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# **THE FUTURE OF BRANDED SPORTSWEAR STORE FORMATS IN GERMANY 2030:**

**Four images of the future**

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Major: Futures Studies

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# 1 INTRODUCTION

## 1.1 Retailing in Germany

A fast changing dynamic business environment has become a norm today in different areas, including retailing. Switching customer behavior, multichannel integration, the rise of the Internet and mobile commerce, increased competition, and growing customer expectations transfer retail businesses every day. In Concept stores, for example, buyers want not only find necessary products but also to have a good time and experience. Retailers, therefore, always need to adapt to growing demand. Life cycles of store format evolution are becoming shorter. New formats are constantly developing over time driven by various factors (Reynolds, Howard, Cuthbertson & Hristov 2007, 647). Different trends and innovations are shaping the future of retailing.

Retail is an important sector in German economy contributing to more than 16 percent of GDP in 2012 (CBRE 2013, 10). Retailing can be characterized as “selling goods and services to consumers for their personal, family, or household use. Retailing is the last stage in the distribution process” (Tiwari 2009, 6). Despite steady growth over the last 10 years, the German retail market is operating in rapidly changing environment. New formats are appearing quite often. Department stores and fashion chains have been declining; whereas “Big Box” and chain stores retailers have been growing in popularity. Synergy of brick and mortar stores with E-commerce and M-commerce is driven by new customer profiles and their behavior (CBRE 2013, 12).

Germany was chosen as the focal country for this study as it is the home of large globally operating retailers and manufacturers in the sportswear segment such as Adidas and Puma. Nike also runs its own stores in Germany with recently opened Brand Center in Berlin (Nike news 2014). There are also many smaller sport related retailers such as Völkl, Leki, Falke, Kettler and Triumph. Different sport categories are presented in German market such as football, basketball, handball, running, biking, snow sport, outdoor activities, etc. (FSPA Sporting Goods Report 2010, 4, 9).

In general, the sportswear retail market in Germany is well-developed and highly competitive with a number of players involved. First of all, it is interesting to look at the current state of store formats of branded sportswear retailers in Germany and trends which might influence their development. The ultimate aim of this study, however, is to create and discuss future images of branded sportswear store format developments in 2030 in Germany. Thus, description and analysis of key store formats’ characteristics, different trends which might influence store formats evolution, as well as construction of future images of sportswear store formats owned by manufacturers in Germany 2030

will be the focus of this paper. By looking closely at trends and assumptions and by being aware of consequences of our decisions we can aim at a desirable future.

## **1.2 Research objectives**

The general goal of this study is to contribute to the store format research within sportswear retailing and broaden the research into images of the future of branded sportswear retailing in Germany by applying the methods of futures studies. Therefore, the study has two broad objectives within the fields of retailing and futures studies.

The first objective is to explore theories, key store format characteristics to describe existing store formats of the main branded sportswear retailers in Germany, such as Nike, Adidas and Puma. Store format is one of the core elements of retailers' business models along with governance and activities (Sorescu, Frambach, Singh, Rangaswamy & Bridges 2011, 5). There are many theories which try to explain the evolution of retailing and store formats. By looking into the past we can get insights to the future. Although many researches have been done on "click-and-mortar" businesses (see, Avery, Steenburgh, Deighton & Caravella 2012; Chatterjee 2010; Dekimpe, Gielens, Raju & Thomas 2011; Grewal, Roggeveen, Compeau & Levy 2012), it is unclear how, for example, E-commerce will influence the future of brick and mortar stores. We are especially interested in sportswear retailing in Germany as it is well developed, and sport life style has been growing in popularity among German customers (FSPA Sporting Goods Report 2010, 4). Moreover, to the best of our knowledge, future oriented studies have not been conducted in the sportswear retailing field. Thus, existing store formats and trends which might shape the future of store formats of sportswear retailers and manufacturers such as Adidas, Nike, and Puma in Germany are of key interest to this paper. Therefore, the focus of the study will be on brick and mortar store formats and online channels currently existing in branded sportswear retailing in Germany. We will look at key store format characteristics in general and sportswear manufacturers in Germany in particular.

The second and third objectives of the study are to generate more information about technical, environmental, and societal trends affecting sportswear retailing in Germany and using these to create images of alternative futures. Qualitative and quantitative data will be utilized with the help of a Disaggregative Policy Delphi method. A mix of qualitative and quantitative materials has been proven to provide scenarios or images which are easy to compare and understandable (Tapio, Paloniemi, Varho & Vinnari 2011, 1622). Such a study could serve as a valuable insight for retail managers into the future of sportswear retailing. In general, the purpose of the study is to construct alternative images according to the qualitative and quantitative materials gathered by conducting

the Disaggregative Policy Delphi method. Future images here are descriptions of many possible final states of futures (Bell & Mau 1971, 23). They could serve well as a tool to communicate the results to decision-makers, compare them, and to analyze to inspire and direct actions towards the future (Helm 2009, 100).

### **1.3 Research questions**

The general goal of this study is conduct research into store formats in branded sportswear retailing in Germany and to create images of alternative future states of store formats in the outlined area. Choosing sportswear manufacturers who own their stores as a research object, the aim is to explore the theories of retail evolution, describe existing store formats in sportswear retailing, then investigate the possible trends which might influence sportswear retail development in the long run, and ultimately create plausible future images of store formats owned by sportswear manufacturers in Germany in 2030.

In order to pursue these objectives, the study will concentrate on the following research questions:

1. What types and characteristics of branded sportswear retailers' store formats currently exist in Germany?
2. Which key drivers and trends might shape branded sportswear retailers' store formats evolution in the future?
3. What are the alternative images of store formats development in branded sportswear retailing in Germany 2030?

The first research question will be answered based on the literature review, relevant companies' reports and press releases. The description will be based on the key store formats characteristics according to the theoretical framework and literature review.

The second research question will be examined by scanning the literature as well as during discussion on constructed future images. As retailers constantly develop new formats (Reynolds et al. 2007, 647), the trends as well as new innovations will be discussed in the work and how they might shape the future of retailing. The theoretical framework of retail evolution such as the Wheel of Retailing, the Retail Accordion, the Retail Life Cycles, and the Big Middle will help to identify key store format characteristics and trends which shaped the development of store formats and retailing in the past. The focus on key store format features will help to outline how different trends might change one or other characteristics in the future according to the views identified by desktop research. These characteristics will serve as the basis for describing existing store formats among branded sportswear retailers in Germany.

The third question will be the outcome of the conducted Disaggregative Policy Delphi study, the aim of which is to obtain well-argued qualitative and quantitative infor-



mation from experts of store formats development in order to create future images. The clustering method will be applied in analyzing quantitative data for creating alternative views of the future. Qualitative data will be integrated to the images in order to give the “flesh between the bones”.

In general, the strategic questions of the study will be exploring possible perspectives and concerns of branded sportswear store formats evolution in Germany 2030 which are relevant for providing insights for different stakeholders.

## **1.4 Structure of the paper**

This first chapter has been the introduction where research objectives and research questions were outlined. Chapter 2 involves looking at the existing theories of retail evolution. Such theories can point out key store format characteristics and trends which influenced retail and store formats development in the past. Store format features will be also discussed here based on the literature review. The logical continuation of Chapter 2 will be the description of existing store formats among branded sportswear retailers in Germany such as Nike, Puma, and Adidas. The information is obtained from the websites of the leading sportswear manufacturers, academic and non-academic literature review, and press. This chapter addresses the first research question.

Chapter 4 involves looking at the trends which might bring changes to store formats development in the futures. This chapter focuses on the identification how trends could influence retail and key store format characteristics according to the views expressed in official reports, reliable newspapers and scientific papers. Importantly, the trends are chosen on the basis of desk scanning and according to the results of the first round questionnaire of the Disaggregative Policy Delphi method. Therefore, the second research question will be partly addressed here.

Chapter 5 looks at research methodology. Types of data and methods which are used to help answer the second and third research questions are described here. The overall design and detailed steps of the applied methods are addressed in this chapter. Chapter 6 presents the results of the methods applied, and the images of the future are created here. This chapter also discusses the differences in views between future images, trends and assumptions behind qualitative and quantitative alternative views of store formats development among branded sportswear retailers. Chapter 7 concludes the study by summarizing the main findings. A discussion of the limitations, validity and reliability of this study, as well as its practical and academic importance serves as the logical conclusion to this master thesis.

## **2 THEORETICAL FRAMEWORK**

### **2.1 Theories of retail evolution**

#### ***2.1.1 The Wheel of Retailing***

The evolution of retail has undergone changes during last few decades and continues to evolve further. The emergence of E-commerce, technological advances and other trends contributes to the development of new store formats and the changes of existing store formats. For example, nowadays, many retailers integrate their brick and mortar stores with internet stores. Such an evolution of store formats and retailing in general can be studied by applying different theories of retail development, although it is argued that any one theory is not capable of incorporating every aspect of retail evolution as well as describing the causes of the changes (Brown 1990b, 146).

Although, there are many theories of retail development, the most discussed in the literature are cyclical theories. They include the Wheel of Retailing theory, the Retail Accordion theory, the Retail Life Cycle, and the Big Middle. Each theory holds some explanatory power, but also some limitations (Hollander 1960, 40-42; Brown 1991, 134; Levy, Grewal, Peterson & Connolly 2005, 83-85). Therefore, the aim of this chapter is to look at the theories and identify factors, trends, as well as key variables of store format developments which are considered to be important in retail evolution.

One of the oldest theories of retail evolution is the Wheel of Retailing (Hollander 1960, 37). According to this theory, the key differentiation factors of retail development are product quality, prices, and customer services (Chunawalla 2009, 26). The Wheel of Retailing concept can be illustrated as a connected wheel. It is argued that the metaphor “wheel” and the notion of cycles contributed to the appeal of the theory in academia as it helps one to follow the logic (Brown 1990b, 145).

According to the Wheel of Retailing, when a retailer enters the market for the first time, it operates in a low price, low-margin and low-status business environment. Through embarking on the niche segment retailers are able to take some share of the established markets. Usually larger retailers do not pay attention to small-scale newcomers. Overtime these new retailers acquire necessary skills and experiences which add value to the business while increasing operating costs and investments. Eventually, retailers switch their focus to higher-margin customers. At this point, a retailer is operating in a trading up phase. However, such a development provides an opportunity for new innovative smaller retailers to come to the market and, as a result, the existing retailer moves to a vulnerability phase, losing the market share (Chunawalla 2009, 26).

This phenomenon was also observed in E-commerce. For example, Massad, Nein and Tucker (2011, 7) came to conclusion that the Wheel of Retailing can be applied as a robust framework for investigating e-tailing evolution. According to the results of the study, the majority of eBay sellers will tend to serve high-margin customers, meaning to move from a low-priced, low-margin segment toward a higher priced segment.

According to the Wheel of Retailing, changes in services, assortment, and prices in stores are one of the key variables of change when analyzing retail evolution. Therefore, it is also important to understand which factors, trends, and events influence the development of these features. The importance of changes in business environment has been brought by Brown (1991). He has elaborated the Wheel of Retailing theory by introducing the model of retail change based on a literature review of various retail evolution theories (Brown 1991, 132-134). Business environment changes here refer to technological, economic, regulative, demographic, social trends such as green consumers, the aging of the population, and technological advances as illustrated in Figure 1.

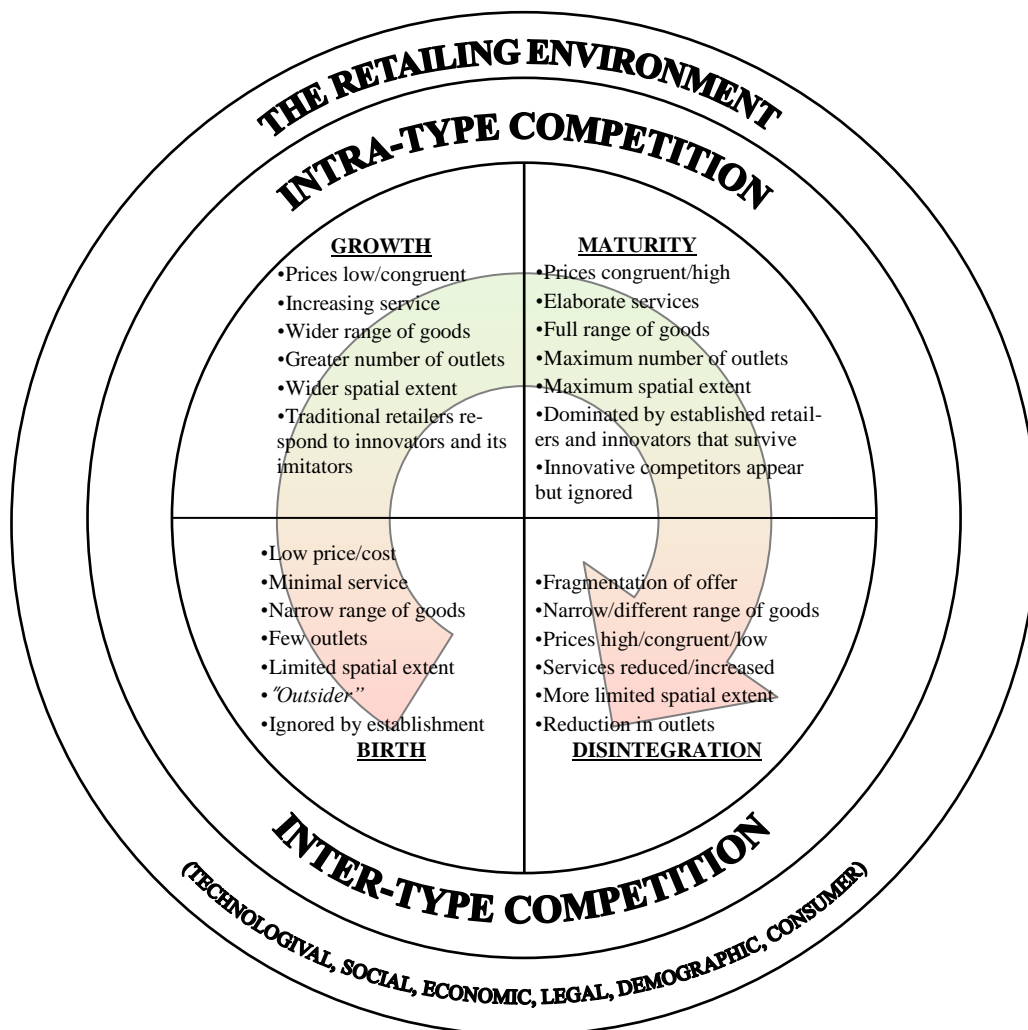


Figure 1 Comprehensive model of retail change (Brown 1991, 138)

This model of retail change points out that the external environment must be taken into consideration while explaining and studying the evolution of retail and store formats. It is argued that the external environment is a very important determinant of retail innovations which can be triggered by technological achievements, economic changes (inflation, crises), legislation changes (shopping hours), etc. (Brown 1991, 138). In this regard, Dekimpe et al. (2011, 19) also claim that economic crises and market turbulence can lead to changes in assortment and prices, as retailers are challenged by changing customer behavior and high competition.

