

The Importance of Assortment, Pricing, and Retail Site Location for Competition in Food Retailing – Results from Marketing Research

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This paper investigates the role and contribution of marketing-mix elements in the competitive landscape of the food retailing industry. A literature review focusing on the effects of assortment, price, and location is presented in order to explore the impact of these factors on competition. The review clearly demonstrates that current marketing research focuses primarily on analyzing the effects of operational decisions. However, further analysis reveals several levels at which competition takes place. The close relationship between marketing-mix elements and store format or retailer brand suggests that more attention should be paid to aggregated levels of competition. The competition between the two main retail formats, discounter and full-range retailer which is observed in business practice, can be characterized by the trade-off between the benefits of price and time on the one hand and selection and service on the other. However, retailers' ability to provide these benefits depends on additional factors which need to be integrated in marketing research.



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1. Introduction

Food retailing is differentiated from other branches of commerce by its hyper-competitive environment. Recent structural changes in food retailing are illustrated in the following developments:

- The food retailing industry has historically been characterized by a continuous concentration and selection process at both the company and store levels. While average store size and consequent selling space have grown, the concentration of companies has also increased considerably across all levels of trade due to organizational developments such as chaining, formation of cooperative groups, mergers and acquisitions (Lademann 2012, p. 147–151, 173–176). These developments have resulted in a major decrease in the number of food retailing stores, from over 153,000 in former West Germany in the mid-1960s to only 39,000 in Germany by 2012 (ISB 1980, p. 40–41; EHI 2013, p. 92). Food retailing continues to follow this trend of concentration, contributing to the industry's characteristically changing landscape.
- In recent decades, significant changes in market share distribution have occurred between retail formats. Specifically, traditional retail formats such as full-range supermarkets have experienced declining market share while discount retailers have strengthened their market position by opening more outlets throughout the country. The fight between full-range supermarkets with various services and discounters with limited variety and cheap prices is a reflection of inter-format competition. On the other hand, intra-format competition occurs, which involves rivalry between two identical formats, e.g., two discounter chains (Rudolph/Kleinschrodt 2006; Fox/Sethuraman 2010).
- Food retailing is characterized by a large variety of products, including approximately 150,000 product lines with over 500,000 stock keeping units (SKUs). Every year more than 100,000 new SKUs are introduced (Lademann 2012, p. 6–8). Fast-Moving Consumer Goods (FMCG) have a high inventory turnover with a weighted average of approximately 20 times per annum (EHI 2009, p. 299), requiring correspondingly intensive and frequent use of marketing-mix elements for attracting consumers.
- Given that the mail order and e-commerce market share comprises less than one percent of the demand,

competition for customer acquisition and retention primarily occurs in the store trade area (BHV 2012). Consequently, retail format preferences are overshadowed by retailers' location decisions, which influence the time required for customers to travel the distance to the store. Therefore, location development and selling-space expansion are critical elements of competition among stores and retail formats in food retailing (Lademann 2013).

The structural change in Germany's food retailing industry is influenced by numerous macro- and micro-environment market forces (Zentes/Rittinger 2009). At the same time, structural changes reflect the market success of particular retail chains or retail formats. Market success depends on various important decision parameters, including the marketing-mix factors which influence consumer behavior. The marketing-mix elements of particular concern include assortment, price, and retail site location, specifically regarding the following questions:

1. What assortment/price/location decisions are subject of current research?
2. What are the findings about the decisions' impact?
3. What decisions generate long term effects and influence the competition persistently?

In order to answer these questions, a literature review is presented in three sections, focusing individually on each of the aforementioned three marketing-mix parameters. The literature review encompasses major business journals specializing in marketing and retailing. The analysis covers the time period from 2000 to 2014 and focuses on store-based food retailing.

The goal of this paper is to clarify whether current marketing research, particularly consumer behavior research, facilitates an improved understanding and prediction of the competitive landscape of the food retailing industry. Thus, section five of this study intends to provide answers to the preceding questions regarding assortment, price, and retail site location and their importance in assessing competitive relationships in retailing. Therefore, their scope and levels are examined in regard to their ability to characterize competition in the market. All findings are summarized in the last section, discussing potential consequences and implications for marketing research.

