methodological perspective, the empirical studies are descriptive. Agreement on conceptualization is provided best in the studies by Goldman (1981, 2000, and 2001). Yahagi and Kar (2009) argue that rather than viewing an international strategy

as a simple matter of replicating formats or adapting formats to new markets, there is a necessary distinction among the elements of the business model that must be applied or created in a new market.

Bianchi (2009) investigates internationalization by a retailer from an emerging country in a case study examining the essential resources and capabilities of a Chilean retailer to internationalize. One of the conclusions was that it is important to adapt a retail marketing program to local conditions. Gamble (2010) analyzes the transfer of organizational practices of Japanese retailers to China and concludes that a standardized transfer of customer service can yield competitive advantages. Furthermore, human resources practices have also been transferred in a standardized form, but small adaptations, such as the introduction of seniority pay, have been implemented because retailers have been forced to do so by the local environment. Burt, Johansson and Thelander (2011) analyze IKEA in a more detailed manner and use a case study to show that IKEA operates according to a standardized retail format. However, degrees of adaptation can be observed in customer-facing elements and in the “back office” processes that support these elements. These adaptations result from differences in consumer cultures, time and subsequent experience in the market, which suggests that standardization in international retailing should be considered from the perspective of replicating the concept rather than replicating the activities.

Although scholars recommend that certain retail format elements must be divided into core and peripheral elements (e.g., Swoboda and Elsner 2013; Kaufmann and Eroglu 1999), the question remains for the fashion business as to whether retail format elements are replicated identically and, if not, which elements of the retail format belong to the group of core elements or to the group of peripheral elements. Consequently, after a review of the standardization versus adaptation of retail format elements, one potential direction for further research might be the call of Goldman (2001) to separate the retail format into the elements of the retail offer, the background processes and retail culture and to further distinguish between core and peripheral elements based on the standardization and adaptation of the respective format elements (Swoboda and Elsner 2013).

#### *Fashion-specific research*

Standardization and adaptation of retail fashion format elements are mostly conducted in case study designs or are conceptual. Pederzoli (2006) identifies 20 variables in order to explain the retail internationalization and partly the level of format adaptation of fashion retailers. Goldman (2001) does include fashion retailers but not exclusively.

Table 2-16 summarizes the studies on standardization versus adaptation of retail fashion formats.

Author(s) and year	Research question	Theoretical basis / framework	Empirical basis / method	Core results
<b>Large-N-designs</b>				
Pederzoli 2006	Explanation of retail internationalization process	Common literature on internationalization, strategic models and retail specific on retail internationalization process	Secondary data + expert interviews (N=37) / Food + Non-Food, Focus on EU / Correlations	<ul style="list-style-type: none"> <li>- Identified 20 Variables from theories, which die presumably can explain retail internationalization process; bi-variant molding. Experts were asked to categorize retail company as well as prioritization of variables.</li> <li>- „Location + Management“: Format, Channel management, Organization, Competition; „Culture“: Marketing strategy, Positioning, Level of format adaptation, cultural distance to target markets, Management (-origin); „Growth“: market entry factors, growth strategies; „in addition“: Strategic orientation, Experience, financial resources.</li> <li>- Generic strategic orientation as most important variable within the scope of retail internationalization process; „global“ orientation dominant.</li> </ul>
<b>Small-N-designs and conceptual studies</b>				
Burt / Johanson / Thelander 2011	Standardization of marketing strategies in retailing three different countries	Psychic distance; Standardization and adaptation debate according to Levitt (1983) and Buzzell (1968)	Case study; IKEA; qualitative & quantitative, N=1	<ul style="list-style-type: none"> <li>- Whilst IKEA operates a standardized concept, degrees of adaptation can be observed in customer facing elements, and in the supporting 'back office' processes which support these elements. These adaptations arise from differences in consumer cultures and the length of time, and subsequent exposure to and experience of, the market. This suggests that standardization in international retailing should be considered from the perspective of replicating the concept, rather than replicating the activities.</li> <li>- However, even a global retailer is forced to adapt according to experience in the host market and to consumer culture.</li> </ul>
Picot-Coupey 2006	Determinants of choice of MES	Network theory and born-global approach	Conceptual, six case studies / France, fashion and accessories / qualitative	<ul style="list-style-type: none"> <li>- Firm's characteristics, marketing policy and characteristics of the foreign markets act as explanatory variables and motives for internationalization; networks act as moderating variables on four factors that lie behind the decision process during the choice of MES.</li> <li>- These four factors are: flexibility, unintentional transmission of knowledge, restrictions to resources and control; and choice of MES as result of the decision process.</li> </ul>
Burt / Davies / McAuley / Sparks 2005	Demonstration of internationalization instead of traditional formats with assortment (retail brand)	Different areas of retail internationalization processes, motives, MES, cultural / psychic distance, etc.	Case study analysis (N=1), secondary data / (Boots), UK / descriptive	<ul style="list-style-type: none"> <li>- The domestic store format, although clearly recognized and accepted by British consumers with over a century of exposure to the Boots brand, has proved to be an unmanageable concept when transferred abroad.</li> <li>- In the case of Boots, the configuration of the group, with substantial experience in manufacturing and exporting has provided an alternative option for the company. This route may not be open to other "pure" retailers.</li> <li>- There is a need for retailers to understand what it is that is being internationalized and the value this has to consumers in the destination market.</li> </ul>

- will be continued

- Table 2-16 continued

Alexander / Doherty 2004	International market entry: Management competencies and environmental influences	Conceptual	Case study; N=1; Marks&Spencer	- Two elements of environmental impact and management skills are clearly at the root of entry method selection within the international retail environment.
Simova / Clarke-Hill / Robinson 2003	Study of changes in retail formats and merchandise assortment in fashion retailing	None	Case study; five categories of towns according to their size of population; longitudinal	- Significant changes in retail format have been identified in towns with more than 20k inhabitants. - Comparing changes in retail format and assortment among towns with different population, the development of clothing retailing in terms of retail format and assortment did not differ in 1994-1997. - Since 1998 the structure of clothing retailing amongst towns with different size of population has changed.
Burt / Sparks 2002	Analysis of the relevance of corporate branding within retail internationalization	Corporate branding approaches	Case studies (N=3), secondary data / GMS, UK (Tesco, Marks&Spencer, Sainsbury) / qualitative	- Internationalization makes standardized corporate branding difficult, as positioning and image are hard to standardize, dependency on employees, local relationship networks. - International brands in retailing are often to be found in niche markets, even there adaptations (in terms of assortment, communication policies, service) are necessary, i.e. fashion. - Strategic decision on whether international attitude emphasizes standardized approach or local adaptation.
McGauran 2001	Explanation of differences in marketing design in France and the UK	Intermediary society affects theories, approaches by Rubery 1994, Lee 1993	Primary data (N=27) shop managers / fashion, UK, France / qualitative	- Fashion stores in Paris are more engaged in the selling process by actively attracting customers, giving much professional advice and spending of a lot of time per customer in contrast to fashion stores in Dublin. - Differences can be explained by differences in cultural factors, including the importance of fashion, and by differences in economic factors, including the development of capitalism. - Economic and cultural factors explain different cross-national designs (i.e. retail system/structure, labor law, level of fashion). Retail Firms have to pay attention to these factors to be successful.
Doherty 2000	Factors Influencing international retailers' market entry mode strategy	Retail internationalization	In-depth study of seven major UK international fashion retailers	- Entry mode choice decision process of seven major UK international fashion retailers. It is found that entry mode strategy emerges over time as a result of a combination of historical, experiential, financial, opportunistic, strategic and company-specific factors.
Doherty 1999	Explaining international retailers' market entry mode strategy	Internalization theory, Agency theory	Case studies; Dixons, H&M, Wal-Mart, Laura Ashley, The Body Shop, Next Plc, Storehouse	- Initial step in rectifying deficiencies by exploring some of the issues associated with the economics-based internalization and agency theories, in the context of international retailers' market entry mode strategy. - By combining market transaction costs (associated with internalization theory), together with information and monitoring costs (associated with agency theory), and thus highlighting the interlinking issue of information asymmetry, a more coherent basis is established for analyzing international retailers' entry mode choice decision.

- will be continued

- Table 2-16 continued

Martenson 1987	Marketing activities between standardization and adaptation in culturally bound industries, as well as factors influencing standardization	Concept of standardization / adaptation in marketing	Case study analysis (N=1), primary data / furniture (IKEA), Sweden / qualitative	<ul style="list-style-type: none"> <li>- In general, the retail marketing program is mostly standardized, although small adaptations are permitted regarding exact prices and local advertisements.</li> <li>- Forces in favor of standardization come from the internal and external retail environment.</li> <li>- Factors of standardization: internal (behavior of management, organization structure, level of decentralization) and external (consumer-oriented behavior).</li> <li>- As the targeted customer group is likely to adopt new trends, it is possible to exist with a standardized marketing concept in an otherwise locally shaped business; supported by a highly coordinated purchase</li> </ul>
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Table 2-16: Standardization versus adaptation of retail fashion formats

Source: Own creation.

In their case study of Boots, Burt et al. (2005) show that the domestic store format, although clearly recognized and accepted by British consumers with more than a century of exposure to the Boots brand, has proven to be an unmanageable concept when transferred abroad. Simova, Clarke-Hill and Robinson (2003) show in their longitudinal study of changes in retail formats and merchandize assortment in fashion retailing that significant changes in retail format have been identified in towns with more than 20k inhabitants. When comparing changes in retail format and assortment among towns with different population, the development of clothing retailing in terms of retail format and assortment did not differ in 1994-1997.

Burt and Sparks (2002) conclude in their analysis of the relevance of corporate branding (CB) within retail internationalization that internationalization makes standardized corporate branding difficult, as positioning and image are hard to standardize. International brands in retailing are often to be found in niche markets with the need to do adaptations in terms of assortment, communication policies, or service.

McGauran (2001) explains differences in marketing design in France and the UK. Fashion stores in Paris are more engaged in the selling process by actively attracting customers, giving much professional advice and spending of a lot of time per customer in contrast to fashion stores in Dublin. The differences can be explained by differences in cultural factors, including the importance of fashion, and by differences in economic factors, including the development of capitalism. The economic and cultural factors explain different cross-national designs (i.e. retail system/structure, labor law, level of fashion) and retail fashion firms have to pay attention to these factors to be successful.

#### IV. *Flexible format replication*

As mentioned in the introduction of the literature review, flexible format replication is a central component of this study. Consequently, an exhaustive literature review as

well as comprehensive descriptions of different format replication concepts is provided.

Replication as a specific format transfer strategy dates back to the template approach discussed by Nelson and Winter (1982, p. 1ff). Scholars who focus on replication in particular are primarily inspired by the work of Winter and Szulanski (2001). In a case study format, these authors conceptualize the theory of replication. The term “replication” is typically conceptualized as little more than exploiting a simple business formula, whereas “replication strategy” refers to a process of exploration followed by exploitation. The key elements of replication are knowledge transfer, central organization and a template concept that will eventually be replicated. The authors argue that organizations find core business elements defining an information set, such as a complete and precise design of the central, replicable elements of a business model and an ideal target application (Jonsson and Foss 2011). Such core elements build important values and lead to routines or features that are replicated unchanged. Moreover, such elements allow large-scale replications, rapid leveraging, knowledge transfers and partially hidden routines that are not reproducible by competitors. To implement the business model successfully, a replicator must know the valued features (offers) of products or services, the procedures (processes) involved in those features and procurement methods. The authors argue that replication becomes more successful with learning and iteration, and they provide four knowledge-related reasons that replication can be successful:

1. The replicator has access to the template.
2. The replicator learns from experience (not copying but competing in terms of cost and speed).
3. During replication, other firm-level advantages occur, such as site selection and first-mover advantages.
4. A commitment to replication is essential.

Replicators benefit from knowledge-based advantages and conventional sources, such as a strong brand name, centralized mass purchasing and central production. The main strength of replication strategy lies in breadth and speed rather than in depth or length. Successful replicators learn to extract non-rivalrous information from a complex and causally ambiguous sample before others do (Winter and Szulanski 2001).

Williams (2007) extends the importance of learning and company culture and questions the role of replication and adaptation in knowledge transfer relationships. Applying the theory of organization learning, he analyzes 62 telecommunication companies. In his work, firms are likely to replicate when knowledge is discrete and are likely to adapt more when they understand the interactions between different areas of



knowledge. Replication and adaptation lead to successful knowledge transfer, which leads to improved performance in the receiving unit. In addition, firms are more likely to replicate when organizational knowledge is ambiguous and must be copied exactly, whereas firms tend to adapt more when organizational knowledge depends on context and must be modified for new settings (Jonsson and Foss 2011).

Jensen and Szulanski (2007) pursue an empirical examination to determine whether the use of templates enhances the effectiveness of knowledge transfer within the scope of a case study. The findings suggest that it may be difficult to parlay a collection of small practices or the modification of an existing practice into a core competence, thus suggesting a source of variance in combinative capabilities (Kogut and Zander 1992). Without a tangible instance of the “resource” or “capability”—that is, without a template—the resource may not actually exist, at least not in a readily replicable form. According to Jensen and Szulanski (2007), templates play the role of referents during the transfer process. Having access to a template does not ensure that the template is used; therefore, a referent is particularly useful after implementation has begun. The existence of a template may assist in initiating a transfer. However, organizations frequently have difficulty convincing recipient units to adopt new practices. Scholars in the change management literature (e.g., Armenakis and Harris 2002) suggest that the use of templates assist in overcoming resistance by demonstrating results and by offering evidence of efficacy because someone else in the organization has already successfully used the practice.

Jonsson and Foss (2011) examine replication processes at IKEA and apply the theory of replication of Winter and Szulanski (2001) to extend replication by means of “flexible format replication.” Through interviews with 70 IKEA employees, the authors discover that IKEA expands by replicating fragments of the value chain, and they underline different designs of format elements in arguing that consistent processes dominate more frequently than changed offers. The authors show that global retailers allow marketing elements to vary across countries, whereas higher-level features (e.g., processes) are replicated equally. Thus, the design of core and peripheral elements varies. An ongoing learning process is important to adjust the format for replication. Lower-level features (e.g., marketing and pricing) are allowed to differ, whereas higher-level features (e.g., values, vision) are replicated uniformly (Jonsson and Foss 2011). Only with regard to learning (flexible format replication) may such features change over time. The theory of replication (Winter and Szulanski 2001) involved a two-stage approach. IKEA added a third step, “flexible replication.” Local learning is fed back to the central organization, and flexible format replication requires strong management and a strong (standardized) culture (Jonsson and Foss 2011).

Swoboda and Elsner (2013) analyze successful format transfers into foreign countries, and their results show that retailers transfer offers (marketing programs) and processes (marketing and supply chain) differently and hierarchically (i.e., peripheral elements are allowed to vary, whereas core elements are transferred in a more standardized manner). These observations hold true for psychically close and distant countries. Swoboda and Elsner (2013) build on the learning-based flexible format replication approach presented by Jonsson and Foss (2011) and on the profit maximization theory introduced by Samiee and Roth (1992). Employing flexible format replication theory helps scholars to determine the degree of standardization and the associations between offers and processes, whereas profit maximization theory is used to determine the general associations of processes and offers with success. Swoboda and Elsner (2013) provide great insights into the area of format transfer; however, they consider only marketing elements and processes and do not consider retail culture.

Friess and Larty (2013) examine the replication of routines in organizations, and their conceptual paper identifies forward knowledge flows and reverse knowledge flows from a replicator to a replicatee within a firm. These authors conclude that actors in an organization have significant degrees of freedom in terms of how replication must be performed.

Winter, Szulanski, Ringov and Jensen (2012) examine inaccurate replication and failure in franchise organizations. Based on a proprietary data set, the findings suggest that certain types of deviation from a template increase the risk of unit failure. The results question the predictions of the adaptation perspective, which advocates that the adaptation of established templates to fit the salient characteristics of new host environments is generally necessary and desirable.

Ruuska and Brady (2011) transfer the concept of replication to the complexities of the oil business. Neste Oil chose to adopt a replication approach largely because they sought rapid entry into the new market, but the complexity of what they were attempting to replicate required them to make continual design changes. The Arrow core is discovered during the exploration phase and then reproduced many times in the subsequent exploitation phase, as in flexible replication (see Jonsson and Foss 2011).

Asparaa, Hietanen and Tikkanen (2010) analyze the financial performance implications of a firm's strategic emphases with respect to business model innovation versus replication. Based on survey data that include approximately 500 firms, these authors analyze the differences in average profitable growth across firms that differ in their strategic orientations. The study shows that firms that have a strong strategic emphasis on business model innovation and a great emphasis on replication exhibit a

higher average value of profitable growth than that of firms that do not strategically emphasize either dimension.

Gamble (2010) analyzes the transfer of organizational practice from Japan to China using a qualitative approach. The results show that the standardized transfer of organizational practices (i.e., human resources and customer service) from the home to the host country can generate competitive advantages. For example, standardized customer service includes welcoming customers by bowing, a practice that was initially unfamiliar to Chinese customers who were used to bowing only at funerals. However, this enabled Japanese retailers to distinguish themselves from local competitors, although local competitors also copied this practice over time.

Zsulanski and Jensen (2008) examine the extent to which the strategy of copying is more efficacious in the cross-border transfer of knowledge, and they conclude that subsidiary performance will increase in replicator organizations whose policy involves more precise copying of knowledge. However, in replicator firms, the benefits of the exact copying of knowledge decrease over time.

Baden-Fuller and Winter (2007) explore macro choices and the contingencies that determine which approach may be best. The scholars conclude that a template should be used when possible. Furthermore, the authors advise the use of principles when the context for practices in the new location differs substantially from that from which the practice originated.

Williams (2007) investigates the role of replication and adaptation in knowledge transfer relationships. In this model, firms replicate more when knowledge is discrete and adapt more when they understand the interactions between different areas of knowledge. Replication and adaptation lead to successful knowledge transfer, which leads to improved performance in the receiving unit. Firms replicate more when organizational knowledge is ambiguous and must be copied exactly, whereas firms adapt more when organizational knowledge depends on context and must be modified for the new setting.

Yaniv and Brock (2007) examine how organizational attention affects the knowledge resources of service firms and, consequently, their strategy. These scholars observe strong evidence that attention profiles vary across chains; when decision makers have substantial confidence in a certain source, they pay attention to this source and avoid other sources that provide the same type of input. A chain that attends more to top managerial knowledge rather than to the knowledge of staff or customers performs well with respect to uniformity and distinctiveness criteria. A chain that attends more to staff knowledge excels in terms of accuracy.

Szulanski and Jensen (2006) analyze the relationship between presumptive adaptation (significant adaptation intended to create fit with the local environment), adaptation that removes the diagnostic value of the original practice and transfer effectiveness. These scholars postulate that presumptive adaptation stalls network growth, whereas a conservative approach to adaptation, which basically entails close adherence to the original practice, results in remarkably rapid network growth. Furthermore, the presumptive adaptation of knowledge assets could be detrimental to performance.

Gupta and Govindarajan (2000) seek to determine how knowledge flows within multinational corporations and conclude that a complete mapping of the knowledge transfer process requires attention to each of the five major elements:

1. the value of the knowledge possessed by the source unit;
2. the motivational disposition of the source unit regarding the sharing of its knowledge;
3. the existence, quality and cost of transmission channels;
4. the motivational disposition of the target unit regarding the acceptance of incoming knowledge; and
5. the target unit's absorptive capacity for incoming knowledge.

Frost and Zhou (2000) examine the learning and knowledge-creating aspects of foreign R&D within a host country. Firms may be pulled abroad to harness new opportunities. The geography of R&D investments can be understood through an evolutionary lens in which tacit and embodied characteristics are incentives for firms. Geographic expansion is driven by two aspects: the first aspect is new investments, and the second aspect is the evolutionary expansion, contraction and adaptation of existing facilities. Technological characteristics influence development and adaptation, and foreign subsidiaries transform from global exploiters into global explorers. Table 2-17 summarizes the literature review pertaining to flexible format replication.

Author(s) and year	Research question	Theoretical basis / framework	Empirical basis / method	Core results
<b>Large-N-designs</b>				
Swoboda / Elsner 2013	Relationship between two types of processes (marketing and supply chain) and marketing programs. Which elements are standardized or adapted, and how do processes and offers interact?	Flexible format replication (FFR) (Jonsson and Foss 2011) and Profit maximization theory (Schmid and Kotulla).	Face to face interviews with international retailers (DACH); Survey of 102 international retailers; N=126 managers	<ul style="list-style-type: none"> <li>- Marketing processes, supply chain processes and marketing programs include core and peripheral elements that are standardized to varying degrees and influence performance in a host country.</li> <li>- Retailers transfer offers and processes differently and hierarchically.</li> <li>- Core elements are more standardized.</li> <li>- Peripheral elements differ more.</li> <li>- Process and program elements are more standardized in psychologically close markets.</li> <li>- Peripheral elements differ in both country types.</li> <li>- Greater adaptation in distant countries regarding peripheral elements.</li> <li>- Retailers tend to design their core elements in the host country.</li> </ul>
Winter / Szulanski / Ringov / Jensen 2012	Inaccurate replication and failure in franchise organizations	Theory of structural inertia (Hannan and Freeman 1984)	Proprietary data set obtained from a large U.S.-based franchise organization combined with publicly available data on the local unit environment. From 1991-2001	<ul style="list-style-type: none"> <li>- The findings suggest that some types of deviation from a template (the sale of nonstandard products in this sample) increase the risk of unit failure.</li> <li>- The results question the predictions of the adaptation perspective, which advocates that the adaptation of established templates to fit the salient characteristics of new host environments is generally necessary and desirable.</li> </ul>
Jonsson / Foss 2011	How do "international replicators" build a format for replication, and how they can adapt to local environments and under the impact of new learning?	Theory of replication (Winter / Szulanski 2001)	Primary and secondary data. Qualitative; Interviews (N=70) with IKEA employees in Russia, China and Japan from 2003- 2009 + 20 interviews in Sweden	<ul style="list-style-type: none"> <li>- Companies expand by replicating parts of their value chain.</li> <li>- Ongoing Learning is important to modify the format for replication.</li> <li>- Lower level features (marketing, pricing) is allowed to vary whereas higher level features (values, vision etc.) are replicated uniformly. Only with regards to learning (flexible replication) they may change over time.</li> <li>- Theory of replication (winter/Szulanski) was two stage approach. IKEA added third step (flexible replication).</li> <li>- Local learning is fed back to the central organization.</li> <li>- Flexible replication requires consequent management and a strong firm culture.</li> </ul>

- will be continued

- Table 2-17 continued

Gamble 2010	Transfer of organizational practice from Japan to China	Different perspectives (e.g., industry sector, business system, agency)	Primary and secondary data/ Japanese retailers in China (N=3), local employees and expatriate managers (N=146)/ qualitative	<ul style="list-style-type: none"> <li>- Japanese retailers aimed to replicate their home country's practices in China.</li> <li>- The standardized transfer of organizational practices (i.e., human resources and customer service) from the home to the host country could create competitive advantages.</li> <li>- For example: Standardized customer service includes welcoming the customers by bowing, which at first was unfamiliar to Chinese customers who were only used to bowing at funerals. However, this enabled Japanese retailers to distinguish themselves from local competitors, although local competitors also copied this practice in the course of time.</li> </ul>
Asparaa / Hietanen / Tikkanen 2010	Business model innovation vs. replication: financial performance implications of strategic emphases	Business model innovation; Replication theory	Online survey; N=545; Finland	<ul style="list-style-type: none"> <li>- Firms that have a high strategic emphasis on business model innovation as well as a high emphasis on replication exhibit a higher average value of profitable growth than firms that do not strategically emphasize either dimension.</li> <li>- Large firms with a high emphasis on business model innovation but low on replication exhibit, on average, weaker profitable growth than large firms with low emphases on both business model innovation and replication.</li> <li>- In contrast, small firms with high emphasis on business model innovation but low on replication exhibit, on average, stronger profitable growth than small firms with low emphases on both business model innovation and replication.</li> </ul>
Williams 2007	What is the role of replication and adaptation in knowledge transfer relationships	Theory of organizational knowledge	Telco industry; N=62	<ul style="list-style-type: none"> <li>- In the model, firms replicate more when knowledge is discrete and adapt more when they understand the interactions between different areas of knowledge. Replication and adaptation lead to successful knowledge transfer, which leads to improved performance of the receiving unit.</li> <li>- Firms replicate more when organizational knowledge is ambiguous and must be copied exactly, and firms adapt more when organizational knowledge depends on context and must be modified for the new setting.</li> </ul>
Yaniv / Brock 2007	How does organizational attention affect the service firms knowledge resources and consequently the firms strategy	Replication theory	Quantitative and qualitative analysis; Questionnaires, interviews and observations Sample 1: managers and staff of three coffee chains (N=102); Sample 2: 308 customers (approx. 100 from each chain)	<ul style="list-style-type: none"> <li>- Replication (knowledge transfer) affected by organizational attention.</li> <li>- Organization attention acts as a knowledge filter as it determines to which knowledge sources the organization will react and allocate time and efforts and which sources will be ignored.</li> <li>- Two levels of analysis: The outlet and the firm.</li> <li>- Knowledge can be sources from different levels, from the staff in the outlets or from the templates provided by the firm</li> <li>- Strong evidence that attention profiles vary across chains.</li> <li>- When decision makers have high confidence in a certain source, they pay attention to this source and avoid other sources that provide the same kind of input.</li> <li>- A chain which attends more to top managerial knowledge rather than that from staff or customers performed well on the uniformity and distinctiveness criteria.</li> <li>- A chain which attends more to staff knowledge excelled in terms of accuracy.</li> </ul>

- will be continued

**- Table 2-17 continued**

Gupta / Go-vindarajan 2000	How does knowledge flow within multinational corporations?	Organization Theory; Strategic Management; Communication Theory,	N=374 subsidiaries (75 MNC's) in US, Europe, Japan	<ul style="list-style-type: none"> <li>- A complete mapping of the knowledge transfer process requires attention to all of the following five major elements:</li> <li>- (i) value of the knowledge possessed by the source unit,</li> <li>- (ii) motivational disposition of the source unit regarding the sharing of its knowledge,</li> <li>- (iii) the existence, quality, and cost of transmission channels,</li> <li>- (iv) motivational disposition of the target unit regarding acceptance of incoming knowledge, and</li> <li>- (v) the target unit's absorptive capacity for the incoming knowledge.</li> </ul>
Frost / Zhou 2000	Learning and knowledge creating aspects of foreign R&D within a host country.	FDI; Johanson/Vahlne	Secondary data (US patent documents, N=16000)	<ul style="list-style-type: none"> <li>- Companies may be pulled abroad to harness new opportunities.</li> <li>- Geography of R&amp;D investments can be understood through an evolutionary lens in which tacit and embodied characteristics are incentives for firms.</li> <li>- Geographic expansion is driven by two aspects: 1. New investments, 2. Evolutionary expansion, contraction and adaptation of existing facilities.</li> <li>- Technological characteristics influence development and adaptation.</li> <li>- Foreign subsidiaries move from global exploiters to global explorers.</li> </ul>
<b>Small-N-designs and conceptual studies</b>				
Friesl / Larty 2013	Synthesis of research on replication	Literature review	Conceptual	<ul style="list-style-type: none"> <li>- Two research streams: forward and reverse knowledge flows.</li> <li>- Research gaps on micro level, role of individual agency in the replication process.</li> <li>- Actors have significant degrees of freedom how replication has to be done.</li> <li>- Future research on replication as a political process.</li> </ul>
Ruuska / Brady 2011	Implementing the replication strategy in uncertain and complex investment projects	Capability building, learning and replication	Case study, N=1; Oil company	<ul style="list-style-type: none"> <li>- Replication is a strategy that has previously been successfully applied in service sector operations, often in fast food franchises and retail operations.</li> <li>- Neste Oil chose to adopt a replication approach largely because they wanted rapid entry into the new market, but the complexity of what they were trying to replicate meant they had to make continual design changes.</li> <li>- The Arrow core is discovered during the exploration phase and then reproduced many times in the subsequent exploitation phase like in flexible replication.</li> </ul>
Szulanski / Jensen 2008	To what extent is strategy of copying more exactly efficacious in the cross border transfer of knowledge?	Replication theory	Correlation; Headquarters of Mailboxes Inc. in 23 countries; Archival data, detailed survey, interviews of senior managers	<ul style="list-style-type: none"> <li>- Replication of organizational routines is important for gaining and sustaining competitive advantage. Innovation = adaptation of established model.</li> <li>- In replicator organizations with a policy where knowledge is copied more exactly will increase subsidiary performance if interaction between cultural distance and copy more exactly is included.</li> <li>- In replicator firms, the benefits of exact copying knowledge decreases over time.</li> </ul>

- will be continued

- Table 2-17 continued

Jensen / Szulanski 2007	Empirical examination of the use of templates enhances the effectiveness of knowledge transfer	Template approach (Nelson/Winter 1982)	Case study with Xerox; 8 year investigation	<ul style="list-style-type: none"> <li>- The findings suggest that it may be difficult to parlay a collection of small practices or the modification of an existing practice into a core competence. This suggests a source of variance in combinative capabilities (Kogut and Zander 1992). Without a tangible instance of the "resource" or "capability," that is, without a template, the resource may not really exist—at least not in a readily replicable form.</li> <li>- Templates play the role of referents during the transfer process.</li> <li>- Having access to a template does not ensure that the template is used. A referent is especially useful after implementation has begun.</li> <li>- The existence of a template may help initiate the transfer.</li> <li>- Organizations often have difficulty getting recipient units to adopt new practices.</li> <li>- The use of templates helps to overcome resistance by demonstrating results and providing evidence of efficacy because someone else in the organization has already successfully used the practice.</li> </ul>
Baden-Fuller / Winter 2007	Exploration of macro choices and the contingencies that determine which approach may be best	Replication theory	Conceptual	<ul style="list-style-type: none"> <li>- Most organizations adapt some combination of two contrasting approaches:</li> <li>- 1. Principles: higher order causal understanding and rules.</li> <li>- 2. Templates: working examples of the practices to be learned.</li> <li>- Use templates when it is possible. They assure the least threshold to success in economic terms.</li> <li>- Use principles when the context for the practices in the new location differs substantially from that where the practice originated from.</li> </ul>
Szulanski / Jensen 2006	Relationship between presumptive adaptation and transfer effectiveness.	Resource based view; Organizational theory;	Case study N=1 (Mailboxes Inc. Franchise) in Israel; qualitative interviews with company representatives (incl. CEO)	<ul style="list-style-type: none"> <li>- Presumptive adaptation stalls network growth while a conservative approach to adaptation, which basically entails close adherence to the original practice, results in remarkably rapid network growth.</li> <li>- Presumptive adaptation of knowledge assets could be detrimental to performance.</li> </ul>
Bengtsson / Lindkvist 2006	Identification of replication metaphor focusing on authenticity and the transfer of a prevailing spirit to replicas.	Replication theory	Interviews with managers + H&M public data	<ul style="list-style-type: none"> <li>- Replication in a business context could be understood as a transfer of the culture of the enterprise introduced by the founder.</li> <li>- Generating the definition of "organizational genetics" as a new way of looking at replication in business concepts.</li> <li>- It might be a good strategy to rely on a natural process to sort out what routines have survival qualities.</li> <li>- Routines present the outcome of a recurring learning process.</li> </ul>

- will be continued



- Table 2-17 continued

Winter / Szulanski 2001	Presentation of key elements of a theory of replication strategy.	Theory of replication	Case study; N=1;	<ul style="list-style-type: none"> <li>- Replication is typically conceptualized as little more than the exploitation of a simple business formula. Replication strategy is a process of exploration followed by exploitation.</li> <li>- Key elements of replication are knowledge transfer, central organization, a template concept.</li> <li>- To implement the business model successfully the replicator must know the valued features (offers!) of the products or services, the procedures (processes!) involved in those features and procurement methods.</li> <li>- Replication becomes more successful through learning and iteration.</li> <li>- Four knowledge related reasons why replication can be successful:             <ol style="list-style-type: none"> <li>1. Replicator has access to the template</li> <li>2. Replicator learns from experience (not copy but compete in cost and speed)</li> <li>3. Other firm level advantages (site selection, first mover advantages)</li> <li>4. Commitment to replication</li> </ol> </li> <li>- Replicators benefit from knowledge based advantages and conventional sources such as strong brand name, centralized mass purchasing, central production etc.</li> <li>- Main strength of replication strategy lies in breadth and speed rather than depth or length.</li> <li>- Successful replicators learn to extract nonrivalrous information from a challenging and example before others do.</li> </ul>
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Table 2-17: Studies of the replication (of retail formats)

Source: Own creation.

*Fashion-specific research*

With regard to the fashion business, only case studies are available. McKenzie and Merrilees (2008) analyze the Finnish department store Stockmann in Estonia and Latvia and conclude that the strategic market position can be transferred unchanged, whereas specific elements such as returns policies and staff training must be adapted to the local market situation.

In a case study of Swedish fashion giant H&M, Bengtsson (2008) examine how replicating firms replicate and build units that are capable of performing in a uniform or adaptable manner and how firms replicate under conditions such as the fast-moving fashion market. The author first identifies the concept of replicating the style in which new units of H&M learn to imitate the style of corporate H&M. He then concludes that the learning process is one of trial and error without a template. Finally, employees must recognize the patterns that constitute the company style.

Based on H&M public data, Bengtsson and Lindkvist (2006) aim to identify the replication metaphor focusing on authenticity and the transfer of a prevailing spirit to replicas. By generating the definition of “organizational genetics” as a new way of view-

ing replication in business concepts, these authors conclude that it may be a good strategy to rely on a natural process to determine which routines have survival qualities, with routines understood as the outcomes of recurring learning processes.

Table 2-18 summarizes the studies of the replication of fashion-specific retail formats.

Author(s) and year	Research question	Theoretical basis / framework	Empirical basis / method	Core results
<b>Large-N-designs</b>				
-				
<b>Small-N-designs and conceptual studies</b>				
Wigley / Chiang 2009	Success of international retailers through adaptation	None	Primary data/ international fashion retailer per una (UK) in Taiwan/ case study (N=1)	<ul style="list-style-type: none"> <li>- Adaptations are necessary for success in the retail marketing program.</li> <li>- However, it is also important for fashion retailers to establish a consistent retail concept through a standardized brand image, product design and store layout, as well as through standardized logistics and customer relationship management.</li> </ul>
Bengtsson 2008	How does a firm replicate strategy under conditions such as the fast moving fashion market	Replication strategy (Winter / Szulanski)	Case study (H&M)	<ul style="list-style-type: none"> <li>- Replicate the style: new units of H&amp;M learn to imitate the style of H&amp;M.</li> <li>- Without a template learning process is trial and error.</li> <li>- Employees have to recognize the patterns that constitute the company style.</li> </ul>
McKenzie / Merrilees 2008	Transfer of retail value chains to transition economies	Retail value drivers according to Edvinsson and Malone (1997)	Primary and secondary data/ Finnish department store in Estonia and Latvia/ case study (N=1)	<ul style="list-style-type: none"> <li>- Strategic market position can basically be transferred unchanged by considering department stores.</li> <li>- Only specific adaptations are necessary, such as returns policy and sales staff training.</li> </ul>
Bengtsson / Lindkvist 2006	Identification of replication metaphor focusing on authenticity and the transfer of a prevailing spirit to replicas.	Replication strategy (Winter / Szulanski)	Interviews with managers + H&M public data	<ul style="list-style-type: none"> <li>- Replication in a business context could be understood as a transfer of the culture of the enterprise introduced by the founder.</li> <li>- Generating the definition of "organizational genetics" as a new way of looking at replication in business concepts</li> <li>- It might be a good strategy to rely on a natural process to sort out what routines have survival qualities</li> <li>- Routines present the outcome of a recurring learning process</li> </ul>

Table 2–18: Studies of the replication of fashion-specific retail formats

Source: Own creation.

In their case study, Wigley and Chiang (2009) examine the success of one international fashion retailer through adaptation and conclude that adaptations are necessary for success in a retail marketing program. However, it is also important for fashion retailers to establish a consistent retail concept through a standardized brand im-

age, product design and store layout, in addition to maintaining standardized logistics and customer relationship management.

In total, the literature indicates that high- and low-level format elements are less important than the contribution of a respective element to the benefit of customers. Standardization at the headquarters level appears to commonly lead to economies of scale, whereas adaptation in a country leads to customer satisfaction. However, the development of a country also plays an important role. If a country is still developing, then few segments are pronounced, and standardization at the country level can thus be observed.

It appears to be more appropriate to abstract retail offers, background processes and retail culture concerning whether these aspects are standardized or adapted. Such a conceptualization is connected to the dominant consumer-based retailing research.

### **C. Identified research gaps and specification of objectives for the replication of retail fashion formats**

The increasing number of studies in the area of internationalization strategies, retail format transfer, standardization and adaptation of retail format elements, and flexible format replication is informative and enables a general assessment of the literature review and a foundation for further specifying the research questions.

#### *General assessment of literature review*

A number of perspectives can be derived from the literature. First, many studies focus on conceptual work and do not provide empirical evidence or are descriptive small-N case studies. Second, in the retailing literature, a number of studies do not establish any theoretical foundation, whereas a broad number of different theories are used in the remaining studies. Conceptual studies primarily use an eclectic theoretical foundation. Because of the variety of the questions in the area of internationalization, the application of one theory is insufficient. Third, on an empirical level, it is noteworthy that many studies do not use large empirical samples. The largest study considers 140 questionnaires followed by 112 interviews. Most of the studies are based on a case-study approach, and only nine address retail firm performance in large-N research. This shortcoming leads to the assumption that it is challenging to convince retail executives to volunteer for a personal interview and that it is challenging to use secondary data because most retailers are not required to publish data.

### *Further specification of the research questions*

Following the literature review, the research questions may be further specified in three directions:

**(1)** The first issue is based on internationalization and format transfer.

The identification of transfer patterns and strategies is not sufficiently done in the literature. In most cases, the IR-framework that categorizes international strategies into a matrix whose axes represent the “global integration” and “local responsiveness” dimensions (Bartlett and Ghoshal 1989, p.218; Bartlett and Beamish 2013, p.193) and case studies are used to explain differences with regard to retail formats. However, the IR-framework is developed in a manufacturing context (Harzing, 2000). Even if this approach is also applied to retailing (e.g., Swoboda and Elsner 2013), Currah and Wrigley (2004) and Swoboda and Elsner (2013) argue that no format elements are included in the approach when identifying retail firms’ characteristic strategies. Consequently, I argue that the specific challenges of retailers lead to specific strategy typologies that have been developed for manufacturing firms. It is unclear where the line between global and transnational firms is drawn, how these differences are precisely articulated with regard to format transfer strategies and how the understanding of generic strategies applies to international fashion firms (Wigley 2009). Furthermore, the question of success with regard to the format transfer strategies of fashion retailers remains open. The answer to this question is of particular interest because adapting retail offers may drive sales and consumer responses, whereas the standardization of background processes may lead to cost savings (Chandra, Griffith and Ryans 2002). Furthermore, background processes are divided into planning and supply chain-related processes. To successfully implement the retail format, a replicator must know the valued features (offers) of products or services, the procedures (processes) involved in those features and procurement methods (Winter and Szulanski 2001). In fashion retailing in particular, companies such as Zara and H&M are expanding into new foreign markets without requiring fundamental changes in background processes (Huang and Sternquist 2007).

Goldman (2001) validates the assumption that few retailers replicate formats and thus combinations of retail offers and retail know-how (e.g., background processes and firm culture according to Hollander 1970; Kacker 1988) untouched, whereas most retailers adjust various format elements. Goldman (2001) categorizes six retail format strategy groups. Fashion retailers are largely found in the two groups with the strongest level of standardization, which categorizes them as replicators. Based on the literature on retail format and transfer, insights into the relationship between retail offers and background processes as part of the retail format are limited. Adapting retail offers does not need to accord with adapting background processes (planning and supply chain

processes) or vice versa (e.g., Wigley 2009; Alexander 2008). The literature indicates that international retailers prefer unchanged processes and adapted offers. For example, it is argued—primarily for manufacturers—that processes and offers are similarly standardized or adapted as a result of a global or multinational strategy. By contrast, Chandra, Griffith and Ryans (2002) assume that retailers' efficiency and local sales of MNCs are determined by internal processes that are standardized across countries and visible marketing programs that are adapted to a specific country (Manrodt and Vitasek 2004). Consequently, a distinction between different parts of the format must be considered (e.g., Zou, Andrus and Norvell 1997; Eroglu and Kaufmann 1999; Goldman 2001).

In addition, because of the internationalization of retail, the decision of whether to standardize or to adapt has become more relevant, although little is known about which format transfer strategies are associated with success in a host country. Theoretical approaches such as contingency theory only explain that an organization can be efficient if the organizational structures and behavior of its members are adapted to the particular context. This view is not linked to success. Therefore, it is essential that retailers evaluate the extent to which a format transfer strategy can be used to achieve success in different countries (Burt and Mavrommatis 2006) and which format elements are transferred in standardized form, which are adapted and what explains these choices (Jonsson and Foss 2011). Configuration theory can explain equally successful format transfer strategies with the help of the equifinality concept. The lack of empirical findings pertaining to associations of international retailers' format elements with success in a country is of particular interest for management. Only specific areas, such as supply chains, have been analyzed (e.g., Ganesan et al. 2009). The success effects of equally standardized or adapted retail offers and background processes might be equal, as both are consistent with retailers' global or multi-domestic strategies. However, their associations with success in a country may differ because retail offer elements are particularly visible to customers and could therefore be adapted to attract customers to local stores and thus to enhance local sales, in contrast to background processes. Success is an important indicator because replication becomes more successful through learning and iteration (Winter and Szulanski 2001). Finally, some authors call for a specific view of the degree of process standardization (e.g., Colla 2004; Chung 2003).

The current study builds to some extent on the work of Goldman (2001) to identify replication strategies that result from format replication patterns and that influence context factors. Fashion retailers are expected to be replicators because they are categorized into global and transnational strategy typologies. However, the literature review revealed that retailers must adapt their retail format based on context factors. Consequently, those context factors are an integral part of identifying different format replication strategies and can be partly theoretically based with the contingency approach linking patterns

and context factors to strategies. However, because contingency theory is unspecific in naming structures and processes, this gap must be closed with the assistance of additional theories.

In contrast to Goldman (2001) who observes different retail sectors, the current study focuses on the fashion industry to achieve comparable results and to provide insight into the most internationalized industry. Furthermore, success is taken into consideration to serve theoretical and practical interests.

The outcome of this research stream leaves open the following research question:

**Do fashion retailers follow specific format replication patterns and strategies, and if so, how successful are they?**

(2) The second issue is based on the research on the standardization and adaptation of format elements and the differentiation of core and peripheral elements.

Scholars traditionally analyze standardization versus adaptation decisions and global versus multidomestic strategies (see the overview of 400 studies by Schmid and Kotulla 2010). However, only a few studies empirically address format replication with regard to how a replicable format is designed and adapted to local circumstances (Goldman 2001). Most studies follow the direction of extensive adaptation to local customer preferences. However, a tradeoff occurs between the realizations of economies of scale resulting from standardization. Both can be analyzed within the scope of retail offers through background processes that have rarely been examined. Consequently, it remains uncertain how retail format elements are designed between the two forces of standardization and adaptation. This issue is a threefold challenge theoretically and empirically.

