

**Towards the standardization of external retail marketing instruments
and internal processes**

ABSTRACT

The aim of this study is to investigate the standardization of retail marketing instruments and its correspondence with the standardization of internal processes. This is of particular interest for retailers because of their inherent proximity to the end-customers on the one hand and their complex organizational structure on the other hand. In order to enhance the knowledge of the young research field of retail standardization, it is assumed that retail marketing instruments and processes have a different degree of standardization. Moreover, it is assumed that the standardization of marketing instruments comes along with the standardization of processes. In order to test the proposed conceptual framework, 71 German-speaking international operating retailers were interviewed concerning their standardization strategy. The results indicate that marketing instruments and processes are standardized simultaneously but differ within each other. Hence, implications for research and practice are drawn about which marketing instruments and processes are rather standardized and how they correspond with each other.

KEYWORDS

International retailers, marketing instruments, marketing processes, supply chain processes

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1. Introduction

Many retailers seek to realize firm growth in foreign countries due to mature home markets and strong competition (Gielens & Dekimpe, 2007). Hence, retailers are faced with challenges from market selection over choosing the right market entry mode up to the standardization and adaptation of market operations (Swoboda, Zentes & Elsner, 2009). The purpose of the present study is to investigate the latter one. Regarding this, the degree of standardization of retail marketing instruments and processes is investigated. This is of particular interest for research and practice because the right balance between costs savings achieved by standardization and benefits of local responsiveness achieved by adaptation provides both competitive advantages for retailers (Douglas & Wind, 1987). Moreover, the wrong decision about the degree of standardization leads to a waste of resources and increase the possibility of market failure (Goldman, 2001). Furthermore, the relationship between the standardization of external retail marketing instruments and internal retail processes is examined. This is particularly important because the interrelationship between both provides the foundation for achieving standardization effectiveness (Chandra, Griffith & Ryans, 2002).

Despite the long lasting debate and distinctive differences between retailers and manufacturers (Dawson, 1994; Grönroos, 1997), the standardization of retail marketing instruments has predominantly been neglected as the literature review of Swoboda, Zentes, and Elsner (2009) indicates. But particularly retail marketing instruments are of considerable interest because retailers are rather forced to adapt their marketing instruments for fulfilling customer needs due to their inherently high level of territorial embeddedness and local aspects of consumption (Dawson, 2007). Thus, it is questionable: which retail marketing instruments are rather standardized across countries or adapted to the local environment? In contrast, the standardization of internal processes has been less investigated although some researchers claim to examine the degree of process standardization (e.g. Goldman, 2001; Jain, 1989; Kreutzer, 1988; Walters, 1986). This is of particular importance for retailers because of their complex system of inter- and intra-firm relational networks which require the standardization of processes in order to achieve a greater efficiency of operations (Manrodt & Vitasek, 2004; Wrigley, Coe & Currah, 2005). Accordingly, it is questionable: which retail processes are rather standardized across countries or adapted to the local environment? Moreover, little knowledge exists about the rela-

relationship between the standardization of external marketing instruments and internal processes. It can be assumed that the standardization of marketing instruments comes along with process standardization in order to gain economies of scales. Otherwise, it can be assumed that marketing instrument standardization disperses from process standardization. For instance, external marketing instruments are rather adapted in order to fulfill customer needs whereas internal processes are rather standardized in order to realize economies scales (Chandra, Griffith & Ryans, 2002). Thus, it is questionable: how does the standardization of marketing instruments corresponds with the standardization of processes?

By responding to these research questions, it is assumed that the standardization of marketing instruments and processes differs to a certain degree. Moreover, it is expected that the relationship between both follow a superior global marketing strategy as proposed by Zou and Cavusgil (2002) meaning both correspond with each other in the same way. In order to test these propositions, 71 German-speaking retailers have been interviewed that operate in at least 2 foreign markets. Based on the responses of retail executive managers, the results respond to the call of Srivastava, Hervani, and Fahy (1999) for investigating the organizational embeddedness of marketing activities. From a managerial perspective, new results are provided about what is rather standardized or adapted and how it corresponds with internal processes.

This study is organized as follows. It is hypothesized in the next section which marketing instruments and processes are rather standardized and how they correspond with each other. Based on these propositions, a conceptual framework is developed which will be tested subsequently in the empirical part. The results are finally discussed and contributions for research and practice are drawn.

2. Theoretical background

2.1 Basic definitions

In general, the standardization of marketing instruments is defined as the offering of identical product lines and features at uniform prices through identical distribution systems, supported by identical promotional programs, in several countries (Baalbaki & Malhotra, 1995). The adaptation of marketing instruments, in contrast, encompasses the use of distinguished and customized product lines, pricing, promotion, and distribution policies with no standardized elements. Accordingly, the standar-

dization of marketing instruments is mostly investigated with regard to the 4P classification of McCarthy and Perreault (1993): product, price, promotion and placement. But this traditional typology is not appropriate in the case of distribution-based companies because of their inherent proximity to the end-customer (Dawson, 2007; Grönroos, 1997; Wigley & Chiang, 2009). Hence, retail marketing instruments refer moreover to store location, assortment, retail brand, pricing, communication, store configuration and additionally offered services (Davies & Liu, 1995). But however, no comprehensive classification of retail marketing instruments already exists (Evans & Bridson, 2005).