2. Assortment

Product assortment determines the rivals with which a retailer must compete. It is usually characterized by assortment width, defined as the number of product categories offered, and assortment depth, defined as the variation in products serving a single consumer need. Retailers must also decide upon the number of private label brands (PLBs) to introduce in individual categories.

Studies researching the assortment policy can be grouped according to the investigated decisions and their corresponding impacts. Assortment decisions of depth and width can be further categorized by the policy options of reduction or extension.

As Table 1 illustrates, although many studies confirm the assumption that an assortment reduction has no negative effects, the results are not unified. It is evident that these results depend on several framework conditions and on whether the effects are measured on an individual category level or the entire store level. Framework conditions analyzed in the studies demonstrate that identifying and eliminating less-preferred products matters for retailers. The following must be noted in this regard. First, the potential options for assortment width reduction differ by retail format (Lademann 2007). Second, the effect of assortment width reduction depends on the initially perceived assortment width. Early studies (Broniarczyk et al. 1998) already indicate that consumer perceptions of assortment variety do not depend solely on the number of alternatives, meaning that retailers have other instruments at their disposal for influencing consumer perceptions.

Great attention in marketing literature is paid to the impact of assortment depth. In part, this interest is driven by the management concepts of efficient consumer response and category management. When analyzing the advantages of changing the assortment depth, not only impacts on sales but also cost effects should be considered.

PLBs play a multifaceted role in competition and constitute an important assortment-policy parameter. They can influence a retailer's success in two ways: by yielding higher unit margins for the PLB itself, and by producing higher unit margins for national brands. Increases in national brand unit margins can be traced back to a strengthening of the bargaining position vis-à-vis the national brand manufacturer. Several studies draw attention to the complex interdependencies between the use of PLBs and national brands, demonstrating that a balance between PLBs and national brands is superior to a substitution strategy between the two. In addition, some studies warn of inflated expectations for PLBs regarding their impact on customer loyalty.

Nonetheless, the entire assortment's PLB share has a significant impact on the retailer's price level as perceived by consumers. The expansion of PLB portfolios by full-range retailers can be interpreted as a response to the successful expansion of discounters. However, an expansion of PLB share in the assortment should be viewed critically. For increasing returns from PLB portfolio introduction, higher margins of PLBs must compensate for losses in national brand sales as well as national brand margins. However, it is still questionable whether the expansion of PLB share will lead to increased customer loyalty, dampening their willingness to switch retailers.

It is worth noting that academic research has hardly analyzed certain developments in business practice. For ex-