*First*, the research on strategic management that addresses the replication-as-strategy view (e.g., Winter and Szulanski 2001) focuses primarily on national firms (e.g., Szulanski and Jensen 2006, 2008) and postulates that firms replicate their format unchanged. Replication is characteristically conceptualized as little more than the exploitation of a simple business procedure. Many firms have sustained significant growth and profitability comparable to that achieved through any other model of rapid growth (Winter and Szulanski 2001). Scholars have devised a differentiation of the format into core and peripheral elements in which core elements are not allowed to be changed in contrast to peripheral elements. Empirical evidence confirms that some degree of adaptation almost consistently accompanies the foreign replication of firm-specific practices (Onkvisit and Shaw 1987). Winter and Szulanski (2001) argue that organizations identify core business elements by defining an information set, i.e., a “full and correct specification of the fundamental, replicable features of a business model and its ideal target application” (Jonsson and Foss 2011, p. 1081). Those core format elements build important

values and eventually become best practices. Such elements enable large-scale replications, rapid application, knowledge distribution and best practices that are not fully visible or imitable by competitors (e.g., Jensen and Szulanski 2007, 2008). Consequently, retail firms strategically define best practices for international expansion (e.g., store layouts). However, there appear to be cases in which the precise replication of a fixed format is not suggested by the replication-as-strategy literature (e.g., Winter and Szulanski 2001) and implies some degree of adaptation in the design of retail format elements because of improvements in the format replication template.

*Second*, Jonsson and Foss (2011) discover that in the case of IKEA, lower-level value chain features (e.g., marketing, pricing) can vary, whereas higher-level features (e.g., values, vision) are replicated uniformly. The success factor for installing and handling flexible format replication has its foundation in viewing the format as a pyramid of elements that are flexible or inflexible (Clark 1985). Only with regard to learning may these elements change over time. This knowledge is fundamental. Retailers design offers to invite customers into their stores and are keen to ensure efficient processes. IKEA, in particular, is seeking to connect the advantages of retail format standardization and adaptation, namely, flexible format replication, through learning or company culture (Jonsson and Foss 2011). The retail format is typically a multifaceted set of interdependent routines that is discovered, adjusted and finalized by "doing." Growth by replicating such a "formula" requires the skills to recreate complex, imperfectly understood processes in carefully selected sites, with different human resources every time, often confronting local resistance. For this reason, replication requires effort and time (Winter and Szulanski 2001).

*Third*, Swoboda and Elsner (2013) analyze successful format transfer into foreign countries. The results show that retailers transfer offers (marketing programs) and processes (marketing and supply chains) differently and hierarchically (i.e., peripheral elements may vary, whereas core elements are transferred in a more standardized manner). These observations hold true for psychically close and psychically distant countries, building on the learning-based flexible format replication approach developed by Jonsson and Foss (2011) and on profit maximization theory introduced by Samiee and Roth (1992). Swoboda and Elsner (2013) provide great insights into the area of format transfer and show that format elements in every part of the value chain can be core and peripheral. However, the authors consider only marketing elements and processes and do not consider retail culture.

Comparing the studies of Jonsson and Foss (2011) and Swoboda and Elsner (2013) brings to the fore the controversial aspects of which format elements are considered core and peripheral. To further develop insights from the previous studies and replication theory and to account for the differentiation of the retail format into retail offers, background processes and retail culture, it is of particular interest to examine how fash-

ion firms replicate their format elements and which elements can be considered core and which are peripheral. Goldman (2001) categorizes fashion retailers in the group with the strongest standardization, which leads to the assumption that the format elements of fashion retailers are all core elements. Scholars such as Jonsson and Foss (2011) include learning in the replication debate, which could lead to a certain degree of adaptation and consequently to the distinction of more standardized core elements and more adapted peripheral format elements. If fashion retailers adapt their retail offering to a certain extent to attract customers, then the question remains as to whether there is a stable element that is transferred unchanged compared with the more flexible format elements on a general level. In contrast to Jonsson and Foss (2011), Swoboda and Eisner (2013) show that format elements can be core or peripheral elements independently of their position in the value chain, but they do not consider retail culture. In addition to the inclusion of retail culture, examining different countries would further develop such research insights. It is assumed that cases exist to support the findings of Jonsson and Foss (2011) with regard to replication. However, there could be global firms in the fashion business that replicate the format highly flexible. This question is relevant with regard to how retailers following a dedicated (format replication) strategy design their retail format. One implication of this lack of research is that variations within broad format types are inadequately addressed. Ultimately, we have insufficient information regarding the development and management of formats by particular retail firms (Alexander 2008). Fashion is of special importance as a forerunner of verticalization, with short product life cycles and resulting process challenges.

By incorporating the distinction of core and peripheral format elements, this study introduces an additional perspective in answering the following research question:

**Are all retail format elements replicated similarly (i.e., unchanged or adapted), and which elements can be considered core and which are peripheral?**

For management, this question is of fundamental importance because the wrong decision about the degree of standardization leads to wasted resources and increases the possibility of market failure (Goldman 2001). In addition, knowledge of how fashion firms successfully design their format elements can increase company efficiency and effectiveness (Wigley, Moore and Birtwistle 2005).

(3) The third issue is based on the research on flexible format replication.

Jonsson and Foss (2011) analyze format changes over time for only one firm (IKEA) and refer to flexible format replication because market-based learning influences replication decisions over time. However, Jonsson and Foss (2011) focus only on the headquarters level and leave a comparison of countries open—although significant differences between countries can be assumed. It is important to examine the headquarters level to



gain a holistic and strategic perspective that will act as a foundation for replicating the format into foreign countries. The knowledge flowing from headquarters is considered critical to support market entry and replication (Jonsson and Foss 2011). Headquarters plays an important role as a “think-tank” for all the experiences abroad that will be fueled back into upcoming format replications. Meanwhile, patterns, context factors and the design of retail format elements are moderated or even determined by the local environment (specific to each country, culture or country group) and the psychic distance (e.g., Evans and Bridson 2005, 2008). Consequently, if the country level is also considered, then deeper insights into the relationship of the different levels within a firm are observable. The main potential for conflicts and the potential for gain lies in the aim of subsidiaries to respond to local conditions, whereas headquarters seek to standardize to gain global economies of scale. For the case of fashion in particular, a culturally close and economically attractive country such as France, home of the capital of fashion could have requirements that differ from those of heavily culturally distant and economically attractive countries, such as Brazil, India or China. Economically attractive countries may or may not have great growth potential and may not necessarily set global trends. This distinction is of particular importance for management to gain an understanding of how to improve replication decisions and reduce risks and costs (Gielens and Dekimpe 2007). Theoretically, this approach is valuable to further develop flexible format replication theory provided by Jonsson and Foss (2011) with regard to different countries. However, what is the result when a retail format is replicated in a foreign country? Is replication a one-time process, or are reviews and adjustments necessary to maintain operations of the replicated format? Flexible format theory claims that it is important to adjust the format for replication in an ongoing learning process (Jonsson and Foss 2011). However, the question remains how a fashion format looks like after a period of time and the influence of learning.

The third research stream leaves open questions with regard to the following:

**Is format replication a stable phenomenon over time and across different countries?**

In summary, based on the literature review, the following additional detailed research questions will be addressed:

1. Do fashion retailers follow specific format replication patterns and strategies, and if so, how successful are they?
2. Are all retail format elements replicated similarly (i.e., unchanged or adapted), and which elements can be considered core and which are peripheral?
3. Is format replication a stable phenomenon over time and across different countries?

## Chapter 3: Theoretical foundation and conceptual framework

### A. Comparison of theoretical approaches to explain format replication

As discussed, the next chapter will focus on answering the research questions from a theoretical perspective. In particular, contingency and configuration theory, format replication and flexible format replication will be employed. However, the strategy dimension must be extended with the integration-responsiveness framework. All three theoretical approaches will be discussed in general and subsequently reflected in the specified research questions which subsequently lead to specific proposals.

The overall objective of this section is not to provide a comprehensive presentation but rather to justify the adoption of specific theoretical perspectives and to embed those perspectives in the context of the research field.

Essentially, international management research has produced a wealth of theories and explanations. By contrast, the literature review shows that studies of retail internationalization issues choose many different theories or transfer other known approaches to retail. Different research streams employ descriptive approaches on how international firms replicate their formats, including international franchise models, such as Hennes & Mauritz (Bengtsson 2008), Starbucks (Schultz and Yang 1999), The Body Shop (Quinn 1998) and McDonald's (Watson 1997), which grow internationally by replicating a format primarily targeting distribution. Other scholars, such as Bianchi (2009), Pederzoli (2008) and Bianchi and Ostale (2006), follow a case study approach to examine format replication. Finally, another group of scholars analyzes replication within the scope of strategic management, including Yahagi and Kar (2009), Wigley and Chiang (2009), McKenzie and Merrilees (2008) and Gupta and Govidara (2000). Furthermore, the replication-as-strategy literature (e.g., Winter and Szulanski 2001) focuses primarily on national firms (except Szulanski and Jensen 2006, 2008). Consequently, knowledge of these challenges is rather limited, thus calling for a small-N research scheme (Piekkari, Welch and Paavilainen 2009). In this respect, it is fair to state that there is clearly not a single dominant theory that is appropriate to analyze retail internationalization. This argument is in contrast to the claims of individual retail scholars, such as Dawson (1993) and Sparks (1995), who claim to have proposed retail-specific theories of internationalization. In particular, Dawson criticizes the application of academic theories and models from international management because they frequently rely on a traditional understanding of economic functions. He notes that the application of these theories emphasizes the differences between retail and manufacturing more than contributing to retail-specific research questions in an explanatory manner (Dawson and Mukoyama 2006).

To answer the **first research question** regarding successful format transfer strategies, possible format transfer patterns as well as firms' internal and external context factors are relevant. Consequently, the *contingency approach* is suitable because it addresses the consideration of internal and external context factors and analyzes their relationships. According to this view, multiple contextual and organizational variables should be analyzed simultaneously to determine the relationship between context and strategy (Drazin and Van de Ven 1985). Contingency theory treats a firm as an orchestration of different elements (Sinha and Van de Ven 2005). The environment in which a firm operates influences its processes and organization, which leads to the recommendation that firms should match their organization and processes to the environment to ensure success (Donaldson 2001, p.17). The approach addresses questions about expanding and existing abroad that are gaining urgency in retail firms. Subsequently, the *configuration approach* is presented, which initially grew from the critique of the situational approach as one output of the context-oriented research organization (Flynn, Huo and Zhao 2010; Kim, Acito and Rusetski 2006). Compared to the contingency approach, the configuration approach views fit in terms of gestalts of different parts and the respective relationship between them (Drazin and van de Ven 1985).

Complementary to the contingency approach, the *integration-responsiveness framework* can help to answer questions as to why certain contingencies are successful. With regard to different format transfer strategies, elements of the integration-responsiveness framework (Bartlett and Ghoshal 1989, p. 5-10; Devinney, Midgley, and Venaik 2000; Prahalad and Doz 1987, p. 36) recognize that the benefits of replication must be balanced with the advantages of local adaptation (Jonsson and Foss 2011). The integration-responsiveness framework (IR-framework) is devoted to the complex challenges that international firms are confronting. Constant and rapid changes in the political, economic, social and technological environment challenge the management of these organizations (Bartlett, Ghoshal and Birkinshaw 2004, p. 91). In particular, choosing the appropriate (format transfer) strategy to be successful in the international market is a critical challenge (Grein, Craig and Takada 2001). The global convergence of markets provides firms with an opportunity to develop globally standardized products and thereby realize economies of scale advantages (Levitt 1983). However, Levitt's critics note that this point represents only "half the story" and that there is a similar strong force that favors local adaptation of a firm's activities to local circumstances as well as a high level of complexity and uncertainty for internationally acting organizations (e.g., Goldman 2001). The balance between the two forces is considered the choice of a strategic orientation between the emphasis of global integration ("global integration") and local adaptation ("local responsiveness"), which is known as the IR-framework (e.g., Andersen and Joshi 2008). Global integration refers to the centralized management of geographically widespread activities, which result from strong pressures to reduce costs and to optimize the return on in-

vestments. Other pressures include high-technology intensity and established reputations. Similarly, strategic coordination, which is essential for ensuring a competitive balance between maintaining resource commitments and targeting competitive advantages, is frequently classified under global integration. Local responsiveness is related to the autonomous resource decisions made by foreign subsidiaries. These decisions, which must be made to adequately meet local needs, are frequently made in industries in which goods and services must be adapted to local market needs. Differences in customer preferences and market structures, the existence of local substitutes or legal requirements in the host country are the types of local pressures that force firms to adapt to local conditions (Swoboda, Elsner and Morschett 2012). Similarly, scholars in the international retailing literature underline the relevance of adapting retail offers to local conditions (e.g., Bianchi and Ostale 2006). However, because retailers are also under high cost pressure, they are forced to realize economies of scale (Gielens and Dekimpe 2001), which results in the global integration of retail activities (Swoboda, Elsner and Morschett 2012). Consequently, (fashion) retailers will follow high integration, which categorizes them in the global or transnational quadrant in the IR-framework.

To provide insight into the **second research question**, which addresses the design of retail format elements, their replication and the distinction of core and peripheral elements with regard to permitted changes, *replication-as-strategy theory* (also known as format replication theory) is applied (Winter and Szulanski 2001). Format replication theory postulates the design of almost similar stores that offer characteristically constant product assortments. The approach is divided into two stages: the first stage involves exploration, in which the business model or format is created and refined, and the second stage involves exploitation, in which the format is stabilized and leveraged through replication. Conducting replication requires knowledge of the valuable characters of the retail format that must be replicated. Consequently, format elements are divided into core and peripheral elements (Winter and Szulanski 2001). Winter and Szulanski (2001) postulate that firms identify core retail format elements by defining an information set, i.e., a “full and correct specification of the fundamental, replicable features of a business model and its ideal target application” (Jonsson and Foss 2011, p. 1081). Those core format elements constitute an important foundation and lead to templates or best practices, i.e., format elements that are replicated in standardized form (Swoboda and Elsner 2013; Jensen and Szulanski 2007, 2008; Winter and Szulanski 2001). To explain why a format element is considered core, the term “Arrow core” is introduced by Winter and Szulanski (2011). The Arrow core includes all of the information that accounts for the value-creating potential of the retail format when it is leveraged by replication. The concept defines which elements are replicable, how these elements are created and the context factors in which they are valuable for replicating (Jonsson and Foss 2011).

To answer the **third research question** on the stability of retail format replication over time and across countries, there appears to be no common agreement between the replication-as-strategy literature and the international strategic management thinking (Jonsson and Foss 2011). The prominence of a global strategy underlines the relevance of executing local responsiveness with regard to retail offerings for defined industries and examines the compromises that occur between global integration and local responsiveness (Prahalad and Doz 1987, p. 36; Bartlett and Ghoshal 1989, p.14). In its original formulation, replication theory excludes local responsiveness. The ideal template includes only a description of "which traits are replicable, how these attributes are created, and the characteristics of the environments in which they are worth replicating" (Winter and Szulanski 2001, p. 733). However, it may not be valuable to replicate a template across different countries, which leads to a question regarding the extent to which the replication-as-strategy theory can be useful to illuminate international growth via the transfer of retail formats into foreign countries. Consequently, the *flexible format replication theory* developed by Jonsson and Foss (2011) is applied to answer this question. This theory explains format transfers through the identification of core and peripheral format elements and the motivation for standardizing or adapting format elements that arise from market-based learning (Swoboda and Elsner 2013). Retail firms permit deviations in peripheral retail format elements (e.g., promotions) but rarely change core retail format elements (e.g., store layout) and adjust their template only over a longer time period. Within the scope of this study, flexible format replication theory can assist in validating the existence of core and peripheral retail format elements. Furthermore, although flexible format replication theory refers to global firms that adapt their retail format elements locally after standardized entry into countries (Swoboda and Elsner 2013), I see no reason that transnational retailers should not act in the same manner. To address the question regarding changes over time, flexible replication theory extends beyond the two-stage format replication theory (exploration and exploitation) to recognize the variety of context factors in a firm's environment is present. In addition, there is a need to leverage new learning to revise the replication best practice or template (Jonsson and Foss 2011). Consequently, flexible format replication theory assumes some smaller changes in the retail format as a result of market-based learning after the stages of exploration and exploitation of a retail format template.

Using the three theories—contingency/configuration theory, format replication theory and flexible format replication theory—expands the existing arguments concerning format replication, particularly for aggressively internationalizing fashion retailers that primarily transfer known format elements from home to host countries. Contingency and configuration theory will be the basis for identifying successful format transfer strategies that arise from format transfer patterns in conjunction with specific context factors. Format replication provides insights into the design of retail format elements,

whereas flexible format replication theory expands this view by considering changes over time and across countries.

## **B. Theoretical foundation**

### *1. Contingency and configuration approach*

#### 1. Overview

Within the scope of this study, the contingency approach will be applied to identify format transfer patterns in conjunction with context factors that subsequently result in strategy groups. The common view in organization theory is that a firm's effectiveness depends on its ability to adapt itself to a specific situation. The contingency and configuration research builds on the concept of organization. The concept of institutional organization focuses on social institutions in which people pursue regulated and sorted common goals (Flynn, Huo and Zhao 2010; Schreyögg 2003, p. 4-5). Organizations are considered permanent, identifiable, targeted social structures with a designed goal of inner order (Schreyögg 2003, p. 18-19). Because the contingency and configuration research considers organizations in their specific environment (internal and external contextual factors), the research direction is called context-oriented research (Gaitanides 2007).

Contingency theory postulates that different external conditions may require different organizational characteristics. The effectiveness of a firm is based on the congruence between structural and environmental context factors (van de Venand and Drazin 1985). Consequently, firms should adapt to the environment (Donaldson 1999). Furthermore, contingency theory states that a fit between a firm's internal dimensions as well as between organizational elements and their external context in a given situation is critical to survive and to ensure success (Galbraith 1973, p. 1ff.). Contingency approaches are positioned within management as midrange theories between the two extreme views that state, on the one hand, that there are universal principles of organization and management or, on the other hand, that each organization is unique and that each situation must be analyzed separately. The contingency approach entails identifying commonly recurring patterns and observing how different structures, strategies and behavioral processes fare in each pattern (Zeithaml, Varadarajan and Zeithaml 1988). Typical contingency approaches formerly focused on strategy-structure contingencies. Subsequent studies have employed a more holistic perspective, applying organizational culture as an organizational variable that must fit with strategy and structure (Short, Payne and Ketchen 2008).

The origin of the configuration approach is not commonly agreed upon in the literature. Welge and Al-Laham (2007, p. 20ff.), for example, distinguish between rational

decision-oriented perspectives of economic, systems theory and evolutionary perspectives. Macharzina and Wolf (2005, p. 39ff.) distinguish enterprise-oriented from environmentally oriented theories. Khandwalla (1977, p. 30ff.) considers organizations from the perspective of the four major social sciences and divides the different approaches of organizational theory in the structure-based, behavioral, system and contingency approaches.

## 2. Contingency approach

As indicated, the contingency approach was developed as a result of the criticism of the traditional or administrative approaches, which focus on structural aspects of corporate management and neglect people and their motives (Wolf 2003, p. 150). Organizations are understood as closed systems, and "one best way of management" and an optimal solution are postulated (Kieser 2006, p. 215ff.). This approach implies that there is an optimal solution for organizational design. However, each solution is determined by the specific conditions of the situation (Scherer and Beyer 1998, p. 334). This research reveals a couple of approaches that can be divided into several subgroups (Wolf 2003, p. 156ff.).

The central assumption of this approach is that an organization can be efficient only if the organizational structures and behavior of its members are adapted to the particular context (congruence-efficiency hypothesis) (Donaldson 1999). As a result, firms should enable a fit between structures and processes to be successful (Flynn, Huo and Zhao 2010). Fit is the alignment of internal organizational forces to generate higher levels of success. Consequently, the level of international success depends on the alignment between an organization and its context (Drazin and Van de Ven 1985). Contingency approaches are functionalistic approaches in a sociological sense because they seek to explain the functional contribution of organizational structure to achieve certain benefits (e.g., efficiency or innovation) (Scherer and Beyer 1998, p. 234). "If-then" statements—which are first formed through theory, subsequently empirically tested and (if confirmed) then become generalized—lead to classification as a deterministic approach (Flynn, Huo and Zhao 2010; Macharzina and Wolf 2005, p. 76). Figure 3–1 illustrates the two foundational models of contingency.

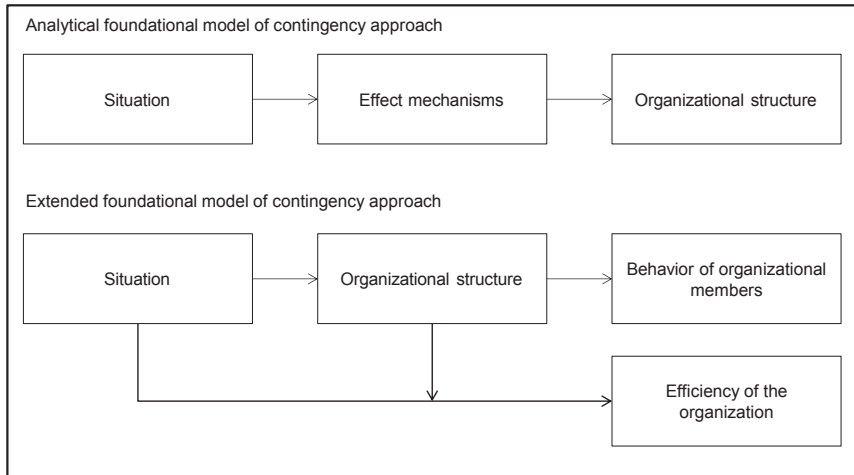


Figure 3–1: Foundational model of contingency

Source: Based on Kieser and Walgenbach (2010, p. 199).

Furthermore, internationalization studies use a contingency perspective to conceptualize fit in terms of moderated relationships. For example, Rasheed (2005) examines an external fit between equity and non-equity entry modes and performance and observes how the moderating effects of domestic and foreign environmental factors influence this relationship. Wiklund and Shepherd (2005) analyze whether knowledge-based resources increase firm performance.

In further developments, the existence of subjective interpretation and organizational choices is assumed. These choices regarding the design of the organizational structure, the definition of organizational goals and the targeted influence of situational context are made by the organizational members with the appropriate decision-making power (Kieser 2006, p. 239ff.).

Within the scope of this study, the contingency theory is applied to identify format transfer patterns in conjunction with context factors that subsequently result in strategy groups.

The (extensive) criticism of the contingency approach and its developments is based on implicit and explicit assumptions (Flynn, Huo and Zhao 2010; Staehle 1999, p. 53). The contingency approach enables an analysis of relationships among structures, processes and success. However, the implicit reductionism in the approach limits its application to the analysis of more complex situations of firms (Flynn, Huo and Zhao 2010). Kieser (2006, p. 231ff.) explains in detail endogenous and exogenous weak-



nesses concerning the basic principle of the approach. The criticism contains, for example, a lack of consideration of subjective components, such as interpretations and corporate culture. With regard to further development of the theory, it is particularly relevant that the contingency approach stipulates that there is only one proper form of organization and strategy (Kieser 2006, p. 231ff.).

### 3. Configuration approach

#### *Term and properties of configuration*

The configuration approach understands firms as complex entities (Miller 1981), which in turn encodes two parent essentials: first, the term represents the multidimensionality of firms, which indicates that various contextual factors act simultaneously on a firm, and numerous design issues must be resolved in parallel, leading to different effects; second, the term symbolizes the interaction among context, design and success factors (Snow, Miles and Miles 2005). Figure 3–2 illustrates the configuration approach.

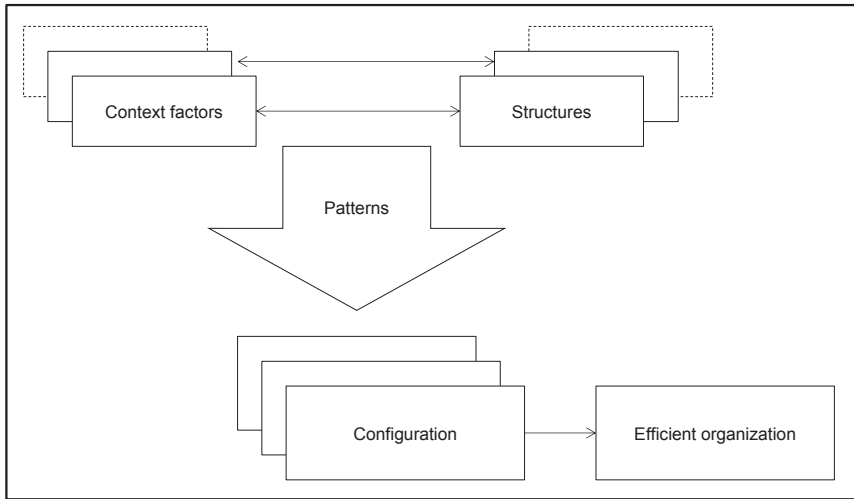


Figure 3–2: Configuration approach  
Source: Based on Klaas (2002, p. 105).

Consequently, firms are more than simply groups of related resources and activities, and a firm is more than the sum of its parts (Meyer, Tsui and Hinings 1993). Scholars consider the configuration to be a key factor of successful firm management. According to Miller (1996), single resources are easily imitated or procured in contrast to the

ability to orchestrate them: "Configuration, in short, is likely to be a source of competitive advantage far greater than a single aspect of strategy" (Miller 1996, p. 509-510).

For the effective design of organizations, Mintzberg (1992, p. 168ff.) derives three hypotheses. The congruence hypothesis posits that good coordination is required among the situational factors and organizational parameters. According to the configuration hypothesis, the internal consistency of the organizational parameters is required. From the combination of the two hypotheses, the third hypothesis emerges, the extended configuration hypothesis that requires external congruence and internal consistency, which are both a type of "fit." If both external congruence and internal consistency are present, then the existence of characters or archetypes is assumed (Miles and Snow 1984, p.15). If only external congruence is present, then a congruent configuration is applicable. Analogously, in the case of internal consistency, a consistent configuration can be expected. If both are missing, then the configuration is called a deformity. Table 3-1 summarizes the matrix of configurations.

	External congruence – yes	External congruence – no
Internal consistency – yes	(1) Gestalt, archetype	(2) Consistent configuration
Internal consistency – no	(3) Congruent configuration	(4) Deformity

Table 3–1: Matrix of configurations

Source: Based on Henselek (1996, p. 51).

Theoretical and empirical studies assume that archetypes achieve the highest level success and that deformity achieves the least success. If internal and external fit cannot be achieved simultaneously, then consistent configurations are preferred to congruent configurations (Mintzberg 1992, p. 169). Table 3-2 compares contingency and configuration approaches.

	Contingency approach	Configuration approach
<b>Research method</b>	- Reductional analysis	- Holistic synthesis
<b>Understanding</b>	- Composition of relatively independent components	- Configurations of heavily interdependent components
<b>Relationship between elements</b>	- Uni-directional and linear	- Reciprocal and not linear
<b>Assumption of balance</b>	- Static balance	- Dynamic balance
<b>Mode of organizational change</b>	- Incremental change	- Radical change
<b>Chronological process of change</b>	- Continuous improvement	- Not stable developments
<b>Efficiency assumption</b>	- Efficiency of action is based on situation. Per situation only one action fits	- Equifinality; situations enable different actions
<b>Understanding of „Fit“</b>	- Goal is a sequential alignment between single environmental and firm parameters	- Goal is a simultaneous alignment between many environmental and firm parameters
<b>Advantages</b>	- Possibility to isolate relationships between context-, configuration and efficiency indicators in a precise way - Allows a systematic replication and step by step extension of analysis - Promises cumulated extensions of knowledge base	- Meets the complex and interdependent nature of firm phenomenons - Guarantees a systemic view
<b>Disadvantages</b>	- Due to ceteris paribus assumption the risk of specification mistakes - Inability to disclose conflicting contingencies	- Complexity of relationships incumbers theoretical hypothesis - Challenges in deriving general statements

Table 3–2: Comparison of contingency and configuration approaches

Source: Based on Wolf (2000, p. 28).

### Typologies

Typologies are based on conscious thoughts with analytic constructs of configurations in the foreground. The goal is to separate the types on a mutually exclusive basis (Auer-Rizzi 1996)—to identify ideal types. Ideal types are a vehicle to enable access to reality (Weber 1992, p. 238-239). In addition, scholars in this area emphasize the notion of harmony. Consequently, typologies are rather perfect compared with empirical results (Wolf 2000, p. 29). During recent decades, numerous typologies have been developed. It is important to identify criteria that have qualitative typologies in common than rather to discuss different typologies (Wolf 2000, p. 30-31).

1. Good typologies include well-chosen variables that enable the explanation of why the variables have been chosen for the specific context.
2. Typologies shall be able to be falsified; thus, they shall be precisely defined.
3. Good typologies include a clear theoretical foundation. Ideally, such typologies connect to a higher-level explanatory system.
4. Typologies shall include a certain amount of newness to attract interest.

5. Variables of high conceptual importance shall be considered in typologies to show the parameters by which significant changes in a firm can be conducted.
6. Finally, it is expected that typologies will be rich in contrast and that the configuration of good typologies will differ considerably.

Within the scope of scientific processes, typologies can assist in sorting the objects examined. In addition, typologies can help scholars identify dependencies between variables and can lead to patterns (Doty and Glick 1994). Some scholars consider typologies to be clearly defined profiles, whereas others regard typologies as reference systems leading to the direction of hypotheses (Ketchen et al. 1997).

### *Taxonomies*

Taxonomies define configurations empirically; rather than being artificial products, taxonomies describe reality. Consequently, taxonomies sort firms according to decision rules that are defined before or during the classification. Taxonomies include an explorative character (Doty and Glick 1994). The goal of the taxonomic direction is to leverage informative data with the goal of identifying unknown dependencies. With the assistance of pattern recognition methods, configurations can be identified (Macharzina and Wolf 2005, p. 81ff.).

Both methods (typologies and taxonomies) are able to identify configurations, and neither is preferable to the other (Doty and Glick 1994). Theoretically identified typologies lack empirical evidence, whereas taxonomies encounter arguments concerning the lack of criticism (Auer-Rizzi 1996). Meyer, Tsui and Hinings (1993) postulate that the strict separation of both approaches has harmed the configuration approach. It appears reasonable to apply both approaches because they are two sides of the same coin (Doty and Glick 1994). However, in a direct comparison, Ketchen, Thomas and Snow (1993) show that the deductive theoretical approach shows slightly better results in explaining the success of firms.

### *Elements of the configuration approach*

#### *Fit Idea*

The fit idea, derived from population ecology theory, includes the assumption that entrepreneurial success will occur as a consequence of the agreement of at least two variables and is consequently linked to the contingency and configuration approaches (Pinto and Curto 2007). Achieving a fit among strategy, structure and environment is a paradigm of configuration theory (Snow, Miles and Miles 2005). In strategic management, the concept of fit is included as a core part of strategy development by matching a company's strengths and weaknesses with environmental opportunities and threats (Slater, Olson and Hult 2006). The previously presented concept of four types of configuration is

also based on a fit understanding of internal consistency and external congruence (Henselek 1996, p. 51). According to van de Ven and Drazin (1985), understanding the concept of fit in the literature can be divided into three different perspectives. The selection perspective harkens back to the population-ecology approach and emphasizes firms adapting to their environment in the context of a deterministic perspective. A selection is understood as the filtering of functional behaviors with a convergence of forms of action adopted by selection pressure. Typically, the success of these forms is unchecked. The interaction view considers the interaction between context and design to be a success-enabling interaction and allows for a sequential analysis of bivariate context design relationships. In a systems approach, it is necessary to investigate existing contingencies and structural alternatives. This process can explicitly result in multiple and equally successful creating and designing forms and characterizes the fit concept within the scope of configuration theory.

For the configuration-oriented understanding, fit as a shape is particularly relevant (Wolf 2000, p. 50). Coherence is assumed if there are multiple correspondences between numerous variables (Mavondo, Hooley and Wong 2007). In other words, in a configuration-related theoretical fit testing, several variables must be checked for consistency through simultaneous content. The generation of definable subsamples is important (Venkatraman 1989), and Wolf (2000, p. 52) recommends the parallel application of multiple-fit understandings.

### *Equifinality*

Equifinality describes the situation in which different approaches can lead to the same goal or in which many roads can lead to many cities (Wolf 2000, p. 53-54). The origin is based in systems theory—more specifically, in the concept of homeostasis in which systems tend to move into a balanced situation. This balanced situation is dependent on the starting position and the direction chosen by the system (Katz and Kahn 1978, p. 23). According to Boddewyn and Lyer (1999), this concept dates back to Aristoteles (1996, p. 140ff.), who postulated that the evolution of real phenomena may be explained with prerequisites, motivations and accelerating factors. This concept goes far beyond only context factors. Van de Ven and Drazin (1985) consider the reason for equifinality in terms of the divergence of context factors and the goals of a firm. Furthermore, scholars recognize a reason for equifinality in that many context factors can influence a firm, which can in turn follow many goals simultaneously. Within the scope of the information economic approach, the concept of equifinality is explained according to Wolf (2000, p. 57), who posits that firms can have different solutions for information processing. Dimension requirements, goals and organizational solutions are not precisely connected. A firm can decide which arrangements it should take to comply with the requirements of the envi-

ronment; in other words, there is no causal connection. Figure 3-3 illustrates different equifinalities.

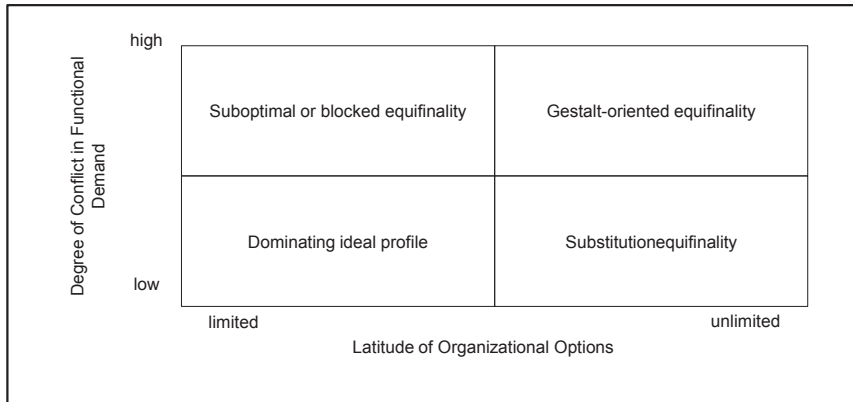


Figure 3–3: Different equifinalities

Source: Based on Gresov and Drazin (1997, p. 409) and Rūmenapp (2002, p. 161).

Different options for equifinality are discussed in the literature and are typically depicted as a matrix (Payne 2006). Gresov and Drazin (1997) differentiate between the conflicting potential of functional requirements and the configuration range of a firm during the choice of structural options; consequently, they follow the delineated factors.

Contradiction in requirements describes the degree of inconsistent requirements in a firm, such as job safety versus flexibility (Gresov and Drazin 1997), which will be embodied in all firms but at different levels of intensity. The range of configuration describes the freedom of managers. Accordingly, gestalt-oriented equifinality is present when firms are in a heterogeneous situation and are free in their choice of configurations. Because of free choice, different functional and configurational clusters can be built (Wolf 2000, p. 63). In other words, firms can be equally successful through multiple combinations of culture, strategy and structure even when encountering identical contingencies.

### *Limited number of configurations*

Compared with the concept of equifinality describing various forms and ways to be successful, the configuration approach relies on the hypothesis that the number of designs actually present is low despite the large number of possible combinations; this hypothesis can be explained from different perspectives (Meyer, Tsui and Hinings 1993, p. 1181; Scherer and Beyer 1998, p. 337; Miller 1990, p. 781ff.; Wolf 2000, p. 66ff.). According to the population ecology perspective, there are context-driven selection processes that ensure that the only forms of design that survive are those that are well adapted to the environment (selection thesis) (Miller and Mintzberg 1983, p. 69). According to a systems-theoretical perspective, there are interdependencies between the variables that also lead to a reduction in diversity, as coherence can be achieved only with certain combinations of variables (harmony thesis) (Miller and Mintzberg 1983, p. 69). Following a behavioral perspective, there are other reasons for configurational economy in the corporate culture and social psychological processes in companies. For example, a unified business culture can result in decisions based on similar values, which can lead to a restricted number of variables (Henselek 1996, p. 54-55).

### *Evolution of firms*

Configuration scholars typically consider configurations not as entities of permanent validity but as a dynamic fit understanding (Miller 1990, p. 783ff.), which is similar to the understanding of systems theory. However, this understanding is not to be interpreted as suggesting that firms are constantly on the move. Scholars expect relatively robust relationships between variables; however, the acceptance of basic resistance is abandoned (Dyck 1997). Shapes are more than individual phenomena that exist for a few moments and break down again immediately after they occur (Miller Friesen 1980, p. 270). This understanding is in contrast to the piecemeal perspective that postulates that firms are transformed through continuous and incremental changes resulting from the constantly changing environment (Rümenapp 2002, p. 163-164). Scholars consider the changes in a firm's shapes from a quantum perspective. Accordingly, the evolution of firms can be divided into resting (periods of momentum or inertia) (Miller 1992) and transition (transition periods), and each transition is characterized by pre- and post-resting. These transitions represent revolutionary change thrusts (quantum jumps) (Wolf 2000, p. 72). These revolutionary periods have the following characteristics (Wolf 2000, p. 75ff.):

1. These periods are rarely high in number because changes are sometimes postponed until it becomes clear whether the new requirements are permanent or temporary. In addition, firms have frequently attempted to change a large number of variables simultaneously using external consultants, project groups, and other forms. This high consumption of resources results in delays in adaptation.

2. These periods are of an extraordinary intensity, which results from the first characteristic. Because changes are deferred until they are inevitable, fundamental changes must be made at those times.
3. The periods are characterized by rapid settlement because the transformation situation is in contrast to the natural attraction to harmony; consequently, businesses attempt to quickly regain balance.
4. These periods are demarcated by the simultaneous or concerted adaptation of many shape features because the variables are closely related and because a corresponding number must be adjusted.

The resting periods between quantum jumps are also not static but are rather a path of evolution (Miller and Chen 1994). Firm developments can therefore be represented as paths (Greenwood and Hinings 1988).

Within the scope of this study, configuration theory is applied to prove that the identified format transfer strategies have internal consistency or are stable gestalts in the sense of formats.

#### 4. Critics of the contingency and configuration approaches

The different perspectives on configuration theory demonstrate how the substantive assessments diverge. In their critical analysis, Scherer and Beyer (1998, p. 342) show that representatives of the configuration approach remain trapped in the basics of the contingency approach. Consequently, this analysis continues searching for "one best configuration for each given situation." Both theoretical approaches fail to explain why certain contingencies or gestalts are successful (Flynn, Huo and Zhao 2010).

Scherer and Beyer (1998, p. 343-344) seek an alternative understanding of configuration that better reflects the nature of strategic management. According to these authors, configuration taxonomies lead to patterns of success. However, it remains an open question as to whether mere imitation leads to success because this approach also depends on imitative abilities and entry barriers (Porter 1990, p. 7-17). According to strategic management theories, successful firms are able to develop new strategies based on unique, sustainable services that are not easily imitable and substitutable (Barney 1991). Consequently, the success of a firm involves developing new patterns of success that reflect the needs of the market and the coordination of internal processes. This internal and external fit is based on the mutual and harmonious relationship between strategies and the environment (Scherer and Beyer 1998, p. 343). Managers must understand the internal logic of this relationship. Research on contingency leaves no room for judgment and no room for managerial creativity. Managers become "puppets" who operate a system that inevitably leads to success in compliance with certain rules (Miles and Snow 1994, p. 5). Beyer and Scherer (1998, p. 344) are convinced that configurations are useful when they are not understood as



empirically testable hypotheses. The authors postulate an interpretation of configurations as a framework in the sense of Porter (1991). Porter understands conceptual frameworks as a grid that highlights the potential relationships between elements without imposing this fixation: "Frameworks identify the relevant variables and the questions which the user must answer to develop conclusions tailored to a particular industry and company. [...] The frameworks, however, seek to help the analyst to better think through the problem [...]" (Porter 1991, p. 98).

The value of empirical studies is to identify patterns in the relationships among key variables (Osterloh and Grand 1994). Managers can use this information to either make use of these patterns or to consciously attempt to break them. Thus, a typology becomes important in the process of gaining knowledge and represents a framework that provides a cornerstone for the systematization of research objects. Typologies assist in better understanding real relationships in concrete situations. Within the scope of this study, the configuration theory can be applied to identify successful format transfer strategies based on the equifinality concept.

In summary, the configuration approach cannot answer the research questions comprehensively because this approach does not determine what must be configured to achieve fit from a content perspective. Furthermore, this approach does not explain changes over time and in different countries. Finally, success is not examined in detail, which reveals the need for additional theorizing to explain the research questions. Consequently, format replication and flexible format replication theory will be applied.

## *II. Format replication theory*

### 1. Overview

The standardization and adaptation of retail format elements can be explained theoretically with format replication theory. Researchers have analyzed format replication from different perspectives, including the IR-framework, strategic management, descriptive approaches (such as grounded theory) and the replication-as-strategy approach (i.e., format replication theory). The reason for choosing format replication theory is the ability to structure format elements and to distinguish between core and peripheral elements. Contingency and configuration theories do not include format elements, and neither approach is specific to retail. Consequently, format replication theory can assist in explaining format elements and their categorization as core and peripheral elements.

Because international replicators evidently exist, replication is a likely strategy for an organization that is seeking to grow by internationalizing. "However, this expansion strategy is not treated in any detail in the international business literature" (Jonsson

and Foss 2011, p. 1080). As a consequence, I further examine the concepts of replication organization and replication as strategy as part of format replication theory.

## 2. Replication organization

It is commonly understood that firms grow internationally by replicating the complete value chain in host countries (Jonsson and Foss 2011). As far as replication is concerned, within the scope of strategic management research, the term represents the design of almost similar stores that offer characteristically constant articles or services (i.e., the "McDonald's approach"; see Winter and Szulanski 2001). Replicators generate value by determining and refining a business model by selecting the necessary elements to replicate that model in appropriate geographies, by developing competences to routinize transfer and by retaining the model in operation once it has been replicated (Winter and Szulanski 2001). The business model or retail format is typically a complex set of interdependent routines or elements that is discovered and adapted by "doing". Growth by replicating such a format requires the skills to recreate complex, imperfectly understood processes in carefully selected locations—with different resources every time (Winter and Szulanski 2001). For this reason, replication requires effort and takes time. Its value is eroded by delay—for the reason of losing time where rivals may seize the best opportunities. Consequently, urgency is a hallmark of replication strategy (Winter and Szulanski 2001). However, a balanced view of replication is key. This balanced perspective of replication strategy must consider the efforts to uncover and develop the best format, the ongoing assessment that precedes large-scale replication and the continuing challenges of knowledge transfer. Undeniably, empirical results support an alternate view of replication strategy as a procedure that involves two identifiable phases (Bradach 1998; Love 1995; Schultz and Yang 1999). The first phase is that of *exploration*, in which the business model or format is created and refined. The second phase is that of *exploitation*, in which the format is stabilized and leveraged through replication. The transition from the first to the second phase is a crucial period requiring the creation and refinement of the capabilities that support the more routine replication activities that follow (Winter and Szulanski 2001).

Undertaking replication requires knowledge of the valuable characters of the retail format that must be replicated, the methods by which such characters are replicated and the environments in which retail stores with such characters can successfully operate. Good features are those that appeal in many local environments and those whose local production processes are insensitive to minor environmental variations and errors. Furthermore, because success at a new retail store depends on the fit between the new store and its local environment, the characteristics of appropriate stores are implicit in the choice of retail offers and background processes. Good retail

stores those for which the values attached to format elements are high and for which replication process and operations costs are low (Winter and Szulanski 2001).