In contrast to the Wheel of Retailing, new forms of retail institutions evolve through not three but four distinct stages (Brown 1991, 138). At the first stage, retailers sell a narrow range of low-price products. The location of stores is in unpopular places with low rent (Brown 1990a, 44-45). The policy of retailers aims at low margin and high turnover sales. If the new retail format succeeds then retailers are more confident to open new stores and expand the assortment and services. Thus, retailers move to the second growth phase (e.g. Figure 1). They will try to expand the range of products and enhance the level of services. Success also attracts imitators to the market. Established institutions start recognizing the threat and react in different ways. At some point higher competition, blurring of focus, various imitations, and growing customer expectations all together challenge a retailer but do not allow it to return to the low margin – high turnover sales policy. The sales policy aims at providing quality goods and services rather than securing low prices. Thus, the business is becoming mature, aiming at improvements in display, location, marketing campaigns, delivery and other services. But it also indicates the appearance of room for new innovative specialists to shape the market once again. As a result, established retailers become vulnerable to new emerging retail formats. However, further growth is very challenging as high labor cost, rent, etc. will not permit a retailer to compete on a low price-high volume basis. It can lead to fragmentation of the original idea (Brown 1991, 138-139).

Thus, the Wheel of Retailing theory turns attention towards the changeable nature of such key store format indicators as price, services, assortment, and location. These characteristics of store formats evolve and change while a retailer is moving through phases. Different factors and trends might determine a particular kind of retail and store format journey. From this theory many lessons can be retrieved. First of all, it teaches that new store formats can appear in the market at any time. Secondly, it shows that retailing has a very changeable and competitive environment, which institutions always have to be responsive to, or risk failure. The Wheel of Retailing theory can also serve as a tool for describing the development of new retail formats in the past (Brown 1990b, 144). Although there are many examples of countries or types of retailers that seem not to follow “wheel” pattern, Hollander (1960, 41) concludes that the hypothesis is valid in many cases in industrialized countries.

For the purposes of this thesis, the Wheel of Retailing gives many valuable insights regarding key store format characteristics. It points out the trends that shaped retail development including innovations, growing consumer expectations, etc. (Brown 1991, 138; Dekimpe et al. 2011, 19). However, there are some limitations in the explanatory power of the theory. First of all, the Wheel of Retailing cannot be applied to every market or institution (Hollander 1960, 40-42). Secondly, the theory mostly focuses on a price-quality aspect of retailing paying a little attention to other key differentiation factors such as assortment, store size and so on. Thirdly, it assumes that new retail institutions come to the market only as low-cost concepts. Furthermore, Davidson, Bates and Bass (1976, 90) argue that the lack of empirical and analytical evidence might undermine the validity of the theory. However, despite the lack of a universal application for the theory, which highlights the difficulties to find the root causes of change, it remains one of the most used concepts for describing retail development (Brown 1990b, 146).

### **2.1.2 *The Retail Accordion***

Another well discussed theory in the evolution of retailing is the theory of the Retail Accordion. In contrast to the Wheel of Retailing, this concept makes an accent on the range of assortments as a key indicator of retail institution evolution. It assumes that retailers move from, for example, outlets with a wide assortment, to stores with narrow line of merchandise, and then back to being a more general retailer. These processes constantly repeat themselves (Chunawalla 2009, 26). It reminds of, as Hollander (1960, 31) suggests, an orchestra of accordion players. Any of the players can compress or extend their accordions at the same time. Some players can retire at some point and then new players join the band (mainly with a compressed accordion). Increasing consumer demand, rising income, urbanization, and transportation development are trends which lead to specialization. However, both specialized and large retailers can exist and operate at the same time (Hollander 1960, 31-36). Dunne, Lusch and Carver (2013, 115) have observed that in the US the Retail Accordion theory is clearly noticeable.

In general, an important insight for this study is that the Retail Accordion highlights the importance of looking at changes in assortment while discussing retail evolution. However, as in case of the Wheel of Retailing, the Retail Accordion theory does not highlight the root causes of the change, and focuses only on one key retail indicator (Levy, Grewal, Peterson & Connolly 2005, 83-85).

### 2.1.3 *The Retail Life Cycle*

The Retail Life Cycle theory is another cyclical theory in the retail marketing field, rather similar to the Wheel of Retailing. It explains the evolution of retail institutions focusing on gradual stages of retail development. The stages include: innovation, accelerated development, maturity, and decline. It is claimed that the institutional life cycle is beneficial for projecting retail developments (Davidson et al. 1976, 96). We will explain each stage in turn.

At the innovation stage, the retailer takes a risk to start a new business. The main focus here is on innovation, which gives a competitive advantage against existing retailing approaches. These innovations can represent, for example, a distinctive product assortment, distribution method, different promotion methods, convenience and ease to shop (Chunawalla 2006, 27).

At the growth stage, retailing innovations, if accepted by customers, can lead to a very rapid increase in sales and profitability (Chunawalla 2009, 27). However, towards the end of the period growing labor costs and more complex internal systems will limit the profitability increase. In order to be able to succeed, retailers have to look not only at price as a competitive advantage but also at such factors as location, flexibility, self-service formula and so on (Davidson et al. 1976, 91).

At the maturity stage a company becomes large and complex. Moreover, profitability will be severely hindered due to greater competition. One of the problems at this stage is “overstoring” of the market while aiming at more and more growth (Davidson et al. 1976, 93).

At the decline stage the sales decrease. Competition is lost and profit falls (Chunawalla 2009, 27).

Therefore, the Retail Life Cycle theory turns our attention towards the importance of the stages of retail developments. When retail life cycles become shorter, new formats pass through one stage to another faster. It took 80 years for department stores and only 12-15 years for retail warehouses to reach maturity (Brown 1990a, 51). Due to decreasing lifecycle span, the strategy chosen by Puma is to focus on new and innovative concepts in store formats (Puma 2013, 106-107). However, while pointing out the accelerating speed of retail development and importance of innovation in such key retail indicators as merchandise, location, services, etc. the Retail Life Cycle theory does not explain the root causes of retail institutional development (Levy, Grewal, Peterson & Connolly 2005, 83).

### 2.1.4 The Big Middle

During all decades different retail evolution theories have been criticized for having different limitations to explaining the root causes of retail institutions development. Levy et al. (2005, 83) argue that because all theories are descriptive, the factors which influence the development of retailing are difficult to extract from them. In order to address such issues the Big Middle theory has been developed and introduced by Levy et al. (2005).

The Big Middle theory categories all players into the market in four types: the Big Middle, Innovative, Low-Price, and Retailers In-Trouble. The Big Middle refers to the largest retailers in a market. It is argued that most retailers aim at achieving economies of scale, high sales and profit in order to be successful. Although, smaller innovative or low-price retailers can be successful, they will eventually move to the Big Middle segment (Levy et al. 2005, 84).

Figure 2 illustrates the Big Middle concept which is based on two retail strategic options: relative price and relative offerings. In Figure 2, arrows illustrate different hypotheses.

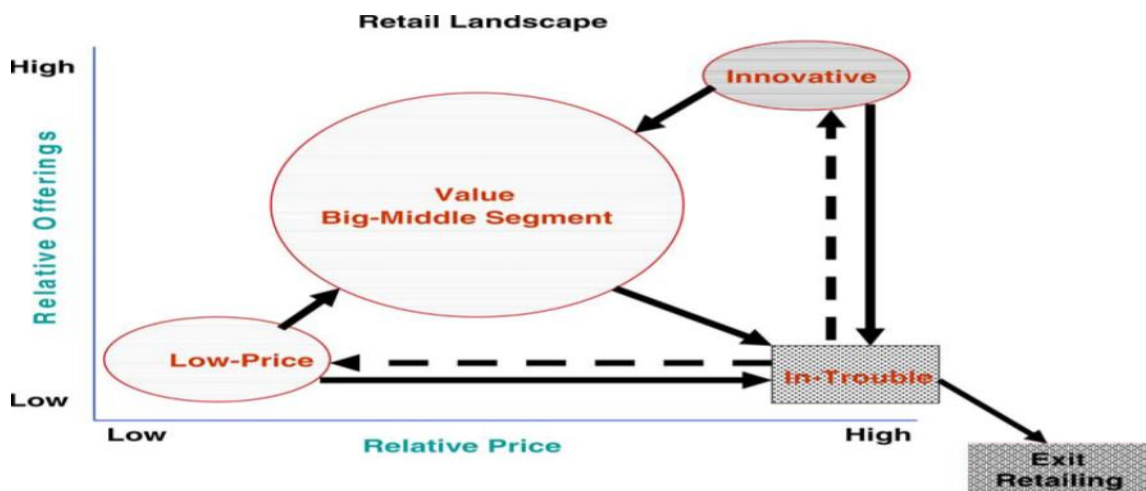


Figure 2 Retail landscape (Levy et al. 2005, 84)

According to Figure 2, each of retailers can be in the In-Trouble zone if they are not able to sustain the right value proposition. Actually, Levy et al. (2005, 88) argue that the most dangerous and competitive place to be is the Big Middle segment. In order to stay there retailers often have to change their organizational structure, invest in fixed assets, and strive for being innovative. Such actions allow retailers to maintain the right balance between price and non-price offerings. There are only two ways to enter the Big Middle segment: by moving from the Innovative, or the Low-Price segments. Most importantly, Levy et al. (2005, 88) highlight that innovative merchandise, technology,

supply chain management, price optimization and store image are the causes of transformation. For example, technology can provide a value to the customers by enhancing the level of services and customer relationship management. The research results of Ganesh, Reynolds, Luckett and Pomirleanu (2010, 107) study have shown that some online retailers have been evolving according to the concept. Examples of such retailers include Amazon.com, Overstock.com, and EBay which moved from Innovators to the Big Middle segment.

Thus, the Big Middle theory highlights the importance of relative price and relative offering while describing retail evolution. Such factors as merchandise, technology, supply chain management, price, and store image are seen as the key drivers to the Big Middle segment and changes. We can observe that such key factors as price, assortment, and services are used to analyze the development of retailing.

## **2.2 Main store attributes and store chain characteristics**

### **2.2.1 *Multichannel retailing***

With a rise of E-commerce, many retailers now operate using different store channels. Such practices refer to multichannel retailing. Operating as multichannel retailer means integration of different retail formats such as brick and mortar stores with Internet, catalogues and others (Zentes, Morschett & Schramm-Klein 2011, 81). Manufacturers can gain many advantages by operating their own physical and online channels. These advantages include closer connection with customers; better insights in consumer behavior; higher power over negotiation with traditional retailers; the ability to penetrate markets with no wholesale structures; higher margins and pricing; greater flexibility and control in production and distribution (Levy, Weitz & Beitelspacher 2012, 70; Braga, Caylar & Grieder 2013; Finne & Sivonen 2008, 51-52). In general, own retail channels contribute to possibilities of healthy and sustainable growth (Adidas Group Annual Report 2014, 88). On the other hand, however, own retail bears the risks of losses if the market declines. Such risks are connected with investments in stores and long-term lease obligations. All of these can have a negative impact on profitability if business declines (Nike Form 10-K 2014, 54; Adidas Group Annual Report 2014, 88, 170; Puma 2014, 107). Also trends such as multichannel integration, competition, and growing customer expectation could impose such risks as store format competition and inability to provide expected in-store experience (Nike Form 10-K 2014, 54-59).



While opening own stores retailers consider the different characteristics and roles of each channel and format. The advantages and disadvantages of each channel and their differences have been studied and described by many scholars (see, Levy et al. 2012, 56-77; Dholakia, Kahn, Reeves, Rindfleisch, Stewart & Taylor 2010, 89-94). Dholakia et al. (2010, 89-90) have made an extensive overview of channels' differences across nine dimensions such as type of communication, the level of convenience, easiness to switch, flexibility in assortment, etc. For example, brick and mortar stores provide an opportunity for customers to try on products in reality, whereas customers cannot do this online. However, interactive technologies have been altering this situation by partially overcoming inability to try a product before purchase (Varadarajan et al. 2010, 103).

Another interesting dimension of channel differentiation is the level of accessibility. While physical stores are located in certain places with limited open hours, online stores are accessible to customers anywhere and anytime if they are connected to the Internet through mobile devices, tablets, PCs. In addition, channels also vary in the nature of the interface (Dholakia et al. 2010, 89-90; Levy, M. et al. 2012, 61). For example, personalization and customization online in sportswear business is believed to play an important role to attract customers in the future (Adidas Group Annual Report 2014, 176). However, it is argued that physical stores still offer greater experience (Levy et al. 2012, 61). Channels also have different abilities to store customers' data. For instance, online channels maintain customer's behavioral history, whereas usual stores obtain little or no records (Dholakia et al. 2010, 88-90, 93).

Thus, multichannel retailing provides various opportunities for success. However, retailers also have to be aware of the threats in multichannel environments as stores are not operated in isolation from each other. Retailers have to consider channel differences and challenges connected to growing customers' expectations of receiving seamless experience across all channels. Channels' synergies require software integration, organized distribution, consistence in brand image, pricing and assortment among its channels (Levy et al. 2012, 72).

As was mentioned above, operating in a multichannel environment considers the existence of different channels and store formats offered by retailers. However, there is no commonly accepted typology of store formats in the literature (Tiwari 2009, 75). Therefore, different store format characteristics further help to differentiate among store formats and provide the tools necessary to analyze their nature and evolution. As it was shown in the first chapter, cyclical retail evolution theories focus on various store features to describe changes in the past. According to Levy et al. (2012, 30), the most important characteristics of retailers are: the type of merchandise or service offered; the variety and assortment of products; the level of customer service; and the price of the merchandise. Other authors consider also location, people, and atmosphere (Oh, Teo &

Sambamurthy, 2012, 370; Reynolds et al. 2007, 654; Hampl & Looock 2013, 210-212). These factors play a crucial role for retailers as they influence customers' choice of store. For example, Hampl and Looock (2013, 212) concluded that price, assortment and store location are general, and the most important, antecedents to retail patronage.

Thus, a multichannel environment offers a lot of opportunities for retailers and manufacturers. However, each channel is different in its ability to satisfy one or another customer needs. In-store personal service, risk reduction, immediate gratification, in-store experience are considered to be key advantages of brick and mortar stores. At the same time, online channels usually provide a broader, deeper, and customized assortment which is always available (Levy et al. 2012, 61). Even though retailers try to catch up with growing customer expectations in multichannel environments by offering synergies across formats and channels, each store format still has different characteristics which influence customers' choice of store (cf. Finne & Sivonen 2008, 51-53; Hampl & Looock 2013, 240-213; Oh et al. 2012, 370-374). Therefore, the focus of the next chapters is to discuss store attributes such as: location, in-store experience, assortment, price, services, and store personnel.

## **2.2.2 Key store format differentiation factors**

### **2.2.2.1 Location**

It is often said that the most important success factor for a retailer is location, location, and location. The reason is that location, to a large extent, determines the potential traffic to stores. Hampl and Looock (2013, 212) highlight the great influence of store location and travel time on customer store choice.

Customers may be attracted to stores from different locations. For example, stores near train stations usually attract customers in a radius of 100 meters, whereas, for example, the Adidas Factory Outlet in Herzogenaurach needs to attract customers from a far larger distance. The choice of location is considered carefully by retailers also due to high rent expenses. The most attractive location means higher costs for a retailer and higher risk if business circumstances deteriorate (Finne & Sivonen 2008, 59). Moore, Doherty and Doyle (2010, 139) point out that location of Flagship stores also contribute to a retailer's ability to reach the right customer profile.