Author	Independent Variables	Effects	Context
Ailawadi/Harlam (2004)	store brand share	high store-brand share leads to higher percentage margins on national brands; balance between private label brands (PLBs) and national brands superior to a substitution strategy	light and heavy store-brand users
Ailawadi et al. (2008)	private label (PL) share	inverted U-shaped relationship between PL share and store loyalty (household's share of wallet)	light and heavy PL buyers
Boatwright/Nunes (2001)	cuts in the number of SKUs	category sales tend to increase	availability of key product and category attributes (brand, flavor)
Bonfrer/Chintagunta (2004)	introduction of a store brand in a certain category	retailers sell higher margin store brands to loyal customers and on average raise national brand prices	store loyal customers and store switchers.
Borle et al. (2005)	assortment reduction	reduction in assortment reduces overall store sales (negative effect on both shopping frequency and purchase quantity)	kind of category
Briesch et al. (2009)	number of brands offered; presence of private labels	assortment more important than prices in store choice decision; positive (negative) effect of the number of brands (presence of private labels) on store choice	particular preferences of a retailer's shoppers for assortment versus convenience
Chernev (2003)	smaller versus larger assortment	ideal point availability tends to strengthen (weaken) preferences in choices from large (small) assortments	consumers with and without an ideal point
Corstjens/Lal (2000)	introduction of a quality store brand	increased store profitability	quality of the store brand
Dawes/Nenycz-Thiel (2013)	private label policy	competition between PLs and national brands (NBs) occurs across multiple stores the shopper buys from in a one-year period; PL growth may sometimes hurt other PLs more than NBs	category characteristics; link between a PL and its retailer
Fox et al. (2004)	formats with greater assortments versus formats with lower assortments	patronage and spending are sensitive to differences in retailer assortments	retail formats
Geyskens et al. (2010)	introduction of economy and premium PBs	affection on customer choice; cannibalization effects on incumbent PBs	quality variation through PL line extensions (downscale or upscale)
Hamilton/Chernev (2010)	product line extension	perception of a retailer's price image	Consumers' intention of browsing or buying
Mantrala et al. (2009)	product assortment planning (PAP): variety, depth, service level	huge impact of the assortment's composition on the retailer's sales and profits	strategic (long-term) versus tactical (short-term) planning steps
Meza/Sudhir (2010)	introduction of store brands	retailer gains bargaining power	mass market versus niche markets
Morales et al. (2005)	congruency between consumers' internal and retailers' external organization	perceptions of assortment variety and satisfaction do not depend solely on the number of alternatives	shopping goals; consumer familiarity with a category
Pauwels/Srinivasan (2004)	introduction of store brands	higher unit margins for the store brand itself and higher unit margins for national brands; no beneficial effects on store traffic or revenue	product category
Sloot et al. (2006)	assortment reduction	substantive short-term category sales losses; weak long-term category sales losses; increase in perceived search efficiency; decrease in actual search time	former versus new category buyers

Table 1: Literature review on the impact of product assortment

ample, the effect of temporary assortments, especially in non-food segments, which form a strategic differentiation of discounters against full-range supermarkets, has not been investigated fully. The same applies to research in regard to offering telecommunication services or tourism services as complimentary products. Furthermore, the introduction of "ready-to-eat" products to the standard assortment of retailers, e.g., sushi, sandwiches, or pre-processed salads, has been observed in recent years.

When transferring the implications of the previously presented studies from foreign markets onto the German

FMCG market, it is important to consider international market differences. For instance, the largest share of retailer turnover in Germany is generated by particular categories. Because the assortments are very similar between competitors at the FMCG level due to ubiquitous national brands, it is to be expected that different PLB portfolios, regional products, and specialties affect the consumer's retailer choice more persistently.

3. Pricing

Price differences between shops and retail formats can be postulated by a twofold explanation. On the one hand, retailers of various retail formats offer different service levels, which in turn affect the costs that need to be covered by mark-ups. On the other hand, different prices and the consumer's willingness to pay them reflect his or her service appreciation. In business practice, service appreciation becomes evident in the consumer's choice of retail format, which can be understood as a bundle of services. However, quantifying consumer's appreciation of a retail format is reasonably difficult, as every consumer only buys a small portion of a retailer's assortment. Thus, consumers are likely to have differently composed shopping baskets, for which the price level perception of the retailer also differs (Kopalle *et al.* 2009).

In order to analyze the effects of pricing policy, the associated instruments must be identified. In an empirical study, Bolton/Shankar (2003) developed a taxonomy of retailer pricing and price-promotion strategies. They further demonstrate that a characterization of retailer pricing strategies at retail format level or store level is far too vague.

Table 2 compiles an overview of current academic studies in which the effects of specific price instruments are investigated.

Despite the fact that it is a significant simplification of the reality, a distinction is often drawn between two types of pricing strategies in retailing: the everyday-low-pricing (EDLP) policy and the high-low-pricing (HiLo) policy. Their effects have already been analyzed in numerous earlier studies (Hoch *et al.* 1994; Lal/Rao 1997). Additionally, recent studies compare EDLP and HiLo pricing policies. EDLP tends to offer the customer lower prices compared to a retailer with a HiLo policy. With retailers following a HiLo policy, consumers can possess price benefits only if they search for price promotions, shop more often, purchase certain products, and are willing to switch brands in a category according to the currently offered price promotions. Consequently, when assessing consumer preferences for either one of the two forms of pricing strategy, factors such as opportunity costs, household size, shopping-basket size, and brand loyalty are taken into consideration.