To gain insights into the characteristics of appropriate stores, the Arrow core is introduced by Winter and Szulanski (2001). The term refers to the ideal informational endowment for a format replicator. The Arrow core includes all the information that accounts for the value-creating potential of the retail format when it is leveraged by replication. This concept defines which elements are replicable, how these elements are created and the context factors for which they are valuable in replicating (Jonsson and Foss 2011). This information set may be considered a complete answer to the following question: "what, how, and where should the replicator be trying to replicate? This information set involves no information that is deleterious or irrelevant to the success of the replication strategy, and thus it captures only considerations with a favorable impact on the value created by the business model" (Winter and Szulanski 2001, p. 733). It is unlikely that anyone could determine the accurate contents of the Arrow core in advance; however, it is not implied that there is no confirmation about what the Arrow core is. According to Winter and Szulanski (2001), the Arrow core is the hidden truth about replication potential, but this truth is not completely hidden. The goal is to replicate only those elements of the retail format that are replicable and that add value, which thus ignores elements that fail to add value despite being replicable. Because it cannot possibly be available at the retail store, knowledge of the Arrow core must instead be acquired through experience. A demonstration of this learning is the creation of increasingly refined best practices and of a central organization that has the capabilities required to support replication. To highlight the learning component of replication strategy, replication is not simply a matter of exploiting a promising idea. Simultaneously with this exploitation, replication also requires exploring—for a specific retail format—whether it is profitable to replicate (Winter and Szulanski 2001). Table 3-3 summarizes the key content of the Arrow core.

	<b>Arrow core</b>
<b>Information about retail format elements</b>	- What retail format elements add value and which do not?
<b>What?</b>	- What should the replicator try to replicate?
<b>How?</b>	- How should the replicator replicate the retail format?
<b>Where?</b>	- Where should a replicator replicate its retail format?
<b>Context factors</b>	- In which contexts are retail formats valuable to be replicated?
<b>Knowledge</b>	- Knowledge about the Arrow core needs to be acquired
<b>Hidden truth</b>	- What is the potential of replication?

Table 3–3: Concept of the Arrow core

Source: Own creation.

A firm that pursues a strategy of replication develops and enhances a series of plans. Such plans are developed and refined and are then tested as additional retail stores are being created. At any point during the life cycle of a replication strategy, a suc-

successful retail store may be viewed as the template of what is desired (Nelson and Winter 1982, p. 1ff.). The store acts as an example of how a new retail store should look. The template may not be the "best" example of the desired outcome of the replication process; the term refers to the actual guiding example (when there is one). Frequently, early efforts at replication focus on reproducing the success enjoyed at a particular original site, which Winter and Szulanski (2001) call the "historical template." Consulting a template is particularly valuable when clues are required to solve problems that arise in other locations or topics. As a real functioning firm, the template would typically have elements that are not in the Arrow core—elements that are not relevant to success and other elements that are impossible to replicate, such as the unique personality of an individual manager. Furthermore, some of its elements, replicable or not, may be tacit. Many of the tasks that are being performed correctly in the template are not obvious and are unlikely to be codified in any "how-to" manual. "Thus, although the Arrow core is "inside" the complex and causally ambiguous template, its content cannot be "read" off simply by close scrutiny" (Winter and Szulanski 2001, p. 734). Rather, this content is incorporated from early experience with actual retail stores. In turn, such experience informs subsequent decisions regarding the replication process. The experience phase occurs in its simplest form when the first retail store—the "historical template"—is created and its success verified before the decision to replicate it is formulated. Certainly, in such a case, it is experiential learning that drives the strategic recognition of success and the recognition that the success may be a replicable and not merely based on luck. "A useful metaphor to describe how a replication strategy develops is the advance of scientific knowledge. There is iteration between the 'facts' represented by successive templates, and the 'theory' represented by developing ideas about the Arrow core. The learning process may begin from an idea of how something works; this idea is then used to create a template. Conversely, the process may begin with an attempt to replicate an existing template. The skill to replicate develops over time as repetition and experience reveal the effects of the attribute mix on the success, cost, and robustness of the replication process" (Winter and Szulanski 2001, p. 735). Figure 3-4 illustrates the process of template creation and learning.

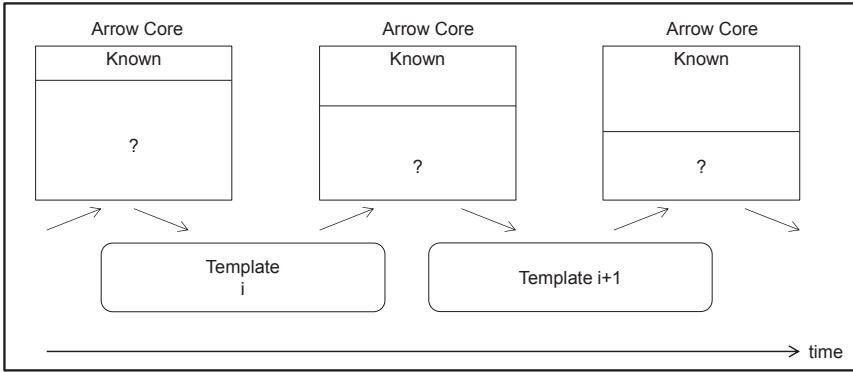


Figure 3–4: Learning to replicate

Source: Based on Winter and Szulanski (2001, p. 735).

Replication directed at mass products or services embodies a multitude of businesses, from various retail businesses to fast food, which have notable international appearances (Jonsson and Foss 2011). A combined view of a replicating firm refers to the transfer of best practices and competencies from the replicating firm to connected divisions that duplicate elements from the replicating company in key respects (Nelson and Winter 1982, p. 1ff.; Jonsson and Foss 2011). Consequently, it may be argued that there is a replicable format element to all internationally operating firms because there is a significant overlay between divisions with respect to retail culture that consists of best practices or other intangible assets that are used for the business; this overlay is achieved through knowledge transfer (Jonsson and Foss 2011).

Certainly, replication could be viewed as a particular expression of global integration (Bartlett and Ghoshal 1989, p. 5; Prahalad and Doz 1987, p. 14-15). International business scholars have not analyzed international replicators scientifically, except for case studies such as those of Schultz and Yang (1999), Quinn (1998) or Watson (1997), who consider such replicators to be part of the IR-framework (Jonsson and Foss 2011). The two dimensions of integration and responsiveness constitute the frame.

Figure 3-5 shows where the replicators are located in the IR-framework. A force to fulfill the requirements of national markets implies the necessity of local responsiveness, whereas cost pressure leads to the focus on economic efficiency to realize economies of scale (Prahalad and Doz 1987, p. 15).

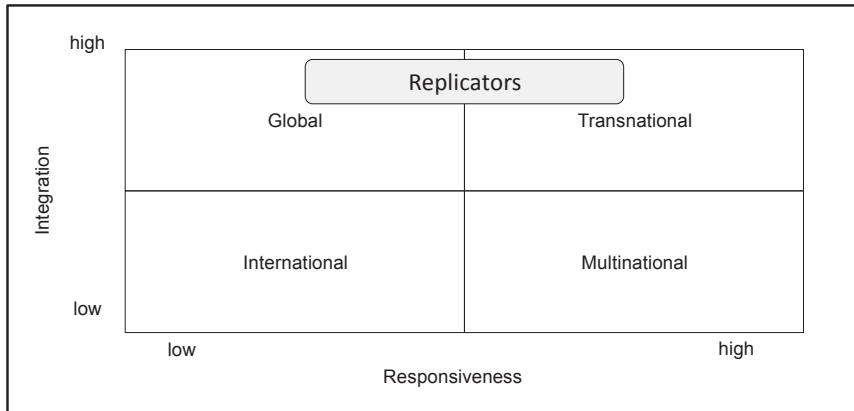


Figure 3–5: Replicators located in the integration-responsiveness framework

Source: Own creation based on Bartlett and Ghoshal (1989, p. 218).

A global strategy builds on rationalization and cost efficiency, which is achieved with product standardization and the geographical concentration of activities. Firms with a global orientation focus on the most important assets, resources and responsibilities at headquarters. Such firms aim to produce products or services for the global market. Products and services typically move unidirectionally from headquarters to foreign subsidiaries (Perlmutter 1969). A fundamental task of subsidiaries is the implementation of strategy provided by headquarters (Bartlett and Ghoshal 1989, p. 99-100).

Authors of works in the international retailing literature underline the importance of adapting retail offers to local conditions (e.g., Bianchi and Ostale 2006; Jonsson and Foss 2011). Nonetheless, because retailers are also under high levels of cost pressure, they must also realize economies of scale (Gielens and Dekimpe 2001), which results in the global integration of retail activities. The need to respond to both pressures can be adequately summarized by the popular notion of “think globally, act locally.” Pederzoli (2006) shows that some fashion retailers prefer entry modes with lower costs. In addition, global-oriented fashion retailers focus on realizing the benefits of implementing a standardized corporate reputation and brands across countries. Such firms can thus standardize their offerings and integrate their supply chains to a greater extent. For example, traditional fast fashion retailers, such as H&M, and luxury fashion retailers, such as LVMH, are known to be highly integrated firms with global brands rather than locally adapted brands (Goldman, 2001; Swoboda, Elsner and Morschett 2012). Examining specific parts of the format, Swoboda, Elsner and Morschett (2012) find that fashion retailers encounter a higher degree of global com-

petition and a lower degree of local advantage because they use, for example, more standardized product assortments across countries and integrate supply chain processes to a greater extent across countries. Thus, only certain parts of the format are replicated unchanged (core elements), whereas other parts are adapted to local needs (peripheral elements).

### 3. Replication of core and peripheral format elements

The seminal contribution to the replication of core and peripheral format elements was made by Winter and Szulanski (2001) (see also Baden-Fuller and Winter 2007, Jensen and Szulanski 2007, Szulanski and Jensen 2006, 2008, and Williams 2007). Winter and Szulanski (2001) construct a two-step model of replication in which the first stage of exploring in the area of possible formats for replication is followed by a subsequent stage of precise exploitative replication of the chosen retail format (Jonsson and Foss 2011). Figure 3-6 illustrates the two steps of exploration and exploitation.

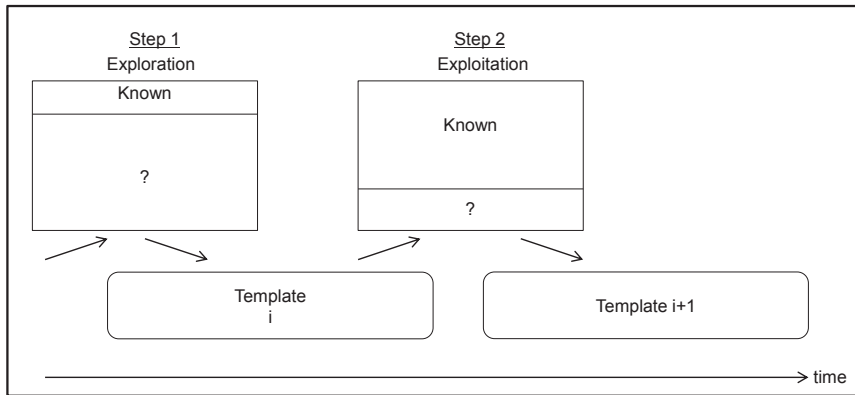


Figure 3–6: Exploration and exploitation of formats

Source: Own creation based on Winter and Szulanski (2001, p. 735).

The concept of the Arrow core is important as the full and precise specification of the fundamental, replicable elements of a business model and its ultimate target application (Winter and Szulanski 2001). The Arrow core identifies which elements are replicable, how these elements are created and the characteristics of the environments in which it is beneficial to replicate them; it also includes the information and skills of a firm that enable or hinder successful replication. The Arrow core cannot be reached by a replicating firm that is ignorant of its own elements (Jonsson and Foss 2011). As a result, the description of replicable elements will realistically be a rough version of the Arrow core (Jonsson and Foss 2011).

Given the cost of such a search, remaining with an imperfect template is the ideal strategy (Winter and Szulanski 2001). Regrettably, Winter and Szulanski do not detect the precise tradeoffs that define the time at which the explorative stage must be completed, and the template is "fixed" to permit exploitative replication (Jonsson and Foss 2011). The authors postulate that "at some point, business considerations will make leveraging a priority" (Winter and Szulanski 2001, p. 736). Such "reflections" indeed suggest that exploitative "leveraging" must take priority at some point because collecting new knowledge, transmitting it, codifying it, embodying it in a revised format and circling the new format back to the replication process are expensive procedures (Jonsson and Foss 2011). As a result, an ongoing review of the format is not efficient (Jonsson and Foss 2011).

Nevertheless, Winter and Szulanski appear to postulate that any adjustment is inefficient once the format has been fixed. Replicating firms should expand on the foundation of a completely fixed format, and the learning accumulated during growth activities should not be permitted to influence the retail format (Jonsson and Foss 2011; Winter and Szulanski 2001). It is questionable whether this conclusion remains valid in the heterogeneous environments in which today's firms operate. Jonsson and Foss (2011, p. 1089) discuss this issue with respect to the case of IKEA and state that "a specific lesson learned from the US entry was that IKEA should stick to one product range, but that, when needed, it should adjust its products to the local market, while maintaining, as best as it could, a focus on high volumes." In this case, there is no pressure for IKEA to copy the format exactly (Winter and Szulanski 2001). However, there are format elements for which this rule does apply and those for which it does not. In principle, it is crucial that customers know what to expect, and the layout, products, and shopping experience should be exchangeable regardless of store location (Lindqvist, 2009). It can be assumed that replication is a hierarchical process in which some format elements must remain fixed while others can be changed or adapted. Fixed elements frequently guide procedures, such as a firm's vision and culture, whereas flexibility can be considered in pricing, product assortment and location (Jonsson and Foss 2011).

Table 3-4 summarizes possible core and peripheral program and process elements in retailing.



	<b>Offers</b>	<b>Marketing processes</b>	<b>Supply chain processes</b>
<b>Core elements</b>	<ul style="list-style-type: none"> <li>- Retail brand</li> <li>- Store type</li> <li>- Store layout and store design</li> <li>- Store location</li> </ul>	<ul style="list-style-type: none"> <li>- Procedures of market and trend analysis</li> <li>- Category development processes</li> <li>- Procedures of store location planning</li> <li>- Identification of target groups</li> <li>- Procedures and systems for CRM</li> </ul>	<ul style="list-style-type: none"> <li>- Purchasing systems/ procedures (e.g., direct store, central)</li> <li>- Relationships with key suppliers</li> <li>- Logistics and warehouse systems</li> <li>- ERP systems</li> <li>- Facility planning processes (location and design of logistics facilities)</li> </ul>
<b>Peripheral elements</b>	<ul style="list-style-type: none"> <li>- Assortment</li> <li>- Price</li> <li>- Private labels</li> <li>- Sales promotion and POS marketing</li> <li>- Service</li> <li>- Hours of operation</li> <li>- Standard operating sales procedures (incl. personnel planning in stores)</li> </ul>	<ul style="list-style-type: none"> <li>- Processes of category composition</li> <li>- Cost and price calculation procedures</li> <li>- Processes of sales planning and monitoring</li> <li>- Processes of customer service</li> <li>- Processes of promotion planning</li> <li>- Complaint management procedures</li> </ul>	<ul style="list-style-type: none"> <li>- Distribution logistics for stores</li> <li>- Warehouse management</li> <li>- Cross-docking procedures</li> <li>- Store logistics processes</li> <li>- Logistics of disposal</li> <li>- Personnel recruitment processes</li> </ul>

Table 3–4: Possible core and peripheral program and process elements in retailing

Source: Swoboda and Elsner (2013, p. 84).

In summary, we know from Jonsson and Foss (2011) that global retailers allow retail offers to vary across countries, whereas higher-level features (e.g., background processes) are replicated unchanged. By contrast, Swoboda and Elsner (2013) demonstrate that core and peripheral elements are present in each of the value chain activities (e.g., certain offers are core and peripheral, as are certain processes).

Thus, the design of core and peripheral retail format elements varies. Because of the varying perspectives of scholars, it is essential to understand whether retail format elements are replicated identically and, if not, which elements are considered core and which are considered peripheral.

The requirement for flexibility results from discrepancies in local markets and the need to adjust the format for successful replication under the influence of new learning (Jonsson and Foss 2011). Some scholars refer to this distinction of format elements as the idea concept and the concept in practice (Jonsson and Foss 2011). Others refer to the distinction as the core and peripheral elements of the format (e.g., Swoboda and Elsner 2013; Burt, Davies, Dawson and Sparks 2008; Winter and Szulanski 2001; Kaufmann and Eroglu 1999; Zou, Andrus and Norvell 1997). Because format modification resulting from learning appears to be an essential segment within the scope of format replication, the subsequent chapters will focus on theoretical aspects of this issue.

#### 4. Critics of format replication theory

Format replication theory, as described by Winter and Szulanski (2001), opens new perspectives on the view of format transfers. However, these authors do not touch

upon certain aspects. First, format replication theory reflects only a single dimension which is the headquarters perspective (i.e., how a format must be configured with regard to core and peripheral elements). Within the scope of international retailing, this view is overly narrow. Different context factors influence the decision regarding how a format should be transferred, particularly in different countries. Consequently, format replication theory is not optimally applicable. Second, Winter and Szulanski (2001) do not specify which format elements should be considered core and which should be considered peripheral. This distinction is of particular interest for retail firms seeking to successfully establish their formats. Third, format replication theory is a static approach that neither considers changes over time nor recommends how to address developments across countries and over time. A dynamic view is of particular importance because of the fast-paced environment and the consideration of whether a firm has learned from past format replication experience. Fourth, the Winter and Szulanski replication theory postulates that organizational learning does occur, but only in the preliminary, explorative phase in which a firm is seeking a replicable format. Finally, the replication framework has (Szulanski and Jensen 2006 on Mail Boxes Etc. and Jensen and Szulanski 2007) been established primarily—if not exclusively—in the context of national firms (Jonsson and Foss 2011).

There are also fundamental differences between the replication-as-strategy view and the dominant international management perspective. Therefore, the dominant thinking on global strategy underlines the importance for dedicated industries and economies of being locally responsive with regard to product offerings and services and examines the tradeoff between global integration and local responsiveness (Bartlett and Ghoshal 1989, p. 218; Prahalad and Doz 1987, p. 14-15). In its original statement, the model of Winter and Szulanski excludes local responsiveness. Consequently, the ideal template, the Arrow core, is a design of "which traits are replicable, how these attributes are created, and the characteristics of the environments in which they are worth replicating" (Winter and Szulanski 2001, p. 733). Nonetheless, it might not be realistic or meaningful to replicate a format across heterogeneous markets, thus prompting the question of whether the isolated view of the replication-as-strategy literature is reasonable to understand international growth as more than homogeneous international economies (Jonsson and Foss 2011). Likewise, the knowledge-based multinational corporation (MNC) literature understands that multinational firms are engaged in consequent organizational learning that contains the distribution of best practices across subsidiaries located in other markets (Jonsson and Foss 2011). The Winter and Szulanski model postulates that organizational learning does occur but only in the preliminary, explorative phase when a firm is seeking a replicable format. Thus, the question arises as to whether organizational learning can be combined with replication during internationalization. From an empirical perspective, it is important to remark that the empirical foundation of the replica-

tion-as-strategy perspective consists primarily of national firms, and there are no debates pertaining to replication as strategy within the scope of internationalization (Jonsson and Foss 2011), which raises the question of how likely replication is in heterogeneous economies. This question appears to reflect the known challenge of how global integration and local responsiveness can be brought together. Nonetheless, international management scholars have not yet examined international replicators in an organized manner by specifying the process by which replicators balance the requirement for global integration with local responsiveness (Jonsson and Foss 2011). Finally, the literature calls for a small-N empirical approach (Ghauri 2004).

In conclusion, scholars have little theoretical knowledge of what format elements are transferred by international replicators across economies, how much local adaptation they apply and how they adjust the retail culture that they transfer (Jonsson and Foss 2011). It can also be assumed that international firms (according to the IR-framework) may be replicators. Nonetheless, the replication-as-strategy literature is an excellent starting point for an analysis of these issues (Jonsson and Foss 2011).

### *III. Learning and flexible format replication theories*

#### 1. Overview

Certain aspects of learning are already addressed by the format replication theory. However, in order to answer the question as to whether retail format replication is stable over time with regard to different countries, I examine flexible format replication theory, which was developed by enhancing format replication theory with international learning theories, including, in particular, international experience theory or so-called knowledge reasoning. Therefore, I address learning theories in more detail and one well-known knowledge-based reasoning theory in international business before turning to flexible format theory.

Learning theories provide broad perspectives on processes and capabilities that generate and change organizational knowledge (Schulz 2001). In general, learning embraces the development of knowledge or insight that facilitates behavioral change and leads to improved performance (DiBella, Nevis, and Gould 1996). Organizational learning theory describes organizational behavior in terms of creating information and reducing uncertainty (Sullivan and Nonaka 1986). According to Huber (1991, p. 89), "an entity learns if, through its processing of information, the range of its potential behaviors is changed." Consequently, as Crossan, Lane and White (1999, p. 522) postulate, "organizational learning can be conceived of as a principal means of achieving the strategic renewal of an enterprise." According to organizational learning theorists, each organization embodies a "theory of action" that all organization members must learn (Argyris and Schon 1974, p. 6-7). This learning process requires in-

formation-gathering and processing activities that are focused on goals and objectives, in addition to norms and strategies (Sullivan and Nonaka 1986).

Levitt and March (1988, p. 320) understand learning as organizations "encoding inferences from history into routines that guide behavior." More specifically, Huber (1991, p. 89) states that "an organization learns if any of its units acquires knowledge that it recognizes as potentially useful to the organization." Of particular importance is March's (1991) distinction between "exploration" and "exploitation" in organizational learning (Luo and Peng 1999). Exploration comprises "things captured by terms such as search, variation, risk taking, experimentation, play, flexibility, discovery, and innovation," whereas exploitation involves "such things as refinement, choice, production, efficiency, selection, implementation, and execution" (March 1991, p. 71). Both types of learning activities are key, but there is a trade-off between the two because the exploration of new alternatives decreases the promptness of exploitation and vice versa (March 1991).

Conversely, Oezsomer and Genctuerk (2003) view market learning as the development of new knowledge or modification of existing knowledge about customers, competitors, suppliers and other constituents derived through the capabilities of exploration and exploitation.

The model of the international expansion process presented by Johanson and Vahlne (1977) addresses the relevance of experience in international growth and explains expansion as a process that involves a number of incremental steps (Luo and Peng 1999). The expectations are that the lack of knowledge is a problem for internationalization and that necessary knowledge can be acquired through foreign experience (Andersen 1993). The accumulation of such knowledge is dependent on a firm's "absorptive capacity," which is "largely a function of the firm's level of prior related knowledge" (Cohen and Levinthal 1990, p. 128). Collected knowledge can assist a firm in overcoming its preliminary concerns regarding foreign operations while decreasing operational uncertainties and enhancing success simultaneously (e.g., Shaver et al. 1997).

Although it is not the only source of learning, learning by doing is one of the key foundations of organizational learning (Nelson and Winter 1982, p. 1ff.). Knowledge includes implicit and tacit dimensions as well as explicit dimensions (Kogut and Zander 1992); thus, organizations must "remember by doing" if they want to be well positioned in the tacit dimension of knowledge (Nelson and Winter 1982, p. 99). Consequently, tacit knowledge is gained during experiential processes (Luo and Peng 1999). International expansion can therefore be understood as a window of opportunity for international firms to accumulate more tacit knowledge about a foreign country (Kogut, 1991). When sufficient experience has been collected and additional

investments are to be made, a firm thus elevates its commitment to exploit more opportunities (Kogut and Kulatilaka 1994). Subsequently, these options can be considered "learning options" that support organizational learning (Peng and Wang 2000).

An essential research area in international management examines internationalization as a path-dependent process of learning separate from demonstrating internationalization as a straight forward process of transferring a format across markets (e.g., Jonsson and Foss 2011; Johanson and Vahlne 1977, 1990). An important theoretical work is the Uppsala model from Johanson and Vahlne, whose foundation remains one of the most important models for internationalization studies.

## 2. Knowledge theories

In the Uppsala model, internationalization is understood as a process of incremental resource commitments that is supported by increasing experiential knowledge (Johanson and Vahlne 1977, 1990). The starting point is the observation that internationalization is a gradual process in which firms increase their commitment to foreign markets in a stepwise fashion. A distinction can be drawn between a "model of internationalization," which indicates a theoretical descriptive model, and the resulting "patterns of internationalization," which are understood as ideal patterns of internationalization. A further distinction is drawn between static and dynamic parameters (Johanson and Vahlne 2006). The process begins with domestic markets, moves to culturally or geographically close economies, and subsequently develops into culturally and geographically more distant markets (Jonsson and Foss 2011).

It is assumed that firms acquire specific market knowledge over time (explorative knowledge). In addition, market commitment is characterized as transferring resources to international markets. The more international a firm is, the greater the market commitment. So-called commitment decisions are decisions regarding further internationalization, whereas current activities are the source of knowledge. Consequently, each decision and activity is an input for upcoming decisions (Johanson and Vahlne 1977, p. 26), and the result is a self-enforcing sequence that leads to further internationalization. "The model is on learning and commitment building or, more precisely, on the interplay between knowledge development and increasing foreign market commitments" (Johanson and Vahlne 2006, p. 166). This statement emphasizes that knowledge and learning are central components in the process of how firms are perceived in their international development. "The Uppsala model deals with knowledge acquisition, i.e., with learning. How the organizations learn and how their learning affects their international behavior are the central issues for the model" (Forsgren 2002, p. 258). The original model of Johanson and Vahlne from 1977 does not state the form that increased commitment may take. Undeniably, commitment may decline if success is not sufficiently promising. In contrast to some views, the

process is not deterministic. Nonetheless, Johanson and Vahlne assume that the process of internationalizing will continue as long as the success is evident and that building learning and commitment requires time. Furthermore, Johanson and Vahlne (1977) consider the model to be descriptive, largely because of its grounding in the work of Cyert and March (1963, p. 1ff.). The model is classified in the subsequent literature as behavioral—as opposed to other theories that are considered economic, such as transaction cost theory (Hennart 1982, p. 1ff.), the eclectic paradigm (Dunning 1988) and internalization theory (Buckley and Casson 1998). More recent empirical studies indicate that the internationalization process explained by the Uppsala model has a positive influence on success (e.g., Delios and Beamish 1999; Luo and Peng 1999). The model can therefore be considered a model of rational internationalization and used for prescriptive purposes (Johanson and Vahlne 2009). Figure 3-7 illustrates the Uppsala model.

Specific knowledge of foreign markets (or experiential knowledge) is essential to the internationalization process because it "not only yields a reduction of the risks involved in going abroad, but also provides a vehicle for acquiring knowledge of internal and external resources and of opportunities for combining them" (Eriksson, Johanson, Majkgård and Sharma 1997, p. 340).

In principle, the concept of organizational learning in the Uppsala model is less based on actively seeking and processing externally available information than on proprietary knowledge accumulation in foreign markets (Johanson and Vahlne 1977).

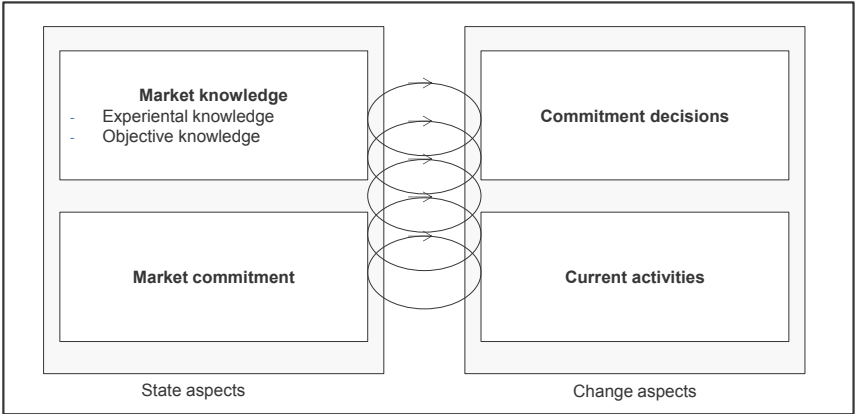


Figure 3-7: Theoretical framework of the Uppsala model as a basic approach  
Source: Johanson and Vahlne (1977, p. 26).

Apparently, for organizational learning to occur, the assimilated knowledge must be shared with the rest of the firm (Steen and Liesch 2007). Consequently, Forsgren (2002) claims that the Uppsala model should mature by including a firm's understanding of knowledge as an important force of internationalization from a perspective of organizational learning (Jonsson and Foss 2011). Eriksson et al. (1997) indicate that the process of internationalization is not based solely on learning about host markets. Rather, knowledge must include the internal resources of a firm and what the firm is skilled at when exposed to new and unfamiliar environments (Jonsson and Foss 2011). A firm must install structures and competences that further enable the examination of experiential knowledge with regard to host markets (Eriksson et al. 1997). Therefore, identifying how knowledge flows within an international firm and how processes can be implemented to influence those flows is of fundamental importance. Studies of internationalization highlight the influencing character of knowledge transfers from headquarters to divisions (Dunning 1988). Understanding a home market-based advantage to host markets may be agreed upon with the replication-as-strategy view and the role of the center for knowledge transfer of the replicated format (Jonsson and Foss 2011). Nevertheless, as argued in recent studies of multinational companies (e.g., Ambos, Ambos and Schlegelmilch 2006), the role of headquarters as the leading source of knowledge is changing (see Figure 3-8).

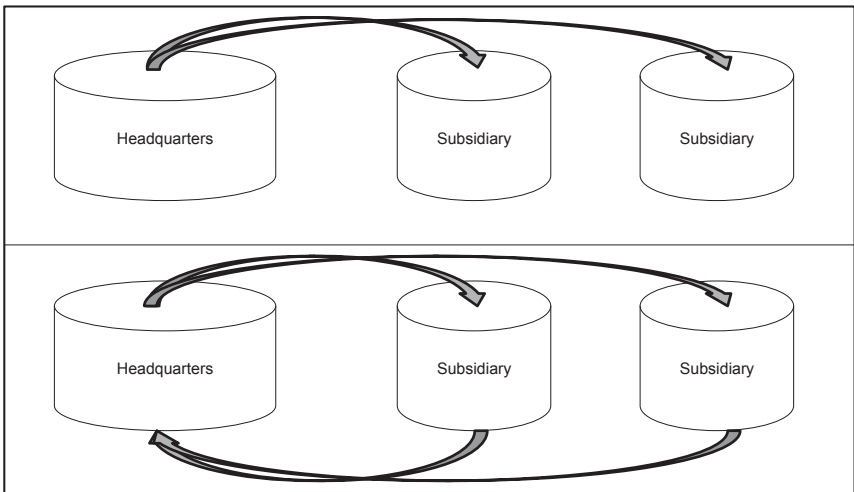


Figure 3–8: Shift of knowledge sharing between headquarters and subsidiaries

Source: Own creation.

Subsidiaries have become important collectors and distributors of the knowledge necessary to be successful in an increasingly globally competitive environment (e.g., Holm and Sharma 2006; Schlegelmilch and Chini 2003; Frost and Zhou 2000; Kogut and Zander 1993). Consequently, "MNCs are no longer seen as repositories of their national imprint but rather as instruments whereby knowledge is transferred across subsidiaries, contributing to knowledge development" (Minbaeva, Pedersen, Björkman, Fey and Park 2003, p. 587; Jonsson and Foss 2011). Many researchers associate this trend with many firms' transformation from hierarchical HQ-subsidiary relations toward network-based responsive structures (Bartlett and Ghoshal 1989, p. 48-53; Prahalad and Doz 1987, p. 172) that are capable of meeting the different "demands of innovation and knowledge creation in a dynamic global economy" (Nohria and Ghoshal 1994, p. 3). Yamin and Otto (2004) describe such firms as roughly coupled organizations (Weick 1976). However, Ambos, Ambos and Schlegelmilch (2006, p. 295) claim that although many scholars particularly focus on knowledge flows within firms, only a few scholars have examined how firms "learn at the periphery" and benefit from the knowledge that is built from and distributed by subsidiaries (Friesl and Larty 2013).

Oezsomer and Genctuerk (2003) address "how" such learning occurs, indicating that market-based learning occurs as insight and that innovative ideas happen to individuals (Nonaka and Takeuchi 1995, p. 13, 59) in different units or countries. As knowledge created by those individuals is pooled, organizational-like subsidiaries take action and develop common values (Huber 1991). Relationships become structured, and certain individual learning and shared understandings developed by groups become institutionalized (Crossan, Lane and White 1999). Institutionalization is the process of implanting learning that has occurred in individuals and groups into the organization, and the process includes systems, structures, procedures and strategies. According to Oezsomer and Genctuerk (2003), there are three phases in the process of institutionalizing knowledge:

1. The externalization of individual knowledge through communication
2. The objectification of this knowledge into organizational knowledge such that knowledge becomes taken for granted
3. The internalization of this organizational knowledge by members of the organization (Huysman 2000)

Over time, by considering learning in the individual and subsidiary-level structures, procedures and strategy, the members of the subsidiary collectively share the interpretation of their local market (Oezsomer and Genctuerk 2003). Consequently, in addition to feed-forward learning from individual members and groups to the subsidiary, market learning that has been institutionalized loops back and influences individual and group learning (Crossan, Lane and White 1999).



As discussed above, organizational learning is a multilevel phenomenon (Huysman 2000). In this study, I focus on two levels at which learning occurs:

1. Learning in individual countries
2. Learning over time

Country-level learning occurs when subsidiaries learn to cope with local market conditions, extract new knowledge from their local environment, or retrieve and combine knowledge from other subsidiaries and the head office. There are different domains of knowledge within country-level organizations, such as subsidiaries.

To increase the accumulated amount of market learning, subsidiaries must have resources and mechanisms in place to facilitate and motivate the production of new knowledge and the modification and use of existing knowledge (Oezsomer and Genctuerk 2003). New knowledge is likely created by market units or subsidiaries that deviate from the existing market views, initiatives, systems and rituals of a firm. Consequently, new knowledge is generated from the diversity that characterizes international firms. Diversity is desirable because it facilitates exploration, whereas the exploitation of existing knowledge requires conformity (Oezsomer and Genctuerk 2003). Managing the balance between encouraging diversity and maintaining conformity are significant challenges (Oezsomer and Genctuerk 2003). An important firm approach to learning involves generating new knowledge of local or regional markets (Bartlett and Ghoshal 1989, p. 59; Birkinshaw 1997). For example, this learning occurs when a foreign subsidiary is exposed to an environment that is characterized by new and complex situations. Exposure to such experiences stimulates exploration-type learning (Schulz 2001), and such exploration capabilities of the market unit can primarily benefit local customers by offering more satisfying products and services that can improve performance. In addition, as these products and services develop, they reveal new business opportunities for the firm as a whole because this knowledge may also be applied in other markets (Birkinshaw 1997).

Recombining existing knowledge is an important capability of internationalized firms. Exploitation is consistent with the traditional role of marketing units in adapting a firm's products and technologies to local tastes and trends (Vernon 1966). In contrast to the generation of new knowledge, the exploitation of knowledge generally involves modifying existing knowledge that a foreign subsidiary already has or importing knowledge from headquarters or other units to apply it to local operations or to generate new knowledge (Schulz 2001). Internal exchanges of best practices within a firm are an example of exploitation-type learning over time. The resulting knowledge is typically more settled and less diverse than the new knowledge (Oezsomer and Genctuerk 2003).

The benefits of exploitation have been demonstrated by learning-curve effects (see figure 3-9). Modifying existing knowledge and learning from experience reduces transaction costs and thereby accelerates decision making and implementation (Cyert and March 1963, p. 1ff.). Nonetheless, the natural and self-reinforcing process toward exploitation may decrease variation in organizational routines and damage the capacity for exploratory learning (Levinthal and March 1993). In this manner, modification and selection might inhibit experimentation and discovery in foreign subsidiaries (March 1991). Firms could easily find themselves locked into pursuing operational efficiency in an outdated area at the expense of overall effectiveness (Kyriakopoulos and Moorman 1998). However, organizations that highlight exploration at the price of limiting exploitation are likely to suffer the costs of trial without achieving its benefits. For long-term survival and success to be feasible, foreign subsidiaries must actively manage the tradeoff between the strong path dependence of exploitation and the liability of exploration (Oezsomer and Genctuerk 2003).

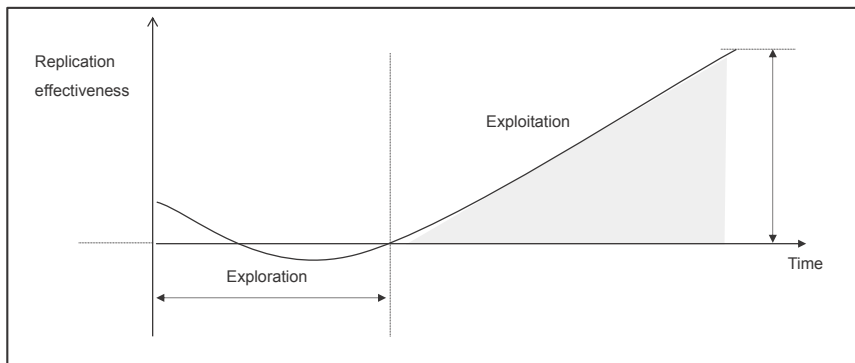


Figure 3-9: Learning curve effects resulting from exploration and exploitation

Source: Own creation.

Overall, internationalized firms benefit from earning and distributing locally built, experiential knowledge on a constant basis, which is required to implement administrative processes to establish lateral and reverse knowledge flows (Friesl and Larty 2013; Jonsson and Foss 2011). This perspective of flexibility and constant organizational learning during the course of international growth contrasts with the understanding of firm development in the replication-as-strategy view (Jonsson and Foss 2011). As recently discussed, both the separation and combination of learning over time and learning in a country are essential for successful replication. Consequently, flexible format replication theory must be considered.

### 3. Flexible format replication

As discussed above, format replication theory (Winter and Szulanski 2001) postulates a two-step approach to replication. The first step involves the explorative search in the area of replicable formats. The second step involves the exploitative replication of the format that was chosen after the exploration phase. As a result, this theory only describes the initial replication steps of retail firms. In addition, there are firms that develop further in a subsequent stage. The so-called flexible format replication extends beyond the Winter and Szulanski (2001) model and incorporates learning effects over time.

The definition of the fixed Arrow core (discussed above) consists of the ultimate description of replicable format elements (Winter and Szulanski 2008). As a result of heterogeneous international economies and consumer preferences, there is a requirement for regular local adaptation as opposed to the implementation of a fixed format for replication (Elg 2003; Burt and Carralero-Encinas 2000). Consequently, replication does not always involve the exact copy of a format; the important aspect is that there is always a constant shared attribute. As a result, for some firms, replication is a method that allows for adaptation and learning (Gielens and Dekimpe 2007). Thus, it is necessary to move beyond the Winter and Szulanski two-step model of replication both to analyze international replicators in greater detail and to determine how replication can be achieved (Jonsson and Foss 2011).

Firms such as IKEA represent examples of international replicators that have successfully combined replication with constant, company-wide learning and local adaptation—that is, flexible format replication (Friesl and Larty 2013; Jonsson and Foss 2011). The key to IKEA's success in connecting replication and learning while applying local adaptation is the distinction between the “idea concept” and the “concept in practice”—more precisely, the distinction between core and peripheral format elements (Jonsson and Foss 2011). This idea is comparable to the concept of a design hierarchy in product development. Some functional or unique features remain fixed, whereas others may change in response to customer or market requirements (Clark 1985). Maintaining the stability of some elements in the format allows for efficiency advantages (economies of scale) resulting from the reuse of processes and routines across the respective markets in which the format is replicated (Friesl and Larty 2013). In addition, the renewal of the replicable format as a result of organizational learning occurs in terms of adjusting specific format elements. It can be assumed that this methodology of replication may be applied by other international replicators in addition to IKEA (Jonsson and Foss 2011).

The hierarchical view of format replication allows for improvements in organizational efficiency and value creation effectiveness to be realized simultaneously (Friesl and

Larty 2013). This view can be used to determine the ideal tradeoff between the advantages of standardization and adaptation. However, the case of IKEA shows that such compromise can be determined in many ways, particularly by the design of the replicated format and by the knowledge flow in the firm (Jonsson and Foss 2011). The case study of IKEA conducted by Jonsson and Foss (2011) proposes that more heterogeneous or dynamic customer demand is associated with a stronger pull toward flexible format replication. Those circumstances may be exclusively local, in which case it seems reasonable to delegate adaptation to subsidiaries. Another possibility may be changes that describe many markets in which case adaptation converts to a topic for headquarters. As a result, it can be assumed that replicators targeting dynamic and heterogeneous economies will need more flexible elements in their formats for replication, and replicators that target similar economies will have relatively few format elements (Jonsson and Foss 2011). Finally, the ability to adapt to different markets afforded by such flexibility may return distinct learning advantages.

Successful replicators systematically harvest local learning and distribute it internally. In addition, such learning flows allow the format to be updated by incorporating new best practices. It is important to note that it takes years to achieve flexible format replication within the scope of internationalization (Friesl and Larty 2013). The two-step model from Winter and Szulanski remains valid before revealing new potential in pursuing flexible format replication. Firms gradually learn to exercise flexible format replication, sometimes as a result of a number of failures in the exploitation phase in difficult heterogeneous environments. However, the flexible format replication view has established specific processes that monitor flexible format replication and has developed a retail culture that builds a foundation for the overall method. This approach involves cost and frequently results from trial and error (Jonsson and Foss 2011), which is consistent with ideas pertaining to experiential knowledge (e.g., Petersen et al. 2003) and fits with the Johanson and Vahlne (1977) framework indicating that the more knowledge a firm collects, the more resources are spent and commitments made.

Another study recently conducted by Swoboda and Elsner (2013) analyzes successful format transfer into foreign countries. The results show that retailers transfer offers (marketing programs) and processes (marketing and supply chains) differently and hierarchically (i.e., peripheral elements are allowed to vary, whereas core elements are transferred in a more standardized manner). These observations hold true for psychically close and psychically distant countries. Consequently, these authors build on the learning-based flexible format replication approach presented by Jonsson and Foss (2011). The employment of flexible format replication theory helps determine the degree of standardization and the associations between process and program

elements, whereas profit maximization theory is employed to determine the general associations of internal processes and visible offers with success. Contrary to the results of Jonsson and Foss (2011), Swoboda and Elsner (2013) show that core and peripheral format elements can be identified in every part of the value chain compared with the hierarchical results of Jonsson and Foss (2011). Flexible format replication theory appears to be appropriately applied in the present study to determine whether format replication is a stable phenomenon over time and across different countries in the fashion industry.

In summary, flexible format replication offers insights into the design of retail format transfers by emphasizing the identification of core and peripheral format elements and changes in format elements over time. Second, the motivations for standardizing or adapting these elements that arise from market-based learning are analyzed. Winter and Szulanski (2001) argue that organizations identify core business elements by defining an information set, i.e., a “full and correct specification of the fundamental, replicable features of a business model and its ideal target application” (Jonsson and Foss 2011, p. 1081). Such core format elements build important values and result in best practices or templates; they enable large-scale replications, rapid application, knowledge distribution and best practices that are not fully visible and imitable by competitors (Jensen and Szulanski 2007, 2008; Winter and Szulanski 2001). Consequently, retail firms will strategically define best practices for international expansion (e.g., store layouts or service levels). In addition to a systematic evaluation, Jonsson and Foss (2011) discover that core and peripheral elements are designed in accordance with market-based learning by retailers, which is particularly important for internationalization in heterogeneous environments. Accounting for path-dependent learning processes in a specific host country and across various host countries, it is reasonable to conclude that retailers permit variations in peripheral format elements (e.g., prices) but rarely change core elements (e.g., store layout) and adjust their business models only slightly over time. Thus, flexible format replication enables me to draw two conclusions. First, flexible format replication provides a valuable theoretical justification for the presence of both core and peripheral format elements, supporting the former classifications of Cao and Dupuis (2009) and Kaufmann and Eroglu (1999) in conjunction with market-based learning. Academics share the opinion that core and peripheral elements are difficult to identify. However, these researchers include both demand- and supply-side factors, which encompass offers, processes and retail culture (Goldman 2001). Second, flexible format replication provides a valuable theoretical justification to examine different countries and different times, which closes the loop in explaining the research question regarding whether retail format replication is stable across different countries and over time.

