Competition and the Future of Retailing

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Abstract: The retailing sector is in the midst of an unprecedented phase of strategic disruption, caused by tremendous flux in the nature of competition, consumer behavior, and other factors shaping the retail marketplace. Many traditional retail businesses have been slow to respond and thus are in a precarious state, or worse. This paper analyses the modern retailing landscape and proposes that retail firms superior in the strategic domains of data, advanced technology, brand, and international, and prepared to be part of the transformation of the sector, are expected to stay ahead of the competition and thrive. The paper identifies sets of strategic moves retailers can take to counter the challenges posed by the four strategic domains.

Introduction

More than at any stage is history, the last decade has revolutionized retailing. Technologically, socio-culturally, economically, and environmentally, the retailing landscape has changed more rapidly than during any other time period. This landscape has become littered with the remains of failed firms. In recent times, thousands of retail stores have closed, with more retailers than ever filing for bankruptcy protection or issuing profit warnings (Kahn, Inman and Verhoef, 2018). The hostility of the environment is such that failing retailers span the major retailing formats; that is, small general or specialist stores, department stores, chain stores, supermarkets, discount stores, franchises, superstores, catalog/ direct marketing and e-retailing (McArthur, Weaven and Dant, 2016).

The competitive issues faced by retailers are a reflection of their 'declining power and control' and inability to adjust to the new environment that they, as the last link in the marketing channel, find themselves facing. First, there has been a sea-change in consumer behavior as customers are exerting greater control over the marketplace—a retailer's one-size-fits-all strategies will not work in an era of the customer asserting greater influence over the composition of marketing decisions and offerings. In a sense, the retailer's channel power is being squeezed by manufacturers, and also by well-informed, end-user consumers (cf. Kasulis

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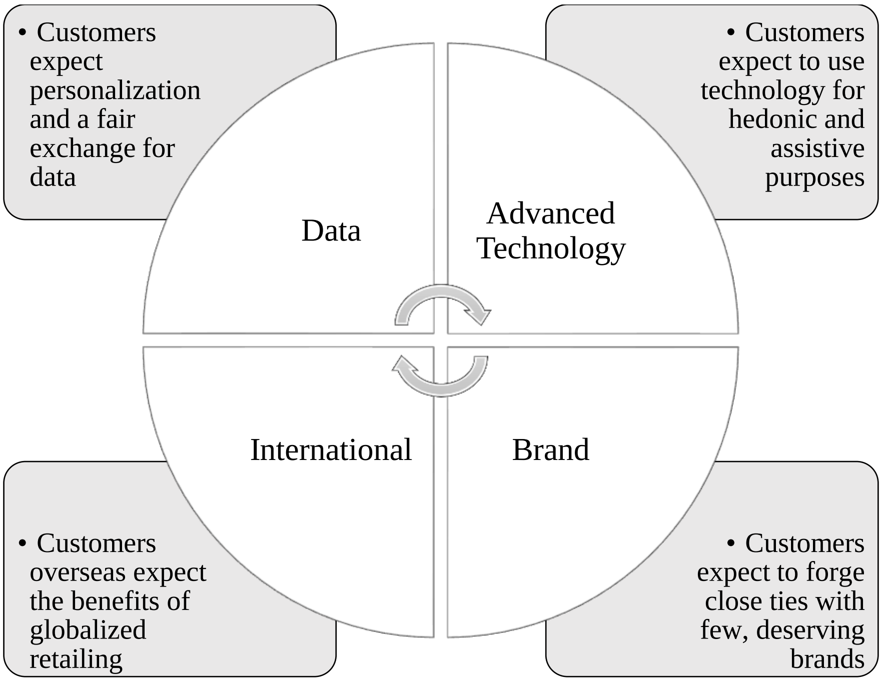
et al., 1999). Indeed, the retail consumer's behavior is on the verge of a seismic leap in a largely unknown direction (Grewal, Roggeveen and Nordfält, 2017). Second, there is drift in the competitive structure of markets away from traditional horizontal competition and toward vertical and intertype competition. Retailers not only need to worry about their competitiveness vis-à-vis the usual suspects (i.e., close rivals using similar retailing formats), but also they need to be vigilant to modern competitive challenges posed by new competitors and supply chain partners; and these may well be foreign firms (Durand, Turkina and Robson, 2016).