Bhatnagar/Ratchford (2004) opt for a cost-oriented perspective to assessing pricing policies. The basic idea is

Author	Independent Variables	Effects	Context
Ailawadi <i>et al.</i> (2006)	promotion	on average, the net profit impact of promotions is negative	role of promotion, brand, category, store characteristics
Carver/Padgett (2012)	99-ending pricing	price attractiveness judgment	99- versus 00-ending pricing for the highest and lowest prices
Cotterill/Putsis (2000)	promotion	national brand (NB) promotions have a greater effect on NB share than that of private label (PL) promotions on PL share	NB versus PL
Chatterjee <i>et al.</i> (2000)	promotions by straight- and cross-coupons	asymmetric switching between national and store brand	coupon characteristics
Dawes (2012)	price promotions for one pack-size	heavy cross-pack cannibalization (sales from the other pack-sizes of the same brand)	packaging difference
DelVecchio <i>et al.</i> (2009)	discount location (proximate versus distal from regular price info); discount framing (cents-off versus percentage-off discounts)	immediate value and persistence of consumers' price estimates	the manner in which the discount is communicated
Fox <i>et al.</i> (2004)	frequency and depth of promotions; variation in market-basket prices	store patronage and spending are highly responsive to differences in retailers' promotional intensity; spending is insensitive to variation in market-basket prices	differences in retailer assortments
Kim (2006)	different rebate ad formats	impact on purchase intentions; consumers' responses entail both emotional responses and rational evaluations	rebate amount, consumers' price knowledge, and rebate processing time
Kopalle <i>et al.</i> (2012)	pricing policy	category profit	household level heterogeneity in reference price
Kumar/Rao (2006)	pricing strategy determined by data-analytics programs	supermarket profit	size, and customer's basket composition
Macé (2012)	nine-ending prices	loss of sales in certain conditions	SKU, store, category, clientele
Manning/Sprott (2007)	multiple unit price promotions	purchase intentions	quantity specified in the offer, rate of product consumption
Nijs <i>et al.</i> (2001)	price promotions	short run and long run category demand	competitive structure, product categories
Park/Gupta (2011)	price reduction	increases in sales	cyclicality in buying (high versus low purchasing tendency period)
Richards <i>et al.</i> (2012)	temporary price reductions, price promotions,	product sales	nature of fresh product
Schindler (2006)	99-ending prices	correlation to presence of low-price appeal	types of ad

Table 2: Literature review on the impact of pricing

similar to the model proposed by *Bell et al.* (1998), who differentiate between fixed and variable shopping costs. Depending on customer characteristics, the two pricing policies influence variable and fixed costs to different extents. As a result, HiLo and EDLP policies attract different customer segments. Despite the plausibility of such behavior, it is evident that customers switch between retailers applying different pricing policies. Consequently, this behavior seems to be influenced by additional factors. In this regard, one should consider the purpose of the shopping trip and the store density in the specific consumer's neighborhood. The dense store network of food retailers in Germany explains the preference for a HiLo policy. A HiLo policy enables retailers to attract new customers in highly competitive markets. These results may explain why even discounters are turning away from a pure EDLP policy (*Lademann* 2012, p. 40–41).

Today, promotions continue to receive great attention in marketing literature as they have historically (e.g., *Kumar/Leone* 1988). A number of studies analyze selected aspects of price promotions (e.g., temporary price reductions, the use of coupons or multi-item promotions). Even though the number of promoted products on a retailer's whole assortment is fairly small, the intention of promoted products is of greater importance. First, promoted products should enhance the switching willingness of consumers. Second, they should influence positively the retailer's price image. Third, they should enrich the total retailer brand image of the promoting retail chain. However, it should also be noted that the customers' shopping baskets can differ greatly in case the retailer has a wide assortment. Consequently, different products are responsible for the formation of a retailer-specific price image, which could heavily influence the market success of the retailer. In this context, specific reference is made to the panel-based survey by *Fox et al.* (2004), which determines the price level by calculating a price index per household and store based on a long-term shopping basket. The basis of a household-related shopping basket has the advantage that the price index created is based on the actual spending behavior of the households included in the panel.