Companies such as Puma, Nike, and Adidas have their own retail stores in Germany in the main cities such as Berlin, Hamburg, Munich, Wertheim, and Nuremberg. Concept stores are usually located in the largest cities such as Berlin and Hamburg, whereas Factory Outlets are positioned in smaller cities such as Bremen and Herzogenaurach.

However, due to advantages in technologies and customer acceptance of online sales, E-commerce has shifted the importance of location for retailers. The major sportswear retailers in Germany have already established online shops available for use to customers (see [www.adidas.de](http://www.adidas.de); [www.de.puma.com](http://www.de.puma.com); [www.store.nike.com/de/de\\_de/](http://www.store.nike.com/de/de_de/)).

### ***2.2.2.2 In-store experience***

In-store experience becomes more and more important especially in non-food retailing. There are various approaches undertaken by retailers to enhance in-store experience. One of the examples is the use of “brand” colors in stores to create a consistent atmosphere. In-store atmosphere can positively influence customers’ mood which is important for any retailer (Zentes et al. 2011, 280). In a multichannel environment customer experience should be considered holistically to ensure customer needs are satisfied throughout the entire life cycles of products or services (Weinberg et al. 2007, 387-388).

In order to enhance customer engagement retailers may focus on in-store technological solutions. For example, in 2009 Puma introduced a new retail innovation called Puma Joy Pad in Puma’s Paris Flagship store. The wall of 32 interconnected iPads was installed in the store to enhance the level of customers’ engagements (Senecal 2011). Another example is so-called the Nike Fuel Station store (see Hutchings 2012a). With the advance of sensors and interactive technologies, sportswear manufacturers try to grasp an opportunity to create an augmented experience around products and stores (cf. Weinberg, Parise & Guinan 2007, 388). Adidas enhanced the experience of window shopping by introducing an interactive digital window concept. The virtual wall allows customers to shop at any time. By interacting with the touch-screen window shoppers can play with and explore life-size products. The products can be purchased online or recommended to friends. This example also shows how E-commerce integrates to brick-and-mortar store formats providing value-adding services (Adidas news 2012). However, Weinberg et al. (2007, 388) warn retailers that technologies can undermine the value of human interactions at stores leading to customers’ disappointments. For example, customers might be annoyed by having to communicate with machines only to find out product information.

Retailers often aim at creating the same store layouts in stores. However, due to the reason that preexisting properties are difficult and expensive to rearrange, store formats are usually adapted to particular places (Finne & Sivonen 2008, 61). Moreover, in-store solutions and innovations are changing constantly providing an inspirational retail environment to sophisticated customers (cf. Adidas Group Annual Report 2012, 76). Cho and Trincia (2012, 48) point out that retailers can use the power of the storefronts to build strong relationships with customers. One of the advantages of operating own retail

stores for manufacturers is the ability to represent and communicate the brand. Stores represent touch points with customers (cf. Adidas Group Annual Report 2012, 76).

Different trends can profoundly influence in-store design and layout as well. Increasing energy cost as well as growing environmental concerns of customers lead to new design solutions in stores. For example, some stores are designed nowadays with focus on reducing energy usage and the use of renewable resources (Puma 2014, 53-54; Puma 2013, 46). But in general, through design retailers try to provide a memorable store experience. For instance, Adidas introduced new “Home Court” concept. “Home Court” gives consumers the opportunity to experience the entire breadth and depth of the Adidas brand. There is a designated ‘Team Room’ which serves as social space of the store. An interactive table with two touchscreens helps customers to find the right product and connect directly to Adidas’ online shop in the store (Adidas news 2014).

Thus, online and offline customer experience plays an important role for retailers, and determines their ability to attract customers to stores and influence their buying decision. There are many ways described above which can empower customer engagement and, eventually, contribute to more sales. Technological solutions and multichannel integration have a lot of potential to contribute in such aims through effective synergies.

### ***2.2.2.3 Service and product offering***

One of the most important characteristics of store formats are the products and services that they offer. Retail offerings can be divided into product range or variety and assortment depth. Variety represents the number of merchandise categories that a retailer offers. Assortment describes how many different items are represented in stores. Therefore, channels and store formats vary on cross-category product/service assortment and within-category brand/item assortment (Keller 2010, 61).

Assortment composition is one of the key factors which influence customers’ store choice and retailer performance. In order to be successful, retailers must know their customers’ needs and expectations and manage their merchandise in line with the image of the store (Finne & Sivonen 2008, 65). It is important for a retailer to ensure that relevant merchandise is presented in stores. Retailers have to decide how many product categories to offer, the number of items in each category, product line consistency (Dekimpe et al. 2011, 17-19). Activities such as buying the products, inventory, and replenishments are one of the most important operations in stores. For example, Adidas strategy focuses on price-competitive, easy to find and simple to understand, available at right place, and time merchandise approach (Adidas Group Annual Report 2013, 76).

Sportswear manufacturer stores offer lifestyle and sport products in many categories, the most important of them are: Running, Basketball, Football, Men's Training, Women's Training, Sportswear (sports-inspired products). Sportswear manufacturers such as Nike, Adidas, and Puma sell products for kids, women and men. Retailers often market footwear, apparel and accessories in "collections" of similar use or by category. Also, performance equipment such as bags, socks, sport balls, eyewear, timepieces, digital devices, bats, gloves, protective equipment, golf clubs, and other equipment designed for sports activities are sold under brand names. Online shops of these manufacturers usually provide customers with any of the above mentioned kinds of merchandise, whereas retail-owned shops have different merchandise mixes (see, Nike Form K-10 2014; Adidas Group Annual Report 2014; Puma 2014).

Different trends influence retailers' and manufacturers' decisions regarding the breadth and depth of the merchandise. Dekimpe et al. (2011, 18) highlight trends such as increased information availability to customers; economic turbulence as well as growing customers awareness concerning sustainability. For example, the growing trend of sustainable fashion has inspired the brand Puma to produce compostable clothes and trainers. The Puma InCycle collection aims at helping consumers to reduce waste and personal environmental footprints (Hutchings 2011, 2012b).

In order to increase customer satisfaction and customers' retention rates, retailers can offer value-adding services which also strengthen their competitive advantage. Customers expect some services which all retailers should provide such as the display of merchandise, parking places, and various methods of payment (Levy et al. 2012, 33). While value-adding services can focus on common needs of customers, personal needs also can be satisfied by retailers through personalization of products as an example (Levy et al. 2012, 64-65). Sport manufacturers Puma, Adidas, and Nike provide customization of their products online. On the Adidas AG website, the customization of shoes can be done in 3 steps. The first step is picking a style of shoe. The second step is to add color and prints. The third step is to write with up to 10 characters, for example, your name on the shoes. The delivery of the product to the provided address will be accomplished in 4 to 7 weeks. There are many categories which can be personalized such as shoes, apparel and accessories for kids, men and women (see, [www.adidas.com/us/custom/\\_/N-1z12gjj](http://www.adidas.com/us/custom/_/N-1z12gjj)). Such services are available at some stores as well, nowadays. The Nike store in Berlin offers consumers the ultimate shopping experience with a stitching machine to add one's name or national flag to football boots (Nike news 2014). Nike's US running store customers can use services such as treadmill gait analysis, bra fitting, and pant hemming. Some of the Nike's stores hold free Run Club events and Nike Training Club provides classes for athletes of any level (Held 2013).

Thus, the breadth and depth of merchandise as well as in-store provided services are important characteristics of store formats. Value-added services and relevant merchandise influence customer store choice. Different trends influence retailers and manufacturers decisions regarding the breadth and depths of merchandise, services provided in stores and online. Trends which might influence store format characteristics including assortment range and depth are discussed in Chapter 4.

#### **2.2.2.4 Store personnel**

Despite technological development, one of the most crucial roles in stores is still played by employees (cf. Keeling, Keeling & McGoldrick 2013, 853). Finne and Sivonen (2008, 71-72) argue that talented and skilled sales staff will gain even more for a retailer in the future. Bäckström and Johansson (2006, 417, 426-427) also discuss the importance of personnel in creating an enhanced in-store experience and higher customer satisfaction and loyalty. Sportswear manufacturers have recognized the power of staff in stores as well. They introduce different management frameworks and programs to enhance the knowledge and skills of their personnel. For example, at Fit Hub stores of Reebok in the US and UK, specially trained staff as well as certified fitness trainers are hired. They provide an additional service to the customers by giving advice concerning products, trainings, nutrition and so on (Müller 2013). Adidas train their employee through retail field people management frameworks which serve as a tool to recognize and develop talents (Adidas Group Annual Report 2013, 105-111).

A talented and skilled staff is especially important in the multichannel environment. In order to be successful, store staff should operate effectively in supporting channel integration activities. For example, customer service personnel in the physical store should be knowledgeable about the firm's cross-channel options, such as "ship-to-store", "online gift card redemption". Therefore, providing a variety of knowledge and skills regarding the entire set of service offerings across all of the channels is becoming of greater importance for retailers (Oh et al. 2012, 371-372).

Thus, face-to-face interactions are expected to play an important role in stores, contributing to higher customer satisfaction and in store experience. However, an important question here to ask is how technologies, multichannel synergies, customer expectation will shape the future role of in store personnel. Thus, future views on this issue will be addressed further in Chapter 4.

### **2.2.2.5 Pricing**

Finne and Sivonen (2008, 75) argue that price strategy is one of the most important competitive tools in retailing. The price influences customers' assortment preferences and store choice. Usually retail pricing can be divided into three sub-categories: shelf pricing, activity and promotional pricing, and markdowns. Activity or promotional pricing refers to temporal discounts. Markdowns aim at getting rid of products in order to avoid overstock situations in times of seasonal changes, for example (Zentes et al. 2011, 260).

Scholars identify different pricing models and complex strategies used by retailers. Importantly, it is pointed out that such models are also influenced by technological innovations, economic turbulence, changing customer behavior (Grewal et al. 2012, 1-2). For example, profitable pricing strategy is becoming more challenging for brick and mortar retailers nowadays due to E-commerce development and the ability of customers to compare prices by using different apps or online. Moreover, while the price strategy of an online retailer can be changed very quickly and easily, it is extremely difficult for brick and mortar stores to implement this. Although retailers can implement different price strategies discussed in the literature (cf. Agatz, Fleischmann & Van Nunen 2008, 343-344; Grewal et al. 2012), it is argued that brick and mortar retailers are in need to develop more efficient pricing models. New technological advantages, such as RFID and NFC, are expected to be able to implement such practices (Zhou, Tu & Piramuthu 2009).

Thus, the price attribute is an important store characteristic influencing customers' assortment preferences and store choice. Different price strategies can be implemented by retailers. In general, however, it is viewed that in the future fixed pricing will be shifted to more active demand management. Due to availability of customer historical data, retailers will be able to offer a personalized pricing to customers across all channels (see Jones Lang LaSalle 2010b, 5).

## **2.3 Innovations in store formats**

Many retail evolution theories point out the importance of innovations while discussing retail evolution. For example, the Wheel of Retailing theory argues that retail innovations can be triggered by technological achievements, economic changes (inflation, crises), legislation changes (shopping hours) (Brown 1991, 138). Retail life cycle theory insists that the first stage of retail evolution is directly related to retail innovations (Davidson et al. 1976, 91). Such innovations can represent distinctive product assortments,

distribution methods, different promotion methods, convenience and ease to shop (Chunawalla 2006, 27).

As we can observe, all retail cyclical theories pay attention to innovation in general, including innovations in store formats. However, the existing literature does not provide clear explanations for what a store format innovation is particularly. Moreover, there is no commonly accepted definition of what is a store format. Reynolds et al. (2007, 648) came to the conclusion that a retail format can be identified as “the physical embodiment of a retail business model” which changes over time.

Most studies usually refer to retail innovation in general meaning any innovative use of new technologies, products, services, marketing ideas, and ways of operating. It is highlighted that innovations serve as an engine for attracting new customers, increasing sales, decreasing costs, and maintaining a competitive advantage (Pantano & Laria 2012, 194-195; Bălăsescu 2012, 9-10). For example, Bălăsescu (2012, 10-11) discusses such retail enhancements as self-service, barcodes, RFID, and merchandising innovations. Although the importance of innovation in retail business is highly acknowledged, Esquivias, Ramos and Souza (2010, 2) argue that many retailers nowadays are losing opportunities to develop and create new store formats. However, if a retailer is going to succeed, customer-centric innovations in store functions and formats are crucial (Aubrey & Judge 2012, 31).

Usually retail format innovation processes are continuous and incremental rather than planned (Reynolds et al. 2007, 648). Store format innovations can refer both to the products as well as services. Oke (2007, 566) highlights that innovations in services can be triggered for various reasons. Some of the trends which are believed will influence store format innovation in the future are retailers’ cost-sales ratio, multichannel synergies, empowerment of customers, etc. Already now brands have trouble to deliver high value at low costs. Multichannel integration is especially highly discussed in the literature and by experts. The Omni channel environment can bring many opportunities to “re-invent” physical stores and create competitive advantages for retailers who start investing in channel integration now. However, whether this will be for retailers or not will be decided by the customers. Customers are becoming more sophisticated and smarter, empowered by new technologies and the availability of information. They want to have the right product at the right place at the right price. Therefore, it is believed that providing a seamless customer experience across channels should be high on the retailer’s agenda (Esquivias et al. 2010, 2, 7; Aubrey & Judge 2012; Jones Lang LaSalle 2010a, 4-6).

Reynolds et al. (2010), among only a few researchers, focus on store format innovations in particular. They look at the nature of innovation processes in stores among retailers by gathering official economic statistics and conducting interviews with experts. It allows them to identify different themes in store format changes. For example, store



size is a changeable store characteristic due to specifics of location, rent expenses, and the influence of trends. Particularly, the desire to gain sustainable growth might force retailers to downsize their store formats (Reynolds et al. 2010, 654-657). While Reynolds et al. (2010, 648) acknowledge that store formats depend on the business model of a retailer, Sorescu, Frambach, Singh, Rangaswamy and Bridges (2011, 3) argue that innovations in one part of the business model might bring changes to other elements of the business model. Store format is one of the elements of the business model which is connected with retailing activities and retailing governance. In this case, store format is identified as “the structures for sequencing and organizing the selected retailing activities into coherent processes that fulfill customer experience” (Sorescu et al. 2011, 5).

Therefore, innovations in store formats, as well as retail business models, play a crucial role in changes to store formats, providing long-lasting competitive benefits. According to the literature observations, by keeping one’s eyes open to new technologies, new customer trends, and different ways to enhance the business model, many opportunities can be opened to retailers. As it was shown, retail innovations can be addressed in many ways including new technologies, products, services, and marketing idea implementations. By looking at different aspects of retailers’ business models, as well as various trends, new ideas can be found which might lead to store format modifications. Thus, we believe that analyzing different trends and innovations in the retail environment should be high on the retailer’s agenda if they aim for future success. However, before looking at retail trends in general, existing store formats owned by sportswear manufacturers such as Puma, Nike, and Adidas in Germany will be described in details in the following chapter.

