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# Retailing establishments: A competitive analysis of commercial formats from the consumers' profiles and perceptions

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**Abstract**

During recent years the retail trade sector has clearly been immersed in a period of continuous transformation, one of the consequences of which has been the appearance of commercial formats coming into direct competition with the so-called traditional commercial formats, with their medium-sized outlets, poor range of choice and low prices, but with products of a medium-high quality. The aim of this current work is to analyse the competitive situation of the so-called traditional retailers compared to the modern commercial formats, focusing on the food and mass consumer products sector from the perspective of the users' perceptions. By means of the appropriate statistical analysis, the characteristics of each type of format are defined, as well as the profile of the users. The study was carried out in the province of Cadiz—one of the areas of Spain in which retail trade has evolved most rapidly.


*Keywords:* Retail trade; Competition; Image; Users

## 1. Introduction

The spectacular evolution experienced in commercial distribution in Spain in recent years is simply an accurate reflection of what has occurred in the distribution sector in the neighbouring European countries. This development is characterised by three fundamental features: *organisation*, *concentration* and *modernity*. However, this advance has not been identical in all countries. Thus, in Spain the situation is more advanced than in Greece, Portugal or Italy, but it has not reached the level of countries such as France, Germany or Great Britain. It has however approached their levels, as is reflected in studies such as the ones conducted by Roland Berger & Partner (1995) in 1994, or the General Directorate of Commerce (Dirección General de Comercio, 2000), Ministerio de Economía y Hacienda (1999) and the Spanish Consejo Superior de Cámaras de Comercio, Industria y Navegación de España (1998) in 1996, or at a more specific level, by Barcelona Town Hall (Ayuntamiento de Barcelona, 2005). However, in these differences one must consider the socio-cultural and economic factors that distinguish the countries, regions and provinces, which in turn provoke differences of habits and behaviours among users.

In this evolutionary process it is worth reflecting on the future of some retailing formats, which although at present still have a significant weight in countries such as Spain are suffering a process of stagnation and even decline. One should remember that the Spanish commercial structure is characterised by its fragmentation and strong dualism, where modern formulae coincide with traditional trade formats (Flavián et al., 1997).

This situation of stagnation or weakness in some traditional commercial formats has already been stressed even in the context of the European Union, as is reflected in the White Book on Commerce on the level of competition in the distribution sector:

> In the long term there is the risk of an extreme concentration of distribution in Europe, whereby a handful of large chains come to dominate the entire retail market. This would be the end of the small trader and would reduce the number of sales points. In the distribution sector such a concentration could eventually reduce the range of products offered, the variety of sales systems and the number of shops (above all in

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urban centres and rural areas) and would change the relationship between small producers and retailers (Comisión de las Comunidades Europeas, 1999).

In Spain the changes that have occurred in consumers' behaviour and buying habits have significantly influenced the development of commercial distribution. In the studies on buying habits reviewed, such as the one by the Secretary of State of Tourism and Commerce (Secretaría de Estado de Turismo y Comercio, 2004) or the National Institute for Consumer Affairs (Rebollo, 2000), we find that consumers in the 1990s and at the start of the new century are more informed, educated and concerned about the environment. They take into account the quality, the service and other variables apart from the price in their purchasing decisions. They have less time available for shopping and have changed their habits regarding the type of store they frequent. One should consider however that changes in buying habits and in the structure of retail trade are the result of cause–effect relations that run in both directions—i.e., certain changes in the buying habits are a consequence of modifications in the commercial supply, but these modifications are in turn attempting to fit social, cultural and economic changes in the demand (Frías et al., 1998), effects also deriving from aspects to do with public trade policies, which differ among the EU countries, according to various studies (Coca-Stefaniak et al., 2005).

Faced by the situation described above, maintaining the competitiveness of a business requires a complete and total adaptation, as much to the demand as to the new supply structure, which requires a modification of the firm's strategic approach. The starting point for this is survival (Sainz de Vicuña, 1996), but through a series of factors in which the small business can compete successfully: professionalisation, association, specialisation, differentiation and building customer loyalty. For the small retailer, the difficulty is not so much *what* to change but *how* to change and for this it needs to understand how the users perceive the current retail formats and then subsequently identify its own strengths and weaknesses, as the way to adapt to the current context, taking the decisions of strategic and tactical change. The above descriptive analysis provides the justification for this research, which aims to examine traditional stores' problems of competitiveness compared to the new commercial formats. The results support strategies for change for the traditional formats to raise their competitiveness.

## 2. Some considerations on the study of trade format competitiveness in function of perceived image

Firms that wish to reach the consumer better should communicate what they are offering as well as their competitive advantages in the simplest possible way. The concept of positioning underlies this element. Every firm has a positioning in the market, the difference lies in whether this is defined or not for the consumers and whether it is different from the competitors' positioning (Ries and Trout, 1992).

Applying this idea to retail trade, every retail firm has a positioning in the market, which is achieved by the firm's managers themselves as well as passively by the confluence of non-controllable variables that affect the company and its sector. This positioning extends generically to the trade format itself that is identified by the different types of organisation that make it up, such that the variety of trade formulae—including the provisions markets—reflects the existence of different positionings in commercial distribution (Serrano and Serrano, 2005; Sainz de Vicuña, 1999).

While the concept of positioning was introduced by Ries and Trout (1992) in the 1970s, it has subsequently been specified and developed by numerous authors, each adding more or less enriching contributions to the concept.

Some authors understand the concepts of image and positioning as indissolubly associated, among whom Ries and Trout (1992, 1993) themselves, Pessemier (1980) and Hernández et al. (1995). Other authors meanwhile, such as Corstjen and Doyle (1989) for the specific case of retail trade, consider both concepts to be unassociated.

Abascal and Grande (1994) refer to image as a mental representation at the individual or group level. It is the result of considering not only tangible or identifiable qualities or attributes but also the previous beliefs, attitudes, roles and experiences that people or groups have with respect to brands, products, services, firms and even countries. The reality demonstrates that individuals, in addition to buying products and services that satisfy their needs, buy image, even when choosing the outlet. From this perspective, society increasingly consumes signs, information and images.

Thus, creating the image is a necessary and inherent part of positioning. The image should generate an attitude or predisposition in individuals towards making their purchases in a particular establishment. Positioning should always be oriented towards creating, sustaining or improving a competitive advantage, with which the firm can obtain an adequate profitability in the medium term (Sainz de Vicuña, 1996).

The image will be the result of the interaction of all the experiences, beliefs, feelings, knowledge and impressions that the different publics perceive with respect to an organisation (Carrascosa, 1992). This perception will be the result of a combination of controllable and non-controllable factors that have arisen since the beginning of the organisation's activity, the result of a series of decisions and actions adopted in the firm throughout its evolution in which the entrepreneur, the other managers and the workers all intervene (Blesa, 1995).

For Lambin (1995) positioning a product means valuing it for its most differentiating characteristics and attributes, which may be objective or subjective, compared to the competitors' products and this with respect to the buyers for whom this element of differentiation is important.