Nevertheless, previous research has already raised doubts about the advantage of sales promotions for retailers, particularly price promotions (*Walters/MacKenzie* 1988; *Blattberg et al.* 1995). For this, among other reasons, a large number of academic studies have outlined the basic conditions that should be used to determine the impact of price promotions (*Bolton* 1989), with product choice due to price promotion as one basic condition. The topic is not a new one, as it has already been examined in previous studies (*Sethuraman* 1995; *Narasimhan et al.* 1996; *Bronnenberg/Wathieu* 1996). Although PLBs are not currently suitable for price promotions (*Lademann* 2012, p. 228–230), there is a clear need for research of PLB price promotions, given a continual increase in PLB market share (*Ailawadi et al.* 2009). Furthermore, the effect of retail format is mentioned, even

though retail formats have been assimilating more and more. For instance, the German food-retailing sector applies similarly appealing price promotions, regardless of retail format. It seems that price promotions are used to maintain the status quo rather than to generate competitive advantages.

The literature review demonstrates that studies addressing the strategic importance of pricing policy are rather rare. Most studies analyze the operational activities of pricing policy. They provide no definite answer about the price instruments' long-term effects (e.g., customer loyalty) and whether these are able to generate competitive advantage after all. This lack of explanation gives rise to the question of how far it can be accounted for by the intensive use of price promotions by all retailers in the market (effect neutralization), as well as by the customer's objective and subjective switching costs.

Relatively little research has been conducted investigating the impact of consumers' price perceptions of retail format or the overall store price image on the competitive advantages of a retailer. The majority of research on price image focuses on factors affecting the image of the retailer (e.g., *Cox/Cox* 1990).

4. Retail site location

There is a long standing tradition of analyzing the competitive impact of a retailer's location. The classic works of *Reilly* (1931) and *Huff* (1964) have long ago discussed the importance of travel distance and attractiveness, mostly ascertained by the size of the sales area or the scope of the assortment, for the choice of a shopping location. For the single retailer, however, the choice of the individual store is of greater interest (*Brown* 1978; *Hubbard* 1978). The lawful in nature understanding of consumer behavior steered the traditional research stream toward more psychologically oriented research approaches. With an increasing convenience orientation among customers, travel distance (store's accessibility) has become more important for store choice (*Messinger/Narasimhan* 1997).

Table 3 shows current academic studies in which the effects of retail site location are investigated.

Current research concerning retail site location can be divided into two streams. Some studies focus on identifying the impact of retail location accessibility on retailer success, while other research focuses on identifying the impact of retail agglomeration on site location attractiveness. With regard to accessibility, the strength of the impact depends on the store size. Customers react more sensitively to an increase in distance (e.g., travel time) to a smaller retailer. This effect can be explained by the fact that customers of large-scale retail formats hold a greater willingness to travel further for reaching the retailer. Nevertheless, the retail formats differ in terms of their spatial density. The distance between two large-scale re-

Author	Independent Variables	Effects	Context
<i>Fox et al. (2004)</i>	accessibility (increase in distance)	customers react more sensitively to an increase in distance from a smaller retailer	retail formats
<i>Popkowski Leszczyc et al. (2004)</i>	store location near other stores	beneficial location strategy depends on pricing strategy, store size and location of other stores	multi-purpose shopping trips, segments of shoppers
<i>González-Benito et al. (2005)</i>	spatial accessibility	spatial accessibility of a store differently affects the demand for its competitors according to the store format	store formats
<i>Singh et al. (2006)</i>	competitor's market entry	lost sales of incumbent store (store visits and in-store expenditures) majority of losses due to fewer store visits	store formats

Table 3: Literature review on the impact of site location

tailers with a wide assortment tends to be greater than between two smaller ones, such as supermarkets or discounters. As the distance for customers grows, the probability that they will find an alternative retailer of smaller size but closer to their neighborhood increases.