### **3 STORE FORMATS IN BRANDED SPORTSWEAR RETAILING IN GERMANY**

#### **3.1 Formats in sportswear retailing**

Sportswear retailing companies are categorized as general merchandise retailing, which is the sale of non-food merchandise to consumers. This classification is based on differences in product characteristics such as turnover rate, product value, perishability and specific demand patterns (Zentes et al. 2011, 81). For example, sport shoes are purchased not so frequently as food. However, further classification of store formats used among sportswear retailers is not commonly agreed upon. We adopt the store format classification scheme from Adidas AG and Nike Inc. Therefore, the store formats discussed in this paper are classified as Brand Centers (Flagship stores), Concept stores, Factory Outlets, Pop-up stores (Temporal stores), E-commerce and M-commerce. Although M-commerce is not part of the Adidas AG or Nike Inc. store format classification, it is vital to highlight M-commerce as a different format in this study due to growing importance and different capabilities of this channel. Thus, the above mentioned store formats will be discussed in detail, one by one, henceforth in this chapter.

#### **3.2 Brand Centers (Flagship stores)**

Brand Centers or Flagship stores are large stores carrying the full range of all merchandise of the company of each sub-brand (Adidas Group Annual Report 2013, 74). Even though, different definitions are applied to Brand Centers in the literature, they can be distinguished on the basis of three characteristics (Nobbs, Moore & Sheridan 2012, 920). First of all, Flagship stores are owned by manufacturers such as Nike, Puma, and Adidas. Secondly, they provide customers with an opportunity to embrace the whole range of brand merchandise. Thirdly, the main purpose of such stores is to represent the brand, its strength, identity, breadth, and depth rather than drive a profit (Adidas Group Annual Report 2013, 72; Kozinetsa, Sherrya, DeBerry-Spencea, Duhacheka, Nuttavuthisita, Storm 2002, 17). To accomplish these aims the location of these stores plays an important role. Such stores usually located in the premium locations of such cities as Berlin, New York, etc. (Moore et al. 2010, 143).

Brand Centers differ from other types of formats in scale and design, physicality, setup and operational costs, required merchandising skills, technologies (Kozinetsa et al. 2002, 17; Moore et al. 2010, 148-154). Because Brand Centers showcase the brand, they usually carry the newest technological solutions in design and operations. For ex-

ample, one of the Adidas Brand Centers, located in Herzogenaurach, Germany (the headquarters of Adidas AG), has a 105 m long wall of projectors. It is claimed that the wall creates an opportunity to present products and spread brand messages in a new inspiring way to customers (Panasonic news 2014). A powerful experiential and authentic brand environment is one of the most important store format elements in Flagship stores (Kozinetsa et al. 2002, 17). It allows for the creation of a higher level of attachment to the brand, reduces the pressure of buying, and enhances customer learning (Dolbec & Chebat 2013, 464; Jones, Comfort, Clarke-Hill & Hillier 2010, 242).

Another distinguishing characteristic of Brand Centers is their size. Flagship stores are usually between five to eight times larger than other stores with more than 2 floors of selling space. Large space is claimed to provide an opportunity for retailers to showcase all their products and to be innovative in “product display and customer flow and movement” (Moore et al. 2010, 148). For example, recently Nike opened the 2,000 square-meter Flagship Store in the Berlin (Nike news 2014). Premium locations combined with the huge sizes of the stores leads to very high rent costs. It can mean exposure to the risk of huge rent commitments if business circumstances deteriorate. However, the costs are considered to be paid off by long term promotional potential of such stores (Moore et al. 2010, 149; Nobbs et al. 2012, 922).

While typical stores are usually standardized in terms of their designs, layouts and materials, Brand Centers are very unique (Nobbs et al. 2012, 920). For example, Adidas recently introduced a new retail concept “Homecourt” in Flagship stores. Uniqueness of the new concept is based on an inspiring “Arena Façade” design which creates an atmosphere of being in a sport stadium while shopping in a store. It is argued that the concept’s aim is to empower Adidas’ position and gain market share globally (Adidas news 2014). So, the uniqueness of Flagship stores, again, is justified by possibility to provide the best customer experience and to support brand messages which will lead to success in the long run. However, due to the significant financial investments required, even the most powerful retailers only open these stores in a few places. Moreover, Flagship stores are always owned by the brand company so that they are able to carry out full control over brand message and positioning (Moore et al. 2010, 150).

Flagship stores usually offer cultural events and additional services which are not represented in other store formats. For example, the Nike Training Club House on the top floor of their Berlin Flagship store hosts workouts and is the starting point for Nike Run Club’s weekly runs through downtown Berlin (Nike news 2014). In general, having a large available selling space gives an excellent opportunity for providing various services where well-trained sales personnel play one of the most crucial roles (Moore et al. 2010, 150; Nobbs et al. 2012, 922; Dolbec & Chebat 2013, 462).

Consequently, Brand Centers can be viewed as the most powerful format in terms of strategic brand building for a retailer. Even though Flagship stores can be profitable, the

main distinguishing role of each of them is to position and build the brand in the market by providing the best customer experience and brand representation. This role determines the importance of premium locations in cities or markets for long term sales generation and brand development. High costs, uniqueness in design, huge scale, full ownership and managerial control over stores, brand building, and focus on experience represent the particular profile of Flagship stores in sportswear retailing in Germany.

### **3.3 Concept stores**

Concept stores can be identified as stores which represent each brand of manufacture. For example, Adidas has such Concept stores as Originals Concept Store, Reebok Concept Store, Adidas Sport Performance Concept stores, etc. (Adidas Group Annual Report 2013, 72). One of the most important differences between Flagship and Concept stores is that Concept stores operate to make a profit rather than to empower the brand (Dolbec & Chebat 2013, 460). Retailers in Concept stores focus on in-store experiences and services as well, but with emphasis on sales and profit generation (Zentes et al. 2011, 52). The sales staff expertise in both Concept and Flagship stores is crucial for creating an enjoyable in-store experience. Concept stores usually represent only the brand's newest or limited collections to customers (Levy et al. 2012, 44-46).

In Germany, Concept stores of branded sportswear manufacturers are often located in main large cities such as Berlin, Hamburg, Munich, Frankfurt, and Nuremberg and others (for more information visit [www.adidas.de](http://www.adidas.de)). At the same time, they are smaller than Flagship stores. For example, Puma has a Concept store with 109 m<sup>2</sup> with product ranges including Performance (Running, Team sport and Fitness items) and Lifestyle (Social and Fundamentals items) in men's and women's categories (Chan 2013). Sometimes sportswear manufacturers in Concept stores tailor only to one of the sport or customer categories such as Nike's running Concept store in New York and Adidas women-specific retail store in Korea (Held 2013; Adidas news 2011). Quite often Concept stores are the heart of the in-store events to provide the best customer experience (see, Gonzalez 2013).

To sum up, own Concept stores of sportswear manufacturers can be viewed as powerful engines for driving the profit of a retailer. In comparison to Flagship stores, their main purpose is to products profitably providing, at the same time, a high level of customer experience and services. Location also plays a crucial role in attracting sufficient traffic. In practice, they can be tailored to different sport categories and customer segments.

### 3.4 Factory Outlets

Factory Outlets are stores which “facilitate the controlled sale of excess stock returned from wholesale key and field accounts, franchise partners, own-retail stores as well as E-commerce” (Adidas Group Annual Report 2013, 72). However, Factory Outlets also include planned production of a manufacturer. The main role of Factory Outlets is to maximize the profitability of a retailer by using this format as a channel to sell returned merchandise from other formats as well as to sell production overruns (Adidas Group Annual Report 2013; Zentes et al. 2011, 56).

In general, Factory Outlets are beneficial for both a retailer and a consumer. Customers can get discounted merchandise while retailers still gain a profit. Factory Outlets also allow manufacturers to reach the price-conscious customer segment (Sierra & Hyman 2011, 345; Karande & Ganesh 2000, 29). However, the reasons for shopping in Factory Outlets vary, and can include price/value, merchandise, recreational, time saving, and deal seeking reasons. Therefore, it is not only price that is important for customers of Factory Outlets (Karande & Ganesh 2000, 35-38). The importance of store attributes other than price in Factory Outlets has been recognized by other scholars as well (cf. Sierra & Hyman 2011, 345-346; Zentes et al. 2011, 56-57).

Factory Outlets are often located in Factory Outlets centers, away from city locations, near airports. Such locations contribute to smaller rent costs for retailers. However, Karande and Ganesh (2000, 30) point out that more Factory Outlets are moving closer to population centers nowadays. In Germany one can find the Factory Outlets of Nike, Puma, and Adidas in the small town of Herzogenaurach, near the headquarters of Adidas AG and Puma SE, or other small cities (for more information visit [www.adidas.de](http://www.adidas.de); [www.de.puma.com](http://www.de.puma.com)). The size of Factory Outlets can be rather big. The Adidas Factory Outlet in Abu Dhabi city is over 600 square meters. Interestingly, as this store locates a Concept store inside, it is viewed that customers have an opportunity not only find “value for money” offers, but also to experience the latest Adidas products and technologies (AMEinfo 2004). Such combinations challenge former views of Factory Outlets as unattractive warehouses, where only discounted stock is sold. The trend shows that nowadays Factory Outlets also look more like regular shops, but less sophisticated (Forbes news 2012).

Consequently, Factory Outlets can be viewed as a profitable clearing channel for selling out offseason, overproduced merchandise. Customer experience at such stores does not play the same role as in Concept stores or Brand Centers. This also explains why the location of such stores is out of cities centers. However, nowadays, Factory Outlets tend to attract different customer segments and challenge their “value for money” role.

### 3.5 Pop-up stores (Temporary stores)

One of the main characteristics of Pop-up, or Temporary, stores is their temporal nature. They are opened only for a brief time: for a few days, for a few weeks, or for a few months (Lassus & Freire 2014, 61). Quite often the opening of such stores is accompanied by mass media communication, blogging activities, etc., to increase awareness in the community (Surchi 2011, 259).

Location is an important determinant of the ability for stores to attract visitors (Hampl & Loock 2013, 212). Therefore, Pop-up stores usually located in places with heavy traffic; where events relevant to the brand are held, or in surprising locations (Surchi 2011, 259). This can be in the center of city or near the brand's parent store (Lassus & Freire 2014, 61; Chan 2012). The size of own Pop-up stores among sportswear manufacturers varies a lot and they can be as large as 230 m<sup>2</sup> (B. R. 2010). Temporal stores usually carry seasonal merchandise and focus on in-store experience and brand message. Therefore, the costs of running such stores will vary depending on size, location, and aims (Surchi 2011, 259).

The experiential element of Pop-up stores is paid a lot of attention. Temporary stores seek to entertain customers, to teach, to surprise and encourage them to explore and experiencing brands (Kozinets et al. 2002, 24). Puma, for example, used a 28-foot long food truck as a Pop-up Store (Chan 2012). Adidas opened a scale replica of the iconic footwear's shoebox Temporal store in honor of tennis player Stan Smith where customers could buy limited edition shoes. Also, 3-D printing technology was used to provide customers with an interactive personalized experience (Brooks 2014).

In the literature different types of Temporal stores have been identified (Surchi 2011, 261-263). For example, Puma had 24 sea-freight containers traveling around cities. Nike opened the so called "Nike Runner's Lounge" dedicated to the "human race" mass-participation 10 km event in Vancouver in 2008. Such Pop-up stores might be organized for various purposes such as brand experience, market research, brand promotion, test concept innovations, or other non-profit and ethical reasons (Pomodoro 2013, 350). It is often viewed that they are untraditional and successful forms of brand communication which allow the creation of brand statements, and that attract new customers (Surchi 2011, 259; Lassus & Freire 2014). However, it is argued that one of the reasons why Pop-up stores are gaining in popularity is that many customers use brick and mortar stores as showrooms nowadays. This trend is negatively viewed by retailers who try to adapt to it (Shenker 2013, 7). Among other reasons, Surchi (2011, 257-258, 262) highlights competition, decreased lead time, growing customer expectations, and developments in social media.

Thus, Pop-up stores can be viewed as an untraditional brand communication tool. The choice of location of such stores depends on the aim of retailers. Although one of

the most important roles of Temporal stores is to enhance brand awareness, attract new customer segments, and to conduct marketing research, such stores are also can be profitable in terms of sales (Surchi 2011, 266). Temporal openings, various locations, uniqueness in design, mass media and social media communication, brand building, and a focus on experience highlight the particular profile of Pop-up stores.

### **3.6 E-commerce**

E-commerce is a channel through which retailers offer their products and services over the Internet. It is the fastest growing channel among all store formats. Nike reported 23 percent E-commerce growth in 2013, whereas Adidas achieved a 64 percent growth rate (Nike Form 10-K 2014, 67; Adidas Group Annual Report 2014, 146). E-commerce is also a relatively new channel. Nike opened its website with products available for sale only 15 years ago. However, in the beginning E-commerce has been viewed by many retailers as a threat to traditional brick and mortar channels. The impact of E-commerce on brick and mortar retailing has been highly debatable with various possible scenarios of the future development (Burt & Sparks 2003, 275; McIntyre & Perlman 2000, 7). Even though the costs of online retailing is less than the huge investments necessary to open physical stores, sportswear manufacturers sell merchandise online at full retail price in order not to cannibalized other channels (McIntyre & Perlman 2000, 3-7).

E-commerce as a channel plays various roles, starting from selling goods and services to enhancing brand communication (Zentes et al. 2011, 7). The online channel has its own distinctive characteristics. However, in contradiction to previous research, Ganesh, Reynolds, Luckett & Pomirleanu (2010, 106) argue that online shoppers are quite similar to offline. E-commerce also can be viewed as a strategic tool for encouraging cross channel shopping. Noble, Shenkan and Shi (2009) claim that multichannel retail consumers spend about four times more annually than those who shop in just one channel.

Online shops usually offer a broad range and depths of merchandise (Levy et al. 2012, 62-67). Sportswear manufacturers sell online products of every brand portfolio in any category including personalization. For example, Adidas provides an opportunity to buy Adidas performance, Adidas originals, Adidas NEO, Y-3, Porsche Design Sport online (see, [www.adidas.de/shop](http://www.adidas.de/shop)).

The planning of product assortment in e-tailing is closely related to delivering service considerations, which is an important determinant of customer satisfaction. The product delivery time of sportswear manufacturers such as Nike, Puma, and Adidas takes from 1 to 4 business days, whereas personalized items are shipped in 4 to 6 weeks (see, [www.adidas.de/help-topics-shipping.html](http://www.adidas.de/help-topics-shipping.html)).

As customers pay and order online, the security of the payments as well as logistics capabilities are important attributes of E-commerce (Burt & Sparks 2003, 280-281). While ordering products online shoppers can choose different payment options such as Credit card; Immediate transfer; PayPal; Debit; and Account (see, [www.adidas.de/help-topics-payment.html](http://www.adidas.de/help-topics-payment.html)). As customers share their financial and private information to be able to pay for merchandise online, security issues are very important in order to attract customers (Ganesh et al. 2010, 112).

