

Global Markets and Development Policies in Large-Scale Retailers

*Sabina Riboldazzi**

Abstract

In recent years, large-scale retailers have found ways to overcome the emergence of increasingly severe constraints on retail business development by devising new development trajectories aimed at maintaining or strengthening their competitive positions. In this report, we analyse the operating activities of some of the major global and Italian large-scale retailers, ranked by revenue, with special emphasis on the following aspects: 1) basic common development policies that have been implemented over time by companies to improve their competitiveness; 2) new common development policies adopted by retailers in recent years as countermeasures against growth constraints characterising most of the retail markets where they operate.

Keywords: Large-Scale Retailers; Development Policies; Growth Constraints; Global Markets

1. Global Markets and Development Policies in Large-Scale Retailers

In the last decade, large-scale retail markets, particularly those in countries most affected by the recent economic crisis, have been characterised by intense competition, volatile demand, fluctuating consumption, increasing of corporate promotional pressure, and reduction of first-level trade margins. The discontinuity, complexity, and instability of the global market has forced large-scale retailers to reconsider their development policies with regard to resource waste, temporary-market opportunities and customer satisfaction while at the same time reconciling all the different stakeholders' interests to improve or maintain their competitiveness. In particular, retailers competing in today's global market have originated from different backgrounds and have developed in different way and at different time in relation to changes taking place in the retail distribution sector in each specific geographical area. Indeed, the birth of modern retail distribution occurred first in the US during the interwar period. In particular, in 1930, in the wake of the economic crisis of 1929, Michal Cullen opened the first self-service supermarket. A few years later, fifteen King Kullen stores were opened to the public, thereby becoming the first supermarket chain in the US, characterised by low prices and reduced profit margins, but capable of generating higher sales volumes than ever before. In Europe, the gradual transition from traditional sales forms to modern distribution took place in the UK after the Second World War – for instance, in 1950, Sainsbury's managed to convert one of its stores located in

* Assistant Professor of Management, University of Milan-Bicocca (sabina.riboldazzi@unimib.it)

London Road, Croydon, into a 300 square-meter self-service store. Later on, in 1955, the first 700 square-meter store was unveiled in Lewisham. In 1957, Nelson Rockefeller opened the first Italian supermarket in Milan, named Supermarket Italiani Spa. However, it was not until the 1980s that the modernisation of the Italian distribution system began, leading to a gradual reduction of traditional retail stores over a twenty-year period. In this regard, the significant delay in this innovation process has ultimately hampered the ability of large-scale Italian retailers to play a relevant role among top-ranking European and global retailers.

Table 1: *The Main Large-Scale Retailers/Wholesalers in Global Markets. Revenues in 2015 (Billion €)*

<i>Company</i>	<i>Revenues</i>
Walmart	467
Costco	114
Carrefour	109
Kroger	104
Tesco	96
Walgreens	94
Schwarz Group	92
Seven & I	91
Aldi	80
Metro Group	72

Source: Planet Retail, 2015.

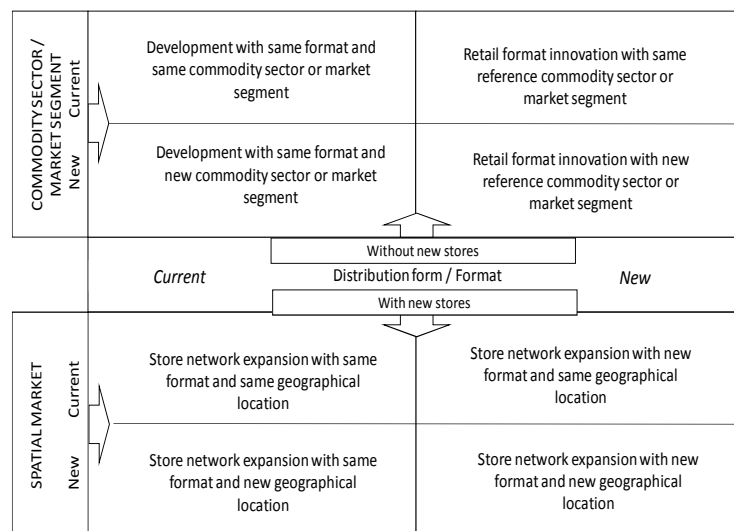
Table 2: *The Main Large-Scale Retailers in the Italian Market. Market share in 2015*

<i>Company</i>	<i>Market Share %</i>
Coop Italia	14.5
Conad	11.9
Selex	9.7
Esselunga	8.9
Auchan	6.7
Carrefour	6.1
Eurospin	5.1
Vege	3.4
Pam	3
Finiper	2.8
Lidl	2.7
Agorà	2.5
Sun	2.5
Lillo	2.3
Aspiag	2.2
Crai	2.2
Sigma	2.2
Sisa	2
Others (< 2): Bennet 1.9, C3 1.5, Rewe 1.3, Despar 1.2, Cat. Ind 1.1, Neg. Ind. 1, Tuo 0.9, Cds Spa 0.2, Coralis 0.2.	

Source: Conad Annual Report, 2015.

Nevertheless, the development of Italian large-scale retailers, albeit of a modest entity and with some delay, has followed the same path as other European and global goods distributors. In particular, when we consider the main development policies implemented by large-scale retailers over time (Figure 1), we can find common features with reference to points of sale, format, and reference market, hence, the selection of specific product/market combinations. Specifically, we define *product* as the commercial service or the store which is made up of a “set of features” such as its assortment, access services, and pre-, during-, and post-sale services. Indeed, each specific feature combination gives rise to different distributive form (i.e. format, such as supermarkets, superstores, discount stores, etc.). Furthermore, we define *market* as “commodity sector or market segment” when the company expands its business in geographical areas where it is already physically present. Alternatively, we define *market* as “spatial market” when the company develops new stores in geographical areas where it was not previously present. In this case new stores may contemplate modifications with reference to commodity sector or market segment.

Figure 1: *The Main Development Policies in Large-Scale Retailers*



Source: Author’s elaboration

We can then sum up the main basic common development policies activated by large-scale retailers as follows:

1. Development with same format and same commodity sector or market segment. In this case, business growth is achieved thanks to an increase in sales per customers (average receipt amount) or in purchase frequency. This strategic direction is characterised by effective retailing mix management (i.e. assortment, private label, communication/advertising, merchandising, and price).
2. Development with same format and new commodity sector or market segment. In this case, the growth process consists in changing the retailer’s segment market without altering its retail format or commercial service. Thus,

development is often associated with changes in the product range (e.g. from women's to men's clothing).

3. Retail format innovation with same reference commodity sector or market segment, that is to say developing a new format by modifying slightly some of its basic services and features (e.g. conversion of a traditional grocery store into a minimarket, which offers a different product and service range while maintaining the same commodity sector or market segment).
4. Retail format innovation with new commodity sector or market segment. In this case, business development is pursued by changing the reference commodity sector as well as the customer service and the retail format, e.g. changing a medium size specialised store selling children's toys into a larger size specialised store selling adults' apparel.
5. The four above-mentioned development options represent a process of change and adaptation of the company, which usually does not lead to company's size growth (e.g. opening of new retail shops), because the innovation process itself takes place in existing stores. In contrast, the four development options described below, which rely on the opening of new stores, result in company's size growth. This, in turn, can lead to cost advantages thanks to the achievement of significant economies of scale, scope, and sharing:
6. Store network expansion with same format and same geographical location. This occurs when a company operates in geographical areas with a high potential demand, not yet exploited. Thus, the company's market share and competitiveness can be improved by just opening new retail stores with same services and formats as the existing ones, in the same geographical area.
7. Store network expansion with same format and new geographical location. The company growth occurs thanks to the opening of new stores in new markets keeping the same format used in other geographical areas. Development occurs thanks to the fulfilment of consumer demands in different geographical locations, combined with the benefits brought by dimensional economies.
8. Store network expansion with new format and same geographical location. It involves the development of new business activities by combining existing stores with new stores, in terms of product range and services, offering for example complementary products to exploit sales and geographical location synergies.
9. Store network expansion with new formats and new geographical location. It consists in the opening of stores with new retail formats in new geographical areas. It is a diversified development often obtained thanks to the creation of competitive and strategic alliances and the use of advanced management skills.