The standardization of processes can generally be defined as the use of uniform sequences of work and problem solving approaches on a worldwide level (Manrodt & Vitasek, 2004). Porter (1990) distinguishes two basic processes for creating customer value: demand-focused processes consisting of marketing, sales and customer relationship management activities, as well supply-chain-focused processes including inbound logistics, operations and outbound logistics. Accordingly, the standardization of marketing processes which refer to demand-focused processes is defined in this study as the development of common approaches according to the marketing philosophy, principles and technology employed in the planning and preparation of decision-making (Griffith, Hu & Ryans, 2000; Walters 1986). Furthermore, the standardization of supply chain processes is defined as the implementation of the same purchasing and logistics strategies and processes in every country of operation (Bourlakis & Bourlakis, 2001; Quintens, Pauwels & Matthussens, 2006). In some studies the terms of process standardization and centralization are used interchangeably (e.g. Halliburton & Huenerberg, 1987). However, between both should be differentiated as Quester and Conduit (1996) point out because 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.

2.2 Hypotheses development

In general, marketing instruments refer to various aspects of the marketing mix (Jain, 1989). Many researchers investigated the standardization of several marketing instruments, but however, only few analyzed the standardization of retail marketing instruments and even no comprehensive typology exists (Evans & Bridson, 2005; Mukoyama, 2000; Wigley & Chiang, 2009). According to Goldman

(2001), these instruments represent the external part of retail format which is visible to the end-customers. The most comprehensive accumulation is provided by Mulhern (1997) that comprises store location, store format, store layout, assortment, price, advertising, sales promotion and customer services. In order to reduce the complexity, retail marketing instruments are classified in this study into corporate-, product- and promotion-related retail marketing instruments.

Corporate-related marketing instruments such as retail format, store location and store layout are assumed to be most standardized because they are intended to build up a sustainable retail image and a competitive position across countries (e.g. Burt & Mavrommatis, 2006; Wigley & Chiang, 2009). In contrast, product-related retail marketing instruments are assumed to be less standardized due to different local needs. Accordingly, Wigley and Chiang (2009) stated that an international operating retailer should adapt its product range and prices to suit the local markets. However, Vrontis et al. (2009) found evidence that culture has no main effect on product choice and concluded that product-related attributes should be rather standardized in order to achieve economies of scales. Regarding these ambiguous results, it can be assumed that product-related retail marketing instruments are neither fully standardized nor adapted. This is in accordance with Mukoyama (2000) who concluded that the retail assortment cannot be either standardized or adapted because the different degree of overlapping in assortment among countries requires a different degree of standardization. In conclusion, it is assumed:

H1a: Corporate-related marketing instruments are more standardized across countries than product-related marketing instruments.

Promotion-related marketing instruments such as advertising, sales promotion and service are designed to support the sale of products. Regarding services, Samiee (1999) stated that customer needs for services vary across nations so that services cannot be standardized. The use of services such as credit facilities, return policy, and delivery services are influenced by local legislation and market infrastructure development (Buzzell, 1968). Sorenson and Wiechmann (1975) as well as Harris (1994) stated for international operating manufacturers that the total standardization of advertising is rare and modified forms of standardization are widespread. With regard to international operating retailers, it is assumed that particularly advertising and sales promotions are highly adapted to the host market due

to their local business (Chandra et al., 2002; Lal & Matutes, 1994; Vrontis et al., 2009). Regarding the more standardized product-related marketing instrument, it is hypothesized:

H1b: Product-related marketing instruments are more standardized across countries than promotion-related marketing instruments.

Processes can be distinguished into marketing and supply chain processes (Porter 1990). Marketing processes are defined as tools that help to develop and to implement marketing instruments (Jain 1989). Supply chain processes are generally activities that involve organizations and processes both inside and outside the organization to supply products and services essential for demand fulfillment (Esper et al. 2010). This study focuses on supply chain processes inside the organization comprising purchasing, order management and logistics (Swoboda, Foscht and Cliquet 2008). In order to reduce complexity, processes can also be categorized into product- and corporate-related (Oezsomer and Simonin 2004). Accordingly, product-related marketing processes refer to the planning and development of product-related marketing instruments whereas corporate-related marketing processes refer to the planning and development of corporate-related marketing instruments (Swoboda, Foscht et al., 2008). Likewise, supply-chain processes are divided into product-related supply chain processes referring to sourcing and distribution of products whereas corporate-related supply chain processes refer to the establishment of systems and structures (Quintens et al., 2006; Ramaswami, Srivastava & Bhargava, 2010).