#### 4. Critics of learning and flexible format replication theories

Although learning theories are applicable to the research questions in this study, they are not free of criticism. The main arguments are the deterministic character of the models in which strategic options are cognizably ignored. Furthermore, a trend toward oversimplification of internationalization, the limitations of explanatory horizons and unclear measurements are discussed in the literature. In addition, context factors are not considered, which leads to limited options regarding practical recommendations (Swoboda 2002, p. 1ff.).

Although flexible format replication is applicable to the research question regarding whether format replication is stable over time, there are several critics who must be addressed. First, flexible format replication theory considers only the view of headquarters. The experiences of subsidiaries that report back to headquarters are not fed back into the organizational structures of different subsidiaries to ensure that best practices are leveraged across countries. As a result, learning is not fully bidirectional. Finally, flexible format replication omits any consideration of success. This point is particularly interesting because practitioners must understand why changes within the scope of format replication have been made and how successful they have been. In analyzing their results, Jonsson and Foss (2011) postulate that retail offers and background processes generally change over time. This argument is already in contrast to the results of Swoboda and Elsner (2013), who show that standardized format elements are core and adapted elements are peripheral and that both affect success differently.

Next, I conceptualize the research framework based on the theoretical approaches presented.

### **C. Conceptualization and propositions**

#### *1. Conceptual framework*

The goal of this section is to conceptualize the central components for the present analysis by considering the underlying theoretical approaches. Thus, an integration of the theoretical, conceptual and empirical findings of the previously discussed perspectives is the objective. The conceptual framework is divided into three areas. To explain international retail format replication, the conceptual framework follows contingency theoretical paradigms, format replication theory and flexible format replication.

Figure 3-10 shows the analyzed relationships between the elements, which are not assumed to be fixed ex ante. The elements of the conceptual framework will be ana-

lyzed based on theory and empirical evidence. Specific propositions will be formulated for the relationships observed.

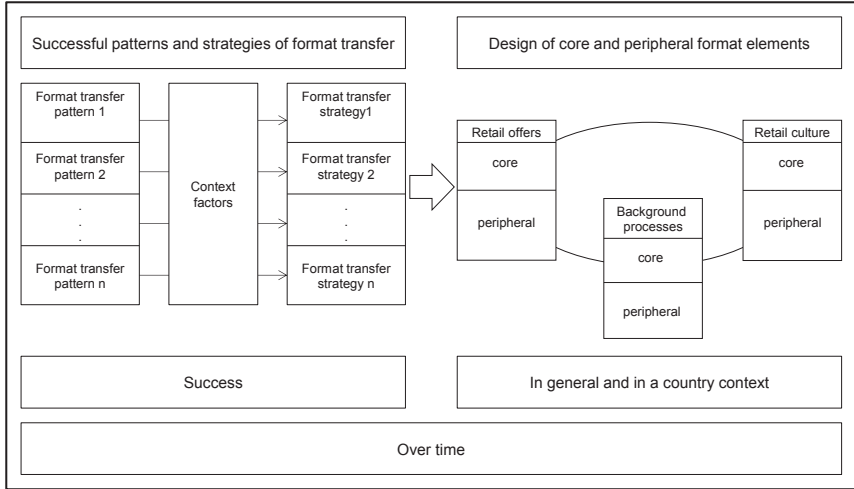


Figure 3–10: Research framework  
Source: Own creation.

To answer the **first research question**, format transfer patterns combined with specific context factors are observed and merged into successful format transfer strategies. Contingency theory is the appropriate base from which to conceptualize strategies or strategy types (i.e., to combine patterns and specific context situations). In the present study, a dedicated format transfer strategy is contingent or dependent on a format transfer pattern and internal and external context factors. This approach leads to one dedicated format transfer strategy. A central assumption of contingency theory is that an organization can be successful only if the organizational structures and the behavior of its members are adapted to the particular context (congruence-efficiency hypothesis) (Donaldson 1999). As a consequence, the theoretical framework proposes that different format transfer patterns in conjunction with different context factors lead to format transfer strategies in retail fashion firms. For the conceptualization, it is useful to combine the configuration of format elements with context factors for the analysis and empirical identification of format transfer strategies. This approach follows the common view in the literature regarding the international strategy of retail firms (Goldman 2001). Different format transfer strategies may exist based on the number of standardized format elements. Conceptually, the identified format transfer strategies will be connected to firms' success based on the concept of equifinality.

With regard to the underlying equifinality thinking of the configuration approach, gestalt-oriented equifinality is implied. In other words, firms are in a heterogeneous environment and have the free choice of design alternatives (Gresov and Drazin 1997). However, retail firms encounter internal and external contexts that they cannot change, which leads to restricted freedom and consequently to suboptimal or blocked equifinality (Payne 2006). This situation is particularly relevant to the area of context factors when such context factors influence the design of retail format elements.

To answer the **second research question** regarding the design of format elements, single format elements are observed first and are accordingly conceptualized and divided into three parts: the retail offer, background processes and retail culture (Goldman 2001).

First, format replication theory with the concept of the Arrow core is the appropriate theory with which to explain the design of format elements. Format replication theory represents the design of nearly all format elements that are characteristically constant (i.e., the "McDonald's approach"; see Winter and Szulanski 2001). The second step will determine whether certain elements are replicated unchanged while others are replicated adapted. Format replication theory argues that replicators give more weight to their concept compared to foreign market pressures. As Zou and Cavusgil (2002) postulate, the question of whether format elements are transferred in standardized or adapted form refers to a position within a spectrum of increased efficiency versus increased effectiveness. I aim to consider possible core and thus unchanged replicated format elements and peripheral format elements that are changed in a replication strategy. Format replication theory posits that firms transfer core format elements unchanged, which implies that changed format elements are peripheral (Winter and Szulanski 2001; Jonsson and Foss 2011; Swoboda and Elsner 2013). Furthermore, the theoretical framework proposes an interrelationship between the degree of standardization of the retail format elements under study: the retail offer, background processes and retail culture.

Following Swoboda and Elsner (2013), this study extends traditional format replication theory by assuming that any format element can be core and by including retail culture elements in the analysis (see Chapter 2C). By contrast, Szulanski and Winter (2001) and Jonsson and Foss (2011) assume that core elements are inherent to values and guiding principles, whereas consumer-facing retail offers are peripheral. Additionally, the design of core and peripheral format elements may depend on the choice of format transfer strategy. For example, one format transfer strategy may cause a more standardized transfer of retail offers, background processes and retail culture in contrast to a second strategy, in which some format elements may be adapted. Empirically, the examination will be conducted on a general level and subsequently for two countries in particular. Furthermore, using format replication theory,



the study will undertake the conceptualization of retail format element design in different countries. Finally, the dependency of format element design based on different format transfer strategies is conceptualized.

To answer the **third research question** on the stability of retail format replication, possible changes are observed with regard to different countries and over time. Both perspectives can be grounded in flexible format replication theory (Jonsson and Foss 2011), which claims that firms that are global replicators act differently across countries and over time with regard to format transfer. In this theoretical approach, it is highly relevant to a firm to connect replication with learning to improve replication over time. Within the scope of this theory, the distinction between the “idea concept” and the “concept in practice”—more precisely, the distinction between core and peripheral format elements—is made. This idea is comparable to the concept of a design hierarchy in product development. Certain functional or unique features will remain fixed, whereas others may change in response to customer or market requirements (Clark 1985). Thus, format elements are adapted to a greater or lesser degree in a respective country over time. Those arguments are supported by recent empirical studies, first in general and then in the specific field of fashion retailers. Furthermore, theoretical (format replication theory by Winter and Szulanski 2001) and empirical views lead to a conceptualization of format element changes over time, which implies learning effects within an organization that result in changes in the design of core and peripheral format elements. First, the theoretical framework proposes changes in the design of format elements over time. Second, format element changes across countries are assumed. To conceptualize format element changes across countries, I again rely on arguments from flexible format replication theory and empirical studies (e.g., Swoboda and Elsner 2013; Jonsson and Foss 2011).

## *II. Specification of successful format transfer strategies*

### **1. Introduction**

In this chapter, format transfer patterns in combination with specific context factors are observed and merged into successful strategies. Patterns represent important recurring structures that define representative samples of international firms (Goldman 2001; Gonzalez-Benito et Al. 2005). Retail firms transfer characteristic patterns and thus business structures abroad. The paramount relevance of patterns in international retailing is shown in the literature (see, e.g., Pioch et al. 2009; Bengtsson 2008; Burt et al. 2008; Alexander, Quinn and Cairns 2005; Goldman 2001). Furthermore, specific context factors must be observed to be able to characterize a retailer's strategies or strategy types (Goldman 2001). This view can be viewed in parallel with contingency theory arguments. Contingency theory claims the need to examine firm strategies in different contexts (Miles and Snow 1978). Thus, contingency theory can

be considered the basis from which to conceptualize strategies or strategy types (i.e., to combine patterns and specific context factors). Furthermore, contingency theory argues that context-specific designed strategies are equally successful, which originates from the equifinality concept of contingency theory. In the following section, I accordingly conceptualize the option of equally successful strategies.

In summary, two issues are addressed. First, arguments for a context-oriented view of strategies will be derived from contingency theory. Those arguments are supported by recent empirical studies, first in general and subsequently in the specific field of fashion retailers. Both theoretical and empirical views lead to a conceptualization of patterns, relevant context factors and strategies or strategy types. Second, to conceptualize the relationship between strategy and success, I again rely on arguments from contingency and configuration theory and on empirical studies.

## 2. Patterns and context factors as the basis of format transfer strategies

### *Patterns*

Contingency theory does not accept a complete randomness of combinations of variables but instead proposes harmonic inclusion in a value-adding holistic structure (Wolf 2000, p. 21-22) because factors such as firm experience result in narrowed randomness. According to Lawrence and Lorsch (1967, p. 3), a well-balanced package of strategies, structures, processes and management is necessary to achieve an effective organization. Dess, Lumpkin and McGee (1999) follow this argument in terms of a holistic approach and consider four main organizational components: strategy, structure, process and culture. Within the scope of format transfers, different structures regarding the standardization and adaptation of format elements are expected (Swoboda and Elsner 2013). Consequently, I will define, theoretically underline and conceptualize different format transfer patterns as an important foundation of format transfer strategies.

By definition, international replicators typically transfer format elements that are standardized because of cost pressures and because their activities are highly integrated (Moore and Fernie 2005; Goldman 2001). However, context factors may also exert pressure to partly adapt format elements. I do not focus further on integration but rather concentrate on standardization versus adaptation, as flexible replicators can adapt or standardize different format elements (Jonsson and Foss 2011).

Consequently, I will examine what options international replicators have with regard to standardization and adaptation. Those options will be called patterns. Patterns are specific schemes that (temporarily) exist and that continue to influence future processes depending on specific context factors (Sydow, Schreyögg and Koch 2009).

Certain format transfer patterns can be developed and distinguished that enable the assessment of differences between firms. Drazin and Van de Ven (1985, p. 522) explain as follows: "The tasks for theorists and researchers adopting the systems definition of fit are to identify the feasible set of organizational structures and processes that are effective for different context configurations and to understand which patterns of organizational structure and process are internally consistent and inconsistent."

With respect to retail business, Goldman (2001) identifies different format change patterns based on the number of changed format elements. Retail firms must decide whether they want to transfer their format elements unchanged or adapt them to a certain extent. If changes must occur, then the decision regarding which format elements will be changed must be considered. A fashion retailer that transfers five out of 28 format elements in a standardized form shows a different pattern than a firm that transfers 20 format elements in a standardized form. Consequently, different combinations of standardized and adapted format elements lead to different format transfer patterns.

In this study, I conceptualize format transfer patterns according to the number of standardized and adapted format elements based on the work of Goldman (2001) and Swoboda and Elsner (2013). Goldman (2001) identifies two generic transfer patterns. The first pattern is a fully standardized transfer of all retail format elements. The second pattern consists of all other transfer options bundled into an adaptation transfer pattern.

I apply this concept to the fashion business in this study and conceptualize two format transfer patterns:

- First, there are replicators/fashion retailers that focus on realizing the benefits of a fully standardized and integrative approach by implementing standardized formats across countries. Format elements are developed centrally and transferred fully unchanged into foreign countries. Therefore, the information and knowledge primarily flow in one direction (i.e., from the headquarters to foreign subsidiaries that are then identically designed and thus comparable across nations). The goal is to implement the strategy dictated by headquarters by acting as a pipeline for benefits and strategies (Swoboda, Elsner and Morschett 2012). One further reason for this behavior, in addition to cost and coordination advantages, is to ensure success in global competition. This leads to a fully standardized format transfer pattern.
- Second, there are replicators/fashion retailers that incorporate benefits from some local adaptations but simultaneously exhibit a high level of integration. These replicators show a certain degree of sensitivity to host country administration and lo-

cal customer needs in the adaptation of goods and services offered. Thus, subsidiaries are more autonomous, and activities are more geographically scattered. In many cases, foreign subsidiaries are relatively independent of headquarters (Swoboda, Elsner and Morschett 2012) and may have the freedom to slightly adapt certain format elements. More adaptation may be appropriate, as suggested by negative consumer responses to globalization; the psychological importance of fashion to consumers, cultures and societies (Horn and Gurel 1981); and the important international variance in climate and human physiology (Wigley, Moore and Birtwistle 2005). Thus, it is possible to have global competition with a local flavor. This leads to a slightly adapted format transfer pattern.

### *Context factors*

To be successful, retailers adjust format transfer patterns in view of specific context factors that may force retailers to change the format transfer in a country or across nations. I use contingency theory and combine it with the two format transfer patterns discussed above to conceptualize different context factors.

Context factors are defined as external and internal factors that influence format decisions and the decision to transfer into foreign countries. The central assumption of contingency theory is that a firm can be efficient only if the organizational structures and the behavior of its members are adapted to particular context factors (the congruence-efficiency hypothesis) (Donaldson 1999). For example, Rasheed (2005) examines the external fit between equity and non-equity entry modes and success and investigates how the moderating effects of domestic and foreign environmental context factors influence this relationship. Various context factors act simultaneously on a firm; as a result, numerous design issues must be resolved (Snow, Miles and Miles 2005). The congruence hypothesis posits that good coordination between the context factors and organizational parameters is required. Finally, there is a common understanding in contingency theory that a firm must achieve a fit with its external context factors and among its internal context factors (e.g., Siggelkow 2001; Venkatraman and Camillus 1984).

*External* host country conditions may restrict a firm's skill to recognize the capabilities rooted in the format. According to Calof and Beamish (1995), I understand external context factors as consisting of factors that are outside of a firm's direct control, such as legal regulations, competition, the overall economic development or different climate zones which are in particular relevant for the fashion business.

However, such external conditions may also create opportunities for retailers to leverage format advantages. Studies of the transfer of retail formats to developing economies emphasize the difficulties confronted by modern retail formats in such contexts. These studies identify consumers, supply and distribution conditions, gov-

ernment policies and the domestic retail system as limiting standardized format elements (e.g., Goldman 2001; Huang and Sternquist 2007). Katsikeas, Samiee and Theodosiou (2006) argue that companies must standardize their marketing strategies across countries if there are cross-national similarities in regulatory conditions, customs and traditions, consumer characteristics, stages in product life cycles and levels of competitive intensity. In addition, companies must adapt their products to foreign countries if there are strong cross-national differences in the economic and socio-cultural macro-environments (Schilke et al. 2009). For the external environment, reference may be made to multiple studies with a view of the relevance of the environment to organizations as well as the configuration of standardization and adaptation. The research group around Boddewyn showed that the marketing activities of U.S. MNEs in Europe from 1973 to the early 1980s were marked by increased standardization efforts. However, beginning in the early 1990s, a reverse trend toward greater adaptation occurred (Boddewyn and Grosse 1995). This trend was explained by differences in governmental regulation, customer preferences and habits of national solidarity, competition and technical needs. Similar results from Oezsomer, Bodur and Cavusgil (1991) demonstrate a correlation between the standardization of marketing strategies and parallels to host country conditions. Chhabra (1996) also indicates that the primary reasons for the adjustments in the marketing strategies of U.S. multinationals in South America were variances in market infrastructure, legal regulations and language. This finding is consistent with the work of Doty, Glick and Huber (1993), who conceptualize and link different patterns with external contingency factors. According to contingency theory, a certain (external) situation implies certain structural decisions in which relative situations are expressed. Consequently, it may be concluded that the development of structural design is predetermined when context factors change in some way (Drazin and Van de Ven 1985; Goldman 2001; McGauran 2001). I adopt this concept and apply it to the present study's fashion context.

With regard to the *internal* environment, those context factors are analyzed less as a result of the focus on external strategy–success relationships (Wiklund and Shepherd 2005). Based on Calof and Beamish (1995), I consider a firm's internal environment to consist of factors that are under the firm's control, such as knowledge and experience abroad or profitability management.

Evans, Treadgold and Mavondo (2000) consider characteristics such as firm size and ownership in explaining different levels of success. Other scholars, such as Pederzoli (2006) or Vida, Reardon and Fairhurst (2000), examine international experience and financial power. Factors such as the economic advantages of global sourcing, the use of advanced technologies and the intent to standardize must be considered within the scope of format transfers. Additionally, the use of specialized knowledge and

financial resources must be considered (Goldman 2001). The benefits generated from global operations and limitations on utilizing such operations in foreign countries have been broadly discussed in the internationalization literature (Craig and Douglas 2000; Prahalad and Doz 1987). Furthermore, a distinction at the context factor level is important. There may be context factors that apply in general and others that apply only in a respective country.

In order to gain a holistic view on context factors which are applicable for the global fashion industry I conceptualize context factors in three sections based on contingency theory and previous research:

- Political and economic development (external)
- Customer, competitive and supplying conditions (external)
- Resources and competencies (internal)

These context factors are of particular importance for retailers because changing a format leads to costs, difficulties and risks. Such a change typically requires resources and may be associated with reduced effectiveness, damage to a firm's global standing and forfeiting scale and standardization advantages (Goldman 2001). However, benefits may also be earned from adapting the format to the new context to satisfy local needs (Goldman 2001). At the same time, standardized transfers can generate costs, difficulties and risks because format elements may be costly to transfer and may continue to be irrelevant in the foreign economy. These negative consequences must be evaluated against the potential benefits that a retailer may obtain from maintaining the format intact with certain adaptations. These considerations are influenced by external and internal context factors (e.g., Evans, Mavondo and Bridson 2008; Goldman 2001). Retailers must consider many context factors, such as differences in demand structures. Furthermore, retailers must ensure that the legal environment allows them to enter the market and to operate their business. Martenson (1987) uses a case study to show that differences in the external environment—particularly with regard to differences among customers and the retail environment—lead to major adjustments in retail strategies. In today's retail environment, the level of technology may be an important context factor because consumers desire to research products at home, in a store or during the drive between the two. Consumers can compare and consider prices, availability and product satisfaction before making a buying decision all from their smartphones or tablets. Today's consumers are vocal and rank products and services through the digital world via social media, such as Twitter and Facebook. Furthermore, the strategic importance of a particular country may be an important context factor in determining the amount of resources that a firm is willing to expend to achieve success in that country. Consequently, within the scope of this study, the concept presented from Martenson (1987) will be applied to

the fashion business. McGoldrick (1998) postulates that most retail formats must be adapted, at least to a certain extent, to suit the specific conditions of a foreign market. Bianchi and Arnold (2004) conduct a case study to show that success depends on considering host country factors. These researchers recommend an adjustment of the "retail offer" to country-specific needs involving customers, suppliers, employees and other business partners.

Both internal and external context factors can force retailers to deviate from their pattern of transferring their format to a foreign country. Apart from the fully standardized format transfer pattern that was conceptualized earlier, some retailers consider themselves global but deviate slightly from this pattern as a result of influencing context factors. Legal requirements in China, for example, force retailers to adapt their retail format because local firms must be involved in the area of background processes. Another example may be local customer preferences; a retail firm that aims for a standardized format transfer pattern may want or need to adapt parts of the retail offer, such as price, to local requirements.

#### *Format transfer strategies*

Two format transfer patterns were conceptualized: a standardized format transfer pattern and a slightly adapted format transfer pattern. I now link format transfer patterns with the context factors driving them. As a result, specific format transfer-contingent strategies are conceptualized. However, format transfer patterns must be considered in a holistic context. For retail firms, patterns are particularly important because of the vast number of format elements consisting of retail offers, background processes and retail culture that are transferred.

Gabrielsson, Gabrielsson and Seppälä (2012) argue that the appropriateness of a specific marketing strategy depends on the fit with the context in which it is deployed and depends on context variables that may be both external and internal to a firm (Hultman, Robson, and Katsikeas 2009; Zeithaml, Varadarajan, and Zeithaml 1988). The strategic management literature argues that a focused strategy is required in a competitive environment to align an organization with critical environmental resources, to capitalize on the organization's distinct competences and to achieve a competitive advantage (Porter 1990, p. 38-40). Consequently, the "best approach" is the approach that fits the organizational and environmental constraints and contingencies (Wetherbe and Whitehead 1977). As previously mentioned, I apply the contingency perspective, according to which patterns and context factors lead to strategies.

Numerous definitions of international strategies exist. However, most authors refer to a continuum of advantages involving integration, coordination and globalization ver-

sus advantages involving adaptation, responsiveness and localization in describing their strategy; this approach results in four different strategy types (Harzing 2000).

- Global firms are defined as building cost advantages through economies of scale, and competition occurs on a global level (Bartlett and Beamish 2013, p. 201; Bartlett and Ghoshal 1989, p. 14). Global retailers can realize economies of scale by standardizing their retail format and geographically concentrating their most relevant operations, assets, skills and responsibilities. Information moves mainly unidirectional, from the headquarters to foreign countries. Their most important activity is to implement and execute the strategy provided by the headquarters (Swoboda, Elsner and Morschett 2012).
- Multinational firms are categorized by their sensitivity to host country administrations and local customer preferences, by the differentiation of their retail offers, by the independence of their subsidiaries and by geographically distributed operations. Retail offers are adapted to meet local needs effectively. Host market subsidiaries are relatively autonomous with respect to one another and with respect to headquarters (Bartlett and Beamish 2013, p. 201; Swoboda, Elsner and Morschett 2012; Bartlett and Ghoshal 1989, p. 14).
- Bartlett and Ghoshal (1989, p. 16-17) and Sundaram and Black (1993) claim that a transnational strategy incorporates the benefits of global integration and local responsiveness. However, this orientation may not be easy to implement because simultaneous coordination in the firm is required for both, global integration and local responsiveness. Wasilewski (2002) postulates that a transnational orientation is a preferable model. According to Bartlett and Ghoshal (1989, p. 17), many firms must become transnational in character in the increasingly diverse, complex, and dynamic international business environment because unidimensional strategies are inappropriate for attaining competitive advantages. Furthermore, a transnational strategy enables a firm to achieve the different and sometimes contradictory goals of cost efficiency, customer responsiveness and learning at the same time on an international basis (Devinney, Midgley, and Venaik 2000). Strategies that are fundamentally multidimensional require a firm to gain the skills to effectively manage these objectives (Devinney, Midgley, and Venaik 2000). Bartlett and Ghoshal (1989, p. 17) perceive such capabilities as necessary for survival in the new international business environment. In summary, transnational firms aim to adapt to their host countries and gain efficiency at the same time (Swoboda, Elsner and Morschett).
- International firms (home market oriented) adapt only slightly to foreign countries and do not integrate their foreign units, which appear to be an extended division of headquarters. International firms use the abilities and knowledge created in their home markets in the worldwide distribution of retail offers. Host country operations



are executed as a security instrument for the home country, and the foreign units are highly dependent on the home country (Bartlett and Beamish 2013, p. 201; Swoboda, Elsner and Morschett 2012; Bartlett and Ghoshal 1989, p. 14-15).

The most common means of characterizing an international marketing strategy is along the standardization-adaptation dimension (e.g., Jain 1989). From this perspective, international marketing strategies are differentiated according to the degree of standardization (versus adaptation) pursued with respect to one or more of the format elements (e.g., product, price, promotion) (Lim, Acito and Rusetski 2006). In the present study, the combination of standardized and adapted format elements is conceptualized as format transfer patterns.

- Applied to the present study, I conceptualized two format transfer patterns that combine with context factors. First, external context factors, such as macroeconomic and consumer preferences, may support format transfer patterns, in which case, a firm is not forced to adapt. The retailer meets the same target group of consumers, and there is a fit with context factors. Regarding internal context factors, firms might not have the ability to adapt to different markets. In addition, firms may not recognize the necessity of adapting their retail formats for various reasons. Thus, a global strategy is characterized by the application of uniform format elements (e.g., pricing, distribution) across different national markets. If a fashion firm such as Adidas transfers its retail format in a largely standardized pattern into foreign markets because of internal and external context factors that force the firm to do so, then the firm is employing a global format transfer strategy. Retailers confront high cost pressures that lead them to exploit economies of scale (Gielen and Dekimpe 2001). Global firms aim to realize cost efficiency by globally applying economies of scale, which firms can achieve by standardizing their retail offers and geographically concentrating their most important activities, resources and responsibilities (Swoboda, Elsner and Morschett 2012). Fashion replicators/retailers focus on realizing the benefits of global integration by implementing standardized corporate reputation and brands across countries (Swoboda, Elsner and Morschett 2012). A global strategy requires a centralized operational structure in which decisions across national borders are coordinated through centralized planning that is aligned with the overall corporate strategy (Prahalad and Doz 1987, p. 157). An integrated firm can deliver the same product worldwide at a higher volume and thus at a lower unit cost. The means of these integration benefits is a standardization of format elements across countries (Asmussen 2008). Traditional fast fashion retailers such as Zara and H&M, in addition to luxury fashion retailers such as LVMH, are known to be highly integrated firms with globally standardized rather than locally adapted brands (Goldman, 2001). If a fashion firm shows a format transfer pattern that includes an unchanged format in combination with context factors

which do not force the retailer to adapt such as low geographic distance from the host country, good knowledge or experience in the foreign country, retention of the brand and reputation of the format and a high level of technology in the host country, then a standardized format transfer strategy is the result.

- In contrast to a global strategy, some firms are forced to adapt their retail format in foreign countries because of macroeconomic pressures. An additional context factor which forces retailers to adapt are consumer preferences (e.g., Burt, Johanson and Thelander 2011). Respective retail studies show that firms change their strategies over time (e.g., Jonsson and Foss 2011; Winter and Szulanski 2011). Regarding internal context factors, firms have the ability or flexibility (knowledge) to adapt their retail formats.

Consequently, a transnational strategy is characterized by tailoring elements of the marketing mix to the needs of each market (Kim, Acito and Rusetski 2006). Transnational firms aim to adapt to foreign countries and realize efficiencies concurrently. Such firms' resources, responsibilities and knowledge are distributed across all foreign subsidiaries. Knowledge can evolve in several countries and can be conveyed to other countries (Swoboda, Elsner and Morschett 2012). The format transfer pattern shows some adaptation of the format elements with regard to retail offers, background processes and retail culture, while a global brand appearance remains. This phenomenon is also known as glocal strategy (Alden, Steenkamp, and Batra 2006; Steenkamp and De Jong 2010). In combination with context factors such as differences in demand structures or preferences, differences in sourcing and distribution conditions, and different levels of technology in the host country, a slightly adapted format transfer strategy can be expected. If a fashion firm such as Under Armour transfers its retail format in a pattern of standardized and adapted format elements into foreign markets because of internal and external context factors such as customer preferences that force the firm to adapt to some degree, then the firm will exhibit a transnational format transfer strategy.

Table 3-5 summarizes the characteristics of the two conceptualized format transfer strategies.

Organizational characteristics	Global	Transnational
Configuration of assets	- Centralized and globally scaled	- Dispersed, interdependent and specialized
Role of foreign operations	- Implementing parent company strategies	- Differentiated contributions by national units to integrated worldwide operations
Potential influencing context factors	- Low geographic distance of the host country - Good knowledge or experience in the foreign country - High level of technology	- Differences in demand structures - Differences in conditions of sourcing and distribution - Different level of technology in the host country

Table 3–5: Organizational characteristics of format transfer strategies

Source: Own creation based on Bartlett and Ghoshal (1989, p. 65).

The combination of retail format transfer patterns and the respective context factors leads to specific retail format transfer strategies, as posited by contingency theory and shown empirically by Goldman (2001). According to these arguments, the integration of both strategies remains at a high level and leads to two strategies for format replication (see Figure 3-11).

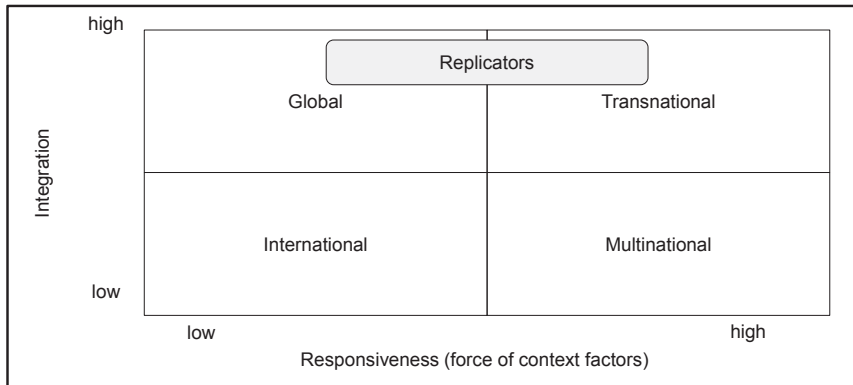


Figure 3–11: Replicators in the IR-framework

Source: Own creation based on Bartlett and Ghoshal (1989, p. 218).

Consequently, based on the specialties existing in the fashion business and the common understanding that fashion firms are all replicators, I conceptualize two format transfer strategies based on the typologies found in Bartlett and Ghoshal (1989, p. 14-17) and Prahalad and Doz (1987, p. 140). In the application of contingency theory, the following proposition is made:

- P1:** Two format transfer strategies exist for format replicators in the fashion industry: (a) a global strategy and (b) a transnational strategy.

### 3. Success of format transfer strategies

After the conceptualization of two format transfer strategies, the link to success is subsequently made. The consideration of success can be particularly justified by its importance for theoretical and managerial insights. For the purpose of this study, I define success as a combination of financial and organizational success (e.g., Cavusgil and Zou 1994; Swoboda and Elsner 2013), which is observed overall (on a corporate level) and in different countries (on the level of certain subsidiaries). Choosing a format transfer strategy is an important decision, and I expect this decision to influence success. Furthermore, two different levels of success will be conceptualized within the scope of this study because success can be based either on objective data or on the (subjective) perceptions of management (e.g., annual financial statements and financial reports). The research consensus is that success is a multidimensional construct that must include both financial and non-financial variables (Katsikeas, Leonidou and Morgan 2000; Swoboda and Elsner 2013). Within the scope of the present study, the financial and non-financial variables are combined into one variable.

The strategic fit perspective proposes that the fit between strategy and its context has significant and positive implications for success (Venkatraman and Prescott 1990). For this study, the central assumption of a fit between strategy and retail formats that leads to superior success is based on the works of Siggelkow (2001) and Meyer, Tsui and Hinings (1993).

Contingency theory suggests that success can vary widely. However, these variations are not random. Success depends on the appropriate matching of contingency factors with internal organizational designs that allow appropriate responses to the environment (Xu, Cavusgil and White 2006; Zeithaml, Varadarajan and Zeithaml 1988). This concept is already represented in the combination of format transfer patterns and context factors in this study. The key element of contingency theory is that success results from a fit between the characteristics of structural organization and context factors (Donaldson 2001, p.2). There is a common understanding in contingency theory that a firm must achieve a fit with its external context factors and among its internal context factors. Internal fit addresses the alignment among firms' dimensions, such as structure, strategy and process (Siggelkow 2001), whereas external fit refers to the link between organizational structure or strategy and a firm's external context factors (Venkatraman and Camillus 1984). In addition, organization theory stipulates that a firm's success is dependent on the fit with the situation in which it is operating (Galbraith 1973, p. 1ff.). Fit between the organizational structure and con-

text factors leads to greater success, whereas misfit leads to lower success (Donaldson 2001, p.288). Accordingly, assuming that these dimensions are defined as configurations that represent a coherent ensemble, they represent more than the sum of individual variables. "The gestalt or configuration of an organization is likely to be a more potent determinant of its effectiveness than any of the individual components of this configuration" (Khandwalla 1973, p. 493). Furthermore, according to Gestalt thinking, success can be specified based on the relevance of structural, systemic and cultural design dimensions by which successful companies are characterized with ideal patterns of corresponding construct arrangements (Xu, Cavusgil and White 2006). As a result, based on contingency theory and former research, retail firms are successful when they achieve external congruence among the context factors and structural, systemic and cultural dimensions, and when they achieve an internal consistency of these dimensions (Xu, Cavusgil and White 2006).

Extending the idea of contingency theory, the configuration approach adopts a holistic perspective implying that multiple contextual and structural variables should be analyzed simultaneously to achieve progress in the relationship between context and structure and to explain success (Drazin and Van de Ven, 1985). After the identification of different strategies, configuration theory calls for an investigation based on equifinality to determine whether the different strategies are similarly successful. In addition, the configuration approach incorporates equifinality, which departs from the notion of contingency theory that there is only one best method of organizing in each given situation (e.g., Clegg and Dunkerly 1980). Configuration theory ideally calls for a review after the identification of gestalts if there are several different gestalts that are equally successful in complying with the concept of equifinality (Miller 1981). However, management theorists and scholars have acknowledged that there is more than one way to organize effectively, more than one strategy that maximizes profitability and more than one leadership style that achieves organizational goals. For example, Slater, Olson and Hult (2006) empirically examine the Miles/Snow typology of competitive strategies and prove that such a successful action, beginning with a clear strategic orientation, affects the entire future strategy. Ketchen, Thomas and Snow (1993) show that theoretically derived forms explain success in a better way. Furthermore, the IR-framework assumes that IR-compliant typologies lead to superior success because they represent a fit between internationalization strategy and specific context factors (Harzing 2000).

Transferring the theoretical insights to this study and to the topic of format transfer strategies, it could also be argued by Bartlett, Ghoshal and Birkinshaw (2004) and Wasilewski (2002) that transnational firms are more successful than other strategy types. However, there is no clear empirical evidence for this position with respect to international fashion firms. The question is not whether this "ideal shape" actually

exists; rather, the question is whether such a shape is actually successful. In the field of this study in which fashion retailers are regarded as either following a global standardization strategy or a slightly adapted transnational strategy based on pressures from context factors, it may be expected that slightly adapted format transfer strategies are more successful than strategies with greater adaptations.

Regarding the influence of format transfer strategies on success, two effects can be distinguished: all of the strategies may exhibit equal levels of success, or one strategy may prove to be superior. Therefore, I can conclude that the effect of format transfer strategies on success deserves further investigation (Xu, Cavusgil and White 2006).

In total, nine empirical studies analyze the success of international retailers by focusing on antecedents of success, such as psychic distance (Evans, Mavondo and Bridson 2008; Evans and Mavondo 2002), the timing and mode of entry (Gielens et al. 2008; Gielens and Dekimpe 2001), advertising (Fam and Yang 2006), the degree of internationalization (Assaf et al. 2012; Etgar and Rachman-Moore 2008) and international strategies (Swoboda and Elsner 2013; Swoboda, Elsner and Morschett 2012). Case study-based analyses conclude that transnational retailers are the most successful (e.g., Treadgold 1990/91; Bartlett and Ghoshal 1989). This result emphasizes the notion that retailers are more successful when they respond to local markets and achieve global integration simultaneously. This study is only the tenth in this area but is the first with respect to the fashion industry, which represents a great asset of this research. In addition, all previous studies focus on either the headquarters or country level. The present study considers both levels to provide a holistic picture of the success of retail firms.

In the present study, I conceptualize the success of format transfer strategies theoretically according to the equifinality concept and empirically based on the work of Cavusgil and Zou (1994). Furthermore, I distinguish between the headquarters level (success in general) and success in two dedicated countries to provide further insight into this under researched area in the retail sector. After establishing the relevant format transfer strategies, I expect that those strategies are equally successful (Ginsberg and Venkatraman 1985). This approach is supported conceptually and empirically by several scholars (e.g., Slater et al. 2006). Consequently, it can be assumed that format transfer strategies are similarly successful if they are implemented sufficiently and match to specific context factors (Swoboda, Elsner and Morschett 2012; Venaik, Midgley and Devinney 2004; Taggart 1997). Because the concept of equifinality assumes that there are multiple organizational designs or forms that are equally effective (Doty, Glick and Huber, 1993), the following proposition is made:

- P2:** The transfer strategies of replicators in the fashion industry, particularly global and transnational strategies, are equally successful.

*III. Specification of the design of core and peripheral format elements*

1. Introduction

In this chapter, format elements are observed with regard to their transfer abroad. According to Goldman (2001), format elements consist of retail offers, background processes and retail culture. The importance of the retail format is shown in the literature by the trend in retail firms toward different format transfer strategies. Thus, format elements are accordingly conceptualized while confronted with the question of whether single format elements are transferred in standardized or adapted form. This view has a parallel to format replication theory based on Winter and Szulanski (2001). Format replication theory claims the need to design almost similar selling points that offer characteristically constant products or services (Winter and Szulanski 2001). Thus, format replication theory appears to be appropriate to conceptualize retail format elements and their transfer into foreign countries.

In summary, three issues are addressed. First, format elements and their general degree of standardization will be conceptualized based on the work of Goldman (2001) and format replication theory (Winter and Szulanski 2001). Here, theoretical and empirical arguments lead to general assumptions concerning the degree of standardization of retail culture, retail offers and background processes as well as the distinction between core and peripheral format elements. Second, in addition to a general level of standardization within the firm, I observe the transfer of the three retail format elements in different countries and again rely on the arguments of format replication theory as well as empirical studies (e.g., Swoboda and Elsner 2013; Jonsen and Foss 2011; Winter and Szulanski 2001). Third, the connection with format transfer strategies is established to observe the potential differences regarding the design of retail culture, retail offers and background processes in global and transnational firms.

2. Design of the retail format

The present study adopts the definition of Goldman (2001), who divides the retail format into three parts:

1. retail culture
2. the retail offer
3. background processes

*Retail culture* characterizes existing norms, concepts, rules, practices and experiences (Goldman 2001). More generally, retail culture helps firms to evaluate situations

and to address challenges (Goldman 2001). Retail culture refers to the manner in which similar or related activities and processes (in different countries) should be harmonized with one another (Porter 1986). The advantages of an existing retail culture are warranties of single-decision conformity to overall strategy, as well as the uniform appearance and reduction of coordination challenges between different countries. The advantages of low levels of retail culture are a higher degree of motivation, entrepreneurial initiative and creativity offered to foreign employees. Retail culture comprises format elements such as finance and investment planning, strategic controlling and wider cultural features, such as HRM (Swoboda, Foscht and Cliquet 2008).

*Retail offers* are the visible parts of the format (Goldman 2001). Format elements that are visible to the consumer are also known as marketing instruments and are primarily investigated with regard to the 4P classification of McCarthy and Perreault (1993): product, price, promotion and placement. This traditional typology has its weaknesses with respect to retailing companies because of the inherent proximity of these companies to consumers (Wigley and Chiang 2009; Dawson 2007). Retail format elements also refer to store location, product assortment, retail branding, pricing, communication, store configuration and additionally offered services (Davies and Liu 1995). The most comprehensive list is provided by Mulhern (1997), consisting of store location, store format, store layout, product assortment, price, advertising, sales promotion and customer services.

*Background processes*, as the invisible part of the format, can generally be defined as the use of sequences of work and problem-solving approaches on a worldwide level (Manrodt and Vitasek 2004). Srivastava, Shervani and Fahey (1999) divide background processes into the planning and supply chain areas. Accordingly, planning-related background processes are conceptualized in this study as the development of approaches according to the marketing values, principles and technology employed in the planning and preparation of decision making (Griffith, Hu and Ryans 2000; Walters 1986). Furthermore, Pauwels and Matthussens (2006) conceptualize supply chain-related background processes as purchasing and logistics strategies and processes in every country of operation. Pederzoli (2008) shares the view of supply chain processes as purchasing and logistics in every country of operation; they are defined as an integrative connection between purchasing and logistic processes (Swoboda et al. 2008; Pederzoli 2008). The accelerated development of low-margin, high-turnover retailing through larger self-service stores and supermarkets has placed increased pressure on supply chain systems and has necessitated improvements in stock handling (Alexander 2008). Based on the literature, Table 3-6 summarizes the potential retail format elements.



<b>Retail format elements</b>			
<b>Retail offers</b>	<b>Background processes – Planning</b>	<b>Background processes – Supply chain</b>	<b>Retail culture</b>
Location	Market & Trend Analysis	Sourcing/Buying	Finance & Investment Planning
Store Format	Location Planning	Selection of Suppliers	Strategic Controlling
Store Layout	Store & Space Planning	Procurement Logistics (inb.)	Restructurings in Foreign Subsidiaries
Price	Assortment Planning	Inventory Management	HRM of Top-Positions
Service	Forecasting	Allocation	Rules
Communications	Planning of Customer Service	Logistic Processes	Management Culture
Promotions	Markdown Planning	Distribution Logistics (out-bound)	Human Resources Management

Table 3–6: Possible retail format elements

Source: Own creation.

After the specification of format elements, the question remains as to how retail format elements can be designed.

Format replication theory (Winter and Szulanski 2001) argues that firms categorize core format elements by defining an information set, i.e., a “full and correct specification of the fundamental, replicable features of a business model and its ideal target application” (Jonsson and Foss 2011, p. 1081). Those core elements build important values and lead to habits, i.e., format elements and routines that are replicated unchanged, and they allow for large-scale replications that are neither fully visible nor imitable to competitors (Jensen and Szulanski 2007, 2008; Winter and Szulanski 2001). Furthermore, format replication theory introduces the concept of the Arrow core, which accounts for the knowledge of which elements are replicable. Consequently, because learning must be acquired, the Arrow core cannot support the initial decision of format element design (Winter and Szulanski 2001). Moreover, Jonsson and Foss (2011) postulate that core and peripheral elements are designed in conjunction with the market-based learning of retail firms, which is particularly important for format transfers to heterogeneous environments. These authors postulate that retailers allow for frequent variations in peripheral format elements (e.g., prices) but seldom change core elements (e.g., background processes). Jonsson and Foss (2011) agree that core and peripheral format elements are challenging to identify but include demand- and supply-side factors and therefore retail offers, background processes and retail culture (Goldman 2001; Elsner 2012).

The literature contains numerous studies examining international marketing in the spectrum between standardization (compared with the home market) and adaptation (compared with the host country market) (e.g., Zou and Cavusgil 2002). These two options can be characterized as follows:

- The fundamental goals of standardization are the harmonization of market presence and the retail brand, a simplified capability for cross-border planning and expansion, and leveraging synergies. Competitive advantages can be considered in achieving critical mass and economies of scale and scope (i.e., increased efficiency).
- The fundamental goals of adaptation are penetration and increasing market share, competitive profiling and greater communication effectiveness. Competitive advantages consist of addressing customer needs better and the ability to adapt to market changes within the scope of effectiveness.

As shown in the literature review, some scholars discuss standardization versus adaptation in international marketing. Others focus on context factors that affect the adaptation decision in host markets (e.g., Pederzoli 2006). In addition, many researchers conclude that successful formats cannot be transferred unchanged into host markets (Swoboda and Elsner 2013; Jonsson and Foss 2011; Bianchi and Ostale 2006). Others are dedicated to the context factors of increased adaptation to the markets, such as market structure and business practices (Pederzoli 2006).