2. Global Markets, Growth Constraints, and Development Policies in Large-Scale Retailers

Over the last few years, modern large-scale retailers have had to counteract the emergence of new growth constraints by devising new business development policies particularly focused on reducing costs, meeting an ever changing consumer

demand, and identifying sudden market opportunities, which otherwise would be exploited by competitors.

Some constraints affecting large-scale grocery retailers are as follows:

- a progressive market saturation due to the fast-paced development of modern retail in some areas, especially over the last three decades;
- a change in consumer demand from the standpoint of quantity (e.g. birth rate reduction in some areas) as well as quality (e.g. demand changes due to age segments or family profiles);
- a growing rationality in consumer buying behaviour, which runs up against choice overload, i.e. the exponential increase in options of consumer spending;
- a strong emphasis on vertical as well as horizontal competition dynamics, together with a gradual and significant increase in corporate promotional pressure and shelf price deflation resulting in progressive profit margin contraction.

In this new scenario, companies have been trying to optimise product, process and organisational innovation in order to become more efficient, effective, and competitive. This optimisation process, common to all large-scale retailers analysed in this study, qualifies the “new development policies” adopted by retailers in recent year:

2.1 Improvement of Business Function Efficiency

Retail companies output clearly depends on effective management of business functions, i.e. the series of activities necessary to ensure proper delivery of goods to the stores so that the retailers can offer a commercial service characterised by a unique set of features. Besides the main functions of transport, storage, assortment, and communication, retailers have to manage many other functions related to different services (e.g. pre-, during-, and post-sale), which constitute the backbone of their product portfolio.

In today’s scenario, large-scale retailers have to operate according to the principles of timeliness, specialisation, and high volumes, in order to achieve dimensional economies, reduce costs, and improve the efficiency of their business functions.

In this regard, large-scale retailers often form partnerships and alliances (mergers and acquisitions, joint venture, franchising, etc.) (Tables 3, 4) and employ new technologies to carry out their activities.

Indeed, procurement, storage, transport or other activities are often managed together with several partners (e.g. competitors, suppliers, etc.), specialised and/or with the necessary expertise to operate and quickly gain a competitive advantage in specific geographical locations. For instance, with regard to procurement, the majority of retailers join buying groups where they can pool their buying power in order to negotiate better prices and payment terms with suppliers (Table 4).

Table 3: Stores and some Alliances¹ of the three Largest Global Retailers Ranked by Revenue

	<i>Stores – years 2014, 2013, 2012</i>	<i>Birth and Some Alliances</i>
<i>Walmart</i>	<p>Year 2014: 4,835 stores in United States and 6,107 international stores.</p> <p>Year 2013: 4,625 stores in United States and 6,148 international stores.</p> <p>Year 2012: 4,479 stores in United States and 5,651 international stores.</p>	<p>In 1962 Sam Walton opened the first Walmart store in Rogers, Ark. The company rapidly developed its activities, first in America and then, through mergers/acquisitions, joint ventures and numerous equity and non-equity alliances with several specialised operators, outside America's borders. Here are some milestones: in 1991, through a joint venture with Cifra, a Mexican retail company, Walmart went global, opening a Sam's Club in Mexico City; in 1994, the company expanded into Canada with the purchase of 122 Woolco stores; in 1998, Walmart entered the United Kingdom with the acquisition of ASDA; in 2002, Walmart entered the Japanese market through its investment in Seiyu; in 2009, Walmart entered Chile with the acquisition of a majority stake in D&S S.A.; in 2010, Bharti Walmart, a joint venture, opened its first store in India; in 2011, with the acquisition of MassMart in South Africa, the company surpassed 10,000 retail units around the world; in 2013, the company acquired Bharti Walmart Private Limited, including the Best Price Modern Wholesale cash and carry business in India; in 2015, Walmart acquired 100% stake in Yihaodian, an e-commerce business in China (http://www.walmart.com/).</p>
<i>Carrefour</i>	<p>Year 2014: 10,860 stores in 33 countries.</p> <p>Year 2013: 10,105 stores in 34 countries.</p> <p>Year 2012: 9,994 stores in 33 countries.</p>	<p>The origins of Carrefour date back to 1959, when The Carrefour supermarket company was set up by the Fournier, Badin and Defforey families who ran a discount supermarket in Annecy. Later in 1962, The LLC Promodis, the forerunner of Promodès, was created. The company was formed through a merger of two wholesaler families from Normandy. From the 80s onwards, Carrefour developed numerous partnerships with various partners in different countries. Below are listed some of the main operations. In 1988, Promodès acquired the 128 supermarkets of the Primistères group. In 1991, Carrefour took over the French hypermarket chains Euromarché and Montlaur. In 1994, Carrefour acquired a majority stake in Picard Surgelés; a joint company was set up with a Chinese partner in order to develop supermarket/hypermarket business activities in Shanghai and Beijing. In 1996, Promodès acquired the convenience store chain Félix Potin. In 1997, Promodès acquired the supermarket chain Catteau; in 1998, Carrefour developed a controlling interest in Comptoirs Modernes and Promodès acquired minority stakes in foreign food retailing groups: GS in Italy, GB in Belgium, and Norte in Argentina. In 1999, Carrefour and Promodès merged and Carrefour acquired 85 supermarkets in Brazil, through the regional chains Lojas Americanas, Planaltão, Mineirao, Roncetti, Rainha, Continente and Dallas; in 2000, Carrefour strengthened Promodès's ties with its partners by increasing its ownership equity in Norte in Argentina, Gruppo GS in Italy, Marinopoulos in Greece and GB in Belgium. In 2001, Carrefour Argentina took over management of Norte, the largest food retailer in Argentina; Carrefour also acquired the Espirito Santo group's interest in Carrefour Portugal. In 2004, with the purchase of 13 Hypernova hypermarkets from Ahold, Carrefour became Poland's second-largest hypermarket company. In 2005, the company reinforced its competitive position in Poland (acquisition of 12 hypermarkets Hypernova from Ahold), Italy (acquisition, through a partnership with Aligros, of 160 convenience stores in the Apulia region), Turkey (acquisition of 2 Turkish retail banners Gima et Endi - 45 discount stores), Cyprus (purchase of Chris Cash&Carry, holding 3 hypermarkets and 3 supermarkets), Brasil (acquisition of 10 hypermarkets from the Sonae Group in Sao Paulo), France (purchase of 101 magasins Penny Market stores under the Ed banner), and Taiwan (acquisition of 6 hypermarkets and 2 other projects currently from Tesco). In 2006, the company acquired Ahold Polska. In 2007, Carrefour acquired Atacadão in Brazil, Plus stores in Spain, and Artima in Romania. In 2008, the company acquired Alfa Retail Indo in Indonesia. In 2010 Carrefour developed the acquisition of a 51% stake in Baolongcang (China) and the acquisition of the Ipek supermarket chain in Turkey. In 2011, Carrefour acquired Eki stores in Argentina. In 2013, the company developed a joint company with CFAO to develop stores in West and Central Africa. In 2014, Carrefour incorporated 128 Coop Alsace convenience stores in France; the company also acquired more than 800 Dia stores in France, 53 Billa supermarkets and 17 Il Centro stores in Italy.</p>
<i>Kroger</i>	<p>Year 2014: 2,625 supermarkets in 34 US States and The District of Columbia, 782 Convenience</p>	<p>Kroger's history dates back to 1883 when Barney opened a grocery store at 66 Pearl Street in downtown Cincinnati. Mergers have played a key role in Kroger's growth over the years. In 1983 Kroger merged with Dillon Companies Inc. in Kansas to become a coast-to-coast operator of food, drug and convenience stores. Furthermore the biggest merger of Kroger took place in 1999, when the company teamed up with Fred Meyer, Inc. in a \$13 billion deal that created a supermarket</p>