The author of this Chapter is a member of the Customer Data Research Centre (CDRC), which is a U.K. Economic and Social Sciences Research Council funded service that partners with retail firms and other consumer-related organizations to open up their data resources to trusted academicians and make it available for research purposes. The Chapter is informed by several years of conversations with executives at retailers about pressing problems they face in understanding flux in the retailing marketplace and staying ahead of the competitive curve. The executives suggested strategic moves are required to offset customers' increasing expectations and improve competitiveness in four main domains—data; advanced technology; brand; and international. Figure 1 summarizes these domains from a demand-side perspective, and implies that part of the difficulty is that they are interlinked. For instance, the drive for consumer data encourages investments in advanced technologies that lend themselves to data collection; use of advanced technologies can increase brand resonance levels among customers; brand may dictate cross-border opportunities to follow and threats to avoid; and cross-border activities can produce a wider and deeper data footprint.

The Chapter will first consider forms of competition and retailing formats, before discussing how retailers' market control and competitiveness is being shaped by each of the four strategic domains. The Chapter culminates by summarizing strategic directions retailers can take to counter the challenges posed by the four domains.

Figure 1: Four Strategic Domains Underpinning Retailer Competitiveness



Retailing competitiveness

Competition between firms can be 'vertical', between buyers and sellers in the marketing channel (e.g., manufacturer and retailer). It can also be 'horizontal', between similar types of actor at the same level of the economic process (e.g., two rival supermarkets) (Ford & Hakansson, 2013). The distinction between vertical and horizontal competition is widely understood in the marketing literature. Moreover, while it is certainly true that performance is a function of the individual resources and capabilities of retailers—best-in-class retailers continue to perform well—market conditions at different points in time seem to favor the progression of particular retailing formats. For instance, e-retailers are making life very difficult for out-of-town superstores and other-format retailers, generally. The rise of digital retail marketing has meant fewer store visits, and that firms with wide-assortment store formats are likely to struggle (e.g., Sears in the U.S.). This modern reality of competition across dissimilar retail actors gives rise to 'intertype' competition, which occurs between different-format actors at the same level of the economic process (Palamountain, 1986).

Prima facie, multi- and omni-channel retailing, where a retailers' channels (e.g., catalog versus store) may cooperate or compete, is similar to intertype competition. Yet, for channels operated by a single firm, competitive disputes should be relatively easy to resolve through ownership, managerial fiat, and the application of business judgement. Although intertype competition has received limited attention in the retailing literature, in relation to vertical and horizontal forms of competition, it is increasingly relevant. In the retailer evolution literature (Anitsal and Anitsal, 2011), intertype competition is associated with inter-institutional conflict, which conveys paradigm shifts, such as the strategic disruption to traditional, bricks-and-mortar retailers caused by pure-player e-retailers.

The relatedness of different forms of competition has long been known. For instance, vertical competitiveness leads to horizontal competitiveness, and vice versa. By becoming a more successful vertical competitor than its horizontal rivals, a retailer can take more of its suppliers' margins than they do, allowing it to buy for less than rivals are able to. Similarly, increases to the retailer's sales and horizontal market share should empower its purchasing team in negotiations with a supplier, as larger orders usually reduce the supplier's costs (Steiner, 2008). Successful intertype competition can pave the way to more successful horizontal competition. In particular, retailers adding bricks to clicks are likely to outperform those adding clicks to bricks. Effective e-retailers have accumulated the customer data required to select retail space carefully.

What is more, it is possible for vertical, horizontal, and intertype competition to conflate. For example, the U.K. sports goods discounter, Sports Direct, has for many years been robust with mainstream sports-wear manufacturers (i.e., vertical competition) over the availability of new products—that these manufacturers are prepared to supply to middle-market retailers, but not to discounters (i.e., intertype competition). In recent years, Sports Direct has altered the dynamics of vertical and intertype competition by purchasing stakes in multiple department stores; including majority ownership of one of the U.K.'s largest department store chains, House of Frazer, which puts it into direct (i.e., horizontal) competition with middle-market retailers. The coming together of all three forms of competition shows why retailers' strategic moves need to consider these holistically.

Data

Modern customers are not only aware that their data are being used by firms for commercial purposes, but also tend to respond positively to strategies that make their data work for them. For instance, Amazon's "Inspired by your shopping trends" suggestions, in its deliberate choice of language, signifies its adherence to customers' demands for transparency from and a fairer exchange with the firm, and their increasing requirements for the personalization of goods and services. Customers understand the interactivity of Web 2.0, and have become less accepting of off-the-shelf products that the firm, in previous years, could push in their direction. The well-informed customer is demanding opportunities to pull to himself/ herself products that serve exact needs (Hagel, Brown and Davison, 2010).