Consequently, while different opinions exist regarding the impact of E-commerce on brick and mortar stores, online shopping is the fastest growing channel. Online retailing has stressed the importance of a location providing broad merchandise. At the same time multichannel integration with the help of E-commerce unfolds new horizons to retailers. Such elements as delivery of products, logistical capability, and the security of payments are of great importance in E-commerce. Shopping anywhere, anytime, lower costs of running, IT expertise, brand building, information availability, and growing expectations of customers highlight the particular profile of online stores.

### **3.7 M-commerce**

Sportswear manufacturers while referring to E-commerce also include purchases which are made through mobile devices. However, it can be argued that while m-payments are at the center of M-commerce, it is much more than mobile E-commerce. In order to highlight the opportunities and current situation of M-commerce, we discuss this channel separately from E-commerce.

M-commerce is becoming a more and more popular channel for browsing and purchasing (ZMAGS 2010, 2). Customers are now able to buy outside of the shop, home, and workplace because smartphones have become the points of sale (Miller 2010, 145). It is important to notice that mobile devices can contribute to a closer link between retailer and customer providing many opportunities for innovations. For example, Adidas is working on embedding MIR (mobile image recognition) technology into its mobile app. So, customers will be able to take a photo of someone's shoes and immediately find the same or similar product to buy using a retailer mobile app (Dishman 2013).

Some characteristics of M-commerce are similar to E-commerce. Mobile devices provide the same opportunity to shop anywhere, anytime. As customers browse in the same online stores through smartphones or other devices, the same rules for delivery, merchandise selection, rating, recommendation and sharing capabilities are applied. Just as we discussed E-commerce characteristics in the previous section, some benefits, differences and opportunities of M-commerce will be addressed below.



M-commerce includes technologies and services which are not available online. Retailers can benefit from such services by encouraging impulse sales and engaging customers in many ways. For example, location-based services drive traffic in-store or inform shoppers about promotions. QR code and image recognition services allow customers get real-time information about the product they are interested in. On the other hand, price-comparing apps can increase the risk of customers using stores only as showrooms (Miller 2010, 145-149; Kemp 2013, 175-176).

One of the crucial advantages of M-commerce is the possibility for a retailer to enhance its multichannel integration and assist in-store sales and experience by means of mobile technologies. For example, sportswear manufacturers successfully use fitness apps such as Nike+ and Adidas miCoach to build customer loyalty to the brands. (D'Amico 2012). Adidas' location mobile app proved to help drive in-store traffic (Google 2013). M-commerce also has additional payments opportunities such as Mobile App payments, Operator billing, Payment-specific Apps, Contactless payments, and Mobile wallet (Miller 2010, 145-149). These are only few examples which show how M-commerce can enhance shopping experience and the level of services.

Consequently, M-commerce can be viewed as a distinctive channel for retailers, which expands the capabilities of E-commerce. Savvy and price-sensitive customers, growing customer expectation, increase usage of mobile devices, and widespread show-rooming are believed to drivers of M-commerce in the future (Nelson & Leon 2012, 2). While M-commerce can be described as mobile E-commerce, the applications of M-commerce are much broader. M-commerce creates a bridge between E-commerce and physical stores. It contributes to multichannel integration, provides new services and opportunities to customers and retailers and helps to build customer loyalty. Successful implementation of M-commerce requires different apps implementation, various payments methods integrations and new technological solutions (QR codes, RFID, MIR).

Different trends might shape the future of store formats and their key characteristics. Therefore, it is important to look at the most influential ones. Through the survey conducted in this study, literature reviews, and publications, the most impactful trends have been identified from among various others, and are discussed in the following chapter. Such trends include technologies, sustainability, the increased role of social platforms, customer experience, multichannel integration, customization and personalization, and E-commerce and M-commerce growth.

## 4 TRENDS IN RETAILING

### 4.1 Technology in retail

Technology has been playing a huge role in the development of retail industry. It is argued to be one of the prime enablers of change. In recent years technologies have led to a power shift from retailers to the consumers. At the same time technologies allow retailers to keep up with a rapidly changing environment, enhance their performance, and foster relationships with their customers (Hopping 2000, 63; Oh et al. 2012, 368). There are still a lot of unused potential technologies which retailers can utilize for rethinking their business models, enhancing their analysis of customer behavior, creating a more inspiring in-store atmosphere and, overall, providing a better value proposition to their customers (cf. Accenture 2013a; Grewal et al. 2012, 4-6; Varadarajan et al. 2010, 105-106). By looking at existing technologies, we might foresee changes in the retail industry, including changes in store formats. Following and envisioning the consequences of one or another technology becomes even more important for retailers as, Hopping (2000, 64) argues, the speed of change shaped by technologies has increased dramatically.

The impact of the most promising technologies on retailing will be discussed in this chapter. Emphasis is placed on the views on what future opportunities or threats such technologies may lead to. The study focuses on how technologies might influence and shape the future of retailing and key store format characteristics. Such examples convey an interesting insight into the current and future retail environment.

One of the more important technologies in retailing is RFID (Radio frequency identification). Although RFID is still expensive to implement, it is viewed as adding great value and savings opportunities for retailers. RFID uses radio waves to transfer data from an electronic tag, providing an opportunity to track the product in real-time (Zhu, Mukhopadhyay & Kurata 2012, 154; Kalish & Barse 2014, 9). The advantage of RFID is an ability to enhance the payment experience, and enhance the movement and security of merchandise (Kalish & Barse 2014, 9). Zhu et al. (2012, 153) believe that RFID technology can enormously improve in store inventory checks, sales analysis or supply chain management, saving time and labor costs, and improving service. Only 15 to 20 minutes are required to make complete inventory check in the New York City Saks's store shoe department of 1395 m<sup>2</sup>,000 with 4000 Stock Keeping Units with help of RFID (Saks use RFID - - 2014). RFID is already used by many retailers in the world including Adidas NEO (Adidas reveals - - 2012). It is expected that in the future RFID technology will let consumers know where to find products and to engage with a brand (Schwartz 2012, 40).

Another technology, competing with RFID is Near Field Communications (NFC). “NFC is a short-range, high-frequency, standards-based wireless communication technology that enables exchange of data between devices in close proximity” (Hayashi 2012, 38). QR codes, Google Wallet, Visa Wallet, MasterCard's PayPass, and other NFC compatible system apps allow customers to make transactions by mobile phone (Tan, Ooi, Chong & Hew 2014, 292). Despite the challenges with security issues, NFC is believed to be the future of retail (Sanders 2008, 12; Lukies 2011, 18). Recently, Adidas has enabled its Boost running shoes, which have NFC chips in one of their stores. Customers with an NFC enabled phones have been able to tap tags for detailed product information and reviews (Boden 2013). Therefore, NFC technology allows retailers engage customers with products and brands.

Another interesting smartphone related technology that might change the way people shop is QR codes. QR codes, which represent bar codes attached to products, are seen as a powerful marketing tool. They can be scanned by smartphones to obtain product related information; pay for merchandise or to be transferred to a mobile web-site (Watson, McCarthy & Rowley, 2013, 840). One of the thrilling opportunities that QR codes give to retailers is the ability to put barcodes both on the inside and outside of the stores as well as online. As soon as customers embrace this technology, points of sale will be created anywhere (Future of Retail 2010, 19). Although retailers' acceptance of mobile payments is expected to be slow, considering all the benefits, it is expected that the future of mobile payments will be successful (Hayashi 2012).

Thus, many innovations in retailing are enabled by mobile devices. Smartphones and their apps have been changing the way customers get information about products, offers, product availability, and price comparisons. But it is not only the customers who get value from mobile devices; retailers also use them to attract customers via navigation apps, and obtain data for analytics and insights in customers' behavior. However, the potential of the mobile apps is not fully embraced by retailers yet (Grewald et al. 2012, 3). They can use apps to enhance communication with customers. Retailers always want customers spend more time in stores or on websites. It enables a greater possibility that shoppers will make unplanned purchase. In-store location-based mobile shopping applications can be used for these purposes (Hui, Inman, Huang & Suher 2013, 13-14).

Different organizations and consulting agencies try to foresee the development of retail in general and how certain technologies will shape the future of retail. It is highlighted in the Accenture (2013a, 2, 5) report that wearable technologies in buttons, rings, watches and bracelets combined with NFC or Bluetooth technologies are the ones which might alter customers' experiences in stores. Imagine the scenario when a customer comes to a store and the employee already knows who she or he is, and his or her purchase history, by obtaining information via Google glasses. At the same time, cus-

tomers will be able to see product information or share the outlook with friends by looking in the mirror through smart glasses while shopping (6 Ways Google Glass - - 2014).

Even though technologies have been constantly changing the retail environment and shopping experiences, the security of transactions and identity verification has always been a concern to retailers and customers. Biometrics is believed to have the potential to enhance security issues in retailing (Lowrence 2014). Biometrics is a process of individual identity recognition by means of a series of physical or behavioral characteristics. It includes fingerprint scanning, face recognition, hand geometry, iris scanning, voice recognition, and signature recognition. However, it is argued that the adaptation of these technologies will depend on customer' acceptance of sharing private information with retailers (Clodfelter 2010, 7-8).

Retailers also try to enhance the shopping experience online. It is foreseen that such interactive technologies as precise body measurements and personalized avatars will be used in the future by customers. This might be very beneficial to retailers as they reduce customers' frustrations and decrease the amount of returned products from buying online (Korean retailer - - 2014). Interactive technologies, therefore, enhance online competitiveness by giving consumers the possibility to "try" products before purchasing (Varadarajan et al. 2010, 103).

One of the most disruptive innovations in retailing might be 3D printing (Accenture 2013a, 2). 3D printing represents a technique to produce products layer-by-layer. Different images of future applications of this technology are discussed by experts. For instance, for fashion manufacturers it might bring changes in the form of customers possibly being able to print their own designed products from a database. 3D printers might be used in future stores, which will reshape the way a store operates regarding inventories, orders and the services it provides to customers (Kalish & Bearse 2014, 10).

There is a variety of in-store technologies aimed at engaging and entertaining customers, and enhancing their shopping experience. The futuristic pop-up Nike store helps us to imaging how different technologies can enhance customers' experiences (Nike news 2012). However, technologies are important for retailers not only at front-end activities, but also in back-office operations. In a multichannel environment Information technologies (IT) plays a crucial role in integrating business processes across brick and mortar and online channels (Oh et al. 2012, 368). On the other hand, improvements in back-office operations contribute to better or new customer experiences providing better or new services (Hopping 2000, 65). It is recognized by retailers that IT systems and processes are important drivers of retail performance and it is believed that 'cloud' and related technologies are capable to improve operations and strengthen the business overall (Accenture 2013b, 8-9). Seamless flow of information enhances forecasting, ordering, transportation, sales, distributions, external and internal financial reporting

processes. For example, the ability to manage inventory effectively, to a large extent, depends on the reliability of IT systems (Nike 2014, 58). Nowadays, customers can order the clothes from Adidas or Puma and get their orders in 1 day or even the same day. It is expected in the future that retailers will be able to provide almost instant delivery to customers at any location (Accenture 2013a, 4). IT provides data integrity and security, and connects stores and online channels (Accenture 2013b, 11).

One of the promising technologies that will provide superior data and analytics to improve operations, and be used to better understand customer behaviors is Big Data analytics (Accenture 2013a, 2). Big Data calls for data that is abundant, in the sense of volume, variety and velocity. Moneyball, the movie and book, shows how powerful data can be when it is used in the right way (Guszcza, Schweidel & Dutta 2014, 98). There are a lot of data available even now for retailers from customer loyalty programs, social media, online search tracing, etc. (Grewal, Roggeveen, Compeau & Levy 2012, 3). However, only a combination of analytics and Big Data offers retailers countless opportunities (see, Manyika et al. 2011, 64). For example, one of the visions of the future is that retailers will be able to make better forecasts, reduce out-of-stock possibilities, and segment and target their customers more effectively (Guszcza et al. 2014, 106-107). Already now we can see the results of the analytical power. Puma in collaboration with Viget and Google Analytics achieved an increase of sales and doubled the amount of time customers spent online shopping after analyzing customer behavior (Google Analytics 2011).

The technologies discussed in this chapter illustrate how important and influential they might be already now and in the future. Retailers will have to rethink their business models, in-store environment, the way they communicate with customers, and what services and experiences stores provide. Such store characteristics as services, customer experience, convenience, availability of merchandise, etc. are influenced by technologies. Techy customers and sales workers enabled through technologies, and more efficient back office operations will reshape retailing at a fundamental level. Taking a look at leading, innovative technologies helps to us to imagine different opportunities. In 15 years' time the entire shopping, buying, paying, servicing, researching, and promoting of retail activities will be reshaped by smartphones, social media, mobile applications, 3D printing, interactive technologies, Big Data analytics, and IT solutions. People will be more informed and connected than ever before, while retailers will provide seamless experience in a multichannel environment.

## 4.2 Sustainability

European retailers are seen to be interested in pursuing sustainability for different reasons (cf. Jones et al. 2013; Fulton & Lee 2013). This trend is reinforced by factors such as: emergent regulation (related to materials use, labor practices, and CO<sub>2</sub> emissions), different incentives, value chain partner requirements, rising energy costs, climate change, competition for scarce natural resources, cost saving opportunities, as well as increasing customer' awareness and public pressure (Cronin, Smith, Gleim, Ramirez & Martinez 2011, 162-170). The sustainable development of businesses can be interpreted as doing business in a way that does not harm people and the planet. It is based on enhancing three values simultaneously: social, economic, and environmental values (Cronin et al. 2011, 159). Therefore, the sustainability concept has a very broad definition and includes many activities which companies might undertake (Dekimpe et al. 2011, 25). Although some authors argue that retail business models are inherently not sustainable, as they are based on continuous growth, it is believed that the integration of sustainable practices through the entire business value chain, increased customer awareness and sustainable consumption, innovations and new business opportunities will lead to more sustainable business models in the future (Jones et al. 2013, 33; Puma 2013, 5-11). Sportswear manufacturers in Germany are also taking up a path of making difference for a better tomorrow by reducing their impact on the environment through various actions. The vision of Puma, for example, is to become the most sustainable and the most desirable sport lifestyle company (Puma 2013, 37-42).

Producing "greener" merchandise is seen to be high on the sustainability agenda of sportswear manufacturers such as Nike, Puma, and Adidas. They aim at decreasing the environmental footprint of the company as well as their customers. All above mentioned companies are aiming to increase, in the future, their portfolios of more environmentally friendly products through integration of such innovative technologies and practices as dryDye technology, color palette reduction, range of products optimization, Clever Apparel Packs, and the introduction of fully recyclable products (Adidas Group Annual report 2013, 119-120; Puma 2014, 37-42). Therefore, in the future customers might expect to see a more sustainable assortment in sportswear manufacture own stores. According to the research of Hampl and Looch (2013, 202), "green" assortment in the store is positively linked with customers' choice of the store. For retailers it means opportunity to attract more traffic in the store and increase sales.

The introduction of more sustainable merchandise in stores is not the only business opportunity identified by sportswear manufacturers. Sustainable store design, power-mix practices, and recyclable programs are being introduced in sportswear retailing (Puma 2013, 15-19). Fraj, Martínez and Matute (2011, 339) argue that improved environmental performance might have a positive impact on the company's financial per-

formance. New technologies also can lead to more sustainable business practices. For example, virtualization technologies at Adidas for showcasing new products in sell-in processes have allowed for the saving of resources and money by reducing material waste, and the transportation and distribution costs waste (Adidas Group Annual report 2013, 107). Puma installed a special box in some stores where consumers can bring their old shoes or clothes to be recycled (Hussain 2012). This example illustrates that the sustainability trend have direct influence on store services, which are the main store format characteristics.