In general, retailers are characterized by dispersed sourcing and distribution units (Dawson, 2007). They have to manage inherently several supplier relationships in several countries resulting in a high complexity (Dawson, 2007; Manrodt & Vitasek, 2004; Quester & Conduit, 1996). Therefore, the standardization of processes is appropriate to increase organizational efficiency by eliminating redundant treatments for higher economies of scales (Shuptrine & Toyne, 1981). Some researchers argue that processes, such as methods of data collection, steps of decision-making processes and procedures of analytical methods can be standardized in order to avoid redundant processes and subjectivity during problem solving (Dunn, 1976; Sorenson & Wiechmann, 1975; Walters, 1986). Moreover, processes belong to the “back region” of the retail firms and are not visible for the end-customers so that they are

less forced to be adapted (Goldman, 2001; Currah & Wrigley, 2004). Therefore, as benefits from process standardization are expected to be particular high, it is assumed that all product- and corporate-related marketing and supply chain processes are standardized to the same degree.

H2: The degree of standardization between corporate and product-related marketing processes as well as between corporate and product-related supply-chain processes does not differ.

Due to the local business of a retailer, it is assumed that firstly retail marketing instruments are designed to fulfill market- and customer needs (Srivastava, Shervani & Fahey, 1999). Moreover, it is assumed that those marketing instruments have in turn an impact on the design of internal processes that enable strategy implementation (Johansson & Yip, 1994). Therefore, from a market-based perspective, retailers develop first a strategy suitable for the host market and adapt subsequently their internal processes to this.

Oezsomer and Simonin (2004) stated that the standardization of marketing instruments cannot occur without uniformity of decision making processes. Regarding corporate-related marketing processes, Hernandez and Bennisson (2000) suggest that although retailers have a wide range of analytical tools to make their corporate-related decisions, they rely mostly on their personal experience by using heuristically methods. Thus, standardizing corporate-related marketing instruments across markets favor the employment of standardized analytical methods and therefore the standardization of marketing processes by which marketing instruments are developed and implemented. Regarding corporate-related supply-chain processes, Fernie (1997) point out that retailers develop new store formats in new locations in response to changes in customer preferences, which in turn requires the development of new logistic and warehousing systems. Bourlakis and Bourlakis (2001) found evidence that the retail format determine the design of logistic processes, warehouse systems and information management system which are needed to support these processes. Their findings suggest that the standardization of corporate-related marketing instruments influence positively the standardization of corporate-related supply chain processes.

H3: The standardization of corporate-related marketing instruments influences positively (a) the standardization of corporate-related marketing processes and (b) the standardization of corporate-related supply chain processes.

Colla (2003) stated for grocery discounters that the standardization of assortment offers the possibility for a uniform management of buyer-seller relationships. Furthermore, the sourcing of established products from established suppliers decreases the complexity of the buying process and enhances administrative routines so that the standardization of supply chain processes and related information management systems is more feasible and appropriate (Douglas & Craig, 1986). In contrast, adaptation of product-related marketing instruments requires more complex corporate- and product-related supply chain processes. For example, sourcing of new products and new private labels increase the complexity of buying processes and related systems. For new products, the retailer needs more information to identify and to evaluate product alternatives and to build up new supplier relationships (Johansson, 2002). For private labels, the retailer needs to establish close relationship with manufacturers and is involved in product development processes (Johansson & Burt, 2004).

Moreover, the standardization of product-related marketing instruments also forces the standardization of product-related marketing processes because those processes refer to the development and implementation of product-related marketing instruments (Srivastava et al., 1999). As stated by Currah and Wrigley (2004), marketing processes must be adjusted according to the information about customers' response to the employed marketing program. Accordingly, the authors suggest that marketing instruments and processes should be adapted to different markets. Thus, as they come along with each other, it can be assumed that the standardization of product-related marketing instruments may enhance the standardization of product-related marketing processes in order to reduce their complexity and to achieve economies of scale (Manrodt & Vitasek, 2004).

H4: The standardization of product-related marketing instruments influences positively the standardization of _(a)corporate-related supply chain processes, _(b)product-related supply chain processes and _(c)product-related marketing processes.

The aim of promotion-related retail marketing instruments is to attract customers to the store and increase store sales (Gedenk & Neslin, 1999). To avoid over-stocked and under-stocked situations because of promotion activities retailers must well consider product-related decisions concerning composition of assortment and development of services, because sales promotions increase sales not only of promoted products, but also of other goods (Mulhern & Padgett, 1995). In such a way promotion-

related instruments are assumed to influence the composition of assortments and development of services. When retailers use the same promotion-related marketing instruments across countries, it is worthwhile for them to standardize internal processes, through which they are developed and implemented in order to gain economies of scale, achieve greater efficiency, and avoid duplication of efforts (Shuptrine & Toyne, 1981). For example, as stated by Lelieveldt (2000), standardized payment services allow standardization of back-office procedures and processes. Therefore, it is hypothesized that:

H5: The standardization of promotion-related marketing instruments influences positively the standardization of product-related marketing processes.