The retail site location does not just affect purchasing behavior regarding the store's distance to the customer. The store's embedding in an agglomeration of retailers and other service-providers also impacts consumers' retailer choice. Such clustering with other retailers enables a customer to make multi-purpose shopping trips, which mitigates the negative effect of the travel distance to the store.

The analyses also reveal that location strategy decisions do not only involve individual retailer site location, but also their coordination with the already existent site locations of a chained retailer. The opening of a new store can be interpreted as an increase in the consumer's choice alternatives and thus increasing competition on the local market while potentially cannibalizing other retail chain locations.

The different aspects of retail site location policies, examined by the previously presented studies, highlight the importance of retail site location for retailing in general. This importance is further underlined by the major impact that the location expansion of particular retail formats or retail chains has on competition. This raises the question of which factors enable a retail format or retailer to push expansion further (*Grewal et al. 2009*). While large-scale formats with a wide assortment require large neighborhoods with a great number of potential customers for operating efficiently, smaller retail formats such as discounters need considerably smaller neighborhoods to attract consumers and operate efficiently. Nonetheless, smaller retail formats face two drawbacks. First, due to a smaller assortment width, customers have fewer product alternatives. Second, smaller retail formats have less potential for economies of scale. Moreover, smaller retail formats are affected more strongly by small-scale changes in demand conditions. This might require a greater conceptual and locational adaptation to dynamics than for large retail formats with a wider assortment and larger neighborhood. With respect to logistics efficiency, there are no definite disadvantages that smaller formats face over larger ones. The greater density of smaller for-

mat does not significantly influence costs or time to market. The comparative ease with which smaller retail formats can find and open up new retail sites positively influences expansion and adaptation possibilities. Furthermore, smaller retail formats with a higher store density address the consumer's preference for local shopping needs. Due to differences in the willingness to pay for travel-time savings, formats with a higher price level can succeed (*Lademann 2012*, p. 152–155).

5. Scope and Levels of Competition

The literature review demonstrates a diversity of instruments used to achieve competitive advantages. It also shows that the competition effects refer to different target variables and various levels at which competition takes place (product, category, store, retail format).

Brand switching and category switching are the subjects of studies, especially at the product or category level. As in previous studies at the individual-store level (e.g., *Hoch et al. 1994*; *Sirohi et al. 1998*), the economic target variables, sales, and profit are often considered. In the case of non-economic variables, store choice, preference, patronage, and loyalty are most commonly mentioned. While product- and category-related effects are suitable for assessing operative actions, the store-related effects demonstrate the strategic importance of marketing-mix elements. Preferably, these effects should not be investigated on a singular shop basis, but rather at the aggregate retail level.

The perception of retail format is based on a variety of different aspects, with particular importance attached to the assortment (*Inman et al. 2004*). Consequently, the main distinction in food retailing is drawn between discounters and full-range retailers. This perspective gives the impression that the competition takes place between two groups of retailers, traditional store formats of food retailing, especially supermarkets, and discounters. It can be characterized by the trade-off between price and time on the one hand and selection and service on the other (*Lademann 2012*, p. 180–188; *Lademann 2013*). This notion is supported by studies on German food retailing, which find that almost all consumers cover around two-thirds of their FMCG needs at one retailer (*Lademann 2007*, p. 153). This phenomenon might be weakened by

assortment expansions and more elaborate store design, which result in a blurring of the differences between formats, particularly between discounters and supermarkets. On the other hand, a different interpretation is suggested by the fact that consumers explore up to six retail outlets, including specialty stores (e.g., bakers and butchers), for covering their complete FMCG needs. Given the requirement of locally available shopping alternatives, there is reason to believe that customers only regard different formats as alternatives with regard to one part of their shopping baskets. In this case, competition would also shift to the category level (Bucklin/Lattin 1992). It is conceivable that the customer is more likely to regard other retailers as alternatives when buying fruit and vegetables, for instance, than when buying dairy products. *Gijsbrechts et al.* (2008) distinguish between “share-of-customer” and “share-of-wallet” competition: the type of competitive relationship depends on whether retailers tend to offer substitutive or complementary assortments. Moreover, it is apparent that neither traditional retail formats nor discounters form homogenous groups. Consequently, inter-format competition exists between them.