stores, 326 Jewelry Stores. Year 2013: 2,640 supermarkets in 34 US States and The District of Columbia, 786 Convenience stores, 320 Jewelry Stores. Year 2012: 2,424 supermarkets in 31 US States 786 Convenience stores, 328 Jewelry Stores.	chain with the broadest geographic coverage and widest variety of formats. The merger also enabled Kroger to generate huge economies of scale in purchasing, manufacturing, logistics and information systems. In recent years the company activated many alliances to develop its activities mainly in America. In fact, Kroger's acquisition strategy focuses primarily on existing markets. Considering only mergers and acquisitions, it is possible to list some of the many operations developed in recent years; Kroger acquired: in 2006, 1 Buehler Food Markets store; in 2007, 18 Scott's Food & Pharmacy stores, 20 Farmer Jack stores and 2 Individual stores; in 2008, 9 Individual stores; in 2010, 7 AWG stores, 2 Brookshires stores and 1 Albertsons store; in 2011, 1 Individual store, 8 Schnuck's (supermarket) stores and 7 Schnuck's (c-stores) stores. In 2014, 227 Harris Teeter stores. In 2014 Kroger also merged with YOU Technology and Vitacost.com, one of the largest pure e-commerce companies in the nutrition and healthy living market.
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Source: Walmart Annual Report, 2012, 2013, 2014; ASDA, Our business @ Asda, October 7, 2013; Carrefour, Annual Activity and Responsible Commitment Report 2012, 2013, 2014; Kroger, The Kroger Co. Fact Book, 2012, 2013, 2014.

Table 4: Stores and Some Alliances² of the three Largest Italian Retailers Ranked by Revenue

	Stores – years 2014, 2013, 2012	Birth and Some Alliances
Coop	Year 2014: 1,189 stores Year 2013: 1,199 stores Year 2012: 1,467 stores	In Italy, the consumer cooperative movement was born in 1854 in Turin. Today, Coop groups 97 cooperatives, of which 9 are big companies, 12 medium-sized companies and all the rest are small companies, operating in line with a value system identical to the one of the first consumer cooperative established in 1844 in Rochdale, England, by a group of "Principled pioneers" who shared the goal of "improving economic and social situation of its members". After participating in Italia Distribuzione (buying centre joined by Coop and Conad as well) (http://www.conad.it/conad/home.html), in 2005, Coop allied with Sigma and developed Centrale Italiana, a buying centre joined later by Despar, Il Gigante, and Disco Verde. After the termination of Centrale Italiana, in 2014, Coop allied with Coopernic, a European buying centre, joined also by Leclerc, and Delhaize. The agreement included, among its main goals: the optimisation of business conditions with international suppliers; the research for synergies to improve product offer to consumers; and the improvement of private label production (Coop, Undicesimo Rapporto Sociale Nazionale della Cooperazione di Consumatori, 2014).
Conad	Year 2014: 3,015 stores Year 2013: 3,019 stores Year 2012: 3,067 stores	Conad was founded in 1962 following the aggregation of 14 buying groups led by 420 retailer members from Consorzio Nazionale Dettaglianti, a cooperative limited company. Today Conad aggregates 8 big cooperatives, which count a total of 2,722 associated retailers. In 1993, Conad, together with Sigma and Conitcoop, founded Sicon. Seven years later, Italia Distribuzione, which currently is not active any longer, was created thanks to the alliance between Conad and Coop, becoming a common centre of negotiation with the brand industry. In 2004, the company allied with Rewe Italia and in 2006, Conad, Colruyt (Belgium), Coop (Switzerland), E.Leclerc (France) and Rewe (Germany) founded Coopernic, a buying centre later left by Conad, in Bruxelles (http://www.conad.it/conad/home.html) In 2014, Conad participated in the European buying centre Core Alliance made of four big European retailer groups – Conad, Colruyt (Belgium), Coop (Switzerland) and Rewe (Germany) – which shared their know-how on branded industry products and on private label products, negotiating jointly with international suppliers (Conad, Annual Report, 2014). In 2015, Conad promoted the AgeCore agreement, an international strategic alliance which grouped together Core Alliance and Alidis partners (Alliance internationale de distributeurs). Besides Conad, also Swiss Coop, Belgian Colruyt, German Edeka, French Groupement des Mousquetaires and Spanish Eroski participate currently in the coalition (Conad, Annual Report, 2015).
Selex	Year 2014: 2,549 stores (of which 90 Cash and Carry)	Selex origins date back to 1964, when a group of grocery wholesalers established the Italian voluntary union called A&O; over a few years, its members increased and became retail centers. The voluntary union became the Italian Consortium A&O, which, in 1979, founded Selex Gruppo Commerciale (http://www.selexgc.it/).

	<p>Year 2013: 2,563 stores (of which 88 Cash and Carry)</p> <p>Year 2012: 2,880 stores (of which 83 Cash and Carry)</p>	<p>Currently, Selex is affiliated to domestic brands Famila, A&O and C+C, besides 20 other brands operating in different Italian regions. Companies allied with Selex Gruppo Commerciale rely on the centre for commercial/marketing activities, development of private label products and group activities included in the corporate social responsibility. Moreover, the centre improves negotiations in Esd Italia and Emd Europe. Indeed, in 2001, Selex created with Esselunga the marketing and buying centre called ESD Italia, today grouping five significant retailers in the Italian market: Selex, Agorà Network, Acqua & Sapone, Sun and Aspiag Service (http://www.selexgc.it/). ESD Italia is partner of the international centre EMD, European Marketing Distribution, the greatest European buying centre. Making significant agreements with big international industries and research of common supply sources of private label products is its core activities, aimed at developing synergies and economies of scale.</p>
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Source: Coop, Undicesimo Rapporto Sociale Nazionale della Cooperazione di Consumatori, 2014; Coop, Decimo Rapporto Sociale Nazionale della Cooperazione di Consumatori, 2013; Coop, Nono Rapporto Sociale Nazionale della Cooperazione di Consumatori, 2012; Conad, Annual Report, 2015, 2014, 2013, 2012; Selex, Bilancio Sociale, 2014, 2013.