Firms vary in the degree of adaptation and standardization across the various format elements. For example, price and communication are more adapted to local market conditions, whereas product and distribution strategies tend to be more standardized (Cavusgil and Zou 1994). According to Salmon and Tordjman (1989), product assortment and advertising are adapted, whereas store layout, pricing and service strategies are standardized. This combination of standardized and adapted elements of the "retail offer" is supported by Clarke and Rimmer (1997), White (1995) and McGoldrick and Ho (1992). Swoboda and Elsner (2013)—building on Jonsson and Foss (2011)—distinguish between core and peripheral format elements and greater or lesser standardization based on market-based learning. In theory, core retail format elements may be transferred primarily unchanged as a result of advantages such as economies of scale (e.g., Jensen and Szulanski 2007; Winter and Szulanski 2001), and adaptations as an answer to market-based learning may be slow (Jonsson and Foss 2011). Core elements are standardized across countries among global-oriented firms, whereas most multinational retailers also aim to standardize those elements because of market-based learning (Elsner 2012). I employ this concept in the present study and aim to further distinguish between core and peripheral format elements. Gielens and Dekimpe (2001) show that store format elements that are already employed in the headquarters and that are new to the foreign economy are the most successful.

Based on the work of Jonsson and Foss (2011) and Swoboda and Elsner (2013), two different designs of core and peripheral format elements can be found in the literature:

1. Jonsson and Foss (2011) find that lower-level elements (e.g., marketing efforts, pricing) are allowed to differ across stores based on market-based learning, whereas higher-level elements (e.g., values, firm vision) are replicated similarly throughout stores. Applied to the present study, this finding leads to the proposition that retail culture is transferred unchanged.
2. Second, Swoboda and Elsner (2013) identify core format elements simultaneously in retail offers and background processes. It is notable that their results are stable in psychically close and distant markets. As a result, the scholars cannot generally draw conclusions about the standardization of processes or high-level features and the adaptation of offers or low-level value chain activities (Jonsson and Foss 2011). Applied to the present study, this finding leads to the proposition that some elements of the retail offer and background processes are standardized while others are adapted.

As a consequence of the partly controversial results regarding format elements in the work of Swoboda and Elsner (2013) and Jonsson and Foss (2011), the distinction between core and peripheral format elements in the retail fashion business must be empirically justified.

- P3:** Among the format transfer elements, the retail culture is more standardized than (a) retail offer elements and (b) background process elements.
- P4:** Among the format transfer elements, some retail offer elements are standardized (core), whereas other retail offer elements are adapted (peripheral).
- P5:** Among the format transfer elements, some background process elements are standardized (core), whereas other background process elements are adapted (peripheral).

### 3. Format elements in the context of different countries

In this section, I study the design of format transfer elements in different countries. I intentionally focus on two heterogeneous countries featuring most of the applicable fashion firms (these countries are culturally different and both economically attractive). My choice of countries was also guided by the idea that France is one of the leading fashion nations in the world, whereas China is one of the largest and fastest-growing economies in terms of fashion. Thus, both countries are economically attractive. Many retail firms entered China in the 1990s and thus had the chance to accumulate country specific learnings (Jonsson and Foss 2011; Goldman 2001). Currently, no competition can be expected between those two countries. Since all firms in this study are from western cultures, France will be culturally close and China cultur-

ally distant. The choice was also based on the expectation of a high necessity for adaptation in attractive markets (with regard to pressure) and a willingness to adapt (with regard to readiness). France and China contrast with less attractive and smaller markets that operate in a less structured manner. Consequently, both countries are attractive for fashion firms and differ with regard to distance. After the conceptualization of format element design, the next step is to further observe format elements within the scope of the transfer to foreign countries. The goal is to formulate propositions on which format elements are transferred equally (with regard to standardization versus adaptation) into culturally heterogeneous but economically attractive countries. Format elements in the context of different countries are conceptualized with the assistance of cross-national or cultural distance (e.g., Berry 2010; Evans and Bridson 2005), the development of country traits (e.g., Goldman 2001) and market attractiveness. Format replication theory serves as the theoretical base for the transfer of format elements to different countries.

#### *Transfer of retail culture in different countries*

As discussed above, according to Goldman (2001), retail culture characterizes existing norms, concepts, rules, practices and experiences. Format replication theory, with its concept of the Arrow core, emphasizes that knowing which elements are replicable (Winter and Szulanski 2001) is essential for transferring format elements to different countries. This statement is supported by theories of organizational learning. Accordingly, retail culture can be expected to be transferred unchanged because of the concept of the Arrow core. If retail culture were not part of the Arrow core, then the firm would not be able to determine which elements are replicable (Winter and Szulanski 2001).

Empirical studies show that firms expand their routines through experience (Levitt and March 1988; Zollo and Winter 2002) and knowledge (Cohen and Levinthal 1990; Walsh 1995) by determining which old routines can be used in new settings and which cannot and then by combining the successful routines with new routines; thus, they retain what is productive and weave new routines into their repertoires (Levitt and March 1988). Dawson (2007) postulates that the internationalization process involves three major transfers of culture to the new market:

1. The transfer of the complete culture and business model of the firm
2. The transfer of the skills to adapt to the country
3. The transfer of operational procedures of retailing

For format replication to occur, assimilated experience must be shared with the rest of the firm (Steen and Liesch 2007), including the internal resources of a firm, such as rules and norms (Goldman 2001). This process can be viewed as independent of a respective country and its cultural distance to the home market. A firm must always

develop structures and competences that further enable exploration of experiential knowledge about foreign economies to transfer the format successfully (Eriksson et al. 1997). Consequently, retail culture must be transferred unchanged to any country. However, it could be argued that some firms do not intend to transfer their format based on experiential knowledge. Such firms could have a strong brand and could transfer their format unchanged to secure this asset. In any case, retail culture enabled those firms to collect experiential knowledge, regardless of whether they choose to further use this asset. Understanding the transfer of a home-market-based advantage to host markets may be viewed in alignment with the replication-as-strategy view and the importance of knowledge transfer of the format (Jonsson and Foss 2011). As discussed above, affiliates have become important collectors and distributors of knowledge, which is relevant to remaining successful in global competition (Holm and Sharma 2006; Schlegelmilch and Chini 2003; Frost and Zhou 2000; Kogut and Zander 1993). Consequently, similar retail culture across different countries can be expected to be the foundation of a retail format.

Bringing conceptual and empirical knowledge together leads me to the following proposition:

- P6a:** The transfer of the format element of retail culture is equal among (a) culturally distant, economically attractive countries and (b) culturally close, economically attractive countries.

#### *Transfer of retail offers in different countries*

Theoretically, format replication theory by Winter and Szulanski (2001) considers that retail offers are part of the Arrow core. Consequently, retail offer elements are frequently standardized. At the same time, the view of retail offers being visible to customers does not support this idea because retailers desire to offer appropriate products to customers. According to format replication theory and the concept of the Arrow core, it can be assumed that retail offers are more likely to be adapted in developing or culturally distant countries because of their psychic differences from the primarily Western countries of global replicators.

In an empirical study, Evans and Bridson (2005) conclude that a substantial proportion of retail offer adaptation may be explained by cultural distance. In particular, differences in market structure, business processes and language between the home and foreign markets significantly increase the extent to which retailers adapt offers. Evans and Mavondo (2002) examine the concept of psychic distance and organizational success in international retailing, with the basic premise that firms are successful abroad when the country is culturally similar to the host country (Stöttinger and Schlegelmilch 2009). This negative relationship between cultural distance and success is attributed to the relative greater ease of understanding and learning about

close countries (Johanson and Vahlne 1977; Nordstrom and Vahlne, 1994). In addition, Calantone et al. (2006) support this rationale and observe that within culturally close markets, one can assume a high degree of standardization of retail offer elements. Swoboda and Elsner (2013) show empirical differences with regard to culturally close and distant markets. The scholars also show that the determination of success is not significantly different according to different adaptation levels in culturally close and distant countries. However, the overall attractiveness of the market may lead or even force retail fashion firms to adapt their retail offers. Examples of the high level of market attractiveness of culturally distant countries often include the large amount of potential customers and explosive economic growth. A culturally close country such as France is attractive because of its strong buying power. The combination of theoretical and empirical arguments leads to the following proposition:

- P6b:** The transfer of retail offers occurs (a) in a more adapted form in culturally distant, economically attractive countries compared with (b) more standardized transfers to culturally close, economically attractive countries.

#### *Transfer of background processes in different countries*

In the present study, background processes are understood as the design of planning and supply chain-related processes (Pederzoli 2008, Swoboda and Elsner 2013). At this point, the question of standardizing versus adapting background processes in different countries will be the focus. There are few studies within the scope of international retailing, and the majority are in the field of procurement (e.g., Johansson and Burt 2004; Fernie 1992). Coe and Hess (2005) and Coe and Lee (2005) focus on the overlap between the store and procurement levels. These authors note that retailers require increased adaptation to host market conditions compared with other industries. However, the scholars conclude that general statements are not possible because of the variety of options (Coe and Hess 2005). Johansson and Burt (2004) and Johansson (2002) refer to the degree of vertical integration as the central influencing factor in the configuration of supply chain processes. The more firms integrate those processes and control them centrally, the easier it is to replicate supply chain processes. Thus far, only Swoboda and Elsner (2013) cover supply chain processes and marketing processes in detail. First, the authors show that both types of processes are more standardized than marketing offers; second, these processes are different but not clearly distinguishable with regard to standardization in close and distant countries.

With regard to cultural distance, as previously summarized for retail offers, the reasons for retail offer adaptation may not be fully applicable to background processes. Differences in market structure, business processes and language between the

home and foreign market discussed by Evans and Bridson (2005) do not have a significant effect on background processes compared with retail offers. However, I assume that it is more challenging to standardize planning and supply chain processes in distant countries because of differences with host countries and local pressures (e.g., legally mandated collaboration with a local logistics service provider). In more attractive markets, the adaptation will be driven by the firm itself because of the sales potential. Given the resulting push of retail fashion firms to be present in an attractive market, a firm would likely prefer to install proven processes to ensure proper operations.

**P6c:** The transfer of the background process elements occur (a) in a standardized form in culturally distant, economic attractive markets and (b) similar to culturally close, economically attractive countries.

#### 4. Format elements in the context of different format transfer strategies

In this section, I make the link between the format elements that consist of retail culture, retail offers and background processes to format transfer strategies. The conceptualized format transfer strategies (global versus transnational) are both characterized by a high degree of integration but by varying levels of adaptation or standardization of format elements. Therefore, the major question is how strongly the format elements are standardized within both international strategies. This view extends beyond the fact that by definition, retailers following a global strategy standardize more elements than retailers following a transnational strategy. This point is particularly important because of different views in the literature. Jonsson and Foss (2011) claim that only upper-level elements (culture) are core and thus transfer unchanged. By contrast, Swoboda and Elsner (2013) show that both core and peripheral format elements exist in retail offer and background processes, and these elements influence success in a country in different ways. In other words, the standardization of core elements and the adaptation of peripheral format elements lead to success. Furthermore, I expect format replicators with different strategies to behave differently.

In the present study, I expect that global-oriented fashion retailers standardize all of their format elements. Consequently, from a theoretical perspective, the Arrow core includes all format elements: the retail culture, retail offer and background processes.

Theoretically, the goal is to replicate only those elements of the retail format that are replicable and that add value, ignoring replicable elements that fail to add value. Consequently, for global-oriented fashion firms, the Arrow core includes all format elements because all format elements create the highest value when they are transferred unchanged. The focus for a global-oriented fashion firm is reproducing the success enjoyed at a particular original site, which Winter and Szulanski (2001) call the "historical template."

With regard to a global strategy, the literature categorizes retailers as having high cost pressures. Thus, such firms are also required to achieve economies of scale (Gielens and Dekimpe 2001), which results in adherence to a global strategy. Salm-on and Tordjman (1989) support those statements and argue that global-oriented retailers prefer to integrate production and distribution processes. Adapting this logic to the fashion industry, those firms focus on realizing the benefits from global integration by implementing standardized corporate reputations and brands across countries (Swoboda, Elsner and Morschett 2012). Traditional fast fashion retailers, such as Zara and H&M, and luxury fashion retailers, such as LVMH, are known to be highly integrated firms with global rather than locally adapted brands (Goldman, 2001). In the general management literature, Bartlett, Ghoshal and Birkinshaw (2004, p. 344) conclude a global and central execution for global-oriented firms, which leads to the expectation of standardized background processes. Again applied to the case of retail, Jonsson and Foss (2011) support this assumption in showing that background processes do not change. A global strategy requires a centralized operational structure in which decisions across national borders are coordinated through centralized planning that aligns the overall corporate strategy (Prahalad and Doz 1987, p. 157). An integrated firm can deliver the same product worldwide at a higher volume and thus with lower unit costs. These integration benefits indicate a standardization of the format element across countries (Asmussen 2008). Accordingly, the present study formulates the following proposition:

- P7:** Retailers following a global strategy transfer all format element(s) to foreign countries in standardized form, namely, (a) standardized retail culture, (b) standardized retail offers and (c) standardized background processes.

For cases in which retailers are following a transnational strategy, it is unclear which format elements are standardized and which are adapted.

Theoretically based on format replication theory and the concept of the Arrow core, it might be assumed that retail culture will be standardized, as empirically shown by Jonsson and Foss (2011), who also show that changes occur only slowly over a long period of time.

For retail offers and for background processes, the expectation is not fully clear. Based on format replication theory, the Arrow core includes all of the information that accounts for the value-creating potential of the retail format when it is leveraged by replication (Winter and Szulanski 2001). The ultimate goal is to replicate only those elements of the retail format that both are replicable and add value and to ignore replicable elements that fail to add value. For transnational-oriented firms, this approach leads to the assumption that some format elements do not add value if they are repli-



cated unchanged. Consequently, only certain format elements may be adapted. Because it cannot possibly be available at the retail store, knowledge of the Arrow core must be acquired through experiential learning. Moreover, according to format replication theory, for a real functioning firm, the replication template would typically have elements that are not in the Arrow core—elements that are not relevant to its success and elements that are impossible to replicate (Winter and Szulanski 2001). Based on flexible format replication theory, Swoboda and Elsner (2013) empirically support the theoretical assumption that retail offers and background processes are partly core and partly peripheral.

Other scholars in the international retailing literature also emphasize the importance of adapting retail offers to local conditions (e.g., Bianchi and Ostale 2006). Consequently, some retail offers will be peripheral. Similar arguments can be made for background processes. Bartlett and Ghoshal (1989, p.16-17) and Sundaram and Black (1993) claim that a transnational strategy incorporates the benefits of global integration and local responsiveness. Consequently, retail format elements (particularly retail offers and background processes) must at least partly follow local responsiveness, which is consistent with the understanding of core and peripheral format elements. These arguments lead to the following proposition:

- P8:** Retailers following a transnational strategy transfer all core format elements in standardized form and all peripheral format elements in adapted form, namely, (a) retail culture, (b) retail offers and (c) background processes.

#### *IV. Changes in strategy over time*

##### *1. Introduction*

In this chapter, we observe changes in format transfer strategies over time, format element changes over time and format element changes in the two countries over time. More precisely, if a retail format is transferred into a culturally close country and into a culturally distant country, how is the format designed five years later in each respective country? Changes in format transfer strategies are addressed in the literature, and internationalizing firms appear to trend toward slight adaptations over time. For example, flexible format replication theory (Jonsson and Foss 2011) postulates the need to address experience-based format transfer strategies over time. Consequently, flexible format replication theory appears to be appropriate to conceptualize changes in format transfer strategies and format elements over time. In addition, format replication theory is helpful with respect to format elements. Based on format replication theory, learning occurs during the initial phase of format transfer (Winter and Szulanski 2001). This experience must be implemented subsequently over time and results in format element changes. Thus, format replication theory appears to be

appropriate for conceptualizing format element changes over time. The time horizon for this study was five years (between 2009 and 2013). A timeframe of five years appears appropriate because it is sufficiently short to include multiple firms in the examination and sufficiently long to analyze changes in format elements and transfer strategies.

Finally, format element changes in countries over time will be observed. The retail literature calls for such analysis because of the highly competitive, dynamic and consequently heterogeneous countries in which retailers operate. Again, flexible format replication theory based on Jonsson and Foss (2011) is applied. This view claims that the need to adjust formats is based on market learning abroad. Thus, flexible format replication theory appears to be appropriate for conceptualizing format element changes over countries.

In summary, the following three issues are addressed. First, format transfer strategy changes over time will be conceptualized based on flexible format replication theory (Jonsson and Foss 2011). Those arguments are supported by recent empirical studies, first in general and then in the specific field of fashion retailers. Second, theoretical (format replication theory by Winter and Szulanski 2001) and empirical views lead to a conceptualization of format element changes over time. Third, to conceptualize format element changes across countries, I again rely on the arguments of flexible format replication theory and empirical studies (e.g., Swoboda and Elsner 2013; Jonsson and Foss 2011).

## 2. Different strategy changes over time

In their case study, Jonsson and Foss (2011) show that firms such as IKEA required a long time to reach their present (flexible) replication strategy. In this timeframe, the firm shifted from an explorative to an exploitative approach of internationalization before shifting to the flexible replication mode. Jonsson and Foss (2011) do not expect retail firms to apply a flexible replication approach at the beginning of an internationalization journey. Jonsson and Foss conclude that this expectation is consistent with experiential knowledge (e.g., Petersen et al. 2003). I employ this notion and apply it to the fashion industry; consequently, I expect a change in format transfer strategies over a period of time. One further rationale for this expectation may be found in the conceptualization by Johanson and Vahlne (1977). More foreign knowledge and foreign commitment are the driving forces behind increasing internationalization. Consequently, changes in format transfer strategies may occur depending on knowledge accumulation.

However, I have conceptualized only two format transfer strategies and observed only a relatively short period of time. Thus, changes in international strategies might

not be significant. However, it can be expected that global retailers still replicate most of their format unchanged. Such firms are recognized as heavily coordinated and standardized across countries. Because a global strategy requires a centralized operational structure in which decisions across countries must be coordinated through centralized planning in aligning the overall corporate strategy (Prahalad and Doz 1987, p. 157), expectations for a strategy change should be considered weak. An integrated firm follows the goal of delivering the same articles worldwide. Consequently, if a firm shifts strategically from global to transnational over time, then the design of core and peripheral format elements may also be affected.

In addition to the first group, from a learning theory perspective, it can be anticipated that there are fashion firms that adapt parts of their format elements when transferred to foreign countries. This strategy is represented in a transnational orientation. Over time, such firms learn which format elements must be adapted when replicating the format in a respective country to be successful, which may lead to further adaptations and thus to a new format transfer strategy. Consequently, I expect a slight change in the format transfer strategy of transnational retailers over time.

The arguments discussed above lead to the following proposition:

**P9:** The transfer strategies of replicators change only slowly over time.

### 3. Format element changes over time

#### *Change in retail format elements based on format transfer strategy over time*

The two expected format transfer strategies (i.e., global and transnational) leave room for different expectations regarding the design of format elements over time.

For the global format transfer strategy, it may be proposed that the retail offer, background processes and retail culture will remain fully standardized. By contrast, the transnational-oriented format transfer strategy will follow the increased market dynamics in retail, leading to the proposal that retail offers and background processes will be a combination of core and peripheral elements, whereas retail culture will remain standardized over time. Because of market-based learning, transnational fashion firms are expected to adjust parts of their format element design to remain successful. Consequently, the transnational strategy tends toward further adaptation over time, which then urges the ratio of core to peripheral format elements toward a higher number of peripheral elements.

#### *Change in retail culture over time*

Steen and Liesch (2007) claim that for organizational learning to occur, the assimilated knowledge must be shared with the rest of the firm. This knowledge must include the internal resources of a firm, such as rules and norms. According to Goldman

(2001), rules and norms are incorporated into the retail culture. Consequently, learning capabilities and knowledge must be included in the internal resources of a firm, particularly when expanding to new environments. Each firm has its specific configuration of retail culture and develops structures and competences that further enable the search for experiential knowledge of foreign markets and institutions (Eriksson et al. 1997). Thus, the fundamental question is how firms convert individual insights and knowledge into collective knowledge and organizational ability (Lam 2004). Whereas some scholars argue that learning is basically an individual activity (Grant 1996; Simon 1991), most theories of organizational learning emphasize the importance of collective knowledge as a foundation of organizational capability. Collective knowledge is the gathered knowledge of an organization maintained as its guidelines, processes, habits and shared norms that guide the problem-solving activities and patterns of interaction among its members (Lam 2004). This knowledge can be found in the retail culture of a fashion firm.

As the knowledge that is generated by individuals is shared, organization-like subsidiaries take actions and develop common meanings (Huber 1991). Because of the existing retail culture, relationships become structured, and some of the individual learning and shared understandings established by groups become institutionalized (Oezsomer and Genctuerk 2003; Crossan, Lane and White 1999). Lastly, Jonsson and Foss (2011) claim with their flexible format replication theory that higher level features such as values are replicated uniformly. Consequently, it can be assumed that the largely unchanged transferred retail culture does not significantly change over time and that all retail culture elements will be core. These arguments lead to the following proposition:

**P10a:** Retail culture changes only slowly over time.

*Change in retail offers over time*

Theoretically, it can be assumed that a certain range of products must be available in every store to ensure a consistent go-to-market offering. Thus, those products must be core elements. However, certain variations caused by changing preferences may occur. Pricing may be an example of a peripheral element because prices must reflect the availability and quality of a certain product and therefore must be flexible (Jonsson and Foss 2011). Finding the appropriate price point is a learning experience that can take time. Additionally, new competitors can force fashion firms to adjust pricing over time. Location may be an element that is changed as a result of learning because the location may be tested and enhanced over time. Conversely, location may be an element that represents a consistent go-to-market offering and is therefore considered core for fashion firms. However, if the perception of customers changes with regard to the overall store layout, then changes are necessary to draw

customers into the store. Customers expect innovation and unique experiences in stores; thus, this format element is likely to change over time. Promotions and communication may also need to be adapted and consequently considered peripheral, whereas service should be standardized to achieve consistency. Format elements that are based on the latest technology are also likely to change, including promotions, price and all layout-related elements (Jonsson and Foss 2011). Expanding the arguments by distinguishing core and peripheral retail offer elements, it can be expected that even core retail offer elements will change over time for the reasons discussed above, and peripheral retail offer elements also change. This is theoretically supported by configuration theory as well as flexible format replication theory. However, it can be assumed that core retail offer elements do not change as dramatically as peripheral retail offer elements (Swoboda and Elsner 2013). Consequently, greater market dynamics with regard to changes in customer preferences are associated with a stronger pull toward flexible formats over time and a higher ratio of peripheral format elements compared with core format elements. These arguments lead to the following proposition:

**P10b:** Retail offers change significantly over time.

#### *Change in background processes over time*

At this point, the question of standardization versus adaptation of background processes in combination with organization learning will be the focus. The general management literature assumes standardized background processes for global firms, whereas transnational firms are considered to be more flexible with respect to adapted execution compared to a global strategy (e.g., Bartlett, Ghoshal and Birkinshaw 2004, p. 344). Accounting for learning, one can anticipate that best practices may be evaluated and implemented over time. For planning processes such as location or markdown planning, it can be anticipated that these processes are adapted and continuously enhanced because of former experience, whereas supply chain processes can be assumed to be standardized to realize economies of scale over time (e.g., Manrodt and Vitasek 2004; Gielens and Dekimpe 2001; Segal-Horn and Davison 1992; Prahalad and Doz 1987; Levitt 1983). Extending the arguments with the distinction of core and peripheral background process elements, it might be expected that core background process elements do not change over time. Conversely, peripheral background process elements will change slowly over time based on learning and experience (Swoboda and Elsner 2013). According to flexible format replication theory, core format elements are changed seldom. Consequently, background processes will change quite slowly over time due to the fact that the majority of background process elements are expected to be core. Background processes such as logistic processes are much more complex than retail offers such as store layout which results in greater challenges to change them. Furthermore, background

processes generate a significant portion of total costs of a retail firm (Einarsson 2008). Studies indicate that standardized background processes serve as a foundation for retail offers (e.g., Tacconelli and Wrigley 2009; Currah and Wrigley 2004).

These arguments lead to the following proposition:

**P10c:** Background processes change more slowly than retail offers over time.

#### 4. Format element changes in different countries over time

Flexible format replication theory argues the need to adjust formats based on learning abroad (Jonsson and Foss 2011). Host country-specific understanding is a driving force behind the success of international expansion because such experience cannot be immediately established (Barkema and Vermeulen 1998; Inkpen and Beamish 1997). Firms that have already spent a certain amount of time in a foreign country may have a competitive advantage in relation to firms that are not yet present in the respective market (Shaver et al. 1997). It can be assumed that the longer firms operate in a host country, the more capability they acquire through learning (Makino and Delios 1996). Consequently, firm weakness that is based on their foreignness can be eliminated (Zaheer 1995). Based on this statement, I conclude that there is a change in format elements across countries and over time based on learning arguments as well as based on the dynamics and the attractiveness of change in culturally close and culturally distant countries.

Various studies analyze different types of international experience. Yu (1991) studies international experience in general without reference to any specific country. Li (1994) measures the effect of global and regional know-how on the international expansion of service companies. Considering the retail fashion industry in the present study, I expect differences among countries with regard to format elements. Benito and Gripsrud (1995) examine three categories of international experience, namely, "in general," "country," and "activity" in relation to the location of foreign direct investment. These studies conclude that international learning experience is an important factor for international success. In general, I expect significant changes when international learning experience is applied to the retail fashion industry and format element changes across countries and over time. The question remains, how format elements change in different countries.

Attractive countries tempt firms more strongly to adapt to increase business. Even if a country is culturally distant such as China, firms might consider changes in their format elements although the general format remains stable. There is always the question of whether firms are able to change their format elements versus whether they are willing to change such elements. There are internal and external context fac-

tors that either force fashion retailers to change format elements or prevent them from making changes.

Regarding retail culture, I expect only slow changes over time and across countries. Format elements of the retail culture such as finance & investment planning, strategic controlling, as well as rules and management culture have a foundational character which is driven by the headquarters. Those elements cannot be easily adapted in different countries. Culturally distant countries such as China have to follow the same rules as culturally close countries such as France. As a consequence and applied to the present study and retail culture, I expect only slow changes over time and across countries independent of cultural distance as a result of the foundational/enabling character of this format element.

Regarding retail offers, I expect significant changes over time and across countries, particularly in culturally distant and economically attractive countries. An example of a culturally distant and economically attractive country is China. Many international retailers entered China in the 1990s, in conjunction with their entrance into other emerging or high-volume BRIC (Brazil, Russia, India and China) countries, and have thus accumulated country-specific knowledge based on local learning and adaptation to the local environment (Swoboda, Pennemann and Taube, 2012; Jonsson and Foss 2011; Goldman 2001). Furthermore, China is branded by high penetration rates of big foreign retailers in different retail segments, in addition to strong domestic retailers. Other emerging countries have yet to reach this balance (Swoboda, Pennemann and Taube, 2012). Finally, China is the largest retail market for fashion and the second-largest market for groceries worldwide (A.T. Kearney 2011). With respect to format element changes over countries over a time period, I expect to observe adaptation and changes over time because of the high-level dynamics in a culturally distant and economically attractive country. In more detail, I expect that core format elements will be more standardized over time while peripheral format elements will be more adapted. Conversely, a culturally close and economically attractive country may impose less change over time because there is less need for such change. However, mature international markets such as France and Germany show an increasing level of competition and commercial saturation (Mollá-Descals, Frasquet-Deltoro and Ruiz-Molina 2011), which lead to the argument regarding changes in retail offer elements as well.

Regarding background processes, I expect that background processes change more slowly than retail offers over time and across countries. The recombination of experience and learning is an important asset of internationalized retailers within the scope of format transfer. The internal (ideally bidirectional) exchange of best practices within an organization is an example of exploitation-type learning. The resulting knowledge of the retail format can be assumed to be more settled and less diverse

than the new knowledge (Oezsomer and Genctuerk 2003). However, retailers might easily find themselves locked into pursuing operational efficiency at the cost of overall effectiveness in different countries (Kyriakopoulos and Moorman 1998). Nevertheless, retailers that emphasize exploration at the expense of exploitation are likely to suffer the costs of experimentation without gaining its benefits. In particular, in the efficiency corner where background processes are located, retailers tend to secure their operations by not adapting. Conversely, the trend of highly concentrated distribution channels, increasing internationalization, the emergence of international competitors, outsourcing and the reevaluation of business models to adapt to customers' changing tastes leads to the assumption of at least some changes in the area of background processes over time and across countries (Mollá-Descals, Frasset-Deltoro and Ruiz-Molina 2011).

Regarding culturally distant countries, it could be argued that background processes also underlie the described dynamics of those countries and are consequently more likely to change over time compared with culturally close and more mature countries. Because of the focus on efficiency in the area of background processes, I expect that background processes change more slowly than retail offers over time and across countries.

For long-term survival and success to be feasible, foreign subsidiaries must actively manage the tradeoff between the strong path dependence of exploitation and the liability of exploration (Oezsomer and Genctuerk 2003). Applied to the present study, international fashion retailers benefit from collecting and distributing locally built, experiential knowledge regarding the retail format on a constant basis. This perspective of flexibility and constant organizational learning or validation in the process of retail format transfer is consistent with flexible format replication theory (Jonsson and Foss 2011). Theoretically, flexible format replication theory complemented with the arguments of Bartlett and Ghoshal (1989) lead to the following proposition.

These arguments lead to the following proposition:

- P11:** The transferred format elements of replicators change more rapidly over time in culturally distant and economically attractive countries than in culturally close and economically attractive countries, while
- a) retail culture changes only slowly,
  - b) retail offers change more strongly and
  - c) background processes change more slowly compared with retail offers.



## Chapter 4: Empirical study of the fashion industry

### A. Introduction

To appropriately answer the propositions, the approach of a qualitative study at two points of time was chosen. A qualitative approach is applied because qualitative data are collected to learn more about that which cannot be directly observed and measured and to be able to access the opinions and choices of core decisions makers (CEO's) in international retailing firms. This procedure also allows for analysis of the development and success of retailing firms—overall and in a country-specific environment—over a period of five years. I am aware of the possible disadvantages of qualitative empirical research (e.g., less structured methods and less standardized questionnaire-based results). However, qualitative research allows for a longer relationship with each respondent and results in deeper insights that have a greater potential for new insights (Aaker, Kumar and Day 2001, p. 184-202). In this study, large international retail firms were examined, and personal interviews were conducted at the headquarters of these international firms.

The structure of this chapter has four parts: in part B of this chapter, the sample design is presented, followed by the measurement in part C (divided into a general section and a country-specific section). The method used is discussed in part D. In part E, the results of the empirical study are presented in order according to the propositions.

## B. Sample design

As discussed above, there appears to be no other industry that has been more often classified as a heavy replicator than the fashion sector (e.g., Moore and Burt 2007). Fashion retailers are among the most creative and important international firms (Alexander and Doherty 2009, p. 102-103). The industry is one of the world's most internationalized and fiercely competitive retail sectors, although structural changes have transformed how fashion retailers conduct business. Comparing the different sectors of retailing shows that fashion has the highest portion of revenue earned from foreign operations and the average number of countries served. These retailers continue to be the most internationalized, engaging consumers in an average of 21.3 countries. Furthermore, I chose the fashion industry to ensure comparability between the chosen international firms and to facilitate a deep analysis over a five-year period (2009-2013). Another reason for the choice of one specific industry is that there are specific business models applied within fashion firms compared with the variety of models in the grocery retail industry, for example.

The international firms were chosen based on accessibility and their presence in two particular countries, China and France.

- China was chosen for theoretical and practical reasons. First, most international retailers entered China in the 1990s, compared with their entrance into other emerging or high-volume BRIC (Brazil, Russia, India and China) countries, and such retailers have consequently accumulated country-specific knowledge based on local learning and adaptation to the local environment (Goldman 2001). Second, China is characterized by high penetration rates of foreign retailers in different retail sectors, in addition to boasting strong domestic retailers; other emerging countries have yet to achieve this balance (Swoboda, Pennemann and Taube 2012). Third, China is already one of the largest retail markets, e.g., the second-largest market for grocery retailing and the largest retail market for fashion retailing since 2011 (A.T. Kearney 2011). Furthermore, China continues to be considered a difficult country in which to operate because it is diverse and because its development remains dynamic, with growth rates of economic expansion remaining in the double-digit range. Furthermore, many fashion firms operate with partners in China and utilize the local knowledge of local partners while simultaneously accepting a possible lack of control over activities in the country.
- France is known as the “fashion capital” of the world and is home to great designers such as Louis Vuitton, Christian Dior and Karl Lagerfeld. The country has advantages because of its reputation for fashion. Contrasted with other global fashion centers of the world—such as Italy, Brazil and the US—where most “large” fashion events have been launched in the last two decades, fashion events in France date back to the 1970s, including Paris Fashion Week, which was

launched in 1973 and remains among the largest global fashion shows. This event is organized by Mode à Paris, a fashion industry association that hosts various fashion events throughout the year. Paris Fashion Week includes 30 haute couture shows, 30 men's fashion shows and more than 100 women's ready-to-wear shows. Many consumers have frequently toured France to obtain firsthand experience of the beautiful fashionable lifestyles linked with the country. On the corporate level, global fashion firms face significant local competition, which emphasizes the choices in the country. The French fashion industry is fragmented, and this fragmentation (combined with weak market performance in recent years) has resulted in an increased level of rivalry (Marketline 2013). Consequently, the competition in France is intense, and growth rates are rather low because of the high market saturation levels. Finally, France was also named as one of the most important countries for the industry during roundtable discussions with executives.

The choice of the particular international fashion firms was twofold. First, the fashion companies should be considered worldwide leaders because such firms could be expected to differentiate their retail formats on a country-specific basis to obtain local competitive advantages. Second, the fashion firms should have own-retail businesses in France and China because I aim to investigate the largest core fashion country and culturally different countries. The latter is important because international fashion firms may change format transfer strategies in these heterogeneous contexts. This consideration narrowed the number of companies that could be chosen, and I contacted global players and selected fashion retailers that were present in the two major countries.

Using desktop research and various electronic and personnel sources, I identified 183 worldwide leading international retail firms from the fashion business. For this task, I used the global Planet Retail database as my standards for revenue, a foreign sales volume of at least 30% and the prerequisite to be present in China and France with their own operated stores (Planet Retail database 2009). In the second step, I chose three different business focuses—retail, wholesale and manufacturing—to represent the full variety of the fashion business (“retail” means that the firm began as a retail business, “wholesale” means that the firm began by selling goods to retailers before the firm opened its own stores, and “manufacturing” means that the firm first began to produce goods before it engaged in forward verticalization with the opening of its own operated stores). All three business focuses are of particular importance because fashion is an industry that is heavily verticalized and because of the need to provide a holistic view of the industry. However, a prerequisite was that the chosen retailers operated own stores in the selected countries France and China. This process yielded a potential sample of 69 firms. In the third step, I conducted interviews with firm representatives to determine whether they were familiar with the selected

firms. In general, C-level executives were personally informed of the study, and an interview was requested at each firm's headquarters first electronic mail, and then by telephone calls two weeks later. Personally known C-level executives were approached in person about the study, and a request for an interview at each firm's headquarters was proposed. A total of 48 retail firms refused to participate in the study because they do not provide information to those outside of the company. Other retailers did not respond to mail and telephone calls. However, thirty-two executives from twenty-one firms volunteered to contribute to this research. I attempted to contact two respondents within each firm for the analysis to strength the stability of the results. In total, 40 managers were interviewed in their headquarters. The sample group consists of twenty-one C-level executives and nineteen heads of departments, such as international business development. There were only two cases in which a second respondent was not available. In the timeframe between 2009 and 2013 only four C-level positions (and thus interview partners) changed. In other words, more than 80% of the C-level executives were the same in the timeframe between 2009 and 2013. The second respondent for each firm changed over time in approximately 50% of cases between 2009 and 2013. All interviews were oriented exclusively toward the retailing activities of the examined firms.

The final sample includes companies operating in a variety of business models. The list includes the world's No. 1 luxury fashion company (Louis Vuitton), the world's No. 1 and 2 sports companies (Nike and Adidas), the world's leading eyewear companies (Luxottica and Oakley), the world's leading jeanswear companies (Levi's, Wrangler and Lee), the world's leading outdoor company (The North Face), the world's leading family-owned shoe companies (Ecco and Clarks) and the world's leading performance wear company (Under Armour). The companies also differed in their size, degree of vertical integration, sales volume, number of own-operated stores and international experience. In the table 4-1, the international fashion firms are classified in terms of their category, home country, revenue, foreign sales volume, international intensity (the ratio of foreign sales volume to overall sales volume), number of own-operated retail stores, fashion segment and business focus (described as the heritage of an operation). Although the firms are all vertically integrated, each firm began with a certain business focus that determines its point of view. At the time of the initial investigation in 2009, the firms had average sales of 3.67bn. Euros, with 772 own-operated retail stores, and by the second interview in 2013, the firms had average annual sales of 4.98 bn Euro. Information was also collected with regard to the profiles of the fashion firms: company size, sales, history, strategic orientation and the organization of global operations.

Firm	Home Country	Sales (Mio. EUR) 2009	Sales (Mio. EUR) 2013	Foreign Sales Volume 2009 (2013)	International Intensity 2009 (2013)	No. of own Retail Stores 2009 (2013)	Focus
Under Armour	USA	1,100	1,800	400 (600)	36% (33%)	100 (150)	WH
Fossil	USA	2,150	2,600	1,000 (1,200)	46% (46%)	200 (400)	RT
Triumph	GER	280	300	155 (160)	55% (53%)	80 (80)	RT
Adidas	GER	10,300	14,900	9,800 (11,200)	65% (75%)	2200 (2400)	WH
Clarks	UK	1,300	1,400	845 (900)	65% (65%)	1000 (1000)	RT
Tommy Hilfiger	USA	2,000	3,000	2,500 (2,600)	80% (86%)	1000 (1000)	RT
LVMH	F	18,900	29,000	9,800 (18,000)	51% (62%)	150 (200)	RT
Levis	USA	3,550	4,000	1,650 (1,800)	46% (45%)	1900 (2000)	MF
Luxottica	ITA	5,100	7,100	6,160 (6,400)	87% (90%)	5500 (6000)	MF
Oakley	USA	1,000	1,400	430 (500)	43% (35%)	150 (200)	WH
Nike	USA	18,500	22,000	8600 (11,200)	46% (51%)	700 (800)	WH
Reebok	USA	2,100	2,000	1260 (1,100)	60% (55%)	300 (200)	WH
Ecco	DK	5,050	8,050	2280 (3,000)	38% (38%)	240 (1000)	RT
7 for all Mankind	USA	280	350	140 (160)	50% (45%)	46 (50)	RT
Wrangler	USA	1,500	1,600	1000 (1,000)	67% (63%)	18 (20)	MF
Lee	USA	1,200	1,300	800 (900)	67% (69%)	40 (45)	MF
Eastpak	USA	400	450	200 (220)	50% (49%)	10 (12)	WH
The North Face	USA	1,000	1,600	700 (900)	70% (56%)	63 (90)	RT
Napapijri	ITA	400	600	300 (400)	75% (67%)	30 (35)	RT
Nautica	USA	800	800	500 (500)	63% (63%)	97 (110)	RT
VANS	USA	300	300	100 (100)	33% (33%)	262 (280)	WH

Legend: RT = Retail | WH = Wholesale | MF = Manufacturing

Table 4–1: Examined fashion firms in 2009 and 2013

Source: Own creation based on interviews.

As discussed above, interviews were conducted at the headquarters of the firms in 2009 and in 2013 to show development over time and to validate the responses over a certain time period (see interview guide in appendix). Each face-to-face interview lasted between 90 and 120 minutes. In all cases, the C-level interviews were conducted first. This procedure enabled discussion of incongruent information provided by a lower-level manager and the achievement of a congruent statement for each of the 21 firms during the interview periods. As indicated, for purposes of this study, I asked the respondents to evaluate the international standardization and adaptation of format elements in general as well as in China and France in particular. In all 21 cases, at least one of the interviewees was directly involved with the format transfer decisions, in general or in the two countries observed. I requested those resources already during the approach of the identified firms. The executives were asked to describe how the retail format differed from the home country in general (in the majority of foreign countries) and in China and France in particular. This procedure identified

the considerations underlying format transfer decisions and fostered discussion of their influence on the particular transfer decisions.

The executives were encouraged to freely discuss their experiences and evaluations. The respondents were often asked to summarize discussions of an issue by making formal, general judgments. In 2009, follow-up interviews were undertaken via phone calls in eight of the cases after an initial data analysis, with the aim of clarifying issues, collecting supplementary information and receiving feedback on tentative conclusions.

### **C. Measurement: in general and country specific**

#### *I. Overview*

The subsequent paragraph provides an overview of the different areas of retail fashion format replication. For the present study, a qualitative research approach with the help of interviews was chosen. The interviews were a combination of nondirective questions, including broad questions that allowed the interviewees much latitude in answering, and directive questions, in which the interviewees were asked specific questions, such as “please state whether the following retail offers of your company are (1) standardized or (0) adapted in general, i.e., in most foreign countries in which you operate, compared with the home country?” (McCracken 1988). Existing operationalizations for the development of statements were used.

#### *II. Retail format elements and strategy*

As discussed, retail offers, background processes and retail culture are distinguished for the retail fashion format in the states of complete adaptation and standardization (following Goldman 2001). To conceptually accomplish the variation of standardization and adaptation of the different format elements, a separate collection seems reasonable. Because there is no consistent measurement of retail offers, background processes and retail culture, I developed a list of items for each construct based on prior studies (e.g., Swoboda and Elsner 2013; Swoboda, Foscht and Cliquet 2008; Quintens, Pauwels and Matthyssens 2006; Goldman 2001; Srivastava, Shervani and Fahey 1999; Mulhern 1997).

The evaluation of retail format elements was obtained at the firm level and consequently in accordance with the general design of the format elements abroad and specifically in relation to the two selected countries (France and China). Furthermore, the respondents were asked to provide an assessment of whether the format elements are standardized (1) or adapted (0) in general across nations and in the two foreign countries in particular.

In summary, the basis for identification of internationally relevant format elements is consistent with former studies (Swoboda and Elsner 2013; Swoboda, Foscht and Cliquet 2008; Quintens, Pauwels and Matthysens 2006; Srivastava, Shervani and Fahey 1999; Mulhern 1997) with 28 items and according to Goldman (2001) on a binary scale (0/1). Table 4-2 summarizes the format elements examined.

Retail Format Elements			
Retail offers	Background Processes – Planning	Background Processes – Supply Chain	Retail culture
Location	Market & Trend Analysis	Sourcing/Buying	Finance & Investment Planning
Store Format	Location Planning	Selection of Suppliers	Strategic Controlling
Store Layout	Store & Space Planning	Procurement Logistics (inb.)	Restructurings in Foreign Subsidiaries
Price	Assortment Planning	Inventory Management	HRM of Top-Positions
Service	Forecasting	Allocation	Rules
Communications	Planning of Customer Service	Logistic Processes	Management Culture
Promotions	Markdown Planning	Distribution Logistics (out-bound)	Human Resources Management

Legend: Example of the questions asked (retail offers):  
 - Please state whether the following retail offers of your company are (1) standardized or (0) adapted in general, i.e. in most foreign countries where you operate in, compared with the home country?  
 - Please state whether the following retail offers of your company are (1) standardized or (0) adapted in China compared with the home country?  
 - Please state whether the following retail offers of your company are (1) standardized or (0) adapted in France compared with the home country?

Table 4–2: Measurement of retail format elements

Source: Own creation.

### *Integration responsiveness*

The work of Leong and Tan (1993) is an example of an operationalization that formulates the four international strategies (global, multinational, international and transnational) according to Bartlett and Ghoshal (1989, p. 14-17) and ask for a self-classification from interviewees. These authors demonstrate that the transnational type occurs least often, followed by the international and global types. The most frequently encountered orientation is the multinational type.