Sportswear retailers are committed to sustainability and company transparency. However, it is a long term journey to become a sustainable apparel company. The initiatives which were addressed in this chapter serve as evidences of how the sustainable policies of leading sportswear manufacturers have already influenced and might continue to influence services, in store assortment, design, and customer' experience. It is believed that in the future retailers will continue to focus on making today's retail model and supply chain more sustainable.

### **4.3 Multichannel integration**

The growth of E-commerce, the usage of mobile devices, coupled with growing customer expectations to have a seamless experience across all channels is expected to continue (Deloitte 2013, 10; Zhang, Farris, Irvin, Kushwaha, Steenburgh & Weitz 2010, 173-175). Studies have also shown that customers are more involved in multichannel behavior nowadays. They choose and migrate from one channel to another at different stages of their decision-making and purchase processes (Dholakia et al. 2010, 88). Although multichannel integration provides many competitive and thrilling opportunities, it is argued that today many retailers are neglecting the advantages of multichannel integration and do not invest enough in technology, operations and talents (Deloitte 2013, 10). The research has shown that a well-integrated multichannel retail system has a positive impact on customer loyalty as it offers a seamless shopping experience to customers according to their needs and preferences in the purchase process (Schramm-Klein, Wagner, Steinmann & Morschett 2011, 501). Multichannel integration is expected to be one of the most important trends in retailing.

Already now, retailers are starting to recognize the potential which they can gain from leveraging channel features. For example, retailers can integrate their online channels and physical stores by providing such services as order online and pick up in store. Research has shown that such synergy across channels adds value for the customers and has a positive effect on their retention to stores. Moreover, retailers can attract a richer customer base by integrating channels (Chatterjee 2010, 444-446). In addition, multi-

channel integration allows retailers manage multichannel competition more effectively (Zhang et al. 2010, 173-175). By not integrating channels, retailers might lose the opportunity to enhance value for their customers, to satisfy growing customers' expectations, and to successfully compete in the future.

The ways to increase synergies in a multichannel environment are various, and described in many literature sources. For example, in order to add value retailers can use one channel to promote another, or provide integrated information access regarding available merchandise in stores through their websites. Retailers can integrate different channels by allowing customers to choose channels to accomplish their orders or provide integrated customer services (Oh et al. 2012). A cross-channel return policy also creates cross selling opportunities for retailers. Sales personnel can encourage customers to shop in the stores when they come in to return online orders (Neslin and Shankar 2009, 75).

Multichannel integration influence store formats development because retailers should make strategic decisions regarding their assortment selection, pricing, promotion, inventory management, fulfillment, and return policies while taking into consideration the level of integration between channels and the degree of coordination across channels (Zhang et al. 2010, 173-176). The decision regarding pricing, for example, is crucial for retailers as price is one of the determinants of store choice. Moreover, lower cost structure of online sales as compared to physical stores, and a growing power of customers put retailers under the pressure nowadays (Agatz et al. 2008, 344). Different prices between channels can confuse customers as they expect consistency. Therefore, many multichannel retailers introduce price-matching policies (Anderson, Simester & Zettelmeyer 2010, 87).

Multichannel integration also influences assortment strategies as they become more interrelated. The question to retailers is what products should be offered online and in stores (Agatz et al. 2008, 344-348). Usually multichannel retailers provide a much broader assortment in the direct channels than in stores. Cross-channel purchases can also add value to retailers if they provide an opportunity to customers, for example, to buy online merchandise which is out of stock in stores, or which has never been offered in store (Zhang et al. 2010, 175).

At the same time, multichannel integration is not only challenging in terms of practical implementation and analysis; cross-channel customer behavior is a concern of retailers. According to a consumer survey in the US, 78 percent of shoppers research products in two or more retailing channels and only then make the decision to purchase (IMAP 2010, 5). Such behavior increases the possibility that customers will switch from one retailer to another due to better offers, prices, etc. Moreover, customers are better equipped nowadays and can obtain information faster and easier. The Internet allows shoppers to search for information in their own ways, where retailers have little control.



One of the threats perceived by retailers in such circumstances is free-riding behavior. Free-riding behavior can occur even between own channels, when customers receive pre-sales service in a store and then buy online cheaper. The outcome is not just lost income for the traditional channel, but also underinvestment in pre-sales service (Heitz-Spahn 2013, 570). Experts are concerned by the possibility of brick and mortar stores gradually turning into showrooms due to Omni channel integration (Nelson & Leon 2012, 10-16). Cross-channel cannibalization and synergy questions have been of scholars interests as well. Avery et al. (2012, 13) suggest that, on the contrary, the integration of online and physical stores will, in the long run, lead to them complementing each other.

It is now already hard to put clear boundaries between channels when activities in one channel may affect performance in another channel. Therefore, it becomes very important to measure the cross-channel influence on sales, promotions, etc. which requires a large investment in IT (Anderson et al. 2010, 76). In fact, it is argued that data integration is one of the major challenges in attempts to integrate all processes across channels (Zhang et al. 2010, 175).

Thus, the future of retailing is expected to be “Omni channel” where customers can get a seamless experience across all connected touch-points. Multichannel integration is a complex phenomenon which requires considerable investments and strategic decisions in different retail functions. It is crucial for retailers to provide a seamless cross-channel experience in order to be able to retain more sophisticated customers. However, multi-channel integration is a challenging process. The question is how long will it take for retailers to provide a seamless experience to customers.

#### **4.4 The increased role of social media platforms**

Social media platforms have been developing very fast these days. Traditional channels such as TV and radio are used less nowadays as the Internet has become accessible to more people. The potential of social media is seen as providing an opportunity to receive feedback from customers, react fast on it, and build stronger customer relationships (Dekimpe et al. 2011, 18).

Social networks also change the way we shop as they provide customers with the ability to see products reviews, buy products alone or in groups, etc. (Grewal et al. 2012, 2). According to the survey, 46 percent of European Internet users admit that they rely on ratings and reviews in their purchase decision (IMAP 2010, 9). Recognizing the power of blogging in influencing public opinion Puma has involved competent bloggers in sport activities such as the Volvo Ocean Race (Leon 2012). The relevant questions to

ask here are if consumers become more loyal, or not, to the brand because of this; and, will customers become more prices sensitive? (Varadarajan et al. 2010, 96).

In general, social media platforms might add value to retailers not only if they are used as a marketing tool. They can be used for obtaining a huge amount of customer data for use in the co-creation of retailer assortments, services, and formats (Dekimpe et al. 2011, 18). The usage of social networks can contribute to sales generation as well. Nike, for example, uses Instagram not only for different campaigns but also as another channel through which to sell its merchandise. Moreover, customers are able to customize some of the products through this platform nowadays (Johnson 2013).

Therefore, retail will also have to respond to social media's gains in power and popularity. It is expected that retailers will be more active in social media platforms as it can provide them with competitive advantages, valuable data, and contribute to sales.

## **4.5 Customer experience**

The internet has changed the competitive forces which drive customers to stores and influence customer behavior. Nowadays, customers can go to a shop, try out the products, and then buy online. Such behavior and the growth of E-commerce might change the role of brick and mortar stores to become "showrooms" for customers. Therefore, even though differentiation by price and product are still very important strategic issues for retailers, customers' experience and services are considered to be one of the greatest competitive advantages in the future (BCSC 2007, 9-25). The growth of experience stores is already noticeable in Flagship and Concept stores of sportswear manufacturers. In one of the Nike store customers can dance, jump or jiggle to visualize their movements. The aim of such services is to create retail experience worth talking about and that encourage customers to come back to the store (SYZYGE, 2). However, the rise of experience shops is also a challenge for sportswear manufacturers. As not all stores are owned by manufacturers the coherent experiences is difficult to achieve. Jones et al. (2010, 245-247) raise an important question regarding the scope of "experiencing" stores and differences between markets.

Service is the fundamental basic role of any retailer. It is expected that added-value services and offers will be appealing to customers, so that they are ready to pay more. The relevant question is how retailers will approach different needs in services for the growing aging generation X and radically different generation Y. Retired people will probably want to spend their time in the shops for entertainment, while the requirements of generation Y will be the ability to buy anything, anytime, anywhere, anyhow (Jones Lang LaSalle 2010b, 15-20).

The image of shopping in the future and in-store experience is often viewed through the lenses of various technological innovations such as RFID tags, 3D printers, MRI scanners, personal digital shopping assistant, etc. (Kalish & Bearse 2014). For example, Adidas' shoes wall in stores allows customers to engage with products, look at the shoe from different angles, and find colors or sizes. It aims at engaging customers with the brand and enhancing their experience (Digital Mobile 2012, 4). In this case technology is seen as the bridge between customer and retailer, which is believed to be the future of shopping (Schiffman 2013).

Even though technologies, additional services, and events provide many opportunities to improve customers' experience, Bäckström and Johansson (2006, 417) argue that traditional values are still most important for enhancing in-store experience. The consumers pay attention and remember such store attributes as the behavior of staff, a good range and breadth of merchandise, price, and the layout of the store.

In short, the common belief is that the future of retail will be more experiential. As customers' expectations grow, retailers will find out the way to decrease cost and invest saved money into the shopping experience. Future views on in-store experience are highly connected to technological implementations. However, in-store experience is also driven by traditional values which should not be forgotten by retailers, such as supportive and knowledgeable personnel, good range and breadth of merchandise.

## **4.6 Customization and personalization**

The Internet has been driving customers' expectations up. They expect to find the right product, at the right place, at the right price. However, consumers are also better off if they can be co-creators of merchandise. The preference for individualized products has clearly increased and is expected to grow in many markets (Dekimpe et al. 2011, 21). It is believed that more flexible production technologies and other improvements will enable retailers and manufacturers to satisfy customers' needs regarding personalization and customization (Franke, Keinz & Steger 2010, 33). There are already examples where customers are able to vote on products to be sold in shops (Jones Lang LaSalle 2010c, 6).

Personalization and customization can in different ways influence different aspects of store formats development. Consumers also prefer to get a more personalized experience online and in stores. One of the views is that in the near future retailers will find the way to send customers relevant information online which they would like to have (Jones Lang LaSalle 2010d, 4). For example, it is expected that digital agents empowered by Big Data analytics will be popular among generation Y. (Jones Lang LaSalle

2010d, 6). Mobile devices are expected to be a prime source of enhanced personalized and customized shopping experience in the future.

Thus, it is believed that customization of the products will continue to grow in popularity (Adidas Group Annual Report 2013, 180). New technological solutions will transfer customers' experience to co-create merchandise and bring changes to assortment policies in stores. More personalized shopping experience online and offline is expected to grow as well. However, it seems that the success of these trends depends on the ability of retailers to get relevant insights from analyzing customer data and having the right technological solutions at place.

## **4.7 Going online**

Online sales are expected to grow in the future. Nike is planning to increase its internet sales almost four times by the year 2017 and reach \$2 billion in sales (Nike news 2013). Online shops and websites are used not only for selling merchandise nowadays but also, for example, to engage customers. Leading sportswear manufacturers engage customers through such services as tracking performance while doing exercises or through online games (see, Walker 2012).

Internet penetration is quite high in Europe. E-shoppers spend double more in the European Union than in the world on average. Germany is the second country in Europe, after the UK, leading in E-commerce with a growth rate of 22 percent in 2011. On average, 61 percent of Germans make purchases online (Brown 2014). It is viewed that online sales are driven by greater convenience to purchase anything online, better access to the online sales through mobile devices, innovative new shopping models (e.g., flash sales, subscription models), online loyalty programs, greater comfort with online payments, and aggressive promotional offers from web retailers (Jones Lang LaSalle 2010d, 4). Moreover, the growing popularity of online shopping is seen to put pressure on brick and mortar stores, which will have to put in more effort to attract customers in the future (BCSC 2006, 12).

Thus, it is expected that E-tailing will provide a greater customer experience in the future. Online retailers have already been changing the way customers shop through such actions as new payment methods, new ways of and apps for shopping, delivery enhancements, and social networks involvement. It is also believed that online stores improvements will put physical stores under pressure to provide a better shopping experience and mix of services or something different and unique to drive traffic to the stores.

## 4.8 Going mobile

M-commerce can be viewed as a relatively new channel for purchasing products. Retailers are showing confidence that this customer service channel will reshape the retailing landscape. It is claimed that M-commerce creates possibilities for many touch points between customers and retailers due to such features of mobile devices as location based services, voice control, camera, complete availability, connectivity, and QR (Kemp 2013, 175). Zhang et al. (2010, 176-177) believe that mobile technologies will enhance the customer experience and enable retailers to become more service-oriented, and to create more personalized customer relationships. While PCs and laptops are still a much more widespread channel for searching and purchasing, tablet and mobile shopping is on the rise: according to the Ecommerce Europe (2013, 8) report, M-commerce growth in Europe accounts for 5.5 percent of total e-sales in 2012. This channel is expected to grow tremendously in the future as more of the population acquires smartphones and tablets with better internet coverage and data transfer (Wagner, Schramm-Kleina & Steinmann 2013, 571; Varadarian et al. 2010, 102-103).

Mobile technologies also lead to innovations in payments and enhancements in customers personalized experiences. Via mobile devices customers can share items found in store with friends, add pictures of favorite outfits to fashion networks, scan items to compare pricing, etc. Such activities create a very personal user experience which is argued can reflect and empower a brand (Morton-Banks 2013).

Despite the power which mobile devices gives to consumers and the threat of the showrooming effect, many retailers believe M-commerce will become the most important channel, overtaking brick and mortar and online sales (Future of Retail 2010, 12). However, the adaptation of this channel is very slow. The development of M-commerce is hindered by fragmented mobile payment solutions and a large diversity of competing platforms (Kemp 2013, 176).

Thus, mobile devices and mobile technologies are believed to reshape the future of retailing and how customers shop. The shift of power, with changes in shopping behavior, is visible already now. It is suggested that retailers should invest in M-commerce already now in order to be able to catch up with and anticipate the growing needs of their customers (Kalish & Bearnse 2014, 9).

## 5 METHODOLOGY

### 5.1 Delphi method characteristics

Previous chapters reviewed the state-of-art in sportswear retailing. By following the Delphi method approach we asked experts about their views on the probable future development of store formats owned by manufacturers in sportswear retailing up to 2030 in Germany. This chapter will start by discussing the Delphi method in general, its different types and pitfalls. Then we will proceed to a description of the Disaggregative Policy Delphi in particular and how the method was implemented step by step. As cluster analysis is used to construct future images, the steps and features of this analysis are also described here. In Chapter 6 the analysis of the formed clusters as well as construction of future images of store formats development in branded sportswear retailing will be reported.