In addition to the influence of category on the creation of store choice alternatives, it is conceivable that competitive relationships are caused by specific shopping patterns. Depending on whether the customer is taking a major trip to the store or just a fill-in trip, different retailers compete against one another. Therefore, it is important for retailers to discern what distinguishes the shopping behavior of customers, e.g., how large their shopping baskets are and how often they shop (*Bell/Lattin* 1998; *Bell et al.* 1998). Many analyses reveal the influence of selected socio-demographic characteristics on consumer behavior patterns, which makes it easier for retailers to identify their competitors.

Because customers frequent several shops for satisfying their needs and combine shopping trips with other activities, as studies on multi-purpose shopping demonstrate (*Popkowski Leszczyc et al.* 2004; *Dellaert et al.* 1998), competition also takes place at the retail-agglomeration level. Accordingly, a shopping center in the open countryside is in direct competition with one in the town center or pedestrian area. At the same time, however, this behavior makes it clear that individual store formats or shops do not fight for the customer's entire demand, but rather for customer patronage and expenditures (size of the shopping basket) per trip (*Singh et al.* 2006).

Meanwhile, retailers are also attempting to apply the concept of branding to their sales outlets and to generate a retailer brand in order to stand out from competitors (*Grewal et al.* 2004; *Morschett* 2012). The mounting strategic importance of retailer brands is confirmed in empirical studies, which demonstrate their greater influence on store loyalty than store accessibility does (*Swo-boda et al.* 2013). Retailers use several marketing-mix elements in order to create retailer brands, particularly assortment and pricing policy. Here, the issue of the im-

age transfer between the retailer brand and the PLB is of particular interest.

6. Conclusions

This paper started with a brief characterization of the current competitive situation in food retailing. It raised the questions of the role and the contribution of the marketing-mix in explaining this situation. In order to answer these questions, a literature review was conducted. The aim of this literature review was to describe and evaluate academic insights about the importance of retailers' marketing-mix elements for attracting customers. Three elements were analyzed in more detail: assortment, price, and retail site location.

Regarding the role of the aforementioned instruments for consumer behavior, several conclusions can be drawn from the literature review. The relative importance of certain marketing-mix elements has been examined in previous studies, in which considerable importance was ascribed to the location (accessibility) and to prices (*Arnold et al.* 1978; *Arnold et al.* 1981; *Arnold et al.* 1983). In location models, store choice is influenced by the distance to and attractiveness of the store. The latter is often modeled as being dependent on the product assortment or selling space. While this suggests a positive influence of assortment on category turnover, recent studies provide mixed results. Some studies observe that travel distance has a greater influence upon store choice than either price or assortment.

Consumers' aforementioned tendencies to satisfy the majority of their FMCG needs at a main shopping source suggests that consumers accept the extant price differences on the market in regard to the different retail services. Thus, price differences only constitute a reason to switch retailers in case existing price gaps change significantly for a given retail service. The importance of the retail site location and the resulting travel distance for customers becomes apparent when a new store enters the market and the costs of switching change for customers. Insofar, it is surprising that limited attention has been paid to retail site location issues in marketing research. The analysis of assortment policy focuses on two aspects: the modification of assortment depth and width, and the inclusion of PLB in the assortment. By focusing on these two aspects, it becomes clear that direct effects on category-basis are of primary concern. In business practice, assortments of different retail formats are becoming increasingly similar. Therefore, it is of great interest to identify how this development affects the consumers' retailer choice. The analysis of pricing decisions in the retail market concentrates on the operational level. However, market shifts between retail formats can hardly be explained in this way. It is most likely that retail location strategies and decisions provide an explanation for structural changes in food retailing over time. Furthermore, the importance of retail site location has increased

due to the following two reasons. First, the store sizes and assortment width become assimilated through the market consolidation and market adjustments, hardening competition. Second, the price differences between retail formats, as a consequence of PLB portfolio expansion, assimilate more intensely throughout the various retail formats. Consequently, new locations face the task of restructuring a previously entrenched market (Lademann 2013, p. 23).