Also new technologies are managed jointly (i.e. with manufacturers and/or other retailers) to increase both quality and value of business services. In fact, as far as logistics functions are concerned (e.g. transport, storage, maintenance, etc.), the use of technologies and common standards as well as the establishment of communication infrastructures (e.g. EDI and EAN) has not only improved product physical flows, but has also made possible a greater integration and coordination between different distribution channels and all the partners involved in this process.

For example, technologies managed in a shared perspective has allowed retailers to efficiently organise product flows through a number of logistics procedures such as cross-docking, multi-drop, multi-pick, and multi-drop/multi-pick combination.

Specifically, by cross-docking we mean a logistic solution relying on a distribution docking terminal with two sides, one inbound and the other one outbound, where products from different manufacturers or suppliers are unloaded from inbound trucks and loaded directly into outbound trucks to be delivered to distribution centers or retail stores with little or no storage time involved³. Instead, multi-drop transport does not require a docking terminal because a manufacturer simply groups together orders made by multiple retailers, which will then be delivered by the same means of transport to stores located in the same geographical area. Likewise, multi-pick transport does not require the presence of a docking terminal since it involves picking up products from multiple manufacturers in neighboring areas and transporting them to a single point of delivery. A more recent evolution of these transport modes is the multi-drop/multi-pick combination, which sets up full truckloads of products coming from various manufacturers before shipping them to a number of retailers. Thanks to the use of technologies and consequently vehicle load capacity saturation, supply chain synchronisation, and redundancy of docking terminals, this logistic solution can reduce significantly distribution costs.

Many large-scale retailers have also implemented methodologies such as CRP, CPFR, and OSA⁴ to limit supply chain costs and improve the efficiency of business activities. Others have adopted radio-frequency identification technologies (RFID). Finally, other examples of cutting-edge methodologies employed by large-scale retailers to improve business function management, particularly with regard to procurement, include: e-procurement, e-sourcing, and reverse action, all activities involving web-based supply chain management through digital platforms (e-market) to simplify interaction between companies.

2.2 Product/Service Range Restructuring and Adjustment of the Retailing Mix

The current global economic crisis has deeply changed consumer consumption and buying behaviors. Diminished household incomes, decreased purchase frequency, reduction of purchased quantities along with increasingly careful selection of products and postponement of non-essential purchases are all typical factors qualifying today's consumer purchasing patterns. Consequently, consumers strive to select points of sale in relation to product-price-service advantages offered by a retailer at any given time. Indeed, the centerpiece of a retailer's offer is represented by its product range, which is complemented and enhanced, especially at the moment of purchase, by a number of other related services such as pre-sale, access, post-sale, and during-sale services. Thus, consumer demand for products and store selection strictly depends on those contingent factors that determine the purchase, such as hierarchy of consumer needs, nature of the products to be purchased, and moments and circumstances of the purchase.

It is therefore essential for large-scale retailers to determine real consumer needs in order to organise their offer accordingly through aggregation and dynamic management of its product range and related services as well as of the various levers of the retailing mix. Thanks to a clever aggregation strategy, which is the result of a carefully planned product portfolio, retailers can showcase their products and services in a temporary and differentiated fashion, which allows them to optimise the availability of certain products/services in stores where a high purchasing volume is expected only at certain times. "A careful consumer buying trend analysis" followed by a clever product display can help retailers optimise parallel and complementary purchases, which will ultimately increase consumer loyalty and favor future sales. In this regard, large-scale retailers, together with manufacturers, have heavily invested in the development of technologically advanced systems of classic and shared CRM⁵. Thanks to these systems, companies can share information about consumer buying behaviors not only at the single category level, but also at the cross-category level, which, in turn, will foster long-lasting consumer relationships.

The development of cashiers' OCR systems as well as fidelity cards and/or coalition cards has allowed retailers to manage a high volume of detailed information on their customers. This information is then analysed together with other data obtained through classical methods (e.g. ads, interviews, marketing research, etc.) and, most importantly, through an array of cutting-edge tools and techniques. These innovative tools and techniques are deemed essential for offer restructuring because they not only enable companies to collect information on consumers in each specific store so that they can meet consumer needs by offering customised products, but also allow retailers to discover unmet consumer needs, which otherwise would pass unnoticed.

Such array of tools and techniques constitutes an important part of the in-store communication management system, which includes the following:

- Promotion and customised discounts: promotional operations such as discounts, which are usually reserved to fidelity card owners; they can be applied to a number of products chosen by consumers while shopping (e.g. 20 stickers give right to a discount of 30%). On the one hand, only the consumer decides which

- product to discount. On the other hand, the retailer can customise future product promotions through purchase choice analysis;
- electronic couponing: customised coupons that promote specific products/brands easily obtainable by consumers with receipts of purchase. In turn, coupon-use analysis allows companies to examine price/product choices of a specific market segment or customer;
 - electronic kiosks: special tactile devices located in specific store areas providing information on products/brands. In addition, these devices can issue orders, print coupons for special offers, and sometimes “create” tailor-made products by grouping products or spare parts available at the store. Upon collecting such valuable information on consumer needs, retailers can develop new value propositions;
 - Personal Shopping Assistant (PSA) and in-store self-scanning: small tablets clipped to shopping carts that can be used by consumers as a “guide” while shopping. The PSA can recommend guided tours in the retail store, drawing attention to products and special offers within the store area the customer is visiting. In-store self-scanning is achieved through a portable scanner that can read bar codes of the products chosen by the consumer. Such technology provides a running total of the shopping and enables consumers to save their list of purchases while retailers can provide consumers with details of store products, brands, and promotions. In general, all of the above-mentioned technologies allow retailers to better understand consumer buying behaviors with regard to those products that have been either included or excluded from a purchase list;
 - virtual fitting rooms: they are big monitors in non-food store areas, which enable shoppers to virtually try clothes on. This way, shoppers can visualise how a piece of clothing might look on them by looking at virtual screenshots taken from different angles. There are many kinds of virtual fitting rooms and all of them allow consumers to ask for details, matches, and suggestions on products (e.g. colors, sizes, price alternatives, store availability, delivery time in case of out-of-stock, etc.). Also in this case, the analysis of queries represents a valuable source of information on consumer preferences.

A careful interpretation of consumers buying habits and trends then allows retailers to manage efficiently their product/service range, often renewed by mixing together leader, follower, domestic, and local brands (with corresponding price variations) as well as commercial services and private labels (Tables 5, 6).

Table 5: *Private Label Portfolio and Services⁶ of the three Largest Global Retailers Ranked by Revenue*

	<i>Private label portfolio</i>	<i>Services (focus on fuel and pharmaceutical offer)</i>
<i>Walmart</i>	Walmart private label portfolio is extensive and adapts to assortment of different retail formats and store brands. Indeed Walmart International works with different store brands depending on geographical areas. For example in Africa some of the proposed store brands are the following: Builders Warehouse, Builders Express, Builders Trade Depot, Builders Superstore, Makro,	There are many services offered by Walmart to complete the food and non-food offer. The company offers financial products/services, tech support, photo services, insurance products/services, ecc. Walmart has also developed its offer in specific markets such as fuel and pharmaceuticals. For example, consumers appreciate the offer of some format like Walmart Neighborhood Markets, for their offer variety which generally includes fresh food, e-commerce order pickup, pharmacy and