Many researchers have underlined the importance of conducting future-oriented analyses in fast-moving, dynamic market environments. Different methods can be applied to study the future and make scenarios or future images (Tapio et al. 2011, 1617). The Delphi method has been used in many studies to create scenarios or future images (see Vinnari & Tapio 2009; Tapio 2002). The Delphi method is considered to be more open to various factors affecting the future and is well suited for constructing scenarios in a highly complex environment (Linstone & Turoff 2002, 3). Therefore, this method was chosen to fulfill the purpose of the study even though the Delphi technique has not been often applied in the retail field. The two key words “Delphi” and “retail” were used to find out if there had been any studies conducted in the “Science Direct, Education Research Complete, Google, and Google Scholar search engines. The results did not provide any research papers closely connected to retail with Delphi method application. For example, one of the papers was concerning RFID technologies in retailing (Bhattacharya, Petrick, Mullen & Kvasny 2011). However, none of them were related to the research topic or questions. The author is thus not aware of any studies which has used the Delphi methods in future-oriented research in retailing.

The Delphi technique has quite a long history starting from the 1950's when the method was applied by the Rand Corporation. Then the method was used in the ‘Report on a Long-Range Forecasting Study’, by T. J. Gordon and Olaf Helmer (1964). It was the first time that Delphi was applied outside the defense department while focusing on how different trends might affect the future. In 1975 the first book on Delphi studies was published by Linstone and Turoff where the authors also gave their definition of the method as “a method for structuring a group communication process so that the process is effective in allowing a group of individuals, as a whole, to deal with a complex prob-

lem” (Linstone & Turoff 2002, 3). It is commonly acknowledged that after publication of this book, the Delphi method has begun to be used in many other academic fields for different purposes. During this time, the Delphi implementations and processes have been developed considerably. The evolution and overview of the Delphi technique is well described by Rowe and Wright (2011). They highlight that Delphi method has been beneficial in many studies when it was used with other approaches such as cross-impact analysis, cluster analysis for scenario building, and other purposes. Nowack, Endrikat and Guenther (2011, 1613) also recommended integrating the Delphi technique within a scenario study. However, due to ever changing Delphi implementations and processes, there is no commonly accepted definition for such a method, which may negatively influence the reliability and validity of research (Hasson & Keeney 2011, 1696).

During the last 50 years different types of the Delphi technique have been developed. At the beginning the idea of the traditional Delphi was to reach a consensus among a group of experts (Linstone & Turoff 2002, 12). However, a few waves of critique and modifications of the approach have led to various changes in the purposes and design of the Delphi method (Tapio 2003, 85; Hasson & Keeney 2011, 1696). While traditional Delphi aims at consensus among experts, other types do not necessary pursue an agreement. For example, the Policy Delphi seeks to generate the opposing views which might resolve a policy issue under consideration (Linstone & Turoff 2002, 80).

In general, a wide variety of perspectives on the Delphi method exists nowadays leading to different usages in different research topics. Linstone and Turoff (2002, 5-8) highlighted that Delphi method is useful when studying broad and complex issues which could need diverse expertise; when time and cost do not allow meeting often; when there is need for many participants; when accurate data is unavailable or expensive to obtain; and, when there is insufficient information on the topic. The Delphi method is considered especially useful for long-term research topics as expert opinions are often the only source of available information. In this study it was not possible to organize a workshop as experts were from different countries and cities. Participation of many experts was necessary to obtain a sufficient and diverse amount of data. Moreover, any statistics or other types of data were not available in public databases. Therefore, the Delphi technique was considered as one of the most appropriate method to reach the study’s objectives.

As highlighted by Hasson and Keeney (2011, 1696), there are different types of the Delphi method and no commonly accepted definition. However, it is still possible to identify the key design options of the Delphi method (Nowack et al. 2011). First of all, one of the most important characteristics of the Delphi technique is iteration (Linstone & Turoff 2002, 5-8; Nowack et al. 2011, 1611). Here iteration refers to the requirement

of the Delphi design to have at least 2 rounds. Sometimes it can be 3 and more rounds (Linstone & Turoff 2002; Nowack et al. 2011, 1607).

Secondly, anonymity of experts' answers should be ensured during entire the Delphi process (Linstone & Turoff 2002, 3-6). The benefit of such approach is the possibility to avoid the so-called Bandwagon effect or other unnecessary effects. Anonymity is important for participants so they can express their own opinion easier without being afraid of losing their job for a different point of view from others (Tapio 2003, 85). However, the Delphi method is very flexible as workshops and interviews are often used in Delphi studies (Tapio 2002; Nowack et al. 2011, 1612).

Thirdly, the controlled feedback after each round should be implemented in the Delphi process. The feedback can be in forms of median values, mean values, pictures, graphs, or preliminary scenarios or arguments (Nowack et al. 2011, 1612). The feedback serves as a communication tool and gives an opportunity to experts to revise, change or modify their own answers, and to comment on arguments of other experts. The main purpose of feedback is seen to be providing the possibility to encourage communication in the group (Linstone & Turoff 2002, 3-4). Therefore, it is advised that feedback includes not only statistics but also elaborated, themed arguments and ideas of all participants (Nowack et al. 2011, 1612).

Last but not least, the Delphi method is an expert-based method. Therefore, it is very important to ensure a good selection of participants and their retention (Vinnari & Tapio 2009; Linstone & Turoff 2002; Tapio 2009). Possible approaches for choosing experts as well as pitfalls will be discussed later in this chapter.

Despite the common features of many Delphi studies, the method in general is rather flexible. The Delphi design is usually chosen based on the research problem rather than the methods' requirements. Moreover, it is difficult to identify the key features which could differentiate every Delphi designs from each other. Within each Delphi type, the characteristics of the Delphi can differ in the number of rounds, types of questions, functions, experts' inclusion criteria, and the methods of data analysis (Hasson & Keeney 2011, 1698). Only in the Disaggregative policy Delphi, cluster analysis serves the basis for the development of scenarios or future images (Tapio 2003). Moreover, each Delphi study design can serve different functions such as idea-generation, judgment, and consolidation functions (Nowack et al. 2011, 1612). As this study was aimed at the construction of alternative views of the future, the Delphi method functioned as an idea-generation approach.

Thus, from the first sight, it can be viewed that the Delphi approach does not have many formal requirements and is quite flexible in design and purpose. However, many researchers warn that the type of the Delphi method, the purpose of the study, and the design options of the research should be thought through carefully and described thor-



oughly (Nowack et al. 2011, 1612). Such consideration can help a researcher to avoid the numerous pitfalls which are described in the following subchapter.

## 5.2 Delphi pitfalls

During the long history of the Delphi technique, it has overcome several waves of critique and evolved into different types and designs. The following text summarizes main pitfalls among others which can lead to disappointing results.

First, as the Delphi method relies on expert opinion, the choice of panelists becomes very important. Pitfalls associated with poor selection of experts should be avoided. One of the concerns in this regard can be biased selection of the panelists (Tapio 2003, 86-87). To facilitate the process of approaching experts in the field, self-assessment and multi-perspective criteria can be applied (Nowack et al. 2011, 1612). It is suggested to form a broad group of experts based on such criteria as sex, age, and professional background (Linstone & Turoff 2002, 29; Förster & Gracht 2014, 216). Moreover, scanning of publications and public database can help in the choosing the experts and find the contacts. In general, there are no strict rules for choosing the final panel and researchers have been used different approaches. However, Nowack et al. (2011, 1612) highlight the importance for Delphi designers to be honest and explicitly describe this step of Delphi studies in their papers.

Another issue that must be taken into consideration is poor commitment from experts. It can result in a high dropout rate (Honne & Keneey 2011, 1700). There are no straight forward ways with which to guarantee a high level of panelist retention. One of the approaches is to use conomination and “snowballing” to safeguard participation of the experts. Social reward for participation in Delphi studies is also suggested to increase motivation among experts (Rowe & Wright 2011, 1489). Linstone and Turoff (2002, 205) argue that Delphi designers can underestimate how respondents should be properly compensated for their time.

Scarce feedback reports are often criticized in Delphi studies (Tapio 2003, 87-88). As was discussed above, the feedback can encourage communication within the group. In-depth arguments can lead to interesting and inspiring scenarios (Tapio 2002, 98). Scarce feedback reports can also mean forgetting disagreements which can lead to artificial consensus in the study. However, in the case of the Policy method, such problems should not arise since here the intent is to explore alternative views of the future (Tapio 2003, 88). Anyway, the feedback report should be well prepared, as problems can also arise from misinterpretation of the data gathered from the questionnaires (Linstone & Turoff 2002, 222). Such situations can occur due to different languages and logic if experts come from diverse cultural or disciplinary backgrounds, for example.

Another pitfall of Delphi studies is poorly formed questionnaires (Tapio 2003; Rowe & Wright 2011). This pitfall of the Delphi can lie in an “oversimplified questionnaire that does not leave room for new ideas” (Tapio 2003, 88). To avoid this, panelists were asked to provide brief arguments for quantitative statements by describing which factors or trends they think will make the predictions come true.

Although it is probably impossible to avoid all pitfalls, the task of the Delphi designer is seen as to minimize the problems as much as possible. Rowe and Wright (2011, 1489) warn that the questionnaire designers have to be careful since mistakes can be as simple as the misunderstanding of questions. Even though many papers have concentrated on avoiding pitfalls while conducting Delphi studies, Linstone and Turoff (2002, 3) claim that, in the end, the design of Delphi studies can be considered very much as an art.

### **5.3 Disaggregative Policy Delphi**

Traditionally, Delphi studies have aimed at reaching expert consensus on the most probable future (Linstone & Turoff 2002, 12). However, the aim of this study is to explore alternative futures of the research topic. Therefore, the Disaggregative Policy Delphi was considered best suited to the objectives of this study as the method helps to obtain arguments that would otherwise stay implicit (Tapio 2003, 98). Cluster analysis applied in the Disaggregative Policy Delphi serves as a tool for grouping the answers to the quantitative questions the respondents were asked in the Delphi rounds. Tapio (2003, 98) argues that such approach can lead to innovative grouping of the responses which are otherwise difficult to imagine. As clusters represent only the quantitative development in the future of chosen variables, the qualitative arguments are usually analyzed and connected to clusters in order to create consistent alternative future images or scenarios.

In general, the Disaggregative Policy Delphi is used to find out different views of the future in the form of scenarios or future images. In this thesis, an image of the future is regarded as possible future states. The combination of different types of data in future images is considered to be one of the strengths of Disaggregative Policy Delphi studies (Rowe & Wright 2011, 1490). Qualitative data can be obtained in different ways such as workshops and interviews etc. (Varho & Tapio 2013). Clusters are produced base on quantitative data which serves as the basis for alternative images of the future. Therefore, a mixed approach for data analyzing is used in Disaggregative Policy Delphi studies (Tapio 2003).

When making alternative future images according to the Disaggregative Policy Delphi process, two methods are combined – cluster analysis to group quantitative material

and qualitative content analysis to identify and interpret themes in the qualitative material (Tapio et al. 2011). Tapio et al. (2011, 1617) argue that it is inappropriate to view qualitative and quantitative methods as two opposite paradigms. In fact, they suggest that integration of both methods can positively contribute to study results. For example, it is easier to compare scenarios based on numerical evaluation. Illustrative materials can make scenarios more understandable and meaningful. However, there are some pitfalls which should be avoided when combining qualitative and quantitative data in a Delphi study to build scenarios of images of the futures.

First of all, the integration of the qualitative and quantitative data can be unbalanced or lead to inconsistencies within the scenarios. Such situation can be avoided if the design of the study is carefully thought through and it is understood how and why materials are used. When respondents give similar numerical estimates and argumentation, then constructing consistent scenario is easy. Or other way around, when experts give different estimates and argumentations which then are used in different scenarios. However, there are 7 more alternative conditions which might be difficult to deal with (Tapio et al. 2011).

Moreover, attention should be paid to the framing of questions. For a designer it is important that panelists' answers express their opinion of the future explicitly (Tapio et al. 2011). Poorly structured questionnaires, badly framed questions, different experts' preferences in styles, and lack of motivation can lead to the situation where the gathered material is not enough for building scenarios (Rowe & Wright, 2011).

Overall, the combination of quantitative and qualitative material in data collection and analysis can bring positive results. The images of the future constructed with a combination of both forms of data might be more inspiring and illustrative in comparison to single data type based images or scenarios.

## **5.4 Future images and scenarios**

There are differences and similarities between future images and scenarios which are important to explore in this work. Future images as well as scenarios can be considered as special tools with which to deal with possible futures. Both of them highlight the polarity of, or alternative futures. This is one of the main focuses of future studies – to look at alternative possible, preferable and probable futures. The concept of alternative futures is closely linked to the unpredictable future. This prospective thinking involves creativity and imagination (Bell 2011, 73-84). The importance of creating future images or scenarios lies in attempts to achieve the possible futures by acting and making decisions today. Thus, both tools aim at directing the actions today for a better future tomorrow (Rubin & Linturi 2001, 268).

There are two main differences between scenarios and images of the future. The images of the future represent a snapshot or a certain state of the future. They are also changeable over time and adapt to new situations. The process of future image construction is very complex and depends on external and internal experience, events, beliefs, desires, values, knowledge, and observation (Rubin & Linturi 2001, 269-271).

Scenarios are not equivalent to the images of the future. However, it is possible to say that the images of the future are presented in each scenario. Scenarios represent a logical sequence of images of the future. They describe a process, whereas future images describe the state of the future only. Scenarios usually include events, changes, and actions which take place from the present to the future (Greeuw et al. 2000, 7). According to Kahn and Wiener (1967, 6), scenarios are “hypothetical sequences of events constructed for the purpose of focusing attention on causal processes and decision-points”. Usually scenarios also include a story about the past and future (Bell 2011, 317). Sometimes scenarios also include recommendation regarding what actions and choices ought to be done to reach a desirable future. Thus, causality is not presented in future images. They are rather source of inspiration and more closely linked to vision. However, the aim of vision is to inspire and give direction, whereas future images can serve as a tool for analyzing and exploring futures (Helm 2009, 100).

Future images emerge as hopes, fears and belief. While scenarios are formed by researchers and experts, the future images are held by an individual or a group as a mental image rather than being something constructed by experts (Rubin & Linturi 2001, 269-271). However, in this study, future images are approached as being a snapshot of alternative futures. The main goal will be to explore the trends and assumptions behind these images. It is important to analyze and explore future images as they can be a source of inspiration and drive for actions.

## **5.5 Methodology steps in this study**

### **5.5.1 *Design of the Delphi***

In this subchapter we describe the process of the Disaggregative Policy Delphi method used in this study. In general it is possible to summarize the whole process in five broad steps:

1. Selecting and contacting experts;
2. Constructing and sending out the first round questionnaire;
3. Analyzing and communicating the results in the form of feedback together with the second round questionnaire;

4. Testing, analyzing and interpreting the data (cluster analysis and qualitative content analysis);
5. Presenting the data (future images).

In order to insure validity of the research these steps are described in as much detail as possible in the following sections.

### 5.5.2 *Selection of participants*

Selection of the participant for Delphi studies is one of the most crucial steps. It determines, to a large extent, the reliability and validity of the research results. Therefore, in many studies the selection of panelists is described in details (Gnatzy & Moser 2002; Tapio 2002).

Delphi is an expert-based method. Thus, coverage of the expertise should be well thought through by designers (Rikkonen & Tapio 2009, 981). To be an expert is usually a social construction association with titles, professions and position in organization (Varho & Tapio 2005, 1932-1933). In this research experts were chosen on the basis of expertise, organizational background, and gender (Table 1). This is a usual focus in constructing expert composition. The aim of such an approach is to be able to easily spot which category of expert is missing and invite new experts if some refuse to participate (Varho & Tapio 2005, 1932-1933).