Throughout a normal day, retail customers continuously create data in many different ways (e.g., loyalty, website, and social media data). Firms are becoming more adept at collecting these data. Nevertheless, the key issue is not the data itself, but rather, what use the retailer can make of it. The competitive bar is relatively low in that many retailers have not been quick enough to place value on such data and act accordingly. Germann et al.'s (2014) cross-industry study of data usage suggested firms that operate in industries in which (1) customer data are readily available, (2) appropriate customer analytics techniques exist, and (3) customer analytics techniques are used to support repetitive decisions, should benefit most from the use of data. These authors observed that while these factors are favorable for retailers—as the final link in the channel they certainly have access to customers—and they stand to benefit financially from greater use of analytics, the average use of analytics was lower for retailers compared to non-retailing industries.

Retailers operate on relatively tight profit margins and they need to be able to see the payoff of using data. To this point, one retail executive mentioned to the Author his firm's "Friday afternoon conversations", for brainstorming ways to use data beyond easily repeatable and scalable price and place decisions (i.e., core business). More expansive use of data can pay off. An executive from a supermarket with a particularly well-integrated data proposition, suggested that they use data for three purposes: (1) retailer value creation: to grow like-for-like sales and net margin via better decisions throughout the business—these decisions pertain to store location, store format, product assortments, and integrated pricing, among other things, and benefit their suppliers' sales; (2) insights to suppliers: to sell unique customer data assets to suppliers through customer reporting and analysis services—it does not matter that the suppliers can pass this information on to their other retail partners, since the data quickly become out of date; (3) media to suppliers: to sell targeted communications (statement and interest mailings, etc.) and in-store media to suppliers. The firm is in effect triple selling data-led services to suppliers, which gives it great leverage over them.

Nevertheless, use of data is messy and it is nigh on impossible to get perfect results from doing so. Most of the executives spoken to suggested they were sat on buckets of data that defy easy integration and are far from the gold standard of a 'single customer view'—where decision-makers have all the relevant customer data at their fingertips. What really matters is to get better results than rivals do. The challenge is to make the business better than (horizontal and other) competitors, rather than perfect. A new dimension of competition concerns relative privacy attitudes and capabilities, and the changing legal context of big data regulation. Retailers and other firms are aware of the risk of becoming a costly legal example in the near future. Here, being better than competitors means not standing near the front of the queue to receive a fine. Apple, for instance, has been utilizing privacy to position itself as leading the way in the sector; using advertising slogans such as: “What happens on your iPhone, stays on your iPhone”. It is increasing the legitimacy of its own approach by reformulating the privacy contract with customers. It is also helping to raise the bar in the industry as to where to line should be drawn and implicitly directing regulatory attention toward its competitors.

The best retailers are able to place the customer at the centre of their data use strategy. Privacy concerns aside, there is no point cornering the market for data and becoming the stereotype of the wasteful firm only using ten percent of the data it collects (Conick, 2017). What matters is having the right kind of data that enables the firm to do something useful for the customers. For instance, an executive of an e-retailer studying customers’ journeys through the purchasing process, suggested that her firm had observed a subset of customers that put items into the basket but never click to complete the purchase. Sending the customer information on other items on offer, at this point in their journey, is pointless. What is required is a reduction in the delivery costs of the selected items, to overcome the impasse. The e-retailer uses an algorithm to reduce costs below the psychological thresholds employed by individual customers. Doing so gives the particular customer something he/she values and, in a fashion, personalizes the experience.

The issue with using data for intertype competitiveness is that the firm might be at a competitive disadvantage if it is following a retailing format that does not lend itself to consumer analytics. Online retailers have access to click-stream and other digital data that consumers leave behind them like rocket exhaust trails; bits of information that can be pieced together to trace online behaviors, from responses to campaigns, to buying preferences, and to social sharing (Krajicek, 2016). Further, pure-player e-retailers lack legacy effects of offline retailing. They could be expected to face less in-house inertia in organizing themselves around and acting upon data to drive forward the business. For many retailers with a high-street or mall presence, online and omni-channel is the future to having the best data proposition. The key for firms operating across channels is to manage touchpoints for the consumers’ benefit and overall good of the multi-channel system (Verhoef, Kannan and Inman, 2015). Although such firms will face entrenched routines that stand in the way of data usage, there are benefits—an executive from a large-sized, general merchandize retailer noted that its 'click-and-collect' from store customers were on average 30 percent more profitable than 'click-and-deliver' customers. The shopping mission snowballed for these customers, as they added to their baskets when in the store.