	<p>The Fruitspot, DionWired, Game, Jumbo Cash & Carry, CBW and Trident, Cambridge and Rhino, Shield; in Argentine: Changomas, Mi Changomas, Changomas Express, Walmart Supermarkets and Supercenters; in Brazil: TodoDia, Mercadorama, Nacional, Maxxi Atacado, BIG, Bompreco, Hiper Bompreco, Walmart, Sam's Club; in India: Best Price Modern Wholesale; in Mexico: Superama, Walmart Hypermarket Stores, Bodega Aurrera, Sam's Club; in UK: Asda Supercentres, Asda Superstores, Asda Supermarkets, Asda Living. For example, ASDA private label portfolio consists of the following lines: Extra Special, Chosen by you, Butcher's selection, Smart Price; Asda also has a number of non-food private label: the three principal brands are George, Elegant Living, Little Angels (ASDA, Our business @ Asda, October 7).</p>	<p>fuel with an assortment that also includes biofuels – the supply of fuel is also offered by store brands belonging to the Walmart group: ASDA, for example, sells fuel at ASDA Petrol Filling stations.</p> <p>The offer of health products/services includes pharmaceutical products – the range is wide and consists of drug brands, generics and numerous products for wellness and personal care – and provides the ability to manage prescriptions online; the company also offers some pharmacy services (e.g. drug info & price plans, mobile pharmacy app, home delivery, specialty pharmacy, pet medications, smart rx disposal) and health services, as clinic services, wellness center, flu & immunisations and vision centers.</p>
<p><i>Carrefour</i></p>	<p>Carrefour offers a wide range of private label products; some of these are common to several countries; other private label products are offered only in certain geographical areas. The assortment of private label is often subject to innovation to meet the needs of variously localised consumers.</p> <p>In Italy, for example, the range of private label products is constantly growing; in particular the private label portfolio consists of the following lines: Carrefour BIO, Carrefour KIDS, Prodotti Carrefour, Carrefour Baby, Selection Carrefour, Carrefour Viversano, No Gluten, Carrefour Discount, TEX, TEX home. An additional example is represented by the offer of Carrefour private label products in France as follows: les produits Carrefour, les Produits Blancs, Bon app' Carrefour, Carrefour Baby, Carrefour Kids, Carrefour Sélection, Carrefour No Gluten, Carrefour BIO, Carrefour Veggie, Reflets de France, Filière Qualité Carrefour, Etiquetage "Nourri sans OGM" (<0,9%), Carrefour EcoPlanet, Les Cosmétiques Design Paris, TEX, POSS.</p>	<p>In addition to a broad selection of food and non-food products, Carrefour offers its customers a wide range of convenience services. Financial and insurance services – starting from 2013 Carrefour offers its customers financing, savings and insurance solutions at 930 agencies and financial service stands around the world, – travel services – more than 400,000 customers in France go on holiday with Carrefour <i>Voyages</i> – leisure services, photo services, are just some of the services offered by Carrefour. As for the fuel, the firm has heavily invested in several countries for the development of refueling stations located both near supermarkets and hypermarkets both in areas far from the stores. For instance, in France there are 1,400 petrol stations with an assortment generally composed of diesel, premium diesel, gasoline SP 95, gasoline SP 98, biofuel SP95-E10, Le superéthanol E85 and GPL. The company is also engaged in the sale of drugs that usually takes place in pharmacies and drugstores with different assortments depending on the drug laws that distinguish the different countries where it operates. For example in France there are 120 drugstores with a wide range of health, personal care and beauty products/services.</p>
<p><i>Kroger</i></p>	<p>Corporate brands still remain a strong competitive advantage for Kroger. In this regard, the Kroger private label portfolio is vast and often renovated with attention to quality and changes in consumer needs. Specifically, the portfolio includes the following corporate brands (Kroger, The Kroger Co. Fact Book, 2014): Kroger, Private Selection, Simple Truth, Simple Truth Organic, P\$ST..., Check This Out...and Heritage Farm, Comforts for Baby, Big K, and Pet Pride. Kroger manufacture 40% of its corporate brands (37 manufacturing plants) that closed out the year 2014 with strong share numbers: 25.5% sales dollars and 27.1% units sold (excluding pharmacy and fuel).</p>	<p>Kroger is the fifth-largest pharmacy operator in the United States in number of locations, operating retail pharmacies in 2,111 food stores; Kroger pharmacists filled almost 175 million prescriptions at a retail value of approximately \$9.0 billion (Kroger, The Kroger Co. Fact Book, 2014). Kroger pharmaceutical and health services include: vaccinations, medication therapy management, and a variety of health screenings. In addition, many of pharmacies offer more intensive education and management programs such as diabetes and heart healthy coaching, diabetes self-management education, fitness, nutrition and weight management, and smoking cessation. Kroger offer also The Little Clinic (148 Clinics) that operates in nine states under the Kroger, King Soopers, Fry's and JayC banners (Kroger, The Kroger Co. Fact Book, 2014). As for the supply of fuel, Kroger typical supermarket fuel center consists of three to nine multi-product dispensers, and an 8' x 12' kiosk from which cigarettes, soft drinks, snacks, candy and miscellaneous automotive-related products are</p>

		sold. At year-end 2014, Kroger's retail fuel operations included 1,330 supermarket fuel centers in 31 states and 723 convenience stores that sell fuel.
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Source: Walmart Annual Report, 2012, 2013, 2014; ASDA, Our business @ Asda, October 7, 2013; Carrefour Annual Activity and Responsible Commitment Report, 2012, 2013, 2014; Kroger, The Kroger Co. Fact Book, 2012, 2013, 2014.

Table 6: Private Label Portfolio Services⁷ of the Three Largest Italian Retailers Ranked by Turnover

	Private label portfolio	Services (focus on fuel and pharmaceutical offer)
<i>Coop</i>	<p>Private label products constitute the ultimate goal of Coop's cooperative mission. To this end, each Coop private label product must be affordable, good, safe, ethical, and environmentally friendly. In 2014, Coop Italy invested 9 million euros for the development and control of its private label products, which now total to an amount of 4,012 items (109 more than in 2013); total sales increased by almost 2.7% compared to 2013. With a 26.3% share in the total FMCG industry, Coop products account for about 22% of private label products sold by large retailers in Italy in both hypermarkets and supermarkets. The overall sales turnover of these private label products, which are often upgraded to better meet consumer needs, is of about 2.8 billion euros and it is distributed among the following product lines: Tutela (2,735*), Vivi Verde (551*), Fiorfiore (396*), Solidal (45*), Bene.sì (80*), Club 4-10 (19*), Crescendo (131*) and Coop & Go (55*) (Coop, Undicesimo Rapporto Sociale Nazionale della Cooperazione di Consumatori, 2014).</p> <p>* number of items per product line</p>	<p>In the recent past, Coop has diversified its product range, which now includes services never offered before by traditional retailers. Specifically, in Coop supermarkets, hypermarkets, or in dedicated specific areas it can now be found a plethora of new services such as Coop libraries – the network of libraries is spread over 11 Italian regions and consists of 39 stores, 24 of which are located inside commercial centers (malls), 10 in Eataly stores, and the remaining 5 in various historical centers – Coop Voce – in 2014 over 230,000 new CoopVoce telephone lines were activated, for a staggering total of about 1.4 million activations since service inception – travel agencies – Coop operates in the tourism sector through two travel agencies: Robinture and New Planetarium, present in some Italian regions. With regard to gasoline supply, the fuel network, which operates under the brand names Coop or Enercoop, consists of 20 plants providing 194 million liters of fuel (diesel and gasoline) and 18 million liters of LPG (present in 13 of them). Methane gas is delivered in 4 of these facilities (Coop, Undicesimo Rapporto Sociale Nazionale della Cooperazione di Consumatori, 2014). Regarding the pharmaceutical market, there are 129 active pharmacy corners, named Coop Salute, 110 of which are located in major hypermarkets, and 28 in supermarkets. The assortment of these pharmacy corners, consists of approximately 2,900 products, which include about 2,300 parapharmaceuticals and several other Coop branded pharmaceuticals, such as acetylsalicylic acid + ascorbic acid, paracetamol, calefred, carbocysteine syrup, acetylcysteine, and flurbiprofen mouthwash and spray. (Coop, Undicesimo Rapporto Sociale Nazionale della Cooperazione di Consumatori, 2014).</p>
<i>Conad</i>	<p>Its private label is vital to the development of Conad's sales network and brand loyalty. In 2014, Conad's sale volumes grew by 3.9% over the previous year, generating revenues of 2.55 billion euros. This excellent performance was also due to the launch of the campaign "Low & Fixed", which offered hundreds of products at affordable and fixed prices throughout the year. Conad private label offers a wide range of products</p>	<p>Conad has been able to diversify its traditional core products thanks to the offer of a wide range of services/products such as optical services, fuel supply and pharmaceutical products/services. In 2014, 16 new optical corners, named Ottico Conad, were opened in supermarkets and hypermarkets in various Italian regions offering an assortment of over 800 optical frames and sunglasses along with opticians that could provide professional advice. As for fuel supply, since the first Conad gas station opened in 2005, the fuel offer has</p>