Regarding strategic orientation, the study focuses on three strategy types based on the expressions found in the work of Pla-Barber (2002) (see Table 4-3) and Harzing (see table 4-4). The respondents were asked to indicate which of the four statements in each section covers the basic strategic orientation best and which is second best.

During the personal interviews, I ensured that a clear decision was made (i.e., that one of the orientations was named at least twice) through feedback and statements.

Furthermore, each interviewee was asked to select the next best alternative to gain a deeper understanding of the thinking and strategic direction of the company.

<b>Orientation</b>	<b>Dimension: Achievement of competitive advantages</b>
	Our company achieves the ability of competition and strength in the international business by ...
global	... reaching cost advantages due to similar regional and global configured activities.
international	... using know how and capabilities of the headquarters due to worldwide implementation and adaptation of these capabilities.
multinational	...building a strong local presence due to feeling the needs of adaptation of the local particularity of the countries.
transnational	... networked resources. Foreign subsidiaries take over special tasks and operations between countries are connected.
	<b>Dimension: Strategic abilities and resources</b>
global	The strategic competencies and resources are centralized and aligned to all markets the company is in (regional and global).
international	The strategic competencies and resources are driven by headquarters in the home country and are distributed to the subsidiaries in the foreign markets.
multinational	The strategic competencies and resources are distributed internationally and every subsidiary in the foreign market acts independently.
transnational	Skills and resources are distributed to specialized foreign subsidiaries which heavily interact with other subsidiaries.
	<b>Dimension: Knowledge creation and distribution</b>
global	New knowledge is generated and tested centrally and directed regionally and globally in an equal manner.
international	New knowledge is generated only in the home market and is distributed to the foreign subsidiaries.
multinational	New knowledge is generated only in in countries of the foreign subsidiaries and is not transferred to others
transnational	New knowledge is generated by the headquarters and foreign subsidiaries and is exchanged also between the subsidiaries.
Legend: Please indicate which statement fits best to your company.	

Table 4–3: Measurement of basic strategic orientation within the scope of this study I

Source: Own creation based on Pla-Barber (2002, p. 149), Bartlett, Ghoshal and Birkinshaw (2004), Leong and Tan (1993).

<b>Axis</b>	<b>Statement</b>
Integration	Our firm focuses internationally on achieving economies of scale by concentrating important activities in a small number of international locations.
	Our competitive position has both a regional and a global orientation; competition is global.
Responsiveness	Our competitive strategy is multi-national, i.e. each foreign company deliberately acts alone/autonomously in order to generate domestic/international competitive advantages.
	Our firm is aware of the differences in buying behaviour/culture in different countries, and tries to react to them with customized services adapted on a broad basis to suit the markets concerned.
Legend: Responses on a five point Likert scale (Scale 1: I totally disagree to 5: I totally agree).	

Table 4–4: Measurement of basic strategic orientation within the scope of this study II

Source: Own creation based on Harzing (2000, p. 120).



### III. Context factors

Context factors that may affect the replication of the retail format in international fashion firms or that pose barriers to local standardization were measured in the present study based on Calof and Beamish (1995), who employ an open sequence in which they ask the interviewees to name context factors that have affected the mode change of their firms (see Table 4-5). Goldman (2001) also followed this approach in asking the interviewees to reconstruct the determinants which influenced format transfer. This method was adapted to the present question of the replication of retail fashion formats. The interviewees in this study were asked to identify the context factors that influence or hinder the standardization of format replication. For this, I provided the three areas of context factor categorization (1. political and economic development, 2. customer-, competitive- and supplying conditions, and 3. resources and competencies). In addition, the interviewees were asked to describe their firm's retail format in general and in the selected countries France and China in particular. I did not provide a list for the selection. The questions were open to ensure no possibility of interference in terms of a particular theory. After each interview, the context factors mentioned were grouped and integrated into the design of Ferring (2001). Furthermore, the interviewees were asked to rank the mentioned barriers of standardization based on importance.

<b>Political and economic development (external)</b>	<b>Customer-, competitive- and supplying conditions (external)</b>	<b>Resources and competencies (internal)</b>
- Restrictive laws (open time, advertising)	- Differences in demand or preferences	- Resistance of local management
- Economic development	- Differences in mobility	- Geographic distance of host country
- Level of technology in the des host country	- Differences in competition	- Image, brand, reputation of format
- Differences or in between missing infrastructure	- Differences in conditions of sourcing and distribution	- Knowledge, capabilities and experience in foreign country
- Legend: Based on the three areas of context factors, which factors are strategically important in terms of your retail format (barriers of standardization) in general? Are there differences between countries (France and China)?		

Table 4–5: Examples of barriers to format replication

Source: Own creation based on Ferring (2001).

In addition to the barriers to replicating retail fashion formats, further context factors were considered. Company size is a frequently used dimension of influence (Baker and Cullen 1993). The number of employees can also function as a guide (Pla-Barber 2002). In addition, foreign sales by region relative to overall revenue indicate international intensity. The segment and number of own stores are additional important parameters. In addition to the segment (high fashion, fast fashion, shoes, sports, young fashion and others), the business focus (retail, wholesale or manufacturing) has been included in the survey.

#### IV. Success

In the international management literature, success is a frequently considered construct. Success dimensions are categorized as objective and subjective. Objective measurements of success can also be divided into financial and non-financial indicators; sales growth and return on investment belong to the first group, whereas market share, as another commonly used success indicator, belongs to the second (Hult et al. 2008). The subjective indicators are also known as generic measures of success. Personal satisfaction regarding an achievement is frequently used, along with the relevance to key competitors. The literature has shown that objective and subjective measures of success are highly correlated, such that subjective data can be considered adequate in the absence of objective data (Dess and Robinson 1984). On average, success tends to be observed within the previous three years because a shorter timeframe is perceived as strategically inappropriate (Katsikeas, Leonidou and Morgan 2000). In particular, during the time of this empirical study, the examination of objective, non-financial and subjective indicators of success appeared to be useful because the majority of the firms suffered losses in revenue in 2008 and 2009 which leads to a more holistic view on success.

Success in the context of internationalization has rarely been examined. Rogers, Ghauri and George (2005) analyze profits and market share. Evans and Mavondo (2002) define success on the basis of concepts in the international management literature and relate directly to Cavusgil and Zou (1994). These scholars examine—based on the average of the last three years—organizational and financial performance and strategic effectiveness as subjective measures of success. This approach is followed in the scope of this study (see Table 4-6).

Dimension	Statements
objective	- How successful was your company on average over the past three years a) in general, b) in China, c) in France? [Please estimate as follows: [1] Declining/constant, [2] Increase up to 10%, [3] Increase of 11-20%, [4] Increase of 21-30%, [5] Increase of more than 30 %.]
(financial)	- Sales development
(financial)	- Development in return from overall capital
(non-financial)	- Market share
subjective	- Are you [1]"not at all satisfied" or up to [5]"very satisfied with development" - a) in general, b) in China, c) in France?

Table 4–6: Measurement of success

Source: Own creation based on Cavusgil and Zou (1994).

The average of the last three years was based on the combination of "objective" and "subjective" sizes on a five-point Likert-type scale, and a strategic effectiveness indicator (degree of satisfaction with the overall development in a country, from 1 for very unsatisfied to 5 for very satisfied) was obtained. Furthermore, the success of the entire firm—particularly with respect to the two selected countries—was explored.

#### **D. Method: Qualitative research**

There have been increasing calls (Hutchinson et al. 2007; Brown and Burt 1992; Sparks 1995) and recognition of the value of in-depth qualitative techniques, particularly with respect to the case study method based on qualitative primary sources (e.g., Moore and Birtwistle 2004; Picot-Coupey 2006). As research in this area remains at an early stage, it is necessary to first establish a context of discovery. In this area, qualitative research methods have their strengths (Wrona 2006, p. 189). Qualitative research considers research concepts that emphasize the context dependence of action.

In contrast to quantitative research, a sample of qualitative research is not statistically representative; rather, the focus is on the relevance and representativeness of the examined subjects (Lamnek 2005, p. 384). The selection of interviewees is conducted such that the results can be generalized and thus transferred to other cases (Friebertshäuser 1997, p. 373). The literature discusses a variety of criteria that attest to an expert status within the scope of qualitative research (Pfadenhauer 2007, p. 453ff.). A methodological and relational approach was in the foreground in the selection of experts. In other words, respondents are considered experts with respect to the research questions (Bogner and Menz 2005, p. 41). In addition to this understanding of the term “expert,” sociological aspects must be considered. Consequently, expert status is determined by the specific structure of the knowledge of respondents. Following Meuser and Nagel (2005, p. 73), an expert meets at least three general requirements. First, experts must have long-term experience in the area of the research subject. Second, experts must possess knowledge that is not freely accessible. Third, experts must be accountable for the drafting, implementation and control of the research subject. These three prerequisites are the boundary conditions for selecting experts. In addition, the willingness to participate builds the foundation. Particularly with respect to this study, the interviewees are senior executives; thus, challenges arise in finding time slots for the interviews.

Myers (2013, p. 7) distinguishes qualitative and quantitative methods by the use of text or numbers. Furthermore, qualitative research is characterized by different perspectives and diverse theoretical foundations (Flick, von Kardorff and Steinke 2008, p. 19). Finally, there is a fundamental difference in whether visual or verbal data are analyzed.

As previously indicated, the strengths of qualitative research are in discovery. Neglected parameters can lead to the generation of new concepts, hypotheses and theories. Furthermore, new perspectives are introduced into existing theories for clarification or expansion.

The use of qualitative interviews follows the decision of the interpretive paradigm. Respondents are given the opportunity to share their definitions of reality with the researcher (Lamnek 2005, p. 348). This process is also suited to the use of non-standardized interviews or, in particular, to describe complex processes and to explore motives for action (Gordon and Fleisher 2006, p. 3). The goal of qualitative interviews is to obtain accurate information from respondents with particular attention to their perspectives (Friedrichs 1999, p. 236). The findings and statements can contribute greatly to the exploration of a research problem.

Moreover, qualitative interviews frequently form the basis for subsequent representative surveys (Berekoven, Eckert and Ellenrieder 2006, p. 95). In the literature, a number of different interview techniques have largely been developed in the context of sociology and psychology (Hopf 2008, p. 350). The interview forms differ with the particular intention of the interview and the degree of standardization (Aghamanoukjan, Buber and Meyer 2007, p. 424-425). The openness of the questions and the analysis of the interviews between qualitatively oriented interview forms can be more or less similar (Kurz et al. 2007, p. 463ff.).

For the empirical analysis of this study, the qualitative expert interview was selected as a key research tool. An interview is a planned, scientifically oriented action in which the subject is introduced to verbal information through a number of specific questions or communicated stimuli (Lamnek 2010, p. 302). With this procedure, the preferences, recognized social orientations, habits, specific patterns of perception, and motives or goals of individuals may be analyzed. In general, a distinction between quantitative and qualitative interviews must be drawn. Whereas quantitative interviews are highly structured, qualitative interviews are characterized by a much more open and flexible process (Cairns et al. 2008). The qualitative interview was chosen in the present study because open-ended questions are typically used, and such questions lead to an extension of response freedom (Lamnek 2010, p. 310). Interviewees can subjectively incorporate significant details into their answers, thus giving the scholar receives a holistic picture of their experiences and opinions on replication. Moreover, in qualitative interviews, it is possible to make inquiries that help clarify and detect the authenticity of the information (Lamnek 2011, p. 345). As a result of these advantages, the qualitative interview is preferred despite the disadvantage of lower comparability (Lamnek 2010, p. 307).

Myers (2013, p.121) distinguishes three different types of qualitative interviews: the structured, semi-structured as well as the unstructured interview. The former is less standardized and constitutes an extreme form of open questioning, because it "animates to freely tell". Typically, the interviewer provides a topic, and the interviewee recounts his experiences and feels comfortable with (Myers 2013, p.119). Because

this type of survey is targeted and because of the risk that important aspects may not be addressed, the unstructured type of interview is not used in this study.

In contrast to an unstructured interview, a semi-structured or problem-centered interview represents a suitable form of interview for the present empirical study. Problem-centered interviews are among the forms of semi structured interviews (Mayring 2002, p. 67). These interviews are characterized by the use of an interview guide that guarantees some degree of comparability. The guide typically contains open questions to ensure that the respondents can answer freely and extensively and produce a relatively natural dialogue. Nevertheless, the interview is centered on a specific problem that the interviewer keeps in mind during the conversation. The order and formulation of key questions can be adjusted flexibly to the course of the conversation and to the respondents. Additional questions are also possible (Myers 2013, p. 122).

Because the problem-centered interview is characterized by openness and focus, this interview form is used in this study. First, this choice of method enables respondents to provide further detail on issues that are subjectively significant to them. Second, the guide ensures that all important predetermined topics will be addressed, which seems mandatory both for the determination of the replication depending on context factors and for the description of the retail fashion format.

Finally, it should be noted that the surveys in this study are referred to as expert interviews. According to Meuser and Nagel (2005, p. 73), experts have "privileged access to information about groups of people," which appears to be essential to answer the research questions.

Interviews of this type are conducted in accordance with a guide that continues to evolve during the interview (Kurz et al. 2007, p. 471-472). The author decides based on the situation whether he allows the interviewee to speak by employing the principle of openness or whether he returns to the guide for specific questions. Depending on the interview, important topics and special individual needs can be considered and adapted to the process (Lamnek 2005, p. 346).

## E. Results of the empirical study

### I. Introduction

This chapter covers the examination of the empirical data. The chapter begins with the identification of format transfer patterns, context factors and format transfer strategies and their success (E II). Subsequently, the design of core and peripheral format elements is presented (E III). Next, different format transfer strategy changes over a time period and format element changes in two countries (France and China) over a time period (E IV) are presented. For all areas of investigation, a comprehensive presentation of the results is given. The theoretically and empirically conceptualized propositions will be contrasted with the empirical results.

### II. Successful format transfer strategies

#### 1. Identification of patterns and context factors

To identify successful format transfer strategies, format transfer patterns in combination with context factors must be identified. The analysis consisted of a number of steps. I first classified the retail fashion firms into groups based on the number of adapted format elements in the transfer. The next step was to identify context factors driving the format transfer decisions and their classification based on insights gained from the literature review and the interviews. Ultimately, the fashion firms in each format transfer group were sorted on the basis of these context factors, which resulted in format transfer patterns. The bases are 28 format elements, seven each for retail culture, retail offers, and background processes.

The empirical observations from 2009 indicate the existence of three format replication patterns (see Table 4-7). Six firms adapt few format elements when transferring their format, seven firms adapt a limited number of format elements, and eight firms adapt many format elements when transferring their format abroad. I did not find cases in which nearly all format elements were modified. Consequently, fashion firms differ in terms of their format replication, and three format replication patterns for replicators were identified:

1. cases in which *few format elements* were transferred adapted
2. cases involving adaptation in *limited format elements*
3. cases in which *many format elements* were adapted

Executive summary judgments were used to classify a fashion firm into one of these three categories. The number of changes identified by the executives ranged from one to eighteen format elements.

Format replication pattern	Number of firms	Number of adapted format elements (range)	Example firms	Segment	Home market
Few change	6	1-5	Nike, Oakley, Tommy Hilfiger	High Fashion, Sports, Shoes, Lifestyle, Eyewear	USA
Limited change	7	6-10	Adidas, Fossil, Under Armour	Sports, High Fashion, Performance Wear, Eyewear, Jeanswear, Lifestyle	GER, USA
Many changes	8	11-28	Wrangler, Lee, Triumph	Underwear, Sports, High Fashion, Jeanswear, Outdoor, Lifestyle	USA, GER

Table 4-7: Format replication pattern groups

Source: Own creation.

Format replication pattern	Number of firms	Number of adapted format elements (range)	Example firms	Segment	Home market
Few change	6	1-5	Nike, Oakley, Tommy Hilfiger	High Fashion, Sports, Shoes, Eyewear, Lifestyle	USA
Limited change	7	6-10	Adidas, Fossil, Under Armour	Sports, High Fashion, Performance Wear, Lifestyle, Jeanswear, Eyewear	GER, USA
Many changes	8	11-28	Triumph, Lee, Ecco	Sports, High Fashion, Underwear, Jeanswear, Outdoor, Lifestyle, Shoes	USA, GER, DEN

Table 4-8: Format replication pattern groups in France

Source: Own creation.

Format replication pattern	Number of firms	Number of adapted format elements (range)	Example firms	Segment	Home market
Few change	7	1-5	Nike, Oakley, Tommy Hilfiger	High Fashion, Sports, Shoes, Lifestyle, Eyewear	USA
Limited change	8	6-10	Wrangler, Ecco, Adidas	Sports, High Fashion, Shoes, Jeanswear, Eyewear	GER, USA, DEN
Many changes	6	11-28	Levis, Napapijri, The North Face	Outdoor, High Fashion, Sports, Lifestyle, Jeanswear, Underwear	USA, GER, ITA

Table 4-9: Format replication pattern groups in China

Source: Own creation.

Tables 4-8 and 4-9 show the different groups of format replication patterns for France and China in particular. This grouping is of particular importance because, together with the respective context factors, the format replication pattern groups of the two countries will be the building blocks for the subsequent country-specific format transfer strategy.

The results indicate that a higher number of firms in France adapt many of their format elements (eight) compared with firms in China (six).

In general, the qualitative approach provided insight into the decision-making process of transferring retail formats into foreign countries. In nearly all cases, the decision-making process was well organized and systematic. Decisions were largely based on experience and partly based on consumer studies. Only in a few cases (high fashion) were anecdotal evidence and executives' impressions considered. This evidence shows that fashion retailers base their format transfer decisions on a variety of sources such as facts or subjective feelings.

In summary, fashion firms differ substantially with respect to adapted format elements (from few to many), and firms of every segment (e.g., high fashion and sports) are represented in the three format replication patterns.

Next, I will identify and discuss the context factors driving the format replication patterns of fashion firms.

#### *Context factors: three format replication groups*

As discussed above, the two main business goals of fashion retailers—the motivation to achieve global economies of scale and to adapt to local needs to gain effectiveness—is influenced by specific context factors. Following Calof and Beamish (1995), I inspected twenty-one fashion firms and identified key context factors driving each firm's replication decisions in general as well as for France and China. The combination of context factors with format replication patterns will lead to dedicated format transfer strategies. First, a general overview of named context factors will be provided before a detailed examination of France and China

In many cases, fashion firms were motivated by a combination of factors. Table 4-10 shows that more external factors were named for influencing format replications, which indicates the uniqueness of the fashion business. In other segments, there is the prevalent assumption that internal factors such as skills and resources form the basis for going abroad, whereas external elements lead to less adaptation. The interviewees indicated that internal factors are the foundation from which to adapt quickly and to a higher degree to external circumstances because of the high seasonality and short product lifecycles in fashion. The context factors, mentioned most were “differences in demand structures”, “size of stores”, country plays an important role in firm's strategy”, “level of technology in host country”, and restrictive legal provisions”. As conceptualized, context factors are of particular importance because they influence format transfer to a large extent.



<b>Political and economic development (external)</b>	<b>N</b>	<b>Customer-, competitive- and supplying conditions (external)</b>	<b>N</b>	<b>Resources and competencies (internal)</b>	<b>N</b>
Level of technology in host country	15	Differences in demand structures	20	Size of stores	18
Restrictive legal provisions	12	Different competitive environment	8	Country plays an important role in firm's strategy	16
Different climate zones	9	Geographical distance of host country	4	Turnover / Profitability management	8
Seasonality	4	Material requirements	2	Knowledge, skills and experience abroad	5
Overall economic development	4	Development of wholesale business implies the strategy	1		
		Different body requirements	1		

Table 4–10: Most important context factors for format replication in general

Source: Own creation.

### *Context factors characterizing the "few change" format replication group/pattern in general*

In general, the replication decisions of fashion firms conducting literally "as is" format replications were driven by the motivation to ensure that the operation would not endanger global operations. The members of this group were high fashion, sports and shoe companies who targeted a well-defined "global" segment. Management sometimes recognized incompatibilities between the conditions in the foreign country and the home market. However, having stable global operations was revealed to be more important. Although many locations are different, "our aim is to standardize our store layout as much as possible." In addition, according to one interviewee "every adaptation impacts profitability" and "has to be justified by increased sales." In fact, "the customer should have the same look and feel all over the world when entering one of our retail stores." Furthermore, because of the short time to market in the fashion business, "there is not much time to revise existing things." External context factors such as different climate zones (8), restrictive legal provisions (8) and seasonality (7) were the most named. Internal context factors such as the importance of a dedicated country (4), turnover / profitability management (3), and size of stores (3) influenced the format replication decision.

### *Context factors characterizing the "limited change" format replication group/pattern in general*

Fashion firms replicating limited format changes were driven by the belief that home formats performing well would be equally successful in foreign economies because the conditions were similar between many home and host countries. According to one interviewee "we try to standardize our format all over the world. We only need to adapt some format elements like store size if external factors like strong local competition make it necessary."

High fashion firms replicate most of their retail offer in standardized open stores carrying the same product assortments and similar store atmospheres, service and prices: "We want to ensure a homogeneous shopping experience for our customers." No supply problems are expected because such firms have worked with an exclusive number of suppliers for years. In all cases of differing formats compared with the home country, executives indicated different demand structures that frequently require an adapted offering. According to one interviewee "depending on what ranking a particular sport has in the country, the demand differs." External context factors such as restrictive legal provisions (4) and seasonality (2) were the most named. Internal context factors such as the strategic importance of a country (9), the different competitive environment (8), and turnover / profitability management (7) influenced the format replication decision.

*Context factors characterizing the "many changes" format replication group/pattern in general*

Fashion companies in this group were influenced by the opportunities in foreign countries, completely ignoring other considerations. These firms were driven by the motivation to exploit these opportunities quickly and to gain pioneering advantages. According to one interviewee "we are an agile company which can quickly react on business opportunities." For the entire format elements that differed compared with the home economy, executives named different demand structures and strategic reasons in which France plays an important role. External context factors such as differences in demand structures (9), different climate zones (6), different body requirements (6) and the geographical distance to the host country (6) were the most named. Internal context factors such as the size of stores (10), the strategic importance of a country (9), different competitive environment (8), and turnover / profitability management (7) influenced the format replication decision.

The comparison of the three identified format replication pattern group shows that more external context factors were named compared to internal context factors. However, the size of stores (10) is the most named context factor and this is an internal one. Fashion retailers are driven by the external environment and see themselves as either trend setting which does not imply much consideration of context factors or they define themselves as flexible which implies the willingness to adapt when it is necessary. Table 4-11 summarizes the results in general.

Context factor	Format replication pattern few change	Format replication pattern limited change	Format replication pattern many changes
<b>Political and economic development (external)</b>			
Level of technology in host country	10	1	4
Restrictive legal provisions	7	3	2
Different climate zones	6	1	2
Seasonality	3	0	1
Overall economic development	3	0	1
<b>Customer-, competitive- and supplying conditions (external)</b>			
Differences in demand structures	3	3	14
Different competitive environment	2	5	1
Geographical distance of host country	1	1	2
Material requirements	0	1	1
Development of wholesale business implies the strategy	0	0	1
Different body requirements	0	0	1
<b>Resources and competencies (internal)</b>			
Country plays an important role in firm's strategy	2	8	6
Size of stores	2	6	10
Turnover / Profitability management	1	5	2
Knowledge, skills and experience abroad	1	3	1

Note: The numbers indicate the number of responses of that specific context factor.

Table 4–11: Most important context factors for format replication in general

Source: Own creation.

### *Context factors in France*

In France, format replication pattern 1 (few changes) is characterized by the high importance of differences in demand structures and by the perception that France plays an important role in such firms' strategies. Furthermore, different climate zones were mentioned eight times by the interviewees as an influencing context factor. Format replication pattern 2 (limited changes) is characterized by a high importance of turnover and profitability management, restrictive legal provisions and differences in the competitive environment. Format transfer pattern 3 (many changes) is characterized by the size of stores, differences in demand structures and the importance of France in the overall strategy of the firms. According to one interviewee "France is a strategic country for us because French women are considered as very fashionable all around the world"; "if French people wear our collections, we can be sure it will be successful."

Thus, format replication pattern 1 is largely driven by political and economic context factors, whereas format replication patterns 2 and 3 are driven by customer, competi-

tive and supply conditions, in addition to the resources and competencies needed to adapt the retail format. Details are provided in Table 4-12 below.

Context factor	Format replication pattern few change	Format replication pattern limited change	Format replication pattern many changes
<b>Political and economic development (external)</b>			
Level of technology in host country	3	0	1
Restrictive legal provisions	8	4	3
Different climate zones	8	1	6
Seasonality	7	2	4
Overall economic development	3	0	1
<b>Customer-, competitive- and supplying conditions (external)</b>			
Differences in demand structures	2	2	9
Different competitive environment	3	8	2
Geographical distance of host country	3	5	6
Material requirements	0	1	0
Development of wholesale business implies the strategy	0	0	1
Different body requirements	0	1	7
<b>Resources and competencies (internal)</b>			
Country plays an important role in firm's strategy	4	9	7
Size of stores	2	6	10
Turnover / Profitability management	3	7	5
Knowledge, skills and experience abroad	1	5	1

Note: The numbers indicate the number of responses of that specific context factor.

Table 4–12: Most important context factors for format replication in France

Source: Own creation.

*Context factors in China*

In China, format replication pattern 1 (few changes) is characterized by a high importance of restrictive legal provisions and different climate zones. Format replication pattern 2 (limited changes) is characterized by a high importance of differences in demand structures, and the development of wholesale business implies the strategy. Format transfer pattern 3 (many changes) is characterized by the size of stores, differences in demand structures and the importance of China in the overall strategy. According to one interviewee “buying power, location and store size are important factors that influence our decision to heavily adapt our offering.” Furthermore, legal provisions—particularly in China—provide only large and experienced fashion firms with the opportunity to leverage their own retail businesses without significant partner involvement. According to another interviewee “when doing business in China, you have to make sure a Chinese partner company is involved to overcome legal restrictions.”

Context factor	Format replication pattern few change	Format replication pattern limited change	Format replication pattern many changes
<b>Political and economic development (external)</b>			
Level of technology in host country	1	3	1
Restrictive legal provisions	6	2	3
Different climate zones	8	5	6
Seasonality	4	3	4
Overall economic development	1	2	1
<b>Customer-, competitive- and supplying conditions (external)</b>			
Differences in demand structures	4	7	9
Different competitive environment	3	5	2
Geographical distance of host country	1	6	7
Material requirements	0	5	0
Development of wholesale business implies the strategy	0	6	0
Different body requirements	1	3	8
<b>Resources and competencies (internal)</b>			
Country plays an important role in firm's strategy	4	5	7
Size of stores	1	6	10
Turnover / Profitability management	0	3	5
Knowledge, skills and experience abroad	3	2	1

Note: The numbers indicate the number of responses of that specific context factor.

Table 4–13: Most important context factors for format replication in China

Source: Own creation.

In China (as in France), format replication pattern 1 is primarily driven by political and economic context factors, whereas format replication patterns 2 and 3 are also influenced by customer, competitive and supply conditions, in addition to resources and competencies to adapt the retail format. Notably, format replication pattern 2 has the most mentions in the area of customer, competitive and supply considerations in which the wholesale business in particular is boldly recognizable compared with other format replication patterns. To avoid the sometimes ungracious Chinese environment, firms aimed to minimize their dependence on Chinese resources and inputs. However, China was found to play an important role in the strategy of firms. According to one interviewee “China is one of the most important developing economies due to high growth rates and huge business opportunities.”

In general, an increased influence of context factors among the resources and competencies area can be recognized with respect to greater adaptation (toward format replication pattern 3). Details are provided in Table 4-13.

2. Identification of format transfer strategies

In this section, I answer the proposition P1 stating that there are two format transfer strategies for format replicators in the fashion industry: a global strategy and a transnational strategy. Thus, it is of interest to determine whether replicators indeed exhibit two such strategies and to observe these strategies in greater detail.

According to contingency theory, understanding format replications should be based on both format replication patterns and the specific context factors driving them. The concept of a replication strategy combines these two dimensions and recognizes the influence of specific context factors that are found to determine format replication behavior. To identify the specific replication strategies used by fashion firms, I examined the context factors driving format replications in each of the three format replication groups. As shown in the tables above a format replication pattern has different but specific context factors which go along with the particular pattern. For example, firms belonging to the global format extension strategy are forced by legal provisions and different climate zones to adapt few format elements. Consequently, each configuration of a format replication pattern with the specific context factors indicated a transfer strategy. Based on contingency theory, two patterns in conjunction with context factors were expected to lead to two format transfer strategies. This proposal was further emphasized by the industry-based expectation that two standardized format transfer strategies would evolve.

However, within the scope of this study, three format transfer patterns and—in combination with context factors—three format transfer strategies were identified: format extension, competitive position oriented and opportunism strategies. Table 4-14 illustrates the results. Consequently, **the data do not support P1.**

Strategies	Number of firms	Most mentioned context factors for transfer pattern	Number of format elements changed	Segment
<b>Global Format Extension</b>	6	1. Restrictive legal provisions (external) 2. Different climate zones (external)	few	High Fashion, Sports, Shoes, Lifestyle, Eyewear
<b>Transnational Competitive Position Oriented</b>	7	1. Important country (internal) 2. Different competitive environment (external)	limited	Sports, Performance Wear, High Fashion, Eyewear, Jeanswear, Shoes
<b>Opportunism Strategy</b>	8	1. Size of stores (internal) 2. Demand structures (external)	many	Sports, High Fashion, Jeanswear, Underwear, Outdoor, Lifestyle

Table 4–14: Format replication strategies

Source: Own creation.

In the following, I discuss each and identify the conditions in which each strategy is appropriate. In addition, I identify the connection of each strategy to one of the three

format replication groups reflecting the number of format elements changed during replication.

*Global format extension strategy:* As conceptualized, the combination of format transfer patterns and context factors lead to format transfer strategies. The first strategy, the global format extension strategy, is relevant either when formats are replicated from comparable home countries or when a company is driven by economies of scale. In these situations, few format adaptations are required. The only context factors which force fashion retailers belonging to the global format extension strategy to adapt their retail format was due to legal provisions in the host country or different climate zones which impact the retail offers. The advantage is the minimal amount of necessary local resources, effort and risk. Within these countries, fashion firms expect rapid consumer acceptance. In the fashion segment, most firms from the high fashion and sports segments were part of this group. Firms executing this strategy achieve competitiveness in the global market by building cost advantages through globally scaled operations. With regard to skills and resources, these firms follow centralization and global scaling strategies. Furthermore, new knowledge is generated and tested centrally and is aimed regionally/globally at all markets equally. Finally, the main role of overseas operations is to implement parent company strategies.

*Transnational competitive position oriented format transfer strategy:* The transnational competitive position oriented format transfer strategy is observed when a firm's main focus is on expected competition from strong local companies operating with comparable formats (context factor of different competitive environment). According to one interviewee, to gain competitive advantage, the foreign company must "center the attention on the strengths of the replicated format" and consequently "reduce replication costs and risks." Therefore, such a fashion retailers will replicate those format elements that contribute most to this goal in a standardized manner although the transnational strategy is known for high integration. Ultimately, the other elements will be adapted if they contribute less to the overall goal (e.g., location). These firms become competitive in the global market by building interdependent resources with specialized subsidiary roles while maintaining flexible and joint operations among countries. Such organizations locate specialized skills and resources around the world, but overseas units frequently cooperate with and depend on one another. New knowledge is exchanged via cross-links between subsidiaries. Furthermore, such organizations are integrated worldwide, and the overseas units play an important role in contributing individual strengths and know-how to overall operations. If a dedicated country plays an important strategic role, the transnational positioning oriented strategy allows retail format adaptation in order to successfully operate.

*Opportunism strategy (NEW format transfer strategy):* This strategy is primarily driven by the goal of exploiting opportunities in the host country. Fashion firms following this

strategy transfer a large number of adapted format elements. The size of their retail stores force them to adapt their retail format and they have a strong focus on analyzing local demand structures to serve customers in a better way than competition does. Firms following this strategy may be smaller and consequently unable to scale their operations compared with the global format transfer strategy. Frequently, strategic skills and resources are not completely developed, and clever ways of wisely leveraging those few resources must be considered. With regard to new knowledge, those lessons are shared informally (if at all). The main focus of this strategy is on being successful rather than on having formalized processes in place. Subsidiaries primarily operate their businesses independently and contribute through sales to the overall success of the firm.

The three identified format replication strategies will be further examined in the subsequent sections. Analogous to the generic results, three format replication strategies are observed in France and China, as shown in Tables 4-15 and 4-16. This issue will be addressed again later in the study. It can be already stated that for each and every format replication strategy, a different set of context factors apply. Also in France and China, restrictive legal provisions as well as different climate zones force fashion retailers following the global format extension strategy to adapt their retail format to some extent. Interestingly, the comparison of France and China with regard to the transnational competitive position oriented strategy shows different context factors.

Strategies	Number of firms	Most mentioned context factors for transfer pattern	Number of format elements changed	Segment
<b>Global Format Extension</b>	6	1. Restrictive legal provisions (external) 2. Different climate zones (external)	few	High Fashion, Sports, Shoes, Lifestyle, Eyewear
<b>Transnational Competitive Position Oriented</b>	7	1. Country plays an important role in firm's strategy (internal) 2. Different competitive environment (external)	limited	Sports, Performance Wear, High Fashion, Eyewear, Jeanswear, Shoes
<b>Opportunism Strategy</b>	8	1. Size of stores (internal) 2. Differences in demand structures (external)	many	Sports, High Fashion, Jeanswear, Underwear, Outdoor, Lifestyle

Table 4–15: Categorization of format replication strategies in France

Source: Own creation.



Strategies	Number of firms	Most mentioned context factors for transfer pattern	Number of format elements changed	Segment
<b>Global Format Extension</b>	7	1. Different climate zones (external) 2. Restrictive legal provisions (external)	few	High Fashion, Sports, Shoes, Lifestyle, Eyewear
<b>Transnational Competitive Position Oriented</b>	8	1. Demand structures (external) 2. Geographical distance of host country (external) 3. Development of wholesale business implies the strategy	limited	Sports, High Fashion, Shoes, Jeanswear, Eyewear,
<b>Opportunism Strategy</b>	6	1. Size of stores (internal) 2. Demand structures (external)	many	Outdoor, High Fashion, Sports, Lifestyle, Jeanswear, Underwear

Table 4–16: Categorization of format replication strategies in China

Source: Own creation.

Whereas France plays an important role in the fashion retailers' strategy and different competitive environments have to be considered, different demand structures, the geographical distance as well as the importance of the wholesale business influence retail format replication in China. For the new identified opportunism strategy, size of stores and differences in demand structures are the same context factors for France and China.

### 3. Contrast of identified format transfer strategies with IR strategies as an excursion

The IR-framework assumes that IR-compliant typologies lead to superior success because they represent a fit between internationalization strategy and specific context factors (Harzing 2000). Consequently, in this section, the identified format replication strategies will be contrasted with IR strategies.

The self-association of the interviewed managers with one of the four quadrants of the IR-framework, which was recorded in relation to strategic capabilities and resources, the generation and dissemination of knowledge, and the achievement of competitive advantages, is shown in Table 4-17.

	International		Multinational		Global		Transnational	
	N	%	N	%	N	%	N	%
Strategic capabilities	1	4.8%	1	4.8%	15	69.1%	4	19.1%
Knowledge generation and distribution	7	33.3%	1	4.8%	10	47.6%	3	14.3%
Competitive advantages	5	23.8%	0	0%	8	38.1%	8	38.1%

Table 4–17: Manager self-assessment of integration responsiveness

Source: Own creation.

Based on the three statements, a basic orientation was determined by the "major decision" rule for every firm (Miller and Le Breton-Miller 2006).

It is notable that judgments regarding strategic capabilities are substantially focused on a global orientation. Knowledge generation and distribution show a trend toward global or international orientation. The generation of competitive advantages is rather consistently distributed via global, transnational and then international schemes.

As a second variation, the basic orientation has been captured with two statements regarding the axes of the IR-framework with a five point Likert scale (see measurement table 4-4). The descriptive representation of the responses includes Table 4-18, followed by a cluster analysis illustrated in Table 4-19.

<b>Integration Responsiveness</b>	<b>N</b>	<b>MV</b>	<b>STDEV</b>	<b>Variance</b>
Economies of scale	21	3.31	1.427	2.037
Global competition	21	3.95	1.327	1.760
National competition	21	1.73	0.827	0.684
Local benefits	21	2.77	0.869	0.755

Table 4–18: Results of judgments of integration responsiveness

Source: Own creation.

<b>Cluster</b>	<b>N</b>	<b>Economies of Scale</b>		<b>Global Competition</b>		<b>National Competition</b>		<b>Local Benefits</b>	
		<b>MV</b>	<b>STDEV</b>	<b>MV</b>	<b>STDEV</b>	<b>MV</b>	<b>STDEV</b>	<b>MV</b>	<b>STDEV</b>
Cluster 1 (global)	15	3.81	1.167	3.81	1.471	1.31	0.479	2.44	0.727
Cluster 2 (transnational)	5	2.00	1.414	4.50	0.577	2.75	0.500	3.75	0.500
Cluster 3 (multinational)	1	1.00	0	3.00	0	3.00	0	4.00	0

Table 4–19: Results of integration-responsiveness clusters

Source: Own creation.

Based on these results, cluster 1 can be interpreted as firms that have a global basic orientation because of the significantly higher mean values for the first two items (which represent the integration axis) and low mean values for the last two items (which represent the responsiveness axis). Accordingly, cluster 2 can be interpreted as transnational (a relatively high mean value of the items of the integration axis and a high mean value of the items of the responsiveness axis). One firm has a low mean value for items on the integration axis and a high mean value for the items on the responsiveness axis, and this firm can be classified as pursuing a multinational orientation. As a result, the assumption that fashion firms are all replicators because of their strong integration of activities can be validated except for one fashion firm (Tri-

umph). Table 4-20 shows which firms belong to which IR-cluster compared with the identified format transfer strategies of the present analysis.

IR Cluster / Format Transfer Strategy	Global Format Extension Strategy	Transnational Competitive Position Oriented Strategy	Opportunism Strategy
IR-Cluster 1 (global)	N=6		
N=15	(6)		
IR-Cluster 2 (transnational)		N=7	
N=5		(3)	
IR-Cluster 3 (multinational)			N=8
N=1			(1)

Legend: Numbers in brackets show overlapping firms of IR-Cluster and Format Transfer Strategy

Table 4–20: Comparison of IR cluster results with format transfer strategies

Source: Own creation.

Contrasting the three identified format transfer strategies, it can be validated that the format extension strategy is similar to the global strategy according to the IR-framework. All six firms belonging to the global format extension strategy are also part of the global IR-cluster. Furthermore, the competitive position oriented strategy can be considered as transnational. However, in the present analysis, only six fashion retailers belong to the global format extension strategy whereas 15 global firms belong to the global cluster of IR-framework. The transnational competitive position oriented strategy identified in this study is followed by seven fashion retailers and according to the IR-framework, only four firms can be precisely categorized. In the present study, eight fashion retailers belong to the newly identified opportunism strategy and only one firm is categorized into the multinational orientation based on IR-framework. In the present study, the majority of firms belonging to the global IR-framework cluster can be matched with the global format extension strategy and transnational competitive position oriented strategy (13 out of 15 firms). Interestingly, firms belonging to the newly identified opportunism strategy are distributed over all three clusters of IR-framework. The approach in the present study is recommended because it shows a more detailed picture of the strategic orientation of fashion retailers.

#### 4. Success of the identified format transfer strategies

With regard to the success of the identified format transfer strategies, **P2** stated based on the equifinality concept indicating that the format transfer strategies of replicators in the fashion industry are equally successful. Therefore, I compared the three format transfer strategies in terms of success.

In general, the results show that the global format extension strategy and the transnational competitive position oriented strategies are the most successful strategies

(3.02 and 2.98), followed by the opportunism strategy (2.34). On average, the global format extension and the transnational competitive position oriented are equally successful. The opportunism strategy is less successful because firms following this strategy are keen to enter a market quickly and are not afraid of testing new offers and processes. This impacts success due to higher cost. Depending on which measures of success are considered, slight differences between the global format extension and the transnational competitive position oriented strategy can be observed. For example with regard to sales development, the transnational competitive position oriented strategy (3.00) is more successful than the global format extension strategy (2.83). Conversely, with regard to market share, the global format extension strategy (3.17) is more successful than the transnational competitive position oriented strategy (2.81).

Table 4-21 shows a summary of the results.

<b>In general</b>	<b>Global Format Extension</b>	<b>Transnational Competitive Position Oriented</b>	<b>Opportunism Strategy</b>
Sales development	2.83	3.00	2.50
Development in return from over-all capital	2.50	2.86	2.25
Market share	3.17	2.81	1.38
Satisfaction	3.58	3.24	3.25
Success in general overall	3.02	2.98	2.34
<b>France</b>	<b>Global Format Extension</b>	<b>Transnational Competitive Position Oriented</b>	<b>Opportunism Strategy</b>
Sales development	2.33	2.71	2.06
Development in return from over-all capital	2.24	2.57	2.06
Market share	2.67	2.21	1.31
Satisfaction	2.83	2.71	2.13
Success in France overall	2.52	2.55	1.89
<b>China</b>	<b>Global Format Extension</b>	<b>Transnational Competitive Position Oriented</b>	<b>Opportunism Strategy</b>
Sales development	3.96	3.75	3.25
Development in return from over-all capital	3.96	3.75	3.25
Market share	3.29	4.00	2.50
Satisfaction	4.14	3.88	3.83
Success in China overall	3.84	3.85	3.21

Note: The values are average mean values based on a five point Likert like scale.

Table 4–21: Comparison of format transfer strategies and success

Source: Own creation.

With regard to different countries, it can be postulated that in a developed or culturally close country such as France, the transnational competitive position oriented strategy is slightly more successful (2.55) than the global format extension (2.52). An op-

portunism strategy is thus not recommended (1.89) for France. A similar result can be observed for China, for which the transnational competitive position oriented strategy (3.85) is slightly more successful than the global format extension (3.84). Nonetheless, the difference between the global format extension and transnational competitive position oriented strategies is recognizable only after the decimal point. Finally, the average success in the largest and most rapidly developing fashion market in the world is higher than that in culturally close and more mature economies. Applying the transnational competitive position oriented strategy has a much greater effect in China than in France.

I can conclude that on average the global format extension strategy and the transnational competitive position oriented strategies are equally successful in different countries. Depending on which measures of success are considered, differences can be observed.

Finally, success levels are higher in fast-growing markets such as China (3.84 vs. 2.52 success overall in China and France) in accordance with the psychic distance paradox of O'Grady and Lane (1996), who argue that cultural or business differences do not necessarily lead to unfavorable results and that the perception that a market is similar does not guarantee that the operation will perform well (see also Mollá-Descals, Frasquet-Deltoro and Ruiz-Molina 2011). P2 expected equally successful strategies. The two conceptualized strategies are equally successful in the present study. The newly identified opportunism strategy is less successful. Consequently, **P2 must be rejected because the format transfer strategies show varying degrees of success.**

According to Bartlett, Ghoshal and Birkinshaw (2004) and Wasilewski (2002), transnational firms are more successful than other strategy types. Moreover, some case study-based analyses conclude that transnational retailers are the most successful (e.g., Swoboda and Elsner 2013). The result in the present study emphasizes that retailers are more successful in foreign countries if they respond to local markets and achieve global integration simultaneously. Furthermore and practically, smaller fashion firms tend to apply the opportunism strategy that enables them to rapidly react and adapt to changes. This strategy keeps the firms satisfied as the results show. However, because corporate structures are not always maturely defined in smaller fashion firms, the overall success level is lower than that of larger, more experienced firms in the industry.

### III. *Design of core and peripheral format elements*

#### 1. Design of retail culture, retail offers and background processes in general

The following section tests the proposals that address the differences between the design of retail format elements. I first test **P3**, which stated that among the format transfer elements, retail culture is more standardized than retail offer elements and background process elements. I first show the degree of standardization of the retail culture format transfer elements. Subsequently, retail offers and background processes are addressed.