Advanced technology

For retail businesses seeking to develop a data-led understanding of their customers by interacting with them more, the deployment of technology is a must. Moreover, retail technology can change the dynamic of customers' engagement—it serves to put them in control by enabling them to make better informed decisions, receive more precisely targeted offers, and obtain faster and more tailored goods and services (Grewal, Roggeveen and Nordfält, 2017). Retailers are already adept at doing this, for instance, via scanner and smart shelf technologies offline, and social media mining online. Nonetheless, since new technologies play a major role in shaping the future, it is important that retailers make investments in so-called advanced technologies that can revolutionize brand experiences moving forwards.

Because of the rise of the internet of things (IoT), consumers will be able to own and control technologies—for instance, Google's Nest thermostats and Amazon's Echo—introduced into their homes. These technologies can reverse the flow of data into a home from the networks and technological infrastructures they are connected to (Woodall, Rosborough and Harvey, 2018). Worryingly for many retailers, such technologies elevate the home as an entertainment centre in the place of visits to the high street and malls. The IoT also continues the trend of disruptive technologies putting the consumer in charge (from his or her home), and increases retailers' vulnerability to big tech firms.

Artificial intelligence (AI) is set to become crucially important for customer care across the retailing sector. For instance, Macy's, with the support of IBM's Watson, is exploring how cognitive technologies, accessed via its 'Macy's On Call' mobile app, can help customers to navigate the in-store environment, locate items, and complete their shopping missions in an efficient and fun way. It is easy to see how such an in-store technology, which fits the usage context of big, complex stores, can give Macy's an edge over horizontal rivals, but also over other-format competitors that cannot offer an immersive experience blending digital and physical elements. The longer-term future of AI may not be retailer apps that interact with AI-powered platforms, but instead distributed AI (e.g., in avatar form) that customers can deploy to solve their own problems as and when they want.

AI is also pivotal in logistics being able to improve speed of delivery. Retailers are experimenting with using AI for zero-click, anticipatory deliveries to loyal consumers, as they begin to figure out economical ways to deal with returns. Indeed, an executive from a leading fashion retailer with a clicks-and-bricks operation suggested that a major issue in its business is how logistics treats product returns. Its typical online shopper will order five garments to be delivered to his/her home, try them on, decide to keep one, and return four. These would be collected and delivered to a central warehouse, evaluated, and potentially relabelled before reselling; a frustratingly slow process. Hence, the firm had invested in machine learning to predict which stores need the returned stock, with the view to returning the stock directly to stores that have the best chances of making quick sales. The predictive intelligence is to be shared with suppliers, as returns could affect levels of new stock deliveries in the system, and require repairing or recycling, after evaluation at the stores.

In like manner, virtual and augmented reality (VR and AR) technologies are now starting to bear fruit for retailers. These give customers a greater ability to interact with the product before buying, adding an element of hedonism to, and increasing the precision of, the purchasing task. While VR is fully virtual, AR retains a valuable real-world element. In fashion retailing, AR is being used in-store to create a more immersive and engaging shopping experience (e.g., the ‘Zara AR’ app) or may be designed to be used without the customer leaving his/her living room, bringing some theatre into home shopping (e.g., GAP’s ‘Dressing Room’ app). The benefits of a better-informed purchase, especially for products that face relatively high delivery costs and the risk of post-purchase dissonance, are clear for end-user consumers but also in marketing channels—such as the case of a franchisee purchasing from a franchisor and requiring an assistive tool to better visualize new ranges.

It may be the era of AI, VR, AR, and the IoT. Without exception, the discussions with retail executives surfaced their firms’ plans in this space. Still, they pointed out that their staff must remain the most important cog in the wheel of customer experience. Automation is imperfect and mistakes are inevitable; although fewer mistakes as machines learn. Humans need to be on hand to address the limits of technology-enabled services (Conick, 2017). A poorly performing technology, with no human complement or alternative, can quickly sour the customer experience. One executive asserted that advanced technology is not a silver bullet that will fix all a retailer’s problems if, due to relative underinvestment, retail stores become drab and the staff working there are poorly trained.