	divided into five brands constantly innovated to meet the ever-changing consumer needs, and consists of a total of 2,949 items divided as follows: 2,101 Conad, 500 Conad Percorso Qualità, 53 Conad Il Biologico, 245 Sapori & Dintorni Conad, 50 Creazioni d'Italia (Conad, Annual Report, 2014).	grown steadily resulting in the construction of 28 new plants, each of which boasts an average annual throughput of about 8.3 million liters. The number of customers served during the year 2014 amounted to approximately 11 million. Conad fuel distributors have also increased their fuel throughput by 12 percent compared to that generated by all opened plants until 2013. Lastly, as of year 2014, Conad parapharmacies amount to 82 and are located in Conad's main hypermarkets, superstores and supermarkets. Their product range consists of about 5,000 products, of which more than 500 are over-the-counter (OTC) drugs, not subject to medical prescription. The product range includes also a variety of homeopathic and veterinary drugs, subject or not to medical prescription, thousands of products for personal hygiene, and a wide selection of food supplements and natural remedies for the needs of the whole family. The turnover of Conad pharmaceutical sector is of about 45 million euros, with the pharmaceuticals accounting for 30% percent of total revenues (Conad, Annual Report, 2014).
<i>Selex</i>	Private label products amount to more than 5,000 items grouped under the following brands: Selex (3,000 items distributed among the following specialised product lines: Natura Chiama Selex, Vivi Bene Selex, Vivi Bene Selex Senza Glutine, Primi Anni Selex, and Saper di Sapori), Sù and Vanto (600 items), Vale (more than 1,100 items distributed among the following specialised product lines: Vale Natura in Tavola di Filiera Controllata, Vale Le Specialità, Vale Natura in Tavola Bio), and other brands such as Prodotto Risparmio, Atmosfera & Benessere, Le Vie dell'Uva, Le Bontà del Pasticciere, Storie di Gastronomia, and CasaxCasa (Selex Gruppo Commerciale, 2014).	The Selex Group offers several services/products unrelated to the core business of its various associated enterprises. However, a detailed list of these additional services/products is not easy to make as many of the associated companies develop a specific offer and, as already mentioned above, the group has a multi-store brand policy. These brands are as follows: Famila, A&O, C+C, Galassia, Emisfero, Bigstore, Ali Supermercati, EMI, Supermercati Dock, Superconti, Si Con Te, Mercatò Superstore, Maxisconto Supermercati, Pan, Futura, Elite, Superdi, Pick Up, Urrà Discount, Dpiù, harDis, l'abbondanza, Ok Market. The new entry "Il Gigante" has allowed the Group to expand the number of its services by offering fuel at competitive prices.

Source: Coop, Undicesimo Rapporto Sociale Nazionale della Cooperazione di Consumatori, 2014; Conad, Annual Report, 2014; Selex, Bilancio Sociale, 2014.

In particular, careful management of private label policies seems to represent a critical aspect of retail-growth policies. Indeed, over the last few years, retailers have been investing heavily in the structural strengthening of their core and non-core (e.g. fuel and pharmaceutical sales) (Riboldazzi, 2010) private label products (Tables 5, 6). In today's market, private labels are used by companies to gain a competitive advantage over the competition as they can enhance the retailer's negotiation power with suppliers, promote diversification, and strengthen both brand image and customer loyalty, thereby improving the profitability and competitive position of the company.

In this regard, the majority of large-scale retailers offers a deep assortment of private label products often subject to market-driven innovation (Brondoni, 2009; Brondoni, Corniani, Riboldazzi, 2013) characterised by different price positioning (from premium to low price) to meet the needs of different types of consumers and/or different types of needs coming from the same market segment.

2.3 Reconfiguration of Retail Format Portfolio and Multi-Channel Policies

Large-scale retailers generally manage different retail formats (e.g. supermarkets, hypermarkets, specialty stores, etc.) according to the place where they operate in order to maintain a balance between corporate growth and profitability of the asset portfolio (Tables 7, 8).

In recent years, a number of factors⁸ have led many large-scale retailers to reconfigure their formats and distribution channels to support sales.

Specifically, we can observe a general propensity to reduce the number of format managed with investments in high-profitability formats; in particular, we can observe the development of convenience stores and/or discount stores and the reduction of openings and reconfiguration of hypermarkets.

Convenience stores are generally characterised by urban localisation, limited sales areas, extended opening hours, limited food or drink assortment generally destined to household consumption. Indeed, this format aims at meeting mainly marginal and integrative consumer needs as opposed to those met by other grocery store formats; hence, convenience stores represent a reference point for unexpected and first-necessity purchases, which complement the sales made in larger grocery stores. In many cases, large-scale retailers have also opened “high quality” convenience stores, which can generate high-profit margins by selling private label premium assortments. Likewise, discount stores have recently managed to successfully increase business growth by opening new points of sale positioned in the medium/low price range. In contrast, when we look at the business performance of hypermarkets, we can only observe a gradual but significant decrease in both sales and growth levels. To counteract this negative trend, a number of large-scale retailers have renewed their hypermarkets to meet “high quality” and complementary demands with respect to those met by other sale formats. Particularly, many hypermarkets have renewed their offer by including high value-added services (e.g. increased number of checkout counters, self-service checkout counters, technological stations and food areas, etc.) and by rationalizing assortment aggregation. In order to maintain a balance between development and profitability, many large-scale retailers have also invested in the development of special formats and distribution channels able to satisfy growing levels of demand (Tables 7, 8); they are for example online channels, virtual supermarkets and sustainable supermarkets.