#### *Retail culture*

Table 4-22 shows that format elements belonging to retail culture were replicated with basically no adaptation. Consequently, this result can be considered a foundation for fashion firms when replicating their format. All firms replicate their retail culture with almost no changes. This result is not surprising because all firms are replicators. However, retail culture represents clearly an Arrow core and all elements of retail culture are replicated unchanged and serve to build a core foundation for further replication decisions. Only a slight deviation can be considered in the area of restructurings in foreign subsidiaries and human resources management, as only one examined firm adapted these elements.

Retail culture	N	Standardized	Adapted	Degree of Standardization
Finance & Investment Planning (core)	21	21	0	100%
Strategic Controlling (core)	21	21	0	100%
Restructurings in Foreign Subsidiaries (core)	21	20	1	95%
HRM of Top-Positions (core)	21	21	0	100%
Rules (core)	21	21	0	100%
Management Culture (core)	21	21	0	100%
Human Resources Management (core)	21	20	1	95%

Note: The degree of standardization is the percentage of firms that standardized the respective format element.

Table 4–22: Retail culture design

Source: Own creation.

To link the results to theoretical approaches, Lam (2004) questions whether organizations translate individual insights and knowledge into collective knowledge and organizational capability. Apparently, for format replication to occur, assimilated experience must be shared with the entire firm (Steen and Liesch 2007). This sharing

should include the internal resources of a firm, such as its rules and norms that are clearly represented in the retail culture. As shown in the table above, firms use their retail culture to establish structures and competences that further enable experiential knowledge of host markets to ensure successful format replication (Eriksson et al. 1997). To complete the process, country organizations have become important collectors and distributors of the knowledge that is necessary to be competitively successful in a global environment (Holm and Sharma 2006; Schlegelmilch and Chini 2003; Frost and Zhou 2000; Kogut and Zander 1993) and loop back their learning to headquarters, where it can be subsequently distributed to other countries.

### *Retail offer*

**P4** stated that among the format transfer elements, some retail offer elements are standardized (core) while other retail offer elements are adapted (peripheral).

The results specify that format elements such as location, store format and store layout are less frequently adapted compared with elements such as promotions or communications. This finding supports Goldman's (2001) assumption that these elements are designed differently and that there are core and peripheral elements at different levels of the retailer value chain (Swoboda and Elsner 2013). Notably, the retail offer element "service" is the most standardized retail offer element. Fashion firms clearly tend to serve customers similarly regardless of where they shop. This finding is consistent with many statements from interviewees, including the following: According to one interviewee "fashion firms are aiming for a consistent service perception to keep a reliable perception for the customer." Table 4-23 shows the details for every format element belonging to the retail offer.

<b>Retail offers</b>	<b>N</b>	<b>Standardized</b>	<b>Adapted</b>	<b>Degree of Standardization</b>
Location (core)	21	14	7	67%
Store Format (core)	21	12	9	67%
Store Layout (core)	21	15	6	71%
Price (periph.)	21	6	15	29%
Service (core)	21	20	1	95%
Communications (periph.)	21	8	13	28%
Promotions (periph.)	21	2	19	10%

Note: The degree of standardization is the percentage of firms that standardized the respective format element.

Table 4–23: Retail offer design in general

Source: Own creation.

Compared with previous studies, certain similarities and certain differences regarding the classification of core and peripheral retail offer elements are obvious. Similar to the work of Swoboda and Elsner (2013), location, store format/type and store layout

are core format elements. The retail offer element “service” is labeled peripheral by Swoboda and Elsner (2013), whereas it is regarded as a core element in the fashion industry. Peripheral retail offer elements in the present study are price, communications, and promotions.

### *Background processes*

**P5** posited that among the format transfer elements, some background process elements are standardized (core), whereas other background process elements are adapted (peripheral). Background processes divided into planning and supply chain-related processes show a dedicated degree of adaptation, except for inventory management (14%) and outbound logistics processes (10%). This result can be interpreted as demonstrating that many firms recognizing advantages in leaving a range of freedom to design their individual background processes compared with economies of scale that result from standardization. Markdown planning is the planning-related background process that is most adapted, which can be intuitively explained by the fact that subsidiaries are responsible for “their” stock and consequently the freedom to rid themselves of overstock. The same holds true for the supply chain-related background process of allocation. Fashion retailers must be able to flexibly allocate stock from different channels to different customers; consequently, the ability to adapt is an important requirement. Market & trend analysis, location planning, store & space planning, planning of customer service, and forecasting are core planning related background processes whereas assortment planning and markdown planning are peripheral elements. With regard to supply chain related background processes, sourcing/buying done in China, selection of suppliers, procurement logistics (inbound), inventory management, logistic processes and distribution logistics (outbound) are core elements whereas only allocation is a peripheral element.

Furthermore, planning related background processes are less standardized than supply chain related background process. The reason for this result is the smaller distance of planning related background processes to consumers. Processes such as markdown planning, assortment planning, or forecasting need to be flexibly tailored to the needs of the consumers. Consequently, supply chain related background processes can have a higher degree of standardization in order to focus on efficiency gains. Theoretically, this result is supported with the concept of Arrow core. Supply chain related background processes are easier to incorporate into Arrow core because they are more stable than individual requirements of consumers which are more reflected by planning related background processes.

Table 4-24 shows the results for the respective format elements belonging to background processes.



<b>Background Processes - Planning</b>	<b>N</b>	<b>Standardized</b>	<b>Adapted</b>	<b>Degree of Standardization</b>
Market & Trend Analysis (core)	21	11	10	52%
Location Planning (core)	21	13	8	62%
Store & Space Planning (core)	21	12	9	57%
Assortment Planning (periph.)	21	9	12	43%
Markdown Planning (periph.)	21	3	18	14%
Planning of Customer Service (core)	21	10	11	48%
Forecasting (core)	21	13	8	62%
<b>Background Processes – Supply Chain</b>				
Sourcing/Buying done in China (core)	21	15	6	71%
Selection of Suppliers (core)	21	16	5	76%
Procurement Logistics (inbound) (core)	21	15	6	71%
Inventory Management (core)	21	18	3	86%
Allocation (periph.)	21	12	9	57%
Logistic Processes (core)	21	19	2	90%
Distribution Logistics (outbound) (core)	21	13	8	62%

Note: The degree of standardization is the percentage of firms that standardized the respective format element.

Table 4–24: Background process design in general

Source: Own creation.

Compared with previous studies, both similarities and differences with regard to the classification of core and peripheral background process elements are revealed. The category development process, which could be compared with the product assortment planning process, is considered core in the work of Swoboda and Elsner (2013), whereas it is considered peripheral in this study. Furthermore, outbound distribution logistics are considered peripheral by Swoboda and Elsner (2013), whereas such logistics processes are core in the present study of the fashion industry. The comparison of the results with the work of Jonsson and Foss (2011) shows that also format elements which are classified as lower level features by Jonsson and Foss are standardized in the fashion industry.

Thus, based on the empirical data, **P3, P4 and P5 can be supported.**

## 2. Design of retail culture, retail offers and background processes in France and China

In this section, the link between the design of retail culture, retail offers and background processes in different countries is addressed. Therefore, I begin with some general observations before I continue with the propositions P6a-c.

A few differences were noted as resulting from the different time horizons in which firms are active in the two countries. In all cases, the market entry of own retail oper-

ations in France was earlier than that in China. Global fashion firms with own-operated retail business in China are typically large and experienced in operations abroad. Such firms typically began with local partners, followed by wholesale business to gain experience, which led into representative offices years before they began their retail entry into the market to coordinate the replication process. Those different stages were not necessary in France.

*Retail culture*

**P6a** posited that the transfer of the format element of retail culture is equal among (a) culturally distant and economically attractive countries and (b) culturally close and economically attractive countries. In all cases, retail culture was replicated without changes. Table 4-25 shows the results for France and China.

Retail culture	N	France			China		
		Standardized	Adapted	Degree of Standardization	Standardized	Adapted	Degree of Standardization
Finance & Investment Planning (core)	21	21	0	100%	21	0	100%
Strategic Controlling (core)	21	21	0	100%	21	0	100%
Restructurings in Foreign Subsidiaries (core)	21	20	1	95%	20	1	95%
HRM of Top-Positions (core)	21	21	0	100%	21	0	100%
Rules (core)	21	21	0	100%	21	0	100%
Management Culture (core)	21	21	0	100%	21	0	100%
Human Resources Management (core)	21	20	1	95%	20	1	95%

Note: The degree of standardization is the percentage of firms that standardized the respective format element.

Table 4–25: Retail culture design in France and China

Source: Own creation.

Restructurings in foreign subsidiaries and human resource management were adapted by only one firm.

**The empirical data support P6a** as a result of the consistent findings for France and China.

Linking the results of the present study to format replication theory, with its concept of the Arrow core, the theory emphasizes that knowing which elements are replicable (Winter and Szulanski 2001) is essential for transferring format elements to different countries. This statement is supported by theories of organizational learning. Accord-

ingly, retail culture was expected to be transferred unchanged because of the concept of the Arrow core.

### *Retail offers*

**P6b** posited that the transfer of the format element of retail offers occurs (a) in more adapted form in culturally distant and economically attractive countries compared with (b) a more standardized transfer to culturally close and economically attractive countries.

The results of retail offer replication shown in Table 4-26 indicate less standardization in France for store format, store layout, price and communications. Only one retail offer element (i.e., service) is standardized to a lower extent in China than in France. Service (90%) in China is a format element in which fashion firms recognize that a high level of standardization is necessary to serve customers equally regardless of where they shop. Not surprisingly, promotions are highly adapted (10%) in both countries to attract consumers and to be locally effective. A fundamental difference between France and China is the design of price. In France, it is weakly standardized (29%), whereas in China, the format element is used to produce a consistent offering throughout stores (62%). One reason for the difference is increased competition in France compared with China and the positive reception that is still accorded to Western products in China. Although location, store format and store layout are core retail offer elements, there continues to be some adaptation in the two examined countries. The reasons for this finding primarily concern the different spaces of the stores.

Retail offer	N	France			China		
		Standardized	Adapted	Degree of Standardization	Standardized	Adapted	Degree of Standardization
Location (core)	21	14	7	67%	14	7	67%
Store Format (core)	21	12	9	57%	13	8	62%
Store Layout (core)	21	15	6	71%	16	5	76%
Price (periph.)	21	6	15	29%	13	8	62%
Service (core)	21	20	1	95%	19	2	90%
Communications (periph.)	21	8	13	38%	9	12	43%
Promotions (periph.)	21	19	2	10%	2	19	10%

Note: The degree of standardization is the percentage of firms that standardized the respective format element.

Table 4–26: Retail offer design in France and China

Source: Own creation.

Taking a closer look on core retail offer elements it can be observed that there are only few differences between France and China with regard to the degree of standardization. A different picture shows the result for peripheral retail offer elements. Whereas price is considered peripheral for France, the retail offer element is highly standardized in China which would indicate it to be core.

Based on the empirical data, **P6b must be rejected** with one exception (i.e., the retail offer element of “service”). Reasons for the rejection of P6b are the high attractiveness of China as the biggest market for fashion retailers. Many fashion retailers want to be present quickly in China and this is achieved in a short timeframe with a high degree of standardization.

Being forced to adapt based on the high market attractiveness will happen in a later stage of the market development in the fashion industry. An additional reason for the high degree of standardization is the global presence of the fashion retailers which operate on retail business in China. Chinese consumers are keen to buy qualitative convincing western products and the high demand can be fulfilled effectively with standardized retail offers.

The previous literature indicates that some of the results are consistent with Cavusgil and Zou (1994), who postulate that price and communication are more adapted to local market conditions. However, according to Salmon and Tordjman (1989), pricing should be standardized, which does not support the empirical results in the fashion industry. It is partly shown that successful concepts of the home market cannot be replicated in a standardized way into host markets. In particular, retail offer elements must be adjusted (Bianchi and Ostale 2006). Furthermore, Swoboda and Elsner (2013) show empirical differences with regard to culturally close and distant markets. They conclude that the overall attractiveness of the market may lead or even force retail fashion firms to adapt their retail offers. Examples of the high level of market attractiveness of culturally distant countries often include the large amount of potential customers and explosive economic growth. A culturally close country such as France is attractive because of its strong buying power.

In France, there is a rapid pace of change in the demand preferences of consumers, which means that fashion firms aim to attract customers by creating strong brand consciousness and employing intensive advertisement and promotions in an attempt to maintain market share in a highly competitive market (Marketline 2013). Thus, P6b was rejected.

### *Background processes*

**P6c** stated that the transfer of the background process elements occur (a) in rather standardized form into culturally distant, economically attractive markets and (b) similarly to culturally close, economically attractive countries.

Background process design in France is less standardized. Furthermore, a difference between planning and supply chain-related processes can be observed for France. Whereas planning processes are adapted to a higher degree, supply chain processes are rather standardized to realize economies of scale. According to one interviewee, “planning activities need to be flexible to serve our different regions according to their needs.”

Background process replication in China reinforces the picture that was described for France with regard to the difference between planning and supply chain-related processes. Markdown planning is the least standardized planning-related background process format element. Supply chain-related background processes are standardized to a large extent. Taking a closer look on core background process elements it can be observed that there are only few differences between France and China with regard to the degree of standardization. A different picture shows the result for peripheral background process elements. Whereas assortment planning is considered peripheral for France, the background process element is more standardized in China which would indicate it to be core. For allocation a similar result can be observed for France and China. Allocation is usually a peripheral background process element having a low degree of standardization because allocation needs to consider local circumstances when distributing products. According to another interviewee, “for China, we first intend to build infrastructure and a best practice template, which is why we first focus on standardized processes in order to get the business up and running.”

Table 4-27 illustrates the details of background process design in France and China.

Background Processes - Planning	N	France			China		
		Standardized	Adapted	Degree of Standardization	Standardized	Adapted	Degree of Standardization
Market & Trend Analysis (core)	21	10	11	48%	11	10	52%
Location Planning (core)	21	12	9	57%	12	9	57%
Store & Space Planning (core)	21	11	10	52%	12	9	57%
Assortment Planning (periph.)	21	8	13	38%	11	10	52%
Markdown Planning (periph.)	21	3	18	14%	3	18	14%
Planning of Customer Service (core)	21	9	12	43%	9	12	43%
Forecasting (core)	21	12	9	57%	13	8	62%
<b>Background Processes – Supply Chain</b>							
Sourcing/Buying done in China (core)	21	15	6	71%	20	1	95%
Selection of Suppliers (core)	21	16	5	76%	19	2	90%
Procurement Logistics (in-bound) (core)	21	15	6	71%	19	2	90%
Inventory Management (core)	21	18	3	86%	18	3	86%
Allocation (periph.)	21	12	9	57%	14	7	67%
Logistic Processes (core)	21	19	2	90%	20	1	95%
Distribution Logistics (out-bound) (core)	21	13	8	62%	19	2	90%

Note: The degree of standardization is the percentage of firms that standardized the respective format element.

Table 4–27: Background process design in France and China

Source: Own creation.

**The empirical data do not support P6c**, which posited that background process elements occur (a) in a standardized form in culturally distant, economic attractive markets and (b) similar to culturally close, economically attractive countries.

The main reason for the greater adaptation of background processes in France is the goal of achieving more flexibility with regard to the customer-facing format elements belonging to the retail offer. Furthermore, sophisticated IT systems further enable fashion firms to gain advantages from process adaptation while still achieving effi-

ciencies. As a reflection on theoretical approaches for background processes, Coe and Hess (2005) and Coe and Lee (2005) conclude that general statements on background process replication are not possible because of the variety of options (Coe and Hess 2005). Johansson and Burt (2004) and Johansson (2002) refer to the degree of vertical integration as the central influencing factor in the configuration of supply chain processes. The more firms integrate those processes and control them centrally, the easier it is to replicate supply chain processes. This statement is only partly supported in this study because firms aim to allow for a degree of freedom in designing their background processes.

### 3. Design of retail culture, retail offers and background processes within format transfer strategies

In the next step, I discuss the three identified retail format replication strategies and the differences in format element design. First, **P7** stated that retailers following a global strategy transfer all format element(s) into foreign countries in standardized form, namely, (a) standardized retail culture, (b) standardized retail offers and (c) standardized background processes.

Table 4-28 shows that firms belonging to the global format extension strategy group fully standardize retail culture. Fashion retailers adapted their retail offer elements in the areas of promotions (only 17% of examined firms standardized this retail offer element), followed by price (33%) and communications (67%). An executive noted that “although we have different prices in different countries, we manage them centrally”. For planning-related background processes, market and trend analysis, and product assortment planning, the majority of firms standardize those elements (83%), whereas markdown planning is standardized in the minority of cases (33%). Supply chain-related background processes were fully standardized.

According to **P7**, the data impressively show that fashion firms following a global format extension strategy standardize most format element(s) when transferring their formats. Only a few peripheral elements are adapted. Therefore, the **proposition must be modified**: retail fashion firms following a global format extension strategy standardize all core elements but adapt peripheral elements; such peripheral elements include retail offers and background processes. This result supports the findings of Swoboda and Elsner (2013) for retail offers and background processes since the scholars did not include retail culture. The findings also support Jonsson and Foss (2011) because retail culture elements are transferred unchanged. However, for fashion retailers following the global format extension strategy lower level format elements as well as higher level format elements according to the terminology of Jonsson and Foss (2011) are standardized.

<b>Retail culture</b>	<b>N</b>	<b>Standardized</b>	<b>Adapted</b>	<b>(Degree of Standardization)</b>
Finance & Investment Planning (core)	6	6	0	100%
Strategic Controlling (core)	6	6	0	100%
Restructurings in Foreign Subsidiaries (core)	6	6	0	100%
HRM of Top-Positions (core)	6	6	0	100%
Rules (core)	6	6	0	100%
Management Culture (core)	6	6	0	100%
Human Resources Management (core)	6	6	0	100%
<b>Retail offer</b>				
Location (core)	6	6	0	100%
Store Format (core)	6	6	0	100%
Store Layout (core)	6	6	0	100%
Price (periph.)	6	2	4	33%
Service (core)	6	6	0	100%
Communications (periph.)	6	2	4	67%
Promotions (periph.)	6	1	5	17%
<b>Background Processes – Planning</b>				
Market & Trend Analysis (core)	6	5	1	83%
Location Planning (core)	6	6	0	100%
Store & Space Planning (core)	6	6	0	100%
Assortment Planning (periph.)	6	5	1	83%
Markdown Planning (periph.)	6	2	4	33%
Planning of Customer Service (core)	6	6	0	100%
Forecasting (core)	6	6	0	100%
<b>Background Processes - Supply Chain</b>				
Sourcing/Buying (core)	6	6	0	100%
Selection of Suppliers (core)	6	6	0	100%
Procurement Logistics (inbound) (core)	6	6	0	100%
Inventory Management (core)	6	6	0	100%
Allocation (periph.)	6	6	0	100%
Logistic Processes (core)	6	6	0	100%
Distribution Logistics (outbound) (core)	6	6	0	100%

Note: The degree of standardization is the percentage of firms that standardized the respective format element.

Table 4–28: Retail format element design within the scope of a global format extension strategy

Source: Own creation.

The only exception and consequently support of Jonsson and Foss (2011) is the retail offer element “price” and “promotions” which are less standardized.

In my second step, analogously, **P8** was tested. This proposition stated that retailers following a transnational strategy transfer all core format elements standardized and all peripheral format elements adapted: (a) retail culture, (b) retail offers and (c) background processes.



Table 4-29 shows that firms following the transnational competitive position oriented strategy show full standardization of retail culture. For retail offers, promotions are the only element that shows no standardization (0%). Communications (57%), price (43%) and store format (71%) are partly standardized and partly adapted in the retail offer area. "Each marketing region determines the store layout based on the consumer segment in that particular region." Service is the only format element that is replicated unchanged. Core retail offer elements are only slightly adapted, whereas peripheral retail offer elements show somewhat high degrees of adaptation. In the area of planning-related background processes, markdown planning is fully adapted (0% standardization), followed by product assortment planning (14%), store and space planning (43%) and customer service planning (43%). Supply chain-related background processes are more standardized than planning-related background processes. Allocation shows the highest deviation from standardization (43%). Inventory management is standardized by many fashion firms (71%), followed by sourcing and buying, supplier selection, logistic processes and outbound distribution (86%). Notably, core background process elements such as location planning and store and space planning are significantly adapted by firms that follow the transnational competitive position oriented strategy. Compared with the global format extension strategy, the same retail offer elements (price and promotions) are peripheral. With regard to background processes, more format elements are considered peripheral compared to the global format extension strategy.

In general, the degree of standardization is lower for these firms than for firms that follow the global format extension strategy.

Based on the empirical data, **P8 can be partly supported** for retail culture and for retail offers and supply chain-related background processes. With regard to planning-related background processes, P8 must be rejected.

<b>Retail culture</b>	<b>N</b>	<b>Standardized</b>	<b>Adapted</b>	<b>(Degree of Standardization)</b>
Finance & Investment Planning (core)	7	7	0	100%
Strategic Controlling (core)	7	7	0	100%
Restructurings in Foreign Subsidiaries (core)	7	7	0	100%
HRM of Top-Positions (core)	7	7	0	100%
Rules (core)	7	7	0	100%
Management Culture (core)	7	7	0	100%
Human Resources Management (core)	7	7	0	100%
<b>Retail offer</b>				
Location (core)	7	6	1	86%
Store Format (core)	7	5	2	71%
Store Layout (core)	7	5	2	71%
Price (periph.)	7	3	4	43%
Service (core)	7	7	0	100%
Communications (periph.)	7	4	3	57%
Promotions (periph.)	7	0	7	0%
<b>Background Processes – Planning</b>				
Market & Trend Analysis (core)	7	5	2	71%
Location Planning (core)	7	4	3	57%
Store & Space Planning (core)	7	3	4	43%
Assortment Planning (periph.)	7	1	6	14%
Markdown Planning (periph.)	7	0	7	0%
Planning of Customer Service (core)	7	3	4	43%
Forecasting (core)	7	5	2	71%
<b>Background Processes - Supply Chain</b>				
Sourcing/Buying (core)	7	6	1	86%
Selection of Suppliers (core)	7	6	1	86%
Procurement Logistics (inbound) (core)	7	7	0	100%
Inventory Management (core)	7	5	2	71%
Allocation (periph.)	7	3	4	43%
Logistic Processes (core)	7	6	1	86%
Distribution Logistics (outbound) (core)	7	6	1	86%

Note: The degree of standardization is the percentage of firms that standardized the respective format element.

Table 4–29: Retail format element design within the scope of a transnational competitive position oriented strategy

Source: Own creation.

Based on format replication theory and the concept of the Arrow core, it was theoretically assumed that retail culture will be standardized. This was already empirically shown by Jonsson and Foss (2011). For firms following the transnational competitive position oriented strategy, format replication theory leads to the assumption that some format elements do not add value if they are replicated unchanged. Consequently, only certain format elements were assumed to be adapted. According to format replication theory, the replication template would typically have elements that

are not in the Arrow core—elements that are not relevant to its success and elements that are impossible to replicate (Winter and Szulanski 2001). Based on flexible format replication theory, Swoboda and Elsner (2013) empirically support the theoretical assumption that retail offers and background processes are partly core and partly peripheral.

The reasons for rejecting P8 for planning-related background processes are primarily the dependency on the retail offer element of store layout and location. This dependency of format elements is not reflected by format replication theory. If those elements must be adapted because of local circumstances, then connected planning-related background processes also must be adapted. If a store location cannot cover the full product assortment, then the planning for the store must be adapted as well. Consequently, format replication theory needs to be enhanced with regards to dependent format elements between retail offers and background processes. Although P8 can only be partly supported, fashion retailers following the transnational competitive position oriented strategy are equally successful compared to firms of the global format extension strategy. They focus on simultaneous coordination in the firm which enables them to achieve the different and sometimes contradictory goals of cost efficiency, customer responsiveness and learning at the same time on an international basis (Devinney, Midgley, and Venaik 2000). In summary, transnational competitive position oriented firms aim to adapt to their host countries and gain efficiency at the same time (Swoboda, Elsner and Morschett 2012). Interestingly, the firms are not more successful due to their additional efforts to adapt. Consequently, firms should compare adaptation efforts with a potential increase of success.

Additionally, Table 4-30 compares the design of retail culture, retail offers and background processes based on the three identified format transfer strategies. This is done because the opportunism strategy was not proposed but was newly identified in the present study.

The newly identified third format transfer strategy (opportunism strategy) shows no difference to the other two format transfer strategies with regard to retail culture. All format elements are transferred unchanged. Clearly, the opportunism strategy shows less standardization across the areas of retail offer and background processes compared with the other two format transfer strategies. Firms following this strategy are keen to enter a market quickly and are not afraid of testing new offers and processes. If a location is not fully suitable but promising sales are connected to it, then such firms will take this opportunity. Consequently, much more flexibility is required in the retail format.

	Global Format Extension	Transnational Competitive Position Oriented	Opportunism Strategy
<b>Retail Culture</b>			
Finance & Investment Planning (core)	100%	100%	100%
Strategic Controlling (core)	100%	100%	100%
Restructurings in Foreign Subsidiaries (core)	100%	100%	100%
HRM of Top-Positions (core)	100%	100%	100%
Rules (core)	100%	100%	100%
Management Culture (core)	100%	100%	100%
Human Resources Management (core)	100%	100%	100%
<b>Retail offers</b>			
Location (core)	100%	86%	37%
Store Format (core)	100%	71%	12%
Store Layout (core)	100%	71%	50%
Price (periph.)	33%	43%	12%
Service (periph.)	100%	100%	87%
Communications (periph.)	58%	57%	12%
Promotions (periph.)	25%	0%	12%
<b>Background Processes – Planning</b>			
Market & Trend Analysis (core)	83%	71%	0%
Location Planning (core)	100%	57%	25%
Store & Space Planning (core)	100%	43%	25%
Assortment Planning (periph.)	83%	14%	25%
Markdown Planning (periph.)	33%	0%	0%
Planning of Customer Service (core)	100%	43%	0%
Forecasting (core)	100%	71%	12%
<b>Background Processes - Supply Chain</b>			
Sourcing/Buying (core)	100%	86%	37%
Selection of Suppliers (core)	100%	86%	50%
Procurement Logistics (inbound) (core)	100%	100%	25%
Inventory Management (core)	100%	71%	87%
Allocation (periph.)	100%	71%	12%
Logistic Processes (core)	100%	86%	87%
Distribution Logistics (outbound) (core)	100%	86%	12%
Note: The degree of standardization is the percentage of firms that standardized the respective format element			

Table 4–30: Retail format design within the scope of different format replication strategies (degrees of standardization)

Source: Own creation.

However, this flexibility must be part of firm culture to be successful, which explains the standardization of retail culture. Although the firms consider themselves to be flexible, the retail offer element of “service” must be consistent. In addition, the store layout should be recognizable by customers, which is why there must be some standardization (50%). Even if it appears to be a non-structured format transfer strategy, some cornerstones are standardized.

Another example is “inventory management.” Without available stock and knowledge of how much stock is available, business is at high risk. Consequently, fashion firms following the opportunism strategy show high levels of standardization in this area (86%). The same holds true for logistics processes (86%). Without visibility of products and processes to ensure the products are at the appropriate time at the appropriate place in the proper quantity and quality, retail fashion firms assume the risk of failure.

Comparing the categorization of core and peripheral format elements, the opportunism strategy considers most format elements of the retail offer and background processes as peripheral. Only retail culture is completely core together with the retail offer elements store layout and service and the background process elements inventory management, logistic processes and selection of suppliers. Since the global format extension strategy and the transnational competitive position oriented strategy are more successful than the opportunism strategy it can be postulated that a higher tendency towards core format elements contributes more effectively to the overall success.

#### *IV. Changes in strategy and format elements over time*

##### *1. Changes in format transfer strategies over time*

The purpose of this section is to consider format transfer strategies over time and P9-11. First, the format transfer strategies for 2013 will be based on the selected procedure that was performed in Chapter E II. I examined the context factors driving format replications in each of the three format replication groups in order to identify the specific replication strategies used by fashion firms. Consequently, each configuration of a format replication pattern with the specific context factors indicated a transfer strategy. Table 4-31 shows all of the format transfer patterns, context factors and resulting format transfer strategies. Using the format transfer strategies, **P9**, which states that “the transfer strategies of replicators only slowly change over time,” is tested first.

Comparing 2009 and 2013 with regard to format transfer strategies shows that format transfer strategies exhibited stability and did not change during the analyzed timeframe. Consequently, **P9 is supported**.

From a theoretical perspective, Prahalad and Doz (1987, p. 157) postulate that a global strategy requires a centralized operational structure in which decisions across countries must be coordinated through centralized planning in aligning the overall corporate strategy. Consequently, expectations for a strategy change were considered weak. Furthermore, flexible format replication theory argues that retailers required a long time to reach their present (flexible) replication strategy (Jonsson and

Foss 2011) which fuels the expectation of no change in format transfer strategies over a quite short period of five years.

Strategies	Number of firms 2009	Number of firms 2013	Most mentioned context factors for transfer pattern	Number of format elements changed	Segment
<b>Global Format Extension</b>	6	6	1. Restrictive legal provisions (external) 2. Different climate zones (external)	few	High Fashion, Sports, Shoes, Lifestyle, Eyewear
<b>Transnational Competitive Position Oriented</b>	7	7	1. Important country (internal) 2. Different competitive environment (external)	limited	Sports, Performance Wear, High Fashion, Eyewear, Jeanswear, Shoes
<b>Opportunism Strategy</b>	8	8	1. Size of stores (internal) 2. Demand structures (external)	many	Sports, High Fashion, Jeanswear, Underwear, Outdoor, Lifestyle

Table 4–31: Format replication strategies in 2009 and 2013

Source: Own creation.

## 2. Different changes in format elements in general over time

Next, I show which format elements have changed over time overall. Subsequently, I compare changes in retail format elements depending on format transfer strategies.

### *Retail culture*

**P10a** stated that retail culture changes only slowly over time.

As in 2009, retail culture is the foundation for fashion firms when replicating their format. “Our culture consists of the learning DNA of our company, which is linked back to headquarters to make use of any learning to become more effective and efficient.” Table 4-32 shows that the details for retail culture did not change significantly between 2009 and 2013.

Retail culture	Degree of Standardization in 2009	Degree of Standardization in 2013
Finance & Investment Planning (core)	100%	100%
Strategic Controlling (core)	100%	100%
Restructurings in Foreign Subsidiaries (core)	95%	100%
HRM of Top-Positions (core)	100%	100%
Rules (core)	100%	100%
Management Culture (core)	100%	100%
Human Resources Management (core)	95%	100%

Note: The degree of standardization is the percentage of firms that standardized the respective format element

Table 4–32: Changes in retail culture elements over time

Source: Own creation.

Based on the empirical data, **P10a is supported.**

Scholars such as Steen and Liesch (2007) claim that for organizational learning to occur, the assimilated knowledge must be shared with the entire firm and must include the internal resources of a firm, such as rules and norms. According to Goldman (2001), rules and norms are incorporated into the retail culture. Each firm has its own specific configuration of retail culture and installs structures and competencies that further enable the leveraging of experiential knowledge of host markets (Eriksson et al. 1997). As shown in the static format replication section, retail culture is the foundation from which firms begin their journey of retail format replication. Through retail culture, relationships become structured, and some of the individual learning and shared understandings developed by groups become institutionalized (Crossan, Lane and White 1999). Furthermore, the work of Jonsson and Foss (2011) is supported since higher level features such as values etc. are replicated uniformly.

#### *Retail offers*

**P10b** stated that retail offers change significantly over time.

In general (see Table 4-33), for the area of retail offers, location (67% → 86%), store format (57% → 71%) and store layout (71% → 86%) were standardized to a higher degree when replicated in 2013 than in 2009. The explanation for this result is that the increased requirements for a consistent go-to-market for the brand and all of the location and store-based foundations should be comparable throughout the world. In contrast to this finding, the format elements of price (29% → 14%), communications (40% → 5%) and promotions (12% → 5%) were standardized to a lesser degree than they were five years earlier. Firms must respond individually to different consumers in different geographies, and the ability of IT to better analyze individual consumer preferences during the buying experience enables fashion firms to adapt customer individual format elements. The format element “communications” significantly decreased the degree of standardization (40% → 5%), as retail firms use any channel to communicate with their customers, particularly via social media to individualize communication and to increase the relevance of such communication for customers. Although price went further toward adaptation, this element is increasingly risky to adapt. Consumers can compare prices anywhere, including from home, in different shops or on the drive between the two. Consequently, prices—even when adapted to different customer groups—must be consistent across channels to attract and develop loyal customers.

<b>Retail offers</b>	<b>Degree of Standardization in 2009</b>	<b>Degree of Standardization in 2013</b>
Location (core)	67%	86%
Store Format (core)	57%	71%
Store Layout (core)	71%	86%
Price (periph.)	29%	14%
Service (core)	95%	95%
Communications (periph.)	40%	5%
Promotions (periph.)	12%	5%

Note: The degree of standardization is the percentage of firms that standardized the respective format element

Table 4–33: Changes in retail offer elements over time

Source: Own creation.

For retail offers, the work of Jonsson and Foss (2011) is supported with regards to peripheral retail offer elements such as communications, price and promotions being allowed to change over time and core retail offer elements such as service or store layout being more stable over time. At the same time, the work of Swoboda and Elsner (2013) is supported since peripheral elements are less standardized, whereas core elements are transferred in a more standardized manner.

Based on the empirical data, **P10b is supported.**

### *Background processes*

**P10c** stated that background processes change more slowly than retail offers over time.

Although fashion firms experienced above-average growth during the last decade, background processes were also standardized more heavily during the last few years (see Table 4-34). This trend is clearly represented for the areas of market and trend analysis (52% → 62%), the planning of customer service (48% → 67%) and distribution logistics (62% → 76%). However, those changes developed more slowly over time compared with the changes in the area of the retail offers.

For background processes, the work of Jonsson and Foss (2011) is not supported with regards to peripheral background process elements such as assortment planning or markdown planning being allowed to change over time. For core background process elements such as location planning or the selection of suppliers Jonsson and Foss (2011) are supported because core background processes elements are quite stable over time. At the same time, the work of Swoboda and Elsner (2013) is supported since peripheral elements are less standardized, whereas core elements are transferred with a higher degree of standardization.



<b>Background Processes - Planning</b>	<b>Degree of Standardization in 2009</b>	<b>Degree of Standardization in 2013</b>
Market & Trend Analysis (core)	52%	62%
Location Planning (core)	62%	62%
Store & Space Planning (core)	57%	57%
Assortment Planning (periph.)	43%	43%
Markdown Planning (periph.)	14%	14%
Planning of Customer Service (core)	48%	67%
Forecasting (core)	62%	62%
<b>Background Processes – Supply Chain</b>		
Sourcing/Buying done in China (core)	71%	71%
Selection of Suppliers (core)	76%	76%
Procurement Logistics (inbound) (core)	71%	71%
Inventory Management (core)	86%	86%
Allocation (periph.)	57%	57%
Logistic Processes (core)	90%	90%
Distribution Logistics (outbound) (core)	62%	76%

Note: The degree of standardization is the percentage of firms that standardized the respective format element

Table 4–34: Changes in background process elements over time

Source: Own creation.

Based on the empirical data, **P10c is supported.**

From a theoretical point of view and accounting for learning, it was anticipated that best practices may be evaluated and implemented over time. For planning processes such as planning of customer service, it was anticipated that these processes are adapted and continuously enhanced because of former experience. Supply chain processes were assumed to be more standardized in order to realize economies of scale over time (e.g., Manrodt and Vitasek 2004; Gielens and Dekimpe 2001; Segal-Horn and Davison 1992; Prahalad and Doz 1987; Levitt 1983). The results are also in line with flexible format replication theory in providing constant, company-wide learning and local adaptation. Also format replication theory is supported by the results since core format elements build important values and result in best practices or templates which are visible in the results in having higher degrees of standardization. Core background process elements enable large-scale replications, rapid application, knowledge distribution and best practices that are not fully visible and imitable by competitors (Jensen and Szulanski 2007, 2008; Winter and Szulanski 2001).

Next, I compare retail format elements based on format transfer strategies. The generic results for dynamic retail format replication shown in Table 4-35 indicate that more store-oriented retail offer elements experienced an increase in standardization, whereas customer-related elements such as communications that are tailored to the individual customer experienced a decrease in standardization from the fashion

firms. In the area of background processes, the results show a trend toward greater standardization as a result of better infrastructure and the aim of achieving economies of scale. With the help of IT, the combination of adapted retail offers and standardized background processes enabled fashion retailers to become closer to their customers and to increase loyalty through individual treatment while reducing costs in the background process area. This improvement over the last five years is built on the retail culture of firms, which remains the foundation for exchanging learning, feeding insights back to headquarters and distributing them as best practices throughout regions.

Firms belonging to the global format extension strategy group literally did not change any format element during the five-year timeframe. Because of the goal of high standardization and strong branding, those fashion firms do not recognize the need to adjust their format. Consequently, the work of Jonsson and Foss (2011) and other scholars who postulate that a global strategy is stable are supported.

Firms belonging to the transnational competitive position oriented strategy group showed changes toward greater standardization in the area of store format (71% → 86%). Other format elements remained fixed between 2009 and 2013. In total, only a few changes occurred over time. It was expected that especially peripheral format elements would vary to a higher extent over time. Only the retail offer element communications was less standardized which supports the theoretical concept of flexible format replication applied by Swoboda and Elsner (2013) and Jonsson and Foss (2011). However, all other peripheral format elements had already a low degree of standardization (e.g., promotions or assortment planning) where further adaptation is hardly possible.

The highest dynamics with regard to changes over time illustrates the newly identified opportunism strategy. A clear trend toward standardization is recognizable in the area of retail offers: location (37% → 62%), store format (12% → 75%) and store layout (50% → 62%). Firms following this strategy gained some experience during the last five years and were able to implement best practices. Furthermore, the peripheral retail offer element promotions was less standardized (12% → 0%). Surprisingly, other format elements did not change over time. On the one hand, this result supports flexible format replication theory that changes occurs only very slowly over time. On the other hand, fashion retailers in this group consider themselves as dynamic and follow the goal of quick adaptation. This explains the already low degrees of standardization. Lastly, they recognized that a standardized store layout and a consistent location is the first step towards best practices in their retail business.

	Global Format Extension		Transnational Competitive Position Oriented		Opportunism Strategy	
	2009	2013	2009	2013	2009	2013
<b>Retail Culture</b>						
Finance & Investment Planning (core)	100%	100%	100%	100%	100%	100%
Strategic Controlling (core)	100%	100%	100%	100%	100%	100%
Restructurings in Foreign Subsidiaries (core)	100%	100%	100%	100%	100%	100%
HRM of Top-Positions (core)	100%	100%	100%	100%	100%	100%
Rules (core)	100%	100%	100%	100%	100%	100%
Management Culture (core)	100%	100%	100%	100%	100%	100%
Human Resources Management (core)	100%	100%	100%	100%	100%	100%
<b>Retail offers</b>						
Location (core)	100%	100%	86%	86%	37%	62%
Store Format (core)	100%	100%	71%	86%	12%	75%
Store Layout (core)	100%	100%	71%	71%	50%	62%
Price (periph.)	33%	33%	43%	43%	12%	12%
Service (core)	100%	100%	100%	100%	87%	87%
Communications (periph.)	67%	58%	57%	43%	12%	0%
Promotions (periph.)	17%	17%	0%	0%	12%	12%
<b>Background Processes – Planning</b>						
Market & Trend Analysis (core)	83%	100%	71%	86%	0%	0%
Location Planning (core)	100%	100%	57%	86%	25%	62%
Store & Space Planning (core)	100%	100%	43%	43%	25%	25%
Assortment Planning (periph.)	83%	83%	14%	14%	25%	25%
Markdown Planning (periph.)	33%	33%	0%	0%	0%	0%
Planning of Customer Service (core)	100%	100%	43%	86%	0%	25%
Forecasting (core)	100%	100%	71%	71%	12%	12%
<b>Background Processes - Supply Chain</b>						
Sourcing/Buying (core)	100%	100%	86%	86%	37%	37%
Selection of Suppliers (core)	100%	100%	86%	86%	50%	50%
Procurement Logistics (inbound) (core)	100%	100%	100%	100%	25%	25%
Inventory Management (core)	100%	100%	71%	86%	87%	87%
Allocation (periph.)	100%	100%	43%	71%	12%	12%
Logistic Processes (core)	100%	100%	86%	86%	87%	87%
Distribution Logistics (outbound) (core)	100%	100%	86%	86%	12%	75%
Note: The degree of standardization is the percentage of firms that standardized the respective format element.						

Table 4–35: Changes in retail format elements depending on format transfer strategies (degrees of standardization) over time

Source: Own creation.

### 3. Different changes in format elements in countries over time

#### *Retail culture*

**P11** stated that the transferred format elements of replicators change more rapidly over time in culturally distant, economically attractive countries compared with cultur-

ally close, economically attractive countries, whereas a) retail culture changes slowly, b) retail offers change more strongly and c) background processes change slowly relative to retail offers.

With regard to retail culture, no change was observed over time in France and China. As discussed above, retail culture is the basis for fashion retailers when transferring a format. Clearly, only slight changes toward full standardization occurred in the timeframe examined for France and China. Restructurings in foreign subsidiaries and human resource management are now fully standardized compared with 2009.

Consequently, based on the empirical data, **P11a is supported.**

With regard to retail offers, in France in particular, the degree of standardization increased for the retail offer elements of location (67% → 86%), store format (57% → 90%) and store layout (57% → 95%). Core retail offer elements developed to a higher degree of standardization between 2009 and 2013. In those five years, fashion firms did appear to learn what store-related design elements should look like. In addition, customers expect the same look and feel in the store of a certain retailer. Consequently, fashion retailers applied best practices in a standardized manner. Decreased standardization was observed for price (29% → 19%), communications (38% → 19%) and promotions (10% → 5%), the peripheral retail offer elements. Because of new IT, retail fashion firms are able to further focus on the individual customer level with regard to those format elements. Consequently, customers can be approached individually, which explains the increased adaptation of peripheral retail offer elements.

As with France, store-related format standardization increased in China, whereas price standardization was used less (62% → 52%). Notably, the degree of standardization for communications (43% → 71%) also increased. This finding can be explained by the newly established market regions in China, where fashion retailers would rather focus on first achieving a market position and consequently initiate standardized communications.

Comparing France and China, retail offer elements notably changed to a higher degree in France than in China.

With regard to background processes, the trend of replication strategies is clearly visible when analyzing France and China with regard to the changes in background process element changes over a period of time. Most core format elements that changed in the past five years were replicated in an increasingly standardized form (with the exception of store & space planning for France). In France, peripheral background processes were less standardized in 2013 compared to 2009. For China, there are only slight changes in planning-related background process elements over

time. Core background processes such as location planning have been increasingly standardized during the last five years. The planning of customer service has also begun to develop toward more standardization. The only element that has been further adapted during the last five years is assortment planning as a peripheral background process element. For supply chain-related background processes, the aim for full standardization in China is also present today independent of core or peripheral (e.g., allocation). Comparing the changes of retail offers and background processes, the average change of retail offers is 15.71% for France and 9.43% for China whereas the average change of background processes is 7.00% for France and 9.50% for China.

Thus, based on the empirical data, **P11b is supported for France and rejected for China whereas 11c is supported.**

In consideration of learning theories, it was anticipated that best practices in a country may be evaluated and implemented at the headquarters level to be realized across countries. This statement is supported by the empirical results of this study because the degree of adaptation is decreasing and best practices are implemented and grounded in market-based learning. Table 4-36 compares the degrees of standardization of retail format elements in 2009 and 2013 for France and China.