Brand

In a challenging market for retailers, the difference between failing and thriving is likely to come down to the brand. It is a truism that 'only the strong survive', in the sense that brands tend to offset headwinds when customers can articulate why they should stay loyal to a brand (Honigman, 2008). Yet for retailers operating in the current era, achieving brand resonance is easier said than done.

First, retailers have in the past used their stores to restrict the opportunities of manufacturers to create brand experiences. Branded manufacturers can now use digital and direct marketing channels to deliver their brands to consumers. Further, a growing set of manufacturers have integrated forwards by developing their own networks of stores; including flagship stores that can be extremely effective in delivering distinctive and memorable brand experiences (Kahn, Inman and Verhoef, 2018). Branded manufacturers' moves into retailing serve to increase vertical competition. Further, rival and other-format (including pure-player e-commerce) retailers have set up high-quality flagship stores to compete by offering the best brand experiences to retail customers. Not all of these firms—vertical, horizontal, and intertype competitors—can occupy the finite space in customers' hearts and minds.

Retailers must also be able to distinguish between factors that make a difference to an online shopping experience. In this, the skills and technical capability of the consumer and visual design and functionality of the website are no longer crucial. Of most importance to brand experience is the online consumer's sense of control and empowerment (e.g., ability to customize the website and engage in customer-to-customer (C2C) interactions there) (Rose et al., 2012). Further, a key factor in attracting traffic to a website, as with a store, is about curating the right product assortment. But, in the digital space, there are few limits to product assortment scope. Online retailers (e.g., Amazon) can create their own marketplaces by becoming platform firms that link many suppliers and customers. Technology-enabled integrators, that select, modify, and/or fit suppliers' inputs to customers' needs, can reap huge brand value benefits. Retailers without such lofty ambitions still need to contemplate how their brands will fit into the new world of branded online ecosystems. They need to understand how these platforms create dependencies and mute or increase the competition between brands.

Second, consumers value promotional messages that have a social nature and not a commercial focus (Kahn, Inman and Verhoef, 2018). An executive of a small fashion retailer noted that there is much more happening on social media now than ever before, and consumer influencers are having a bigger impact on the youth segment than bone fide celebrities. The line between influencers and celebrities has become blurred, and it is increasingly unpredictable to work out who customers listen to. The particular retailer's youthful target demographic all of a sudden stopped purchasing one evening in summer of 2018. The firm had never seen anything like this before and an urgent team meeting was set the next morning. At the meeting, it became clear that the retailer's customers were: (1) watching a particular reality television show the previous evening; and (2) immediately started purchasing clothes like those worn by the show's participants. The following evening, when the show was back on television, all of the firm's employees were active on social media, seeding C2C interactions with links to the firm's website and various fashion offerings. The firm's sales quickly recovered. The firm believed that a larger, multi-channel retailer would not have been as nimble in diagnosing and solving the problem—some competitors would factor this into the next planning cycle; or as comfortable in helping customers curate their own looks from watching the television show, rather than telling them to buy collectively into whatever the firm thinks is the next big thing.

Another executive suggested that the odds are stacked against large retailers in terms of their being able to seed high-engagement social media interactions with customers. It is not unknown for a national retailer to send hundreds of social media messages out in a one-month period, but observe little customer engagement with, or positive sentiment regarding, the messages' content. It is easier for the numerous small, independent retailers run by visible owner–managers with relatable stories and passions, to generate customer engagement and goodwill from social media posts.

Third, social media is the main way for customers to identify up-and-coming sustainability issues concerning retailers. Many executives implied that ethical sourcing and selling has become more and more relevant for their firms. Modern consumers expect transparency and greater detail about a retail firm's sustainability-related activities and performance. They are pressurizing retailers into caring more about consumers holistically, and being mindful of sustainable retailing practices that affect consumers' health and social welfare (Kahn, Inman and Verhoef, 2018). For instance, if eco-labels are being used, customers will demand information on these. An executive from a large fashion retailer explained that their recycled suits, developed through a partnership with a leading charity, carry a QR code on the label that green consumers can scan to find extra information about supply and production. Crucially, the information then does not put off non-eco-minded consumers who like the suits for different reasons. Of course, retailers are being held accountable by consumers for what is happening in their global supply chains. There is an awareness that retailers are able to access data on the sustainability outcomes of their supply chains much more easily, and should be passing this forwards to end-users via brand communications (Chintakayala and Young, 2017).