Figure 1 illustrates the proposed hypotheses which will be tested in the next section.

 Insert Figure 1 about here

3. Empirical study

3.1 Data collection and sample characteristics

For investigating the proposed relationships, this study focuses on traditional German-speaking retailers for avoiding measurement invariance problems that conduct their sales activities abroad by a store network across at least two countries. For identifying appropriate subjects, the Hoppenstedt database has been searched which is one of the most comprehensive databases because it provides high quality information about more than 300.000 companies (e.g. Guenther & Kriegbaum-Kling, 2001). First of all, the database has been searched by the criteria of the German Classification of Economic Activities (2003). According to this classification, retail trade belongs to the section G “Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles”. Within section G, the subgroups 50 for “automobile trade, maintenance and gasoline” as well as subgroup 51 “wholesale” have been excluded so that all retail companies come from section G 52 “Retail trade, except of motor vehicles and motorcycles” which consists of retail trade of different goods (e.g. food, household, information and communication equipment) in specialized stores as well as retail trade of non-specialized stores. Moreover, all retailers with less total sales than 10 million Euros have been excluded as it is assumed that those

retailers are not internationalized. Finally, 477 retailers have been selected. Afterwards, duplications have been erased and each retailer has been checked by internet research to assure that the retailer is located in Germany and operates in at least two foreign companies resulting in total to 374 retailers. Based on this database, the CEOs or expansion managers have been requested for an in-depth face-to-face interview at the firms' headquarters by mail resulting in a response rate of 9.7 %. The remaining retailers have been contacted additionally by telephone. In total, 71 retailers agreed for interviews which have been conducted from winter 2007 till summer 2008. Hence, the response rate of 18.9 % is in line with previous studies (e.g. Baalbaki & Malhotra, 1995).

In order to test for non-response bias, earlier respondents are compared with later respondent by using t-test statistics (Armstrong & Overton, 1977). The results show no significant differences at the $p < 0.05$ level so that non-response bias does not occur in this data sample. In order to refute single informant bias, item averages of one respondent in one company have been compared with the item averages of a second respondent in ten cases (Kumar, Stern & Anderson, 1993). As no significant mean value differences occur, it can be concluded that the data sample does not seem to be biased by only interviewing single respondents.

Table 1 illustrates the investigated retailers. On average a retailer obtain total sales of 6,420 Mill Euro, 30,087 employees, international experience of 20.5 years and 15 countries in which they operate. Thus, the participating retailers can be characterized in general as large companies.

Insert Table 1 about here

3.2 Measurement of Variables

As there is no consistent measurement of retail marketing instruments, marketing processes and supply chain processes, a list of items has been developed based on the international business literature (e.g. Evans & Bridson, 2005; Sorenson & Weichmann, 1975). These items have been pre-tested by respectively three experts in two retail management seminars. After eliminating comprehension prob-

lems, 9 items were identified to measure retail marketing instruments, and each 6 items to measure retail marketing and supply chain processes as illustrated in Table 2.

Insert Tables 2 about here

According to previous studies, the degree of standardization of all items has been measured by responding on 5 point-Likert scales (e.g. Baalbaki & Malhotra, 1995; Cavusgil, Zou & Naidu, 1993; Daugherty, Chen, Mattioda & Grawe, 2009): how standardized are the following marketing instruments and processes across different countries?

Before the assessment of the conceptual framework, it is necessary to test all indicators regarding their validity and reliability. As content validity is already assured by experts during the pre-test, an explorative factor analysis has been conducted additionally. Table 2 shows that all factor loadings exceed the recommend threshold of 0.5. Accordingly, three factors are identified to measure retail marketing instruments: corporate-related, product-related and promotion-related marketing instruments with a satisfactory KMO value of 0.705. For marketing processes two factors are extracted: corporate-related and product-related marketing processes, with also a satisfactory KMO value of 0.682. Likewise, two factors are extracted to measure supply chain processes: corporate-related and product-related with satisfactory goodness of fit (KMO 0.737). In order to test for convergent validity, Bagozzi and Yi (1988) recommended that the average variance extracted (AVE) should be greater than 0.5. As indicated in Table 2, the AVE ranges from 0.544 to 0.782 giving proof of convergent validity of all constructs. Moreover, the more restrictive Fornell-Lacker criterion is used to assess discriminant validity (Fornell & Larcker, 1981). Accordingly, from Table 2 it is evident that discriminant validity is proved for all constructs as the AVE is higher than the maximum squared correlations between the constructs (Henseler, Ringle & Sinkovics, 2009).