The studies presented demonstrate clearly that marketing research focuses primarily on analyzing the effects of individual marketing-mix elements. The variables applied in the studies are suitable for measuring the direct effects of the marketing-mix elements on a store, category, product, or household level. However, observable phenomena in business reality are far more complex. Therefore, future research should focus more deeply on this issue.

Furthermore, the majority of studies fail to integrate the versatile and complex reaction patterns of competitors. An assessment of the effect with regard to an overall market does not take place, which illustrates the limitations of existing conclusions about the competitive situation.

This paper considers the impact of selected marketing-mix elements on competition in food retailing. However, the question of the relative importance of marketing, in comparison to other factors, has not been explicitly addressed. These factors include external influences as well as corporate decisions outside of marketing, particularly with regard to decisions concerning procurement, logistics and human resource management. These decisions have a strong cumulative impact on company's competitive situation. Therefore, the question arises whether these factors influence the competition in food retailing to a greater extent than marketing.

The driving force behind structural change in the market is the quest for competitive advantages, which should be considered on both the sales and procurement sides. Concentration on the procurement side presents itself as a battle for terms and conditions or, vertically, as a shift in bargaining power. In terms of sales, advantages on the procurement side are used to increase market shares by lowering prices. As purchasing conditions have an inherent impact on prices charged to consumers and on retailers' margins, structural changes at the procurement level influence the strategic options of retailers (Lademann 2012, p. 30–37).

In recent years, market-share shifts in favor of price-oriented retail formats have become evident. However, the drivers of this phenomenon have not yet been fully identified. It can be assumed that the market-share shift is not exclusively attributed to specific marketing-mix components. Rather, the consequent orientation towards the needs of growing consumer segments can be seen as the reason for market-share shifts. Consumers with a limited budget are more likely to be attracted to price-oriented

retail formats, which allow the typical shopping basket to be cheaper in comparison to competitors. Nonetheless, this advantage is not rooted exclusively in price benefits. A simple and efficient product-choice process affects the benefit of retail formats to a similar extent.

The previously described studies indicate that the type and strength of the competitive relationships could depend greatly on the customers' motives. This means, for instance, that other retailers compete for customers who prefer one-stop shopping due to their convenience orientation or larger needs, rather than for customers who shop in a price- or cost-oriented manner. For retailers, this might mean that they have to consider expanding their distribution channels and store formats in order to attract new customer groups and respond flexibly to local market conditions. This concept can be seen empirically at Walmart in the U.S. or at REWE and EDEKA in Germany. For instance, Walmart operates an expanded retail format portfolio that includes Walmart Supercenter, Discount Store, Neighborhood Market, and Express as well as Sam's Club. In Germany, REWE and EDEKA have begun to open up "To Go" or "Express" stores. This expansion raises the question of the extent to which retailers that focus their activities on only one format will experience disadvantages in the long run in terms of gaining new customers. This is clearly an important topic for future research.

Moreover, the literature examined here originates almost exclusively from the Anglo-Saxon sphere, which raises the additional question of whether and how far the findings are applicable to market conditions in Germany. In this regard, doubts are justified, as the retail and settlement structures in the U.S. are not comparable with those in Germany. Unlike the British outlet network, German food retailing exhibits far greater size differences among the market players. Furthermore, it is evident that the results of most studies were obtained within the scope of static models. However, the dynamics with which framework conditions and the configuration of the marketing-mix in retail change make it important to research the effects over time (Kopalle et al. 1999).

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Keywords

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