International

The future of retailing is global. In the past, there was a push mentality; that is, prioritize domestic and ‘run out of road’ there, before looking for opportunities to do the same thing somewhere abroad. The modern retailer is experiencing the pull of attractive commercial opportunities that have opened up across regions (e.g., East Asia, North Africa and the Middle East, and South America). While the middle class is mature or even contracting in Western economies, it is the fastest-growing segment in emerging markets; these customers are young, educated, urbane, well-travelled, and connected to the global media (Cavusgil et al., 2018). They are aware of international retail brands (e.g., via the media), have pent-up demand for them, and aspire to experience and consume them in the same way in their own countries. Where this is not possible, they travel to make purchases (e.g., voracious Chinese consumers in the E.U.). One executive revealed that her firm’s retail stores in Cyprus are frequented by Russian consumers who purchase in bulk to take products back to Russia that cannot be bought there due to sanctions. On occasion, a Russian consumer will purchase all a retail store’s stock for a product item, including reserve stock from the backroom.

It is received wisdom in the retailing literature that retailers are, in the long run, drawn into becoming volume driven generalists in search of the big middle (McArthur, Weaven and Dant, 2016). However, an executive of a large fashion retailer observed that in the modern era, shaped by forces of globalization, customers are increasingly trading up to luxury for some items and down to low prices for others. Mass-market incumbents are being squeezed by both sides. The prospect of high- and low-end niches broadening, is an attractive proposition for overseas retailers as it means the market leader’s home-field advantage is dissipating. Western retailers with strong brands can exploit this by taking their offerings to middle-class consumers in emerging markets at high price points. There is also the phenomenon of internationalizing Western discounters—for example, the successful incursions of the German discount supermarkets, Aldi and Lidl, into other E.U. country-markets.

Not only are international demand conditions favorable, but also it has become easier to profitably supply overseas retail customers. The rise of online has simplified retailing across borders. Retailers are no longer required to establish store networks overseas, and to make standardization versus adaptation decisions that carefully weigh up the many and various ways in which local culture shapes in-store experiences. Cross-country preferences for e-commerce interfaces certainly differ, and there are operational challenges involved in working at a distance (e.g., supply chain realities and varied regulations protecting local competitors). Still, online effectively de-risks cross-border retailing in many ways, and it is now possible for retailers to establish footprints akin to leading manufacturers, augmenting their vertical competitive position.

Indeed, online retailing has become a global concern. One executive grumbled that his European retailer is caught between Amazon and Wish from the West and Alibaba from the East. Digital competitors neither face the same financial pressures (e.g., business rates) as bricks-and-mortar retailers, nor play by the same competitive rules (e.g., pace of expansion and approaches to segmentation). It is because of the inexorable growth of online retailing that the sector is in the midst of a high-profile strategic disruption, albeit one that has been decades in the making (Brooke, 2018). No matter where you are in the world, high-street e-resilience seems insufficient. The retailers based there will not win this intertype conflict by staying offline and/or domestic.

A second supply-side factor is the availability of rapid modes of internationalization of branded store networks. Retailers have often followed a replication-as-strategy model in opening new company-owned stores overseas, such that they expand slowly on the basis of a fixed model that maintains consistency of brand values (Jonsson and Foss, 2011). Any learning gained when expanding is not allowed to affect the model. Standardization is favored over adaptation and its promise of cultural learning. By contrast, use of franchising can lead to the fast expansion overseas of a store network, under the ownership of franchisees. Many Western retailers are deploying area development franchising, whereby country stores are under the ownership of a single, national/ regional retailer with the resources and aspirations to help grow the franchised brand across their territory (Robson et al., 2018). The model allows retailers to follow aspirational customers into emerging markets, while remaining resilient to marketplace instabilities. An executive of a U.K. retailer suggested his firm had a single franchisee responsible for all of their Russian and Ukrainian stores, at the time of the Russian annexation of Crimea. Despite the political turbulence, not one branded store closed. By contrast, in the good times, the competence of the franchisee in spotting ways to improve the franchised retail model and the openness and willingness of the franchisor to listen to the franchisee, allows the identification of opportunities for cultural adaptation in a manner that leads to sales growth.