For assessing the reliability, it has to be distinguished between indicator and construct reliability. Indicator reliability, which shows how good the indicators measure the underlying construct, is provided when the squared factor loadings exceed the recommend threshold of 0.4 (Nunnally, 1978). As indicated in Table 2, almost all items are higher than 0.4 meaning that they are highly reliable. Moreo-

ver, for fulfilling indicator reliability, 50% of its variance should be explained by the underlying construct. In other words the indicator loading's should be at least 0.7 (Hulland, 1999). Almost all indicators in Table 2 have loadings greater than 0.7 except private labels, services and procedures of quality management processes, which are slightly below 0.7. Although they decrease the reliability, but they reinforce the constructs validity and are therefore not eliminated (Inkpen & Birkenshaw, 1994). Furthermore, in order to test for construct reliability, which shows whether the indicators can be referred to the same construct, the Cronbach's alpha values of all constructs should exceed the recommended threshold of 0.7 (Nunnally, 1978). As indicated in Table 2, the Cronbach's alpha is higher for all constructs than the recommended threshold. Thus, it can be concluded that all indicators as well as constructs are highly reliable.

The measurement model is reflective in this study for all constructs. In the case of formative measurement, changes in the degree of standardization of one of the instruments or processes would mean that the whole standardization strategy has changed. This cannot be assumed as the standardization strategy is not seen as the function of instruments and processes but it rather determines their design and employment. For example, changes to sales promotion activities are rather operational and have local character and are not expected to have significant impact on firm's strategic decisions (Hernandez & Bennison, 2000). For a reflective model it is expected that indicators are highly correlated with each other and changes to constructs cause changes in all measures (Diamantopoulos, Riefler & Roth, 2008).

3.3 Method

Before the proposed relationships are investigated, the dataset will firstly be tested for multicollinearity. Therefore, the correlations between all variables are illustrated in Table 3.

 Insert Table 3 about here

As all correlations between independent variables are below the threshold of 0.600 and the variance inflation factors (VIF) for all constructs fall below 2.0, it can be concluded that multicollinearity is not a serious problem in this study (Hair, Black, Babin & Anderson, 2010).

In order to test hypotheses 3 to 5, the Partial Least Squares (PLS) approach was employed which is most appropriate for this study because this method is recommended for studies in early stages of theoretical development for testing and validating exploratory models (Henseler et al., 2009). Moreover, PLS is more appropriate for small sample sizes and has not any assumptions about the distribution of variables and error terms, as in the case of covariance-based structural equation modelling.

4. Results

The descriptive statistics, including mean values and standard deviations are depicted in Table 4.

Insert Table 4 about here

It is assumed in *hypotheses 1a* and *1b* that corporate-related retail marketing instruments are more standardized than product-related retail marketing instruments which are in turn more standardized than promotion-related marketing instruments. In order to test these hypotheses, the mean value differences have been compared by using t-test comparison statistics (Powers & Loyka, 2010). The results show significant differences at the $p < 0.001$ level between the degree of standardization of corporate-related instruments with a mean value of 3.79 and product-related instruments with a mean value of 3.23 as well as between product-related and promotion-related instruments with a mean value of 2.94. Thus, both hypotheses are supported. The results indicate that corporate-related instruments are mostly standardized, followed by product- and promotion-related marketing instruments.

Hypothesis 2 assumes that no significant differences exist between the degrees of standardization of corporate- and product-related marketing processes and between corporate- and product-related supply chain processes. The results show that significant differences exist at the $p < 0.000$ level between the standardization of corporate-related marketing processes with a mean value of 3.55 and product-related marketing processes with a mean value of 3.23 as well between the standardization of

corporate-related supply chain processes with a mean value of 3.80 and product-related supply chain processes with a mean value of 3.55 at the $p < 0.01$ level. Thus the hypothesis 2 is rejected. Hence, the results indicate that retailers standardize more corporate-related than product-related processes.

The results of testing the hypotheses 3 to 5 are presented in Figure 2.

Insert Figure 2 about here

Hypotheses 3a and 3b propose that the standardization of corporate-related marketing instruments have a positive effect on standardization of corporate-related marketing processes and corporate-related supply chain processes. However, the estimation for hypothesis 3a with a path coefficient of 0.067 and a t-value of 0.420 shows not a significant influence of corporate-related marketing instruments on corporate-related marketing processes. But the estimation for hypotheses 3b shows a positive and significant influence at the $p < 0.001$ level as the path coefficient accounts for 0.413 with a t-value of 4.811. Thus, hypothesis 3a is rejected whereas 3b can be supported. The results indicate that the standardization of corporate-related marketing instruments, the degree of standardization of corporate-related marketing processes will also increase.

In *hypotheses 4a, 4b and 4c*, it is assumed that the standardization of product-related marketing instruments influences positively the standardization of corporate- and product-related supply chain processes as well product-related marketing processes. The results of parameter estimation show positive and significant relationships at a $p < 0.001$ level for all hypotheses with a path coefficient of 0.439 and a t-value of 3.4.13 for hypothesis 4a. The path coefficient of hypothesis 4b accounts for 0.681 with a t-value of 14.618 and the path coefficient of hypothesis 4c is 0.515 with a t-value of 5.588. Hence, hypotheses 4a, 4b and 4c are supported. Thus, the results indicate that particularly product-related marketing instruments influence different kinds of processes.