Table 7: *Traditional Stores and some Innovative Stores/Channels (Focus on E-Commerce) of the three Largest Global Retailers Ranked by Revenue*

	<i>Traditional stores/format and locations</i>	<i>E-commerce</i>
<i>Walmart</i>	<p>Walmart format portfolio is composed as follow:</p> <ul style="list-style-type: none"> - <i>Walmart US</i> 3,288 Supercenters 508 Discount Stores 407 Neighborhood Markets 	<p>Walmart is heavily investing to gain market share with respect to e-commerce. The company's objectives are: provide more personalised and relevant shopping options; offer a broad product assortment; provide the best possible shopping experience online; and deliver merchandise at the lowest possible cost to customers when and where they want it. (Walmart, Annual Report, 2013)</p> <p>In the U.S., the assortment of walmart.com consists of more than 5 million SKUs and convenient delivery options to customers home or through Site to Store. Walmart develops their activity on internet also in others countries than</p>

	<p>632 Sam's Club</p> <p>These stores are located in the following States or Territory: Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, Washington D.C, West Virginia, Wisconsin, Wyoming, Puerto Rico.</p> <p>- <i>Walmart International</i> 5,633 retail stores 359 wholesale stores 115 restaurants, drugstores and convenience stores operating under varying banners</p> <p>These stores are located in the following geographic markets: Africa, Argentina, Brazil, Canada, Central America, Chile, China, India, Japan, Mexico, United Kingdom.</p>	<p>U.S. For example, in Brazil, after a threefold increase in site traffic, walmart.com consistently ranks as the first or second most visited retail site. In China, Walmart has invested in Yihaodian's new, a more intuitive mobile app that helped expand mobile transactions eightfold in one year. (Walmart, Annual Report, 2014).</p>
<p><i>Carrefour</i></p>	<p>Carrefour manages 10,860 stores in over 30 countries:</p> <p>1,459 hypermarkets 3,115 supermarkets 175 cash & carry stores 6,111 convenience store</p> <p>These stores are located in the following area: Argentina 572 stores Brazil 258 stores France 5,013 stores Belgium 744 stores Spain 582 stores Poland 702 stores Romania 174 stores Italy 1,158 stores China 236 stores Taiwan 71 Other countries (in Europe, Asia, North Africa, Middle East, Dominican Republic) 1,350.</p>	<p>Carrefour continues to develop e-commerce and m-commerce solutions to enable its customers to shop anytime and anywhere, from a laptop computer, a tablet or a smartphone (Carrefour, Annual Report, 2013). Customers can shop online and have their order delivered, or collect it at the store or at a drive pick-up point. In France, the company offers grocery collection at nearly 440 drive pick-up points, most of them in stores so that customers can make additional purchases if need be. Italian and Belgian customers can also use this service at certain stores. (Carrefour Annual Report, 2014).</p>
<p><i>Kroger</i></p>	<p>Kroger manages 3,733 stores:</p> <p>2,625 supermarkets: combination stores 2,269 multi-department stores 127 marketplace stores 98 price impact stores 131</p> <p>782 convenience stores</p> <p>326 Jewelry Stores</p> <p>The supermarket locations are the following: California, Ohio, Texas, Georgia, North Carolina, Indiana, Colorado, Michigan, Tennessee, Arizona, Washington, Kentucky, Virginia, Kansas, Illinois, Oregon, Utah, West Virginia, Nevada, Arkansas, Mississippi, South Carolina, New Mexico, Idaho, Maryland, Missouri, Alaska, Nebraska, Alabama, Wyoming, Louisiana, Montana, Washington, D.C., Delaware, Florida.</p>	<p>Kroger invests in digital and omnichannel, developing their websites, mobile applications, using digital channel to communicate with customers etc. For example, the company develops Express Lane; this service is available at over 160 Harris Teeter® stores, providing customers with online ordering and the convenience of picking up orders at their local store. Customers can shop online and schedule pick-up in as little as 4 hours after submitting an order (Kroger, The Kroger Co. Fact Book, 2014). Finally, in 2014 Kroger expanded its digital capabilities by merging with Vitacost.com, a leading online retailer of healthy living products (Kroger, The Kroger Co. Fact Book, 2014).</p>

Source: Walmart Annual Report, 2013, 2014; Carrefour Annual Activity and Responsible Commitment Report, 2013, 2014; Kroger, The Kroger Co. Fact Book, 2014.

Table 8: Traditional Stores and some Innovative Store/Channels of the three Largest Italian Retailers Ranked by Turnover

	<i>Traditional stores/format and locations</i>	<i>Innovative store/channels</i>
<i>Coop</i>	Coop manages 1,189 stores (formats: Ipercoop hypermarkets, Coop supermarkets, and other smaller stores) spread in 89 Italian provinces and 774 Italian municipalities.	An example of innovative store developed by Coop is the Future Food District, a format that addresses food-related issues while keeping an eye on sustainability and technology. In this regard, Coop participated in Expo Milano 2015 as the official Food Distribution Premium Partner, contributing to the creation of the Future Food District. This latter comprised of a 2,500 square-meter supermarket – with an adjacent public square dedicated to leisure time, events, and catering – which combined the characteristics of local markets with the features and functionality of modern stores thanks to the most advanced digital solutions. In the store, food products were displayed in 5 different sectors, each of one dedicated to a specific supply chain (i.e. fruit and vegetables and wine; dairy products; cereals and beer; meat and fish; and tea, coffee, and cocoa). Within each sector, then, the products were arranged according to their level of processing: from raw materials to progressively processed and transformed products. The product range, amounting to approximately 1,400 products, was chosen to capitalise on the Italian agro-industrial heritage and to this end was laid out on a stepped display stand and arranged according to the relative supply chain using horizontal tables and interactive vertical racks. In addition, food products (i.e. 700 Coop products and 700 products from other 90 suppliers) were tagged with augmented labels, which allowed consumers to find out more about a product. This additional information included the primary characteristics of each individual item, the origin of the main raw materials used to create that product, the nutritional data per serving, the environmental impact expressed in CO ₂ equivalents, the possible presence of allergenic ingredients, and, finally, the product benefits. In addition, Future Food District envisioned scenarios about our eating habits in the distant future. In particular, in two corners inside the store, solutions and future scenarios related to innovation or development of new or already available process technologies were shown. Among the technologies available at the store there were interactive tables, touch screen, second screen, and some noteworthy cutting-edge technologies such as eBacone and YuMi, a robot able to interact with people (Coop, Undicesimo Rapporto Sociale Nazionale della Cooperazione di Consumatori, 2014).
<i>Conad</i>	Conad manages 3,015 stores spread over 108 Italian provinces and 1,470 Italian municipalities; the stores are divided as follows: 25 Conad Hypermarkets, 197 Conad Superstores, 1,010 Conad Supermarkets, 962 Conad City, 566 Conad Margherita, 189 Discount, and 66 other stores.	An example of an innovative store format by Conad is the Sapori & Dintorni. Conad and Major stations have signed an agreement for the development of the Sapori & Dintorni format in four major Italian railway stations (i.e. Roma Termini, Milano Centrale, Florence S. Maria Novella and Napoli Centrale). The format aims at promoting the regional Italian food excellence by offering about 225 products from 58 product categories related to various local gastronomic traditions. Format productivity leads the market with a staggering 21,000 euros/m ² (Conad, Annual Report, 2014).
<i>Selex</i>	Selex manages 2,549 stores spread in all Italian regions divided in 21 hypermarkets, 60 superstores and minihypers, 272 integrated supermarkets, 753 supermarkets, 422 superettes, 449 discount stores, 482 minimarkets, and 90 Cash and Carry.	An example of an innovative store format by Selex is represented by its various eco-friendly stores. In particular, the stores of Piazzola sul Brenta and Terranegra (Padova), Camponogara and Cavarzere (Venice), were built according to criteria based on the concept of sustainability; the stores are indeed equipped with photovoltaic systems for the production of clean energy – in 2013, they generated 295,000 kWh of clean energy – which resulted in a significant reduction in CO ₂ emissions – in 2013, a total of 136,288 kg of CO ₂ , equivalent to 56 tons of oil, did not enter the atmosphere – as well as of refrigerators capable of ensuring optimum refrigeration but reduced energy consumption.