One issue with franchising is that the format is underpinned by legal structures that may struggle to take into account future changes in circumstances. As noted in Davis (2014), “Many of these agreements were for 20 to 30 years and some retailers have simply said to their partners: 'you've done a great job with the stores but we're now opening up shop online.' The local partners clearly don't think this is a great idea!" The franchisee may not possess resources needed to run or support an online operation. One executive said that the solution can involve the franchisor taking an ownership stake in the franchised business that it supplies (i.e., a vertical joint venture) to develop a multi-channel approach suited to the demanding modern consumer. It is advisable for Western retailers to take global seriously and plan for how they will flex between market entry modes, over time.

Conclusion

Retail firms that are active in the strategic domains of data, advanced technology, brand, and international, and prepared to be part of the transformation of the sector, are expected to stay ahead of the competitive curve. Based on the above, we outline (in Table 1) sets of strategic directions retailers can take to address trends in the four domains and redress their declining influence and control in the marketplace. These moves span horizontal (rival retailers), vertical (suppliers and manufacturers), and intertype (other-format retailers) fields of competition. Moreover, each of the sets features competitive and cooperative strategies. Retailers, like other firms, need to be able to ring fence areas of cooperation that can furnish them with valuable resources and efficiencies, so as to better compete outside these defined areas (Robson and Dunk, 1999).

It is advisable for firms to push forwards in all four strategic domains, given that they intersect. As was made clear during the discussions with executives involved with the CDRC, technology, brand experience, and international investments should ideally furnish useful customer data. For instance, while franchising is a great mode for rapid expansion internationally, the model runs into inefficiency problems if the franchisor and franchisee are using separate IT systems that cannot easily share customer information across the partnership. Fixing the issue is crucial if the internationalizing retailer is to remain competitive in the data space. Another of the cross-overs is that consumers' allegiances may ultimately shift from the brand to the advanced AI technologies at their disposal.

Further, a retail firm's strategic moves in dealing with one type of competitor influence its competitiveness vis-à-vis other types. For example, overt use of the brand to source and sell in a sustainable manner can allow control over what happens in supplier firms, but also distance the brand from other-format retailers that lack an ensconced sense of doing the right thing. In sum, the most successful retail firms in the future will be those able to think and act holistically, to address the integration of factors and actors driving their competitiveness.

Table 1. Meeting Competitive Challenges in the Four Domains

Use of Data

- Focus efforts on being better than rival and other-format retailers in using data to provide customers with the best proposition in terms of transparency, fairness, privacy, and personalization;
- Share data with suppliers to ensure seamless supply, buy the right products at the right time, and exert maximum control over their activities;
- Supplement offline with data-rich, online retailing and focus on providing a seamless experience across customer touch points;
- Collaborate with rival and other-format retailers with sophisticated data use cases (e.g., pure-player e-retailers), learn these, and integrate them into the business.

Use of Advanced Technology

- Use advanced technology (e.g., AI, AR, IoT) to adopt a data-rich model of retailing and provide a more hedonic and assistive customer experience than rival and other-format retailers provide;
- Use advanced technology to generate data that allow the firm to source better, influence supply processes, and address logistical problems (e.g., product returns);
- Use advanced technology to close the gap to other-format retailers that are themselves savvy technologically;
- Collaborate with the best partners, irrespective of sector, to develop advanced technologies that can revolutionalize the brand experience in retailing.

Use of Brand

- Develop flagship stores, or otherwise (e.g., online) offer quality, interactive shopping experiences to build customer brand resonance vis-à-vis rival and other-format retailers and manufacturers;
- Place an emphasis on influencers and C2C interactions, using social media for promotional messages that have a social nature and not a commercial focus;
- Use brand to source and sell in a sustainable manner, by imposing standards in the channel, collecting data on supplier adherence, and passing the information on to consumers;
- Collaborate with rival and other-format retailers and manufacturers with strong brands, to effect positive brand spillover and learn how to develop brand resonance.

Use of International

- Give international its due, by being proactive and responsive to the pull of aspirational, middle-class consumers in emerging markets;
- Use online to simplify and de-risk retailing overseas, but understand that cross-country preferences for e-commerce interfaces differ;
- Build a global supply chain that can cater for a variety of modes of internationalization, combining e-retailing and a physical store network;
- Collaborate on the basis of area development franchising with other-category retailers, to develop a scalable store network overseas with partners with local market knolwedge and insights.

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