Finally, it is hypothesized by *hypothesis 5* that the higher the standardization of promotion-related marketing instruments the higher the standardization of product-related marketing processes. The path coefficient of 0.210 and the t-value of 2.301 indicate that this hypothesis can be supported at a $p <$

0.05 level. Thus, it can be concluded that the standardization of promotion-related marketing instruments result in the standardization of product-related marketing processes.

In conclusion, the standardization of retail marketing instruments has in general a positive effect on the standardization of processes. Although the direction of this impact is argued above, it is not possible to test this direction by structural equation modeling. Therefore, a rival model has been tested according to Johansson and Yip (1994), which assumes that the standardization of marketing and supply chain processes impact the degree of standardization of marketing instruments. The results indicate that two out of six hypothesized relationships are insignificant. Moreover, the explained variance expressed by the R^2 is much lower. In conclusion, the initially postulated impact of the standardization of retail marketing instruments on the standardization of marketing and supply chain processes is valid from a theoretically and empirically point of view.

5. Discussion

5.1 Conclusions and implications

The present study focuses on two aspects of international standardization: external marketing instruments and internal processes. The purpose of the present study is to investigate to what degree internationally operating retailers standardize their visible and non-visible elements of the retail format and how the standardization of marketing instruments corresponds with the standardization of marketing and supply chain processes.

By supporting the arguments of scholars that marketing instruments are not equally standardized across countries (e.g. Oezsomer, Bodur & Cavusgil, 1991), the findings of the present study show that corporate-related marketing instruments have the highest degree of standardization, followed by product- and promotion-related marketing instruments. Similarly, it is evidenced that corporate-related processes are more standardized than product-related marketing instruments. Corporate-related processes refer to strategic decisions and they are not easy to change, but product-related processes can be more easily adjusted to local circumstances. Moreover, it is evidenced that the standardization of visible retail marketing instruments has a positive influence on the standardization of non-visible processes. Regarding this, the strongest relationship was observed between product-related marketing

instruments and product-related marketing and supply chain processes. Thus, the standardization of assortment and prices seems to play a major role for both: external and visible marketing instruments as well internal non-visible processes.

The results provide new theoretical and managerial insights about the interaction between visible and non-visible elements of the retail format. From a research perspective, the proposed conceptual framework contributes to the young research field of retail internationalization by focusing on both aspects of standardization namely external marketing instruments as well internal processes and not only on marketing instruments as in most previous studies (Jain, 1989; Sorenson & Wiechmann, 1975; Walters, 1986). Hence, it is evidenced that a positive relationship exists between the standardization of marketing instruments value-adding processes. Second, as no basic classification of retail marketing instruments as well of marketing and supply chain processes exists, this study makes a contribution for developing a classification of retail marketing instruments by dividing them into corporate-, product- and promotion related ones.

Managers should understand that standardization is always a desirable objective, but the necessity of adaptation should not be neglected. Thus, they have to take into account that corporate-related marketing instruments and corporate-related supply-side processes can be more standardized in order to gain cost advantages by economies of scale (Bourlakis & Bourlakis, 2001), whereas product- and promotion related instruments and demand-side processes can be more adapted and delegated to subsidiaries to increase local responsiveness (Chandra et al., 2002).

5.2 Limitations and Further Research

As with all studies, this study suffers some limitations. Firstly, it is restricted only to German retailers, limiting the generalization of the results for retailers in other countries. Secondly, processes are investigated in general without studying sub-elements, because it would be difficult as retailers of different sectors may have different processes. In further research it would be interesting to investigate the standardization strategies of retailers depending on the retail sector, as retailing is highly segmented. Countries of operation meaning psychic close and distant markets should be differentiated. For instance Evans, Mavondo and Bridson (2008) found evidence that psychic distant markets mostly

entered by adapted concepts whereas standardized strategies are predominantly used in psychic close markets. Further research could also address the influence of standardization of retail marketing instruments and processes on performance abroad.