For planning-related background processes, such as location or markdown planning, it was anticipated that those processes would be adapted and continuously enhanced based on former experience. In this study, the peripheral format element markdown planning did not change over time. Core processes such as forecasting and location planning experienced increased standardization. Interestingly, also the peripheral planning related background process assortment planning was further standardized in the examined timeframe.

Supply chain-related background processes were assumed to be standardized at the headquarters level to realize economies of scale (e.g. Manrodt and Vitasek 2004; Gielens and Dekimpe 2001; Segal-Horn and Davison 1992; Prahalad and Doz 1987; Levitt 1983), and this assumption is supported by the results of this study. The majority of supply chain-related background processes is even more standardized in both countries than they were five years ago. Examples are sourcing&buying, the selection of suppliers, procurement logistics or inventory management. Only the peripheral format element allocation shows a decreased degree of standardization in France (57% → 52%).

Retail culture	France						China						
	2009			2013			2009			2013			
	N	S	A	DoS	S	A	DoS	S	A	DoS	S	A	DoS
Finance & Investment Planning (core)	21	21	0	100%	21	0	100%	21	0	100%	21	0	100%
Strategic Controlling (core)	21	21	0	100%	21	0	100%	21	0	100%	21	0	100%
Restructurings in Foreign Subsidiaries (core)	21	21	1	95%	21	0	100%	21	1	95%	21	0	100%
HRM of Top-Positions (core)	21	21	0	100%	21	0	100%	21	0	100%	21	0	100%
Rules (core)	21	21	0	100%	21	0	100%	21	0	100%	21	0	100%
Management Culture (core)	21	21	0	100%	21	0	100%	21	0	100%	21	0	100%
Human Resources Management (core)	21	20	1	95%	21	0	100%	20	1	95%	21	0	100%
<b>Retail offers</b>													
Location (core)	21	14	7	67%	18	3	86%	14	7	67%	17	4	81%
Store Format (core)	21	12	9	57%	19	2	90%	13	8	62%	15	6	71%
Store Layout (core)	21	15	6	71%	20	1	95%	16	5	76%	17	4	81%
Price (periph.)	21	6	15	29%	4	17	19%	13	8	62%	11	10	52%
Service (core)	21	20	1	95%	20	1	95%	19	2	90%	20	1	90%
Communications (periph.)	21	8	13	38%	4	17	19%	9	12	43%	15	6	71%
Promotions (periph.)	21	19	2	10%	1	20	5%	19	2	10%	19	2	10%
<b>Background Processes – Planning</b>													
Market & Trend Analysis (core)	21	10	11	48%	12	9	57%	11	10	52%	11	10	52%
Location Planning (core)	21	12	9	57%	14	7	67%	12	9	57%	18	3	86%
Store & Space Planning (core)	21	11	10	52%	9	12	43%	12	9	57%	12	9	57%
Assortment Planning (periph.)	21	8	13	38%	6	15	29%	11	10	52%	9	12	43%
Markdown Planning (periph.)	21	3	18	14%	2	19	10%	3	18	14%	3	18	14%
Planning of Customer Service (core)	21	9	12	43%	11	10	52%	9	12	43%	12	9	57%
Forecasting (core)	21	12	9	57%	13	8	62%	13	8	62%	15	6	71%
<b>Background Processes - Supply Chain</b>													
Sourcing/Buying (core)	21	15	6	71%	17	4	81%	20	1	95%	21	0	100%
Selection of Suppliers (core)	21	16	5	76%	19	2	90%	19	2	90%	21	0	100%
Procurement Logistics (inbound) (core)	21	15	6	71%	16	5	76%	19	2	90%	21	0	100%
Inventory Management (core)	21	18	3	86%	19	2	90%	18	3	86%	20	1	95%
Allocation (periph.)	21	12	9	57%	11	10	52%	14	7	67%	21	0	100%
Logistic Processes (core)	21	19	2	90%	19	2	90%	20	1	95%	21	0	100%
Distribution Logistics (outbound) (core)	21	13	8	62%	14	7	67%	19	2	90%	21	0	100%

Note: The degree of standardization is the percentage of firms that standardized the respective format element.

Table 4–36: Changes in retail format elements over time in France and China

Source: Own creation.

## Chapter 5: Key findings, implications and limitations

### A. Introduction

In summary, the findings of this doctoral thesis illuminate the complexity of retail format replication in foreign countries. Retail format replication is an important topic and a multifarious research issue. This study surveyed how retail fashion firms transfer their retail format into foreign countries. This research topic is particularly relevant for the majority of fashion firms, which are not only increasingly shifting their focus to foreign markets and replicating retail fashion format elements from their home markets but also confronting challenges in determining which retail offer to adapt and how to adapt it and which background processes to standardize and how to standardize them in order to attract local customers and manage costs. This subject is also important because past studies do not conclusively indicate which retail fashion format elements should be replicated, standardized or adapted (Swoboda and Elsner 2013, Alexander 2008; Goldman 2001) and which replication strategy is the most successful abroad (Jonsson and Foss 2011).

Fashion retailers distinguish themselves from other retail segments with regard to the speed of international expansion. This expansion of fashion retailers is far greater than the foreign activities of retailers in other segments, such as food or hardlines (Mollá-Descals, Frasquet-Deltoro and Ruiz-Molina 2011; Doherty 2000). Fashion firms operate with product assortments that change on a monthly basis, that are more complex than those in grocery retailing, and that list items for longer periods (Swoboda, Pop and Dabija 2010).

The academic literature highlights the relevance of this research topic because of the challenges encountered by fashion retailers. In addition to speed to market and design, marketing and capital investment have been identified as driving forces of competitiveness in the fashion industry (Bhardwaj and Fairhurst 2010). Because of the significance for sustaining firm growth, researchers, policymakers and practitioners are interested in extending their knowledge of retail format replication.

Because of the complexity of the internationalization processes in retail, this thesis aimed to offer a multidimensional, holistic perspective on retail format replication.

In general, this research emerged as a result of a knowledge gap regarding (1) format transfer patterns and strategies and their success associated with such transfer

strategies, (2) the design of core and peripheral format elements and (3) changes in format transfer strategies and format elements over time and in different countries.

In conclusion, the core results summarized in the subsequent paragraphs provide new insights for research and practice. In the following section, the theoretical and managerial implications derived from the results are illustrated, and subsequently, the limitations of the study and the avenues for further research are highlighted. Multiple propositions have been addressed within the scope of this study. Table 5-1 summarizes the propositions and results discussed in this study in an overview.

No.	Proposition	Supported
1	Two format transfer strategies exist for format replicators in the fashion industry: (a) a global strategy and (b) a transnational strategy.	No
2	The transfer strategies of replicators in the fashion industry, particularly global and transnational strategies, are equally successful.	No
3	Among the format transfer elements, retail culture is more standardized than (a) retail offer elements and (b) background process elements.	Yes
4	Among the format transfer elements, some retail offer elements are standardized (core), whereas other retail offer elements are adapted (peripheral).	Yes
5	Among the format transfer elements, some background process elements are standardized (core), whereas other background process elements are adapted (peripheral).	Yes
6a	The transfer of the format element of retail culture is equal among (a) culturally distant, economically attractive countries and (b) culturally close, economically attractive countries.	Yes
6b	The transfer of retail offers occurs (a) in a more adapted form in culturally distant, economically attractive countries compared with (b) more standardized transfers to culturally close, economically attractive countries.	No
6c	The transfer of the background process elements occur (a) in a standardized form in culturally distant, economic attractive markets and (b) similar to culturally close, economically attractive countries.	No
7	Retailers following a global strategy transfer all format element(s) to foreign countries in standardized form, namely, (a) standardized retail culture, (b) standardized retail offers and (c) standardized background processes.	Partly
8	Retailers following a transnational strategy transfer all core format elements in standardized form and all peripheral format elements in adapted form, namely, (a) retail culture, (b) retail offers and (c) background processes.	Partly
9	The transfer strategies of replicators change only slowly over time.	Yes
10a	Retail culture changes only slowly over time.	Yes
10b	Retail offers change significantly over time.	Yes
10c	Background processes change more slowly than retail offers over time.	Yes
11	The transferred format elements of replicators change more rapidly over time in culturally distant and economically attractive countries than in culturally close and economically attractive countries, while	
	a) retail culture changes only slowly,	Yes
	b) retail offers change more strongly and	Partly
	c) background processes change more slowly compared with retail offers.	Yes

Table 5–1: Overview of propositions addressed in the present study

Source: Own creation.



## **B. Implications for research and practice**

### *1. Theoretical implications*

The subsequent paragraphs are structured as follows. First, the overall results are presented; then, results with respect to three subgroups related to (1) successful format transfer strategies, (2) the design of core and peripheral format elements and (3) changes in format transfer strategies and format elements over time and in different countries are presented.

#### **1. Overall results**

With respect to the high relevance of exploring retail internationalization from a research and managerial perspective, important issues related to retail format replication have been illustrated.

- First, with regard to the identification and measurement of the constructs, important retail format elements, namely, retail offers, background processes and retail culture, have been identified. Therefore, this study addresses all of the elements of retail format, i.e., the internal background processes, external retail offers visible to the end customer and the retail culture, as requested by previous research (e.g., Goldman 2001). Furthermore, as argued by flexible format replication theory and as the results confirm, retail format elements must be divided into core and peripheral elements, as suggested by previous conceptual studies (Swoboda and Elsner 2013; Jonsson and Foss 2011; Kaufmann and Eroglu 1999).
- Second, as stated in previous analyses, many format transfers involve few or limited format modifications. Many fashion firms that own retail operations in France and China follow global strategies. However, there are also cases in which fashion firms have made significant format adaptations that were driven by either the aim of exploiting opportunities in foreign economies or the goal of positioning the brand differently in the host country. This finding contradicts the predominant assumption of standardization in the fashion industry.
- Third, if they are not driven by a global format extension strategy, transfer decisions appear to be driven by the goal of improving the competitive position of firms in a host country.
- Fourth, the literature notes that two forces drive transfers: standardization and adaptation. I found more complex factors that influence transfers (i.e., dedicated context factors).
- Fifth, I found that, in most cases, the transfer decision process was well organized and systematic, which is not surprising because of the focus on the world's leading fashion firms. Generally, these firms are highly experienced in international operations and are aware of the many potential difficulties.

- Sixth, the concept of retail format was divided into core and peripheral elements to gain further insights and to build on previous studies.
- Finally, this study is the first extensive examination of the fashion industry, which is the most internationalized and dynamic retail industry.

Connecting dynamic retail offer replication with the model of Winter and Szulanski allows organizational learning to be recognized—but only in the first (explorative) stage, when a firm is searching for a format that can be replicated. According to Jonsson and Foss (2011), homogenizing retail offers across countries is typically a decisive learning experience. This statement is supported by this study because the degrees of standardization changed based on whether the retail offer is more store related (increased standardization) or was customer related (increased adaptation) compared with former values. Replication can be a hierarchical process in which some format elements must be standardized, whereas others can be adapted. The requirement for flexibility originates from differences in local markets as well as differences in the requirement to adapt the format for replication based on new learning (Jonsson and Foss 2011). Consequently, the adaptation of format elements in a host country may be anticipated to be influenced by organizational learning. Such experiences will resonate throughout the entire organization and thus can affect replication across countries. This statement is also supported by the results from the present study. In particular, retail culture plays a crucial role in this process of leveraging experience from format transfers. A firm must install structures and competences that further enable the examination of experiential knowledge with regard to host markets (Eriksson et al. 1997). Obviously, retail culture plays a fundamental role in this process.

Theoretically, a certain range of products must be available in every country or store to ensure a consistent go-to-market strategy. However, there may be certain variations as a result of local preferences. Pricing may be an example of a peripheral element because prices must attract local consumers and must therefore be flexible (Jonsson and Foss 2011). Finding the appropriate price point requires a learning process, and depending on the format transfer strategy, firms either replicate their prices unchanged or implement extensive adaptations. Consequently, the greater the dynamism of the markets is in terms of changes in customer preferences, the greater the pull toward format flexibility will be. In other words, for this study, China is losing momentum with regard to changes in customer preferences, and France is a saturated market; thus, greater standardization is evident in present periods than in previous periods. The results show that most format elements are adapted to a higher degree when they are replicated in a culturally close and economically less attractive country, such as France, than when they are replicated in a culturally distant and economically attractive country, such as China. Therefore, the common assumption that re-

tailers respond to uncertain environments in developing countries via greater adaptation cannot be validated for the fashion industry.

Based on learning theories, I anticipated that best practices in a country may be evaluated and implemented at the headquarters level to realize them across countries. This statement is supported by the empirical results of this study because the degree of standardization is increasing and because best practices are implemented and grounded in market-based learning. For planning-related background processes such as location or markdown planning, I anticipated that those processes are adapted and continuously enhanced as a result of previous experience. In this study, markdown planning did not change over time, whereas location planning experienced increased standardization. Supply chain-related background processes were assumed to be standardized at the headquarters level to realize economies of scale (see Manrodt and Vitasek 2004; Gielens and Dekimpe 2001; Segal-Horn and Davison 1992; Prahalad and Doz 1987; Levitt 1983); this assumption was supported by the results of the present study. Furthermore, supply chain-related background processes are even more standardized than they were five years ago.

The results of this study support the results of Swoboda and Elsner (2013), which show that core and peripheral format elements exist at every part of the retailer value chain. The results also support the work of Jonsson and Foss (2011) by showing the influence of a foundational element, retail culture, which is a stable phenomenon in format replication in foreign countries. Furthermore, changes in format replication strategies occur slowly based on market learning; this finding also supports the work of Jonsson and Foss (2011).

The examined research questions are of paramount importance, and the results contribute to existing studies in different ways:

1. What are general results with regard to format replication?
2. What are successful retail fashion format transfer strategies?
3. How are core and peripheral format elements designed in general and with respect to different countries?
4. What changes in format transfer strategies and format elements occur over time and in different countries?

In general, the results show that format replication is much more complex and varied than previous scholars have described.

The core results of this study for each of the three research questions were further divided into eleven propositions. These propositions provide new insights and will be subsequently presented.

## 2. Successful format transfer strategies

By addressing the *first group of propositions* related to successful format transfer strategies, the present study examined two propositions, which are summarized in table 5-2, on a sound theoretical basis of contingency and configuration theory.

No.	Proposition	Supported
1	Two format transfer strategies exist for format replicators in the fashion industry: (a) a global strategy and (b) a transnational strategy.	No
2	The transfer strategies of replicators in the fashion industry, particularly global and transnational strategies, are equally successful.	No

Table 5-2: Propositions related to successful format transfer strategies

Source: Own creation.

First, the literature does not sufficiently identify transfer patterns and strategies. In most cases, the integration responsiveness framework, which classifies international strategies into a matrix with axes representing “global integration” and “local responsiveness” dimensions (Bartlett and Ghoshal 1989, p.218; Bartlett and Beamish 2013, p.193), and case studies were used to explain differences with regard to retail formats. Where the line between global and transnational firms is drawn, how these differences are precisely articulated with regard to format transfer strategies and how the understanding of generic strategies applies to international fashion firms remain unclear (Wigley 2009). Lastly, the question of the success of fashion retailers’ format transfer strategies remains unanswered in the literature. The answer to this question is particularly important because adapting retail offers may drive sales and consumer responses, whereas standardizing background processes may lead to cost savings (Chandra, Griffith and Ryans 2002). From a theoretical perspective, contingency theory does not accept a complete randomness of combinations of variables but instead proposes harmonic inclusion in a value-adding holistic structure (Wolf 2000, p. 21-22) because factors such as firm experience result in narrowed randomness. Within the scope of format transfers, different structures with respect to the standardization and adaptation of format elements are expected (Swoboda and Elsner 2013). Different combinations of standardized and adapted format elements lead to different format transfer patterns. To be successful, retailers adjust their format transfer patterns in view of specific context factors that may force retailers to change their format transfer in a country or across nations. Retailers therefore must link their format transfer patterns to the context factors driving them, according to contingency theory in order to achieve successful format transfer strategies. Based on the high level of integration of fashion retailers, two format transfer strategies based on the typologies found in Bartlett and Ghoshal (1989, p. 14-17) and Prahalad and Doz (1987, p. 140) were theoretically conceptualized.

The results of the present study show that beyond the two conceptualized format transfer strategies (**P1**), there are three distinct format transfer strategies in the fashion industry. This finding extends findings from existing studies on the topic (e.g., Jonsson and Foss (2011), who consider neither different format transfer strategies nor the success of such strategies).

Furthermore, the success of format transfer strategies was taken into consideration (**P2**). Regarding the influence of format transfer strategies on success, two effects could be distinguished based on previous studies: (1) all of the strategies may exhibit equal levels of success, or (2) one strategy may prove to be superior. Therefore, I concluded that the effect of format transfer strategies on the success of international retailers merited further investigation (Xu, Cavusgil and White 2006). In total, nine empirical studies analyze the success of international retailers by focusing on the antecedents of success. I conceptualized the success of format transfer strategies theoretically based on the equifinality concept and empirically based on the work of Cavusgil and Zou (1994). Because the concept of equifinality assumes that there are multiple organizational designs or forms that are equally effective (Doty, Glick and Huber, 1993), the theoretical expectation was that the identified format transfer strategies are equally successful. The results of the present study show that two format transfer strategies (the global format extension and transnational competitive position oriented strategies) are equally successful. The third format transfer strategy (the opportunism strategy) is less successful.

### 3. Design of core and peripheral format elements

Regarding the *second group of propositions* related to the design of core and peripheral format elements, format elements were conceptualized while the question of whether single format elements are transferred in standardized or adapted form was addressed. Within this view, which parallels the format replication theory based on Winter and Szulanski (2001), it is argued that similar selling points need to be designed that offer characteristically consistent products or services (Winter and Szulanski 2001). The literature has traditionally analyzed standardization versus adaptation decisions and global versus multidomestic strategies (e.g., Schmid and Kotulla 2010). However, only a few studies have empirically addressed format replication with regard to how a replicable format is designed and adapted to local circumstances (Goldman 2001). In the literature, how retail format elements should be designed between the two forces of standardization and adaptation remains unclear. A comparison of the two most comprehensive studies on this issue, namely, Jonsson and Foss (2011) and Swoboda and Elsner (2013), highlights the controversial aspects of which format elements are considered core and peripheral. Jonsson and Foss (2011) include learning in the replication debate, which could lead to a certain degree of adaptation and consequently to a distinction between more standardized core elements and

more adapted peripheral format elements. If fashion retailers adapt their retail offering to a certain extent to attract customers, then the question remained as to whether a stable element may be transferred unchanged along with other more flexible format elements to the local context. In contrast to Jonsson and Foss (2011), Swoboda and Elsner (2013) show that any format element can be core or peripheral. However, Swoboda and Elsner (2013) do not consider retail culture in their study. Goldman (2001) divides the retail format into the retail offer, background processes and retail culture. Retail culture (i.e., rules or management culture) forms the basis for successful format transfer because it includes the foundational values of a firm, whereas background processes drive efficiency, and the retail offer attracts local customers. More specifically, each format element consisting of retail culture, retail offers and background processes must be subdivided into core and peripheral elements. Applying these elements—as well as the finding of Jonsson and Foss (2011) that lower-level elements (e.g., marketing efforts, pricing) are allowed to differ across stores based on market-based learning, whereas higher-level elements (e.g., values, firm vision) are replicated similarly throughout stores—to the present study led to the proposition that retail culture is transferred unchanged. I contribute to Swoboda and Elsner (2013) including retail culture in the present analysis. Second, Swoboda and Elsner (2013) identify core format elements simultaneously in retail offers and background processes. Their results are stable in psychically close and distant markets. As a result, these scholars cannot draw general conclusions about the standardization of processes or high-level features and the adaptation of offers or low-level value chain activities (Jonsson and Foss 2011). Applied to the present study, this finding led to the proposition that some elements of the retail offer and background processes are standardized, while others are adapted.

Table 5-3 summarizes the propositions related to the design of core and peripheral format elements. The results of the present study show that among the format transfer elements, retail culture is more standardized than retail offer elements and background process elements (**P3**). I contribute to format replication theory showing that retail culture is a stable element of the format.

With regard to proposition **P4**, I show that retail offer elements are partly core and partly peripheral. I contribute to Goldman's (2001) assumption that retail offer elements are designed differently and that there are core and peripheral elements at different levels of the retailer value chain (Swoboda and Elsner 2013). I contribute to format replication theory and show that the categorization of core and peripheral format elements is not fixed. Fashion firms design their retail format differently.

No.	Proposition	Supported
3	Among the format transfer elements, the retail culture is more standardized than (a) retail offer elements and (b) background process elements.	Yes
4	Among the format transfer elements, some retail offer elements are standardized (core), whereas other retail offer elements are adapted (peripheral).	Yes
5	Among the format transfer elements, some background process elements are standardized (core), whereas other background process elements are adapted (peripheral).	Yes
6a	The transfer of the format element of retail culture is equal among (a) culturally distant, economically attractive countries and (b) culturally close, economically attractive countries.	Yes
6b	The transfer of retail offers occurs (a) in a more adapted form in culturally distant, economically attractive countries compared with (b) more standardized transfers to culturally close, economically attractive countries.	No
6c	The transfer of the background process elements occur (a) in a standardized form in culturally distant, economic attractive markets and (b) similar to culturally close, economically attractive countries.	No
7	Retailers following a global strategy transfer all format element(s) to foreign countries in standardized form, namely, (a) standardized retail culture, (b) standardized retail offers and (c) standardized background processes.	Partly
8	Retailers following a transnational strategy transfer all core format elements in standardized form and all peripheral format elements in adapted form, namely, (a) retail culture, (b) retail offers and (c) background processes.	Partly

Table 5–3: Propositions related to core and peripheral format element design

Source: Own creation.

The same statement holds true for the area of background processes and proposition **P5**. The comparison of the results with the work of Swoboda and Elsner (2013) as well as Jonsson and Foss (2011) shows that also format elements which are classified as core can be peripheral. Furthermore, format elements considered as lower level features by Jonsson and Foss (2013) are standardized in the fashion industry. Consequently, I enhance the findings of the two studies mentioned above. With more differentiated results I contribute once more to format replication theory. Format replication theory seems to be too narrow for the dynamic fashion industry.

With regard to the design of format elements in different countries (**P6**), the results show that retail culture is transferred in an almost completely standardized form in both culturally close and culturally distant countries, e.g., France and China. I contribute to format replication theory with its concept of the Arrow core. Knowing which elements are replicable (Winter and Szulanski 2001) is essential for transferring format elements to different countries. In theory, differences in the design of the retail offer and background processes between countries were assumed. Most of the existing studies are on national level. I show that retail offers are more standardized in China than in France. Background processes are standardized to a greater extent in China than in France. In France, background processes are adapted to a greater extent to achieve greater flexibility in retail offers. Due to the differences between the countries I recommend to examine different context factors which can explain the differences in format element design in different countries. Consequently and from a theoretical point of view it makes sense to combine format replication theory with contingency

theory. Lastly, I contribute to the concept of cultural distance. In the fashion industry, cultural distance seems to be less important and the overall market attractiveness does not force fashion retailers to adapt their retail offer and background processes.

Given the three identified format transfer strategies, the results clearly show that retailers following a global format extension strategy standardize most format elements when replicating their formats (**P7**). Few peripheral elements are adapted. The peripheral elements that are adapted are retail offers and background processes; this finding is consistent with those of Swoboda and Elsner (2013) and Jonsson and Foss (2011) because retail culture elements are transferred unchanged. The present study complements both studies. First, the findings of Jonsson and Foss (2011) and Swoboda and Elsner (2013) are supported by the finding of core and peripheral format elements. Second, I contribute with the result of identifying core and peripheral format elements at every part of the fashion value chain; this finding supports the findings of Swoboda and Elsner (2013) and contradicts those of Jonsson and Foss (2011). Third, this study included retail culture in the examination; the inclusion of this element supports Jonsson and Foss (2011) and would enhance the work of Swoboda and Elsner (2013), who do not consider retail culture in their study.

Novel insights are provided with the design of format elements within different format transfer strategies. Fashion retailers following a global format extension strategy standardize retail culture and most retail offers and background processes.

Fashion retailers following a transnational competitive position oriented strategy (**P8**) standardize retail culture and most core retail offer elements. Planning-related background processes are partly adapted for core and peripheral elements, whereas there is a high degree of standardization for supply chain-related background processes. I contribute to previous studies with the identification of a third format transfer strategy: the opportunism strategy. Firms following this strategy intend to enter a market quickly and are not afraid of testing new offers and processes. However, this flexibility must be part of the firms' culture to be successful; accordingly, retail culture is standardized with this strategy. Even if this strategy appears to be a non-structured format transfer strategy, some format elements are standardized, such as "service" or "store layout". Another example is "inventory management." Without available stock and knowledge of how much stock is available, a business assumes high risk. The same holds true for logistics processes. Without visibility of where products are and processes in place to ensure the products are of proper quantity and quality at the appropriate time and at the appropriate place, retail fashion firms assume a risk of failure. Theoretically, the results contribute to format replication theory and the concept of the Arrow core.



With the results of the present analysis I contribute to previous studies such as Swoboda and Elsner (2013) as well as Jonsson and Foss (2011) with the identification of different format transfer strategies and format element design in different countries. In theory, it was expected that the majority of fashion retailers follow a global strategy. I show that firms apply different format transfer strategies which subsequently results in different format element design, except for retail culture which is always core. I furthermore enhance existing studies with the analysis of changes over time in different countries.

#### 4. Changes in format transfer strategies and format elements over time and in different countries

The *third group of propositions* compares the examined years 2009 and 2013 with regard to changes in format transfer strategies. The literature with the scholars around Jonsson and Foss (2011) analyze format changes over time for 'only' one firm (IKEA). The researchers refer to flexible format replication because market-based learning influences replication decisions over time. However, Jonsson and Foss (2011) focus only on the headquarters level and leave a comparison of countries for future research—although significant differences between countries can be assumed. It is important to examine the headquarters level to gain a holistic and strategic perspective that will act as a foundation for replicating the format into foreign countries. I contribute not only on a headquarters level but in addition I show results for two countries.

Flexible format replication theory claims that firms require a long time to reach their present (flexible) replication strategy (Jonsson and Foss 2011). From a learning theory perspective, changes in format transfer strategies may occur depending on a firm's knowledge accumulation (Johanson and Vahlne 1977). Consequently, fashion retailers adopting the global format extension strategy were expected to transfer most of their format elements unchanged. Such firms are recognized as heavily coordinated and standardized across countries. Because the global format extension strategy requires a centralized operational structure in which decisions across countries must be coordinated through centralized planning to align the overall corporate strategy (Prahalad and Doz 1987, p. 157), expectations for a strategy change were considered to be weak. In addition to the first group, from a learning theory perspective, some fashion retailers were anticipated to adapt parts of their format elements over time. This strategy is referred to as a transnational competitive position oriented strategy. Over time, such firms learn which format elements must be adapted when they transfer their format. Consequently, I expected a slight change in the transnational competitive position oriented strategy over time.

Table 5-4 summarizes the propositions related to changes in format transfer strategies over time and in different countries.

No.	Proposition	Supported
9	The transfer strategies of replicators change only slowly over time.	Yes
10a	Retail culture changes only slowly over time.	Yes
10b	Retail offers change significantly over time.	Yes
10c	Background processes change more slowly than retail offers over time.	Yes
11	The transferred format elements of replicators change more rapidly over time in culturally distant and economically attractive countries than in culturally close and economically attractive countries, while	
	a) retail culture changes only slowly,	Yes
	b) retail offers change more strongly and	Partly
	c) background processes change more slowly compared with retail offers.	Yes

Table 5–4: Propositions related to changes in format transfer strategies over time and in different countries

Source: Own creation.

In the present study, I note that the studied format transfer strategies exhibited stability and did not change during the analyzed timeframe (**P9**). From a theoretical point of view this result was expected because changes in format transfer strategies may occur depending on knowledge accumulation. Furthermore, strategies are usually implemented for a longer period of time and the examined timeframe of five years seems to be too short.

With regard to changes in retail format elements over time, retail culture in 2013 (as in 2009) is the foundation for fashion firms when they replicate their format (**P10a**). The results support the work of Jonsson and Foss (2011) because higher level features, such as values, are replicated uniformly. The result is theoretically supported by flexible format replication theory as well as by the concept of the Arrow core based on format replication theory.

Retail offers did significantly change over time. This result may have been observed because of the need to individually respond to different consumers in different geographies and the ability of IT to better analyze individual consumer preferences during the buying experience, which enables fashion firms to adapt customer-specific format elements. For retail offers (**P10b**), the work of Jonsson and Foss (2011) is supported in that peripheral retail offer elements are allowed to change over time and core retail offer elements are more stable over time. At the same time, the work of Swoboda and Elsner (2013) is supported because peripheral elements are less standardized, whereas core elements are transferred in a more standardized manner. I contribute to flexible format replication theory with regard to learning over time.

Background processes were found to be increasingly standardized over the last five years (**P10c**). For background processes, the work of Jonsson and Foss (2011) is not supported, as peripheral background process elements are allowed to change over time. For core background process elements, the work of Jonsson and Foss (2011) is supported because core background processes elements are quite stable

over time. At the same time, the work of Swoboda and Elsner (2013) is supported because peripheral elements are less standardized, whereas core elements are transferred with a higher degree of standardization. I contribute to flexible format replication theory and the aspect of learning. Over time, the headquarters learned which format elements add value and which not.

The second part of this group of propositions relates to changes in retail format elements over time in different countries (**P11**). The literature claims that format transfer patterns, context factors and retail format element design are moderated or even determined by the local environment (and thus specific to each country, culture or country group) and psychic distance (e.g., Evans and Bridson 2005, 2008). Consequently, if the country level is also considered, then deeper insights into the relationships between the different levels within a firm will be observable. Williams (2007) extends the importance of learning and company culture and questions the role of replication and adaptation in knowledge transfer relationships. Replication and adaptation lead to successful knowledge transfer, which leads to improved performance in the receiving unit. Moreover, Jonsson and Foss (2011) claim that an ongoing learning process is important to adjust the format for replication. Friesl and Larty (2013) identify forward knowledge flows and reverse knowledge flows from a replicator to a replicatee within a firm. Szulanski and Jensen (2008) conclude that subsidiary performance will increase in replicator organizations whose policy involves more precise knowledge transfer. Thus, an examination of the fashion industry is particularly important to gain a deeper understanding of how retail format is transferred across countries over time.

Theoretically, flexible format replication theory argues that formats need to be adjusted based on learning abroad (Jonsson and Foss 2011). The longer the firms operate in a host country, the more capability they are assumed to acquire through learning (Makino and Delios 1996). Consequently, I expected format elements to change across countries and over time based on learning arguments as well as the dynamics and attractiveness of change in culturally close and culturally distant countries. Regarding retail culture, I expected changes over time and across countries to be slow. Format elements related to retail culture have a foundational character that is managed by headquarters. Such elements cannot be easily adapted in different countries. Culturally distant countries, such as China, must follow the same rules as culturally close countries, such as France. Regarding retail offers, I expected significant changes to occur over time and across countries, particularly in culturally distant and economically attractive countries because of the high-level dynamics in a culturally distant and economically attractive country. Conversely, a culturally close and less economically attractive country may impose less change over time because there is less need for such change. However, mature international markets such as France and Germany show an increasing level of competition and commercial saturation

(Mollá-Descals, Frasset-Deltoro and Ruiz-Molina 2011), further supporting the arguments regarding changes in retail offer elements. Because of the focus on efficiency for background processes, I expected background processes to change more slowly than retail offers over time and across countries.

In the present study, retail culture was almost unchanged over time in France and China (**P11a**). Only slight changes toward full standardization occurred in the examined timeframe. The results contribute to flexible format replication theory and the concept of Arrow core.

Retail offer elements notably changed to a greater degree in France than in China. With regard to retail offers during the last five years, fashion firms learned what store-related design elements should look like and increased the standardization of such elements in different countries (**P11b**). I contribute to flexible format replication theory and the aspect of learning over time. The results of the present study show that learning is not a unidirectional flow from headquarters to subsidiary. For many fashion retailers, countries report back individual learnings to share best practices and enable other subsidiaries to learn.

By analyzing France and China, particularly with regard to the changes in background process elements over time, a trend of standardization is clearly visible (**P11c**). Most core format elements were increasingly replicated in a standardized form during the past five years. In France, peripheral background processes were less standardized in 2013 than in 2009. For China, only slight changes in planning-related background process elements occurred over time. Core background processes have been increasingly standardized during the last five years. For supply chain-related background processes, the aim of full standardization in China is also present today, regardless of whether the elements are core or peripheral elements.

In summary, the results emphasize that the individual countries also learn over time and adjust parts of the retail format. A trend towards changes in customer facing format elements can be observed. I contribute to flexible format replication theory in extending the view with a large sample and over two countries. The question remains whether countries will gain further autonomy from the headquarters to change the retail format according to local needs.

## *II. Managerial implications*

Because retail format transfer remains a challenging managerial issue with various complex content areas, the firm-specific view of this doctoral thesis provides major managerial implications.

Retail format transfer is particularly relevant for the majority of retail managers, who are increasingly shifting their attention to promising developing markets. The ultimate

goal is to transfer elements of their format from their home markets while encountering challenges in adapting offers and standardizing important, effective and efficient processes. Previous studies do not convincingly indicate which format elements should be replicated in an unchanged or adjusted form (Alexander 2008; Goldman 2001) and whether and how these elements in general—and whether and how core and peripheral elements in particular—drive success abroad (Colla and Dupuis 2002; Jonsson and Foss 2011). Consequently, the current study aimed to identify the processes of primary importance for retailer efficiency and for the design of local offers that drive effectiveness. The study was also guided by the aim of investigating standardized format elements.

In this study, I identified which context factors influence format replication patterns to enable managers to become aware of the relevant features and to consciously begin to design their format replication pattern. More important, this study showed that the managerial capabilities that are determined in the retail culture constitute the most important foundation for successful format replication.

In addition to the two conceptualized format transfer strategies, this study identified a new format transfer strategy (the opportunism strategy). Within this strategy, different types of fashion firms were identified. The first group of firms included small, young and exclusive firms that lacked a commitment to any format or retail strategy. These firms considered themselves to be sufficiently flexible to react rapidly to any opportunity. The second group included firms that decided to develop new format versions that were better geared toward the needs of untapped and promising segments: “If we decide to enter a market, we want to become the leader.” Another reason that these firms adopted this strategy was to position their brand differently through a different format. Firms in the outdoor, underwear, lifestyle, high fashion, jeanswear and shoe segments were part of this group. Furthermore, certain firms recognized a low level of acceptance with respect to their format in certain countries, which implied that significant adaptation was necessary: “However, a minimum standard needs to be applied.” Firms belonging to this group were adapting all their offer elements to a certain extent: “In principle, every country can have its own prices as long as sales goals are reached”; “the sales manager of the country decides what the price will be”; “although we recommend standard prices to the countries, the local management is flexible to adapt them”; and “every region has the flexibility to define their store layout and prices.”

Because the three format transfer strategies were compared with respect to the success of firms employing them, firm managers can learn from the top performing group (i.e., firms adopt the global format extension and transnational competitive position oriented strategies). Furthermore, managers should recognize that strategic orientations must fit holistically. On the basis of the results of the present study, I

recommend two strategies because the third one is less successful. Although the global format extension and transnational competitive position oriented strategies were the most successful strategies, they may not be applicable to all fashion firms for certain reasons, such as firm size. As a result, a manager needs to be able to determine which strategy to apply in order to be successful.

Overall, format replication as a process implies that decisions, particularly in the dimensions of format elements, country and timing, lead to specific situations that in turn require decisive management in order for the process to be successful.

Managers must recognize the importance of the structure, strategy and culture of firms. Retail culture is the foundation for format transfer and consequently should be considered first. For other format elements, such as retail offers or background processes, a more detailed investigation is required. Furthermore, the ability to plan for format replication by considering the influencing context factors represents an enormous advantage for managers. The results of the present study highlight the need for managers in fashion firms to consider country differences.

### *III. Limitations and further research*

To better understand strategies for transferring retail formats into foreign countries, further research in this domain is necessary because this study also has certain limitations.

With regard to the sample, research in the context of retailers with international operations is still fairly limited. The majority of studies constitute only small-N research, with the result that the standardization or adaptation of specific retail format elements cannot be generalized. Further research should also consider the antecedents of format transfer decisions within the internal and external environment. From a methodological perspective, large primary data investigations on international fashion retailers such as the present study would help to shed additional light on this issue by increasing the generalizability of the results. This study is based on managerial perceptions and does not address objective phenomena. This design has both advantages, such as pure compatibility with, for example, various econometric, secondary data-based studies, and disadvantages, such as possible biases resulting from social desirability (particularly in the context of attitudes). However, I partially addressed the latter concern by interviewing two executives per firm in most of the cases to ensure the stability of the results. This approach should be implemented by subsequent studies as well.

With regard to the method and measurement, an analysis of changes over time, as provided by the present study as well as the case study-based investigation of IKEA by Jonsson and Foss (2011), on the basis of a longitudinal data set would provide

further interesting insight. The examined timeframe of five years in the present analysis provides good insights. However, with regard to strategies, five years seem to be too short for significant changes in the results. The present study is exploratory and qualitative. Future studies exploring the relationship among the retail format and overall strategies should use the same inductive, case study-based approach.

Furthermore, analysis of format replication should be expanded. Additionally, the relationships among replication strategies and format elements should be studied. There were indications in the present study that the importance of a format element may vary across the different types of business models in which fashion firms operate. For example, for fashion firms adopting a competitive position oriented strategy, the retail offer played an important role in ensuring that consumers accepted the format. By contrast, background processes appeared to be much more important for firms adopting a global format extension strategy by enabling stable operations. The three identified format transfer strategies in this study are not exhaustive. Additional replication strategies may be identified in future studies. For example, smaller, less experienced fashion firms may use different strategies.

From a theoretical perspective, this field of research can be advanced by integrating various theories. However, there is a difference between integrating and combining complementary theories and creating a theoretical patchwork. Future research should aim to advance theory development, to question the underlying models and to identify parallels between models. Based on this work, I believe that more specific results from recent years can be gathered and that a greater overall picture may be derived to advance the insights on the holistic concept of format replication.

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# Appendix

## Interview guide

### 1. General Information and Basic Orientation of your Firm

<b>The following basic information is very important. Please provide approximate values for all items.</b>	
Annual sales [ <i>approx.; in mill.</i> ]	... foreign share [ <i>approx.; in € mill.</i> ] today ____ 10 years ago ____
No. of employees [ <i>ap prox.</i> ]	... no. in foreign countries today __; 10 years ago ____ [ <i>approx.</i> ]
If you prefer not to state figures, please indicate as %: Share of sales abroad ____% No. of employees abroad ____%	
Foreign sales [ <i>approx.; as %</i> ] West. Europe __%, Central/Eastern Europe __%, Americas __%, Asia/Pacific __%	
No. of foreign countries handled ____	
In which sector(s) do you operate <input type="checkbox"/> High Fashion <input type="checkbox"/> Fast Fashion <input type="checkbox"/> Sports <input type="checkbox"/> Shoes <input type="checkbox"/> Young Fashion <input type="checkbox"/> other	

### Define your prime basic orientation in international operations? [*Please tick the first and second alternative for each box.*]

Strategic skills and resources are centralized and oriented towards all markets (regional and global). <input type="checkbox"/>	Strategic skills and resources are spread at international level, each foreign company acts independently. <input type="checkbox"/>
Strategic skills and resources are available at the mother company in the home market and are passed on to the foreign companies. <input type="checkbox"/>	Strategic skills and resources are spread internationally over specialized foreign companies that interact to a large extent with other foreign companies. <input type="checkbox"/>
New knowledge is generated and tested centrally and is aimed regionally and globally at all markets equally. <input type="checkbox"/>	New knowledge is only created in the countries where there are foreign companies, but is not transferred to other companies. <input type="checkbox"/>
New knowledge is only created in the home market and is passed on from there to all foreign companies. <input type="checkbox"/>	Knowledge is created in subsidiaries and in the mother company and is also exchanged via cross-links between the subsidiaries. <input type="checkbox"/>

Our firm remains (strongly) competitive in an "international" context by ..	
... achieving cost advantages with regionally and globally oriented/largely standardized activities. <input type="checkbox"/>	... generating a strong local presence, with an intuitive feel and adapting to special features of the countries concerned. <input type="checkbox"/>
... making use of knowledge and skills of the mother company, and implementing and adapting these skills internationally/worldwide. <input type="checkbox"/>	... creating networked resources, i.e. foreign subsidiaries perform specialist tasks and operations between countries are networked. <input type="checkbox"/>

**To what extent do the following statements apply to you? [Please select answers between 1 = "not at all" to 5 = "very much so".]**

Our firm focuses internationally on achieving economies of scale by concentrating important activities in a small number of international locations.	① ② ③ ④ ⑤
Our competitive position has both a regional and a global orientation; competition is global.	① ② ③ ④ ⑤
Our competitive strategy is multi-national, i.e. each foreign company deliberately acts alone/autonomously in order to generate domestic/international competitive advantages.	① ② ③ ④ ⑤
Our firm is aware of the differences in buying behaviour/culture in different countries, and tries to react to them with customized services adapted on a broad basis to suit the markets concerned.	① ② ③ ④ ⑤

## 2. Retail Format

**2.1 Retail offers:** Please state whether they are standardized?

	In general	EU (F)	China
	standardized	standardized	standardized
Location			
Store Format			
Store Layout (Shopping environment)			
Price			
Service			
Communications			
Promotions			

**2.2 Background Processes (Planning):** Please state whether they are standardized?

	In general	France	China
	standardized	standardized	standardized
Market & Trend Analysis			
Location Planning			
Store & Space Planning			
Assortment Planning			
Markdown Planning			
Planning of Customer Service			
Forecasting			

**2.3 Background Processes (Supply Chain):** Please state whether they are standardized?

	In general	France	China
	standardized	standardized	standardized
Sourcing/Buying			
Selection of Suppliers			
Procurement Logistics (inbound)			
Inventory Management			
Allocation			
Logistic Processes			
Distribution Logistics (outbound)			

**2.4 Retail culture** Please state whether they are standardized?

	In general	France	China
	standardized	standardized	standardized
Finance & Investment Planning			
Strategic Controlling			
Restructurings in Foreign Subsidiaries			
HRM of Top-Positions			
Rules			
Management Culture			
Human Resources Management			

### 3. Success

#### How successful was your company on average over the past three years?

[Please estimate as follows: [1] Declining/constant, [2] Increase up to 10%, [3] Increase of 11-20%, [4] Increase of 21-30%, [5] Increase of more than 30%.]

##### *In General*

Sales development	① ② ③ ④ ⑤
Development in return from overall capital	① ② ③ ④ ⑤
Market share	① ② ③ ④ ⑤
Are you [1]"not at all satisfied" or up to [5]"very satisfied with development"?	① ② ③ ④ ⑤

##### *France*

Sales development	① ② ③ ④ ⑤
Development in return from overall capital	① ② ③ ④ ⑤
Market share	① ② ③ ④ ⑤
Are you [1]"not at all satisfied" or up to [5]"very satisfied with development"?	① ② ③ ④ ⑤

##### *China*

Sales development	① ② ③ ④ ⑤
Development in return from overall capital	① ② ③ ④ ⑤
Market share	① ② ③ ④ ⑤
Are you [1]"not at all satisfied" or up to [5]"very satisfied with development"?	① ② ③ ④ ⑤

#### 4. Context Factors for Development Abroad

Based on the three areas of context factors, which factors are strategically important in terms of your retail format (barriers of standardization) in general? Are there differences between countries (France and China)? [Please name context factors which come to your mind] in general, and then I will turn to both countries, France and China.

	In general	France	China
<b>External Environment (Political-economic development overall)</b>			
<b>Customer, competitor and supplier conditions</b>			
<b>Internal Environment (resources and competences)</b>			

*Many thanks for your kind cooperation and assistance.*