Source: Coop, Undicesimo Rapporto Sociale Nazionale della Cooperazione di Consumatori, 2014; Conad, Annual Report, 2014; Selex, Bilancio Sociale, 2013, 2014.

In this regard, the development of internet and web-based technologies has allowed retailers to support their traditional sales with on-line sales, thereby combining the advantages deriving from the availability of sales surface in brick-and-mortar stores with those opportunities arising from the lack of temporal and spatial constraints typical of e-commerce.

A particular “sales strategy” exploiting web-based technology is the so-called virtual store, which in some countries has been successful in targeting those tech-savvy consumers with only a limited time for shopping. Specifically, virtual stores are virtual points of sale made up of backlit panels, which display merchandise in public areas (e.g. railway stations, tube stations, and airports)⁹. Every product is generally associated with a QRCode, which, if scanned with a smart phone, provides valuable information on the product and also allow the consumer to directly make the purchase as well as to choose the place and date of delivery. Many companies have developed successful virtual stores thanks to efficient logistic systems often managed in partnership with specialised operators – for example Tesco Home Plus in Korea, the French retailer Carrefour, and the Belgian chain Delhaize.

Finally, in recent years, large-scale retailers have opened an increasingly larger number of eco-friendly stores to foster sustainable retail development. Indeed, there has been a growing awareness of sustainability and global responsibility (Salvioni, 2003) among large-scale retailers as a way of gaining broad consensus among stakeholders, while ensuring resources necessary for continuous business development. Eco-friendly stores are retail stores built with new techniques and methods able to reduce consumption of natural resources during the whole life cycle of the building. Such stores are built to reduce their environmental impact taking into account the following aspects: use, management, and disposal of water; water consumption; water reutilisation; use of alternative or renewable energy sources; monitoring of building energy performance; use of eco-friendly materials, and so on. Moreover, eco-friendly stores management generally relies on the implementation of business functions (e.g. procurement, transport, etc.) that need to be consistent with environmentally friendly policies specifically concerning assortment management. To this end, sustainable store offer a number of eco-friendly private and non-private label products such as organic products¹⁰, green products¹¹, locally grown products¹², or unpackaged products¹³, increasingly more present in different categories of large-scale retail assortment. Some companies have also adopted, especially for private label products, green packaging to limit pollution and convey their commitment to environmental protection. Green assortment management is often certified by voluntary certifications such as Ecolabel (CE regulation n. 66/2010), Eco-Management and Audit Scheme (EMAS), and Environmental Product Declaration (EPD).

The three “new development policies” mentioned above are tightly linked and overlap with “basic development policies”; indeed, the adjustment of product/service range and retailing mix, as well as the reconfiguration of retail format portfolio determine changes in commercial functions thereby triggering a circle of business development.

3. Conclusions

The growing complexity of today's business systems has led to a substantial modification of retailers' development policies. In particular, in recent years, large-scale retailers have found ways to overcome the emergence of increasingly severe constraints on retail business development by devising new development trajectories aimed at maintaining or strengthening their competitive positions.

Our analysis of business activities of some of the major global (Walmart, Carrefour, Kroger) and Italian (Coop, Conad, Selex) large-scale retailers reveals how these companies have been able to dynamically implement a synergistic set of basic development policies (see paragraph 1) strictly dependent on opportunities arising from changes in global markets. In particular, when we examine the history of retailing, it appears that large-scale retail business development has always been tightly linked to the extent of innovation in the value chain, which has become increasingly sophisticated as a result of technological progress and changes in both consumer demand and competition taking place in the market where major retailers operate. Thus, in general, growth and development of large-scale retailers goes hand in hand with innovation, which may relate to the following aspects: 1) in-store marketing (e.g. store design, merchandising, communication, technology, etc.); 2) combination of services offered in existing channels; 3) development of a new distribution channel. Obviously, product innovation in retailing cannot be achieved unless all three dimensions of innovation (e.g. product, process, and organisation) are effectively pursued.

Innovation, in recent years, has also been achieved by retailers thanks to "new development policies", which often complement each other and overlap with basic development policies. These new policies are characterised by:

1) improvement of business function efficiency to contain costs and improve business performance;

2) product/service range restructuring and adjustment of the retailing mix in order to become more efficient and effective when offering a product or service;

3) reconfiguration of the retail format portfolio and multi-channel policies as a way of satisfying consumer needs and improving business performance, all crucial aspects of stakeholder engagement and consensus building, so as to generate through resource availability continuing business development.

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Notes

¹ It should be noticed that all three companies have established a number of equity e non-equity alliances with different players to develop their activities. As example, we describe some merger and acquisition operations activated by the three retailers in various geographical area.

² It should be noted that all three companies originated from business forms of association and aggregation that are typical of cooperatives, buying groups, and voluntary unions. Specifically,

Coop Italia is a consumer cooperative, Conad is an organization that joins retailer cooperatives, and Selex is a commercial group originally established as a voluntary union. Here, we describe buying centers established by these three retailers in order to limit costs and improve operational efficiency; nonetheless, the three groups have established a number of partnerships (e.g. franchising, cornering, shared R&D, shared advertising, etc..) with different operators (e.g. competitors, universities, research institutes, etc.) to develop company activities in the various Italian regions.

³ There are two kinds of cross-docking: 1) with platform in a retail centre and stores of one only retailer; 2) with delivery points of different retailers.

⁴ Continuous replenishment program (CRP) gives the manufacturer the responsibility to issue the order and manage stock levels at the retail centre thanks to information given by the retailer. Collaborative planning, forecasting & replenishment (CPFR) extends cooperation to order planning and forecast, considering the medium-long period. Optimal shelf availability (OSA) regards improvement of product availability through Out-of-Stock calculation, identification of main causes and finalization of solutions (www.indicod.ecr.it).

⁵ Cooperation strategy that, through a joint analysis of consumer buying behaviours, differentiation and segmentation of consumer demand, and customised product offering, helps develop a long-lasting relationship with consumers to meet their needs and generate value to manufacturers and retailers (www.indicod.ecr.it).

⁶ By way of example, here are listed some of the services developed by the large-scale retailers.

⁷ By way of example, here are listed some of the services developed by the large-scale retailers.

⁸ Among the factors: change of shopping availability, population ageing, reduction of family units, food consumption changes, increasing competition of specialist category killers, etc.

⁹ They can also be placed in physical stores.

¹⁰ These products combine techniques of cultivation and breeding that limit their environmental impact. In particular, their manufacturing protocols avoid all synthetic chemicals and genetically modified organisms besides reducing exploitation of natural resources and energy.

¹¹ Ecological products refer to specific items dedicated to personal and house care (e.g. detergents, light bulbs, tissues, paper towels, etc.) with a low environmental impact.

¹² It refers to products provided by local producers whose manufacturing plants are located near the retail stores. This close proximity allows energy savings and low CO₂ emissions during transportation.

¹³ Unpackaged products are generally sold through nozzles and dispensers placed in dedicated store corners; they have no packaging, whose disposal may cause pollution.