FIGURE 1: Conceptual framework

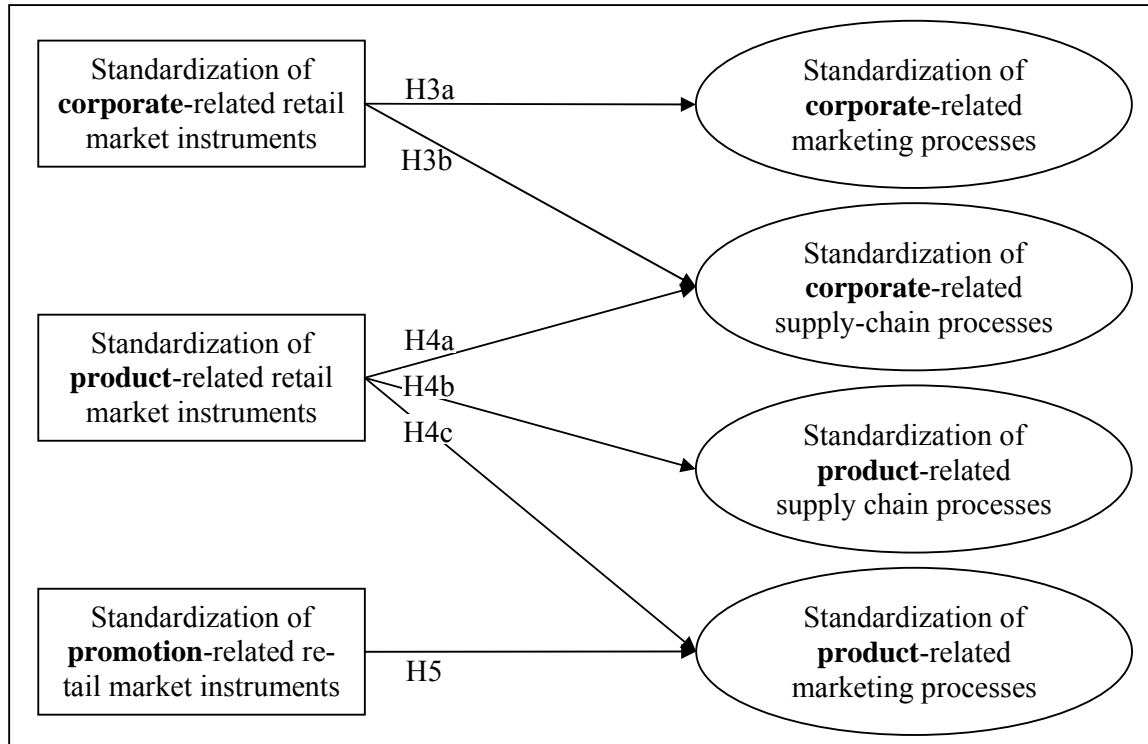


TABLE 1: Sample characteristics

| | Mean value | Std | Min | Max |
|-----------------------------------|-------------------|------------|------------|------------|
| Total sales in m. € | 6,420 | 11,160 | 10 | 55,000 |
| Number of employees | 30,087 | 64,252 | 500 | 420,000 |
| Percentage of sales abroad | 38.6 | 24.5 | 1 | 90 |
| Percentage of employees abroad | 37.4 | 24.8 | 1 | 90 |
| International experience in years | 20.5 | 12.3 | 2 | 58 |
| Number of operating countries | 15 | 18 | 2 | 106 |
| <i>N=71</i> | | | | |

TABLE 2: Quality of construct measurement

| Construct | Items | Factor loadings (> .50) | Squared factor loadings (> .40) | Item-to-total correlation (>.30) | AVE (> .50) | Maximum squared correlation | Cronbach's alpha (> .700) |
|---|------------------------------------|----------------------------|------------------------------------|-------------------------------------|----------------|-----------------------------|------------------------------|
| MI 1: Corporate-related marketing instruments | Retail format | .900 | .810 | .558 | | | |
| | Store location | .749 | .561 | .468 | .694 | .251 | .871 |
| | Store layout | .806 | .649 | .625 | | | |
| MI 2: Product-related marketing instruments | Assortment | .837 | .700 | .518 | | | |
| | Price | .708 | .501 | .450 | .588 | .395 | .810 |
| | Private labels | .695 | .483 | .315 | | | |
| MI 3: Promotion-related marketing instruments | Service | .654 | .427 | .416 | | | |
| | Advertising | .759 | .576 | .373 | .544 | .153 | .779 |
| | Sales Promotion | .739 | .546 | .263 | | | |
| MP 1: Corporate-related marketing processes | Procedure of market analyses | .835 | .697 | .374 | | | |
| | Planning of store location | .822 | .675 | .544 | .629 | .175 | .835 |
| | Development of store layout | .752 | .656 | .344 | | | |
| MP 2: Product-related marketing processes | Planning of sales promotion | .870 | .756 | .554 | | | |
| | Composition of assortment | .795 | .632 | .539 | .721 | .386 | .886 |
| | Development of customer services | .884 | .781 | .485 | | | |
| SC 1: Corporate-related supply-chain processes | Development of logistic systems | -.718 | .515 | .720 | | | |
| | Development of ERP systems | -.951 | .904 | .617 | .782 | .228 | .915 |
| | Information management systems | -.956 | .913 | .700 | | | |
| SC 2: Product-related supply-chain processes | Procedure of quality management | .588 | .345 | .420 | | | |
| | Planning of purchase logistics | .915 | .837 | .654 | .681 | .395 | .861 |
| | Planning of distribution logistics | .906 | .820 | .683 | | | |

N=71. All items have been measured on 5-point Likert-scales from 1 = fully adapted to 5 = fully standardized.

TABLE 3: Bivariate correlations

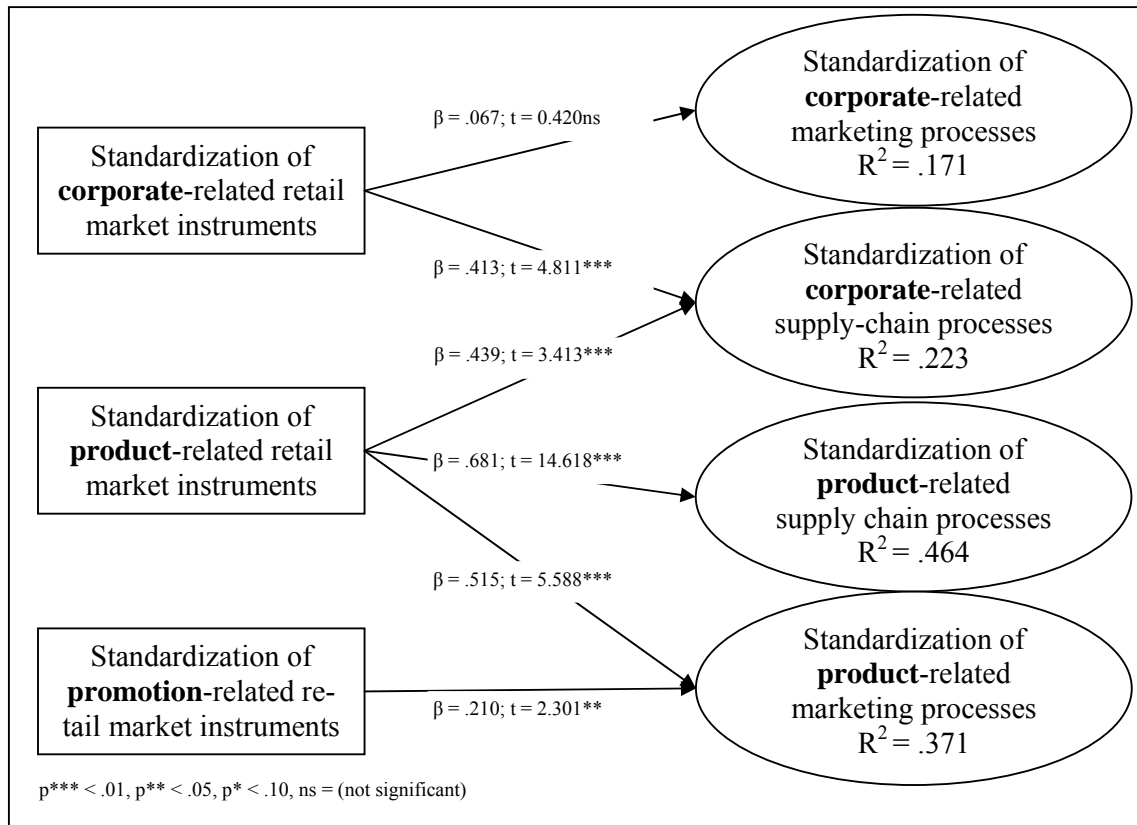
| Variables | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|--|----------|----------|----------|----------|---------|----------|---|
| 1 Corporate-related marketing instruments | 1 | | | | | | |
| 2 Product-related marketing instruments | .253 * | 1 | | | | | |
| 3 Promotion-related marketing instruments | .212 ns | .116 ns | 1 | | | | |
| 4 Corporate-related marketing processes | .326 ** | .255 * | .392 ** | 1 | | | |
| 5 Product-related marketing processes | .188 ns | .543 ** | .303 * | .231 ns | 1 | | |
| 6 Corporate-related supply chain processes | -.214 ns | -.305 ** | -.177 ns | -.200 ns | -.236 * | 1 | |
| 7 Product-related supply chain processes | .501 ** | .629 ** | .377 ** | .419 ** | .622 ** | -.478 ** | 1 |

*** $p \leq .001$; ** $p \leq .01$; * $p \leq .05$; ns = not significant.

TABLE 4: Descriptive statistics

| No. | Construct | Mean Value | Standard derivation |
|---------------|---|------------|---------------------|
| 1 | MI 1: Corporate-related marketing instruments | 3.87 | 1.002 |
| 2 | MI 2: Product-related marketing instruments | 3.37 | .954 |
| 3 | MI 3: Promotion-related marketing instruments | 3.05 | .839 |
| 4 | MP 1: Corporate-related marketing processes | 3.79 | .879 |
| 5 | MP 2: Product-related marketing processes | 3.14 | 1.053 |
| 6 | SCP 1: Corporate-related supply chain processes | 4.01 | 1.066 |
| 7 | SCP 2: Product-related supply chain processes | 3.50 | 1.059 |
| <i>N = 71</i> | | | |

FIGURE 2: Main results



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