Table 1 Expertise Matrix.

Gender	Practitioner	Consultancy	Academics
Female	4	1	2
Male	6	1	1

The Expertise Matrix consists of participants who are currently involved in the retail sportswear business, consultants in the retail field, and researchers. There were 7 women and 9 men in the panel from 27 to over 50 years old. The purpose to construct the appropriate panelist matrix can vary depending on the aim of studies. For example, some studies aim at getting the best expertise as a basis for the preparation of a strategy and orienting decisions to a particular business context (Förster & Gracht 2014, 225-226; Rikkonen & Tapio 2009, 982). In this study the Expertise matrix was used to ensure the broad range of expert views on the topic. It also helped to add clarity and transparency to the research. To find experienced consultants and researchers who suit our study, we follow suggestions found in different articles on Delphi studies (see Okoli & Pawlowski 2004; Varho & Tapio 2005). Some experts were reached through contact details found in relevant publications. Companies' websites and LinkedIn were used to

obtain necessary information regarding experts' backgrounds and contact details. Some of the experts were suggested by others. The snowballing effect, to a large extent, contributed to the selection process. Even though snowballing has been criticized (cf. Varho & Tapio 2005, 1932), it appears to be beneficial for this study. However, the sample of organizations was a little biased and limited in two ways. First, only experts working for four branded manufacture companies in Germany were contacted to participate in the research. Time limitation and difficulties to find experts' contacts from small companies influenced the decision to focus on the largest companies in the German market. However, the scope of the contacted experts from different organizations was considered sufficient. Secondly, representatives from two companies did not participate in the research at the end. As other experts had different backgrounds including previous work in the drop-out companies, the coverage of expertise was not considered to be limited by this fact.

Even though many experts have been contacted and 30 of them agreed preliminarily to participate in the research, only 16 experts eventually took part in the first round questionnaire. It was decided to continue with these 16 experts as all the categories of the Expertise Matrix were fulfilled and many experts answered most questions in the first round Delphi. As one expert fulfilled only 5 percent of the questionnaire, his/her answers were dropped out from the study. Thus, in the work we refer only to the 15 experts whose results were included and analyzed in the study. Out of the 15 experts who answered the first round questionnaire, 3 are from academia, 2 are from consultancy and 11 experts are working at sportswear manufacturing companies such as Nike and Adidas. Most of the experts work in Germany (11 of 15). It was considered relevant to involve people who have an expertise in the German sportswear retail sector. The questions in the survey required knowledge in different areas of the retail business in general as well as in sportswear retailing particularly. Therefore, even though all of the responses in the survey are used in the data analysis and creation of images of the future, perhaps only some experts could, conventionally speaking, be classified as experts. However, as it is argued by Varho and Tapio (2005, 1933) there are different types of expertise and each opinion might become true in the future. Moreover, even though the participants are chosen on the basis of their organizational background and titles, they were asked to communicate their personal subjective views. All participants were promised anonymity to encourage honest answers from them.

In general, the process of finding and contacting experts took around 1.5 months. The experts' composition consisted from 3 main groups. Attention was also given to equal representation of male and female participants. The Expertise Matrix helped to increase transparency of the choice. In order to motivate participation in the study all panelists were contacted personally via emails and calls. The aim of study, design and social benefits of participation were communicated to experts. Also reminders were

used to motivate experts to answer questionnaires after the first survey was sent out. However, the dropout rate was still 50 percent which can be, probably, partly explained by the complexity of the topic, poor commitment, and the relatively high demand of fulfillment in the questionnaires.

### ***5.5.3 Constructing and sending out questionnaire***

Usually Delphi studies include at least one round of questionnaire out of two or more. The questionnaires can be constructed by pure desk research or based on expert interviews (see Al-Saleh, Vidican, Natarajan & Theeyattuparampil 2012). Also the PESTEL framework, Porter's five forces, and pre-surveys have been used in different studies (Nowack et al. 2011, 1612). In this study several sources were exercised for questionnaire formation including desk research and two pre-interviews. Relevant literature and future oriented publications in retailing were scanned to spot the trends which are believed to shape the future of retailing and store formats or megatrends in general (Jones Lang LaSalle 2010a, 2010b, 2010c, 2010d; Kalish & Bearse 2014; Accenture 2013a, 2013b; Z\_punkt 2013; Krafft & Mantrala 2006). These sources were also the basis for spotting trends (Chapter 4). Most questions were based on the theoretical framework including questions regarding key store format characteristics according to the cyclical theories. The purpose of the designed questionnaire was idea generation rather than assessment of predefined future statements, as is done in many scenario-based Delphi studies (see Vinnari & Tapio 2009). Two preliminary interviews with experts from the panel group were organized to check the relevance of questions and to obtain new insights. The interviews were semi-structured and not recorded as the material was not used in future images or questionnaire construction.

In futures studies researchers usually look at a long range future, ten to fifty or more years forward (Linstone & Turoff 2002). The year 2030 was chosen as in 15 years from now the retail landscape will most probably change significantly. When looking at retail business 15 years back, it was completely different environment. In 2000 E-commerce was still at just a seed stage of its development, many technological solutions were not available at this time (Hopping 2000, 63). The Pop-up store format has gained popularity only in the last 10 years (Kozinetsa et al. 2002, 17). Therefore, during only the last 15 years retail business has changed dramatically. The growing popularity of E-commerce and M-commerce, new technologies such as smartphones, RFID, NFC, and changing customers' behavior have all led to multichannel retailing, the appearance of new value-added services, and the increasing power of consumers. Therefore, it was felt to be appropriate to think in a 15 years scale as this is long enough to reshape retailing land-

scape, and is a sufficiently long horizon to be open-minded towards any possible changes in store format evolution.

The first round of the Delphi was conducted by sending out an online questionnaire (Appendix 1) using the Webropol-Internet service ([www.webropol-surveys.com](http://www.webropol-surveys.com)). The survey was in English. Estimated time for fulfillment of the first round questionnaire was around 30-45 minutes. Each expert was asked to express his/her own opinion on the probable future of sportswear store formats development owned by manufacturers in Germany in 2030. The probable future was defined simply as the future the experts believe will be the most likely to happen. Thus, the first round survey resulted in 13 questions: 8 closed-ended quantitative questions and 5 open questions (Appendix 1). The numerical questions were based on the theoretical framework with focus on the development of key store format characteristics such as range and depth of merchandise, price level between formats, size of stores, in-store experience, easiness to access stores, and the level of services as well as sales volume development. These attributes were evaluated among 5 store formats existing in sportswear retailing on a Likert scale from -3 to +3. -3 represented a significant decrease of the variable, whereas +3 indicated, on the contrary, significant increase. A zero value meant that the indicator stayed at the current level.

After each quantitative question respondents were asked to provide brief arguments by describing what factors or trends will make predictions come true. Such questions were aimed at saturation of the data, and generation of ideas for future images creation. The level of impact of different trends on store formats development was asked at the end of questionnaire. These trends include various retail-related, technological, demographic, economic, new patterns of mobility, business ecosystem, digital culture and ubiquitous intelligence, changes in the work world, environmental, urbanization, and global risk society trends. The trends were chosen based on literature review, future retail reports from various institutions, as well as two preliminary conducted interviews with experts (see, Jones Lang LaSalle 2010a, 2010b, 2010c, 2010d; Kalish & Bearse 2014; Accenture 2013a, 2013b; Z\_punkt 2013; Krafft & Mantrala 2006).

Introduced in the first round, five open qualitative questions were based on the themes identified in the theories of retail evolution and the literature review. For example, many papers address the multichannel integration of store formats and channels and give their projections regarding how retailing might look in the future (see Wagner et al. 2013; Zhang et al. 2010). For example, in this study experts were asked to describe how store formats will be connected as one business model. Other questions include such themes as important technologies in the future, the most probable locations and space characteristics of brick and mortar stores, and profile of customers. Out of interest, panelists were also asked to imagine and describe possible "catastrophe" scenario for one of store formats. Such question aimed to bring up uncertainties which otherwise could stay



implicit. In general, open questions are especially useful in Delphi studies to inspire the generation of ideas (Nowack et al. 2011, 1612). The language of the questions was checked and modified to be simple and easy to answer according to common suggestion found in the literature regarding Delphi composition and design (see Rowe & Wright 2011).

Thus, the first round questionnaire was carried out in January-February 2014 following the second round in March-April 2014. In the first round 15 experts, out of 30 invited, answered the questionnaire. Closed-ended and open-ended questions were asked and served different aims for the ultimate goal of creating future images. The goal of the first round questionnaire was to obtain quantitative and qualitative material to be used in the following round, cluster analysis, and future images construction. Each numerical question had a space below where the panelists could describe the drivers of projected changes. However, not all participants gave their arguments. While, the numeric answers were used in the cluster analysis, the interpretation of them was not clear. As is shown in Chapter 6, the assumptions behind numbers and trends can vary a lot. Probably, more emphasis on qualitative argumentation could have been given in the Delphi study invitations and description. The introduction of qualitative questions first in the questionnaire could probable increase the rate of given arguments as well. Overall, however, the design of the questionnaire, type of questions and their structure were all thought to suit well the purpose of the research.

#### ***5.5.4 First round feedback and the second round questionnaire***

After the first questionnaire had been returned, the results were summarized in the form of summary feedback which represented the analyzed data from the first round results in concise form. The controlled feedback served two important roles. First of all, it gave an opportunity for experts to revise their own answers, comment on the arguments of other experts and change or modify their point of view. Secondly, it serves as background for the following rounds. Anonymous presentation of the first round results is one of the most crucial requirements of Delphi studies (Nowack et al. 2011, 1612). At first, the qualitative arguments and quantitative projections are retrieved from the questionnaire. Then the data is distilled into a reasonably concise form. Ultimately, the results are presented to the panel anonymously.

Summary feedback was created in Microsoft PowerPoint and consisted of 42 slides with an Executive summary (Appendix 2). It contained visual frequency graphs and qualitative analysis in textual form. First of all, graphs were used to illustrate the results of quantitative estimates among all participants. Graph 6 of the Summary feedback (Appendix 2), for example, shows sales volume development in stores on average. The

following graph (Appendix 2) illustrates how opinions were distributed among experts regarding sales development among each store format. Then the information presented in the form of graphs was followed by elaborated and themed argumentations. In order to show the assumptions behind the numbers, all arguments were divided into parts which describe positive, negative, or no, change (according to the scale applied) of the variables. All argumentations were presented in the Summary feedback report and, if possible, grouped according to the theme. Chapter 9 of the Summary feedback report included themed and analyzed answers of qualitative questions. The last Chapter 10 of the Summary feedback report described the next steps in the survey which also were highlighted in the email to experts (Appendix 2). Thus, experts had an opportunity to see the results of other participants, and to compare his/her previous answers to those of the rest of the panel.

The second round questionnaire consisted of 2 parts. It includes questions from the first round. So experts can revise, modify, give additional arguments and comment on arguments of other participants. Also 3 additional questions were added in the second round questionnaire at the end of the survey based on the insights from the first round, and aimed at getting more elaborations on the topics of interest. The first question asked to describe how any of the technologies mentioned in the first round by all experts might shape the future of store formats development. The second question focused on the trends which were estimated by experts as the being the most impactful. Such trends included the increasing role of social platforms; personalization of the shopping experience; Big Data analytics; flexible in-store environment; the rise of environmentally concerned customers; and, aging population. One more qualitative question regarding the type of merchandise in stores aimed at obtaining more views and understanding on this topic. The first round questionnaire was also modified by adding one more store format (Brand Center) to all quantitative questions.

The second questionnaire was crafted in Webropol as well. It allowed the experts to answer questions whenever they have time, as well as to save their answers if the questionnaire is not yet completed. Some panelists were uncomfortable with a few questions in the first round questionnaire. These questions were modified. The explanations of certain questions were given in brackets.

Thus, the feedback report and second round questionnaire were sent out with approximately 1 month between rounds. Ten out of fifteen experts fully or partly answered the second questionnaire. However, this caused some limitations to the study. Projections regarding the development of values related to a Brand Center store format were scarcely saturated. Therefore, numerical answers regarding the views of the future development of Brand Centers were not taken into consideration when performing cluster analysis. Overall, however, the design and functionality of the survey were satisfactory.

### 5.5.5 *Methods for analyzing data*

In order to create different images of the future, cluster analysis was conducted after results from the second round questionnaire were gathered. Cluster analysis can be applied in many fields (Everitt, Landau & Leese 2011). This approach has also been used in many Delphi studies for scenario building and was proven to gain results (see Varho & Tapio 2013; Vinnari & Tapio 2009; Tapio 2003). Varho and Tapio (2013) among few other scholars provide a detailed overview of the data analysis relevant for the approach.

The quantitative material from the questionnaire is grouped with the help of cluster analysis (Everett et al. 2011). Cluster analysis is useful for Delphi studies since a random sampling is not necessary, as the purpose is not to test a theory. However, cluster analysis requires several choices which can influence the end result: the choice of variables, potential standardization of variables, weighting of variables, the choice of dissimilarity measure between cases; the choice of clustering algorithm and the number of clusters (Varho & Tapio 2013, 618-619).

First of all, the type of variables should be chosen. In this study different key store format characteristics were estimated by experts — e.g. the price level of merchandise in stores, the breadth and depth of merchandise, the size of stores, the level of service and experience, the easiness to access stores, etc. However, while choosing all variables and performing cluster analysis (around 35 variables), the results obtained were not coherent enough. Therefore, for cluster analysis only three key variables were chosen to construct the core of the future images including sales volume, the breadth and depth of merchandise development, and the level of price in stores (Table 2).

Table 2 The choice of variables in cluster analysis

Variables used in the questionnaires	Emphasized in the cyclical theories of retail evolution	Variables used in cluster analysis
Sales volume	The Big Middle; The Wheel of Retail; The Retail Life Cycle.	x
Ease of access to stores	The Retail Life Cycle.	
The level of services	The Wheel of Retail; The Retail Life Cycle.	
The importance of experiencing product and brand	The Retail Life Cycle.	
The depth and range of merchandise	The Big Middle; The Wheel of Retail; The Retail Life Cycle; the Retail Accordion.	x
The level of prices	The Big Middle; The Wheel of Retail; The Retail Life Cycle.	x
The size of stores	One of the store format changeable characteristics by Reynolds et al. (2010).	

These variables best describe the end result of the study. The choice of variables was supported by literature from the theoretical framework (Levy et al. 2005; Davidson et al. 1976; Hollander 1960; Brown 1990a; Brown 1990b). The focus was given to the most discussed variables in the theories and widely-argued by experts. The data was organized as fifteen variables in the SPSS program which include the values of the three chosen variables among 5 formats.

As all variables were on the same scale and equally relevant, there was no need to apply standardization and weighting. The simple Euclidean distance was chosen because the variables are on a relative scale (Everett et al. 2011, 61-80).

One of the important decisions in cluster analysis is the choice of clustering algorithm (Varho & Tapio 2013, 619). Various clustering methods can be used in Delphi studies. In this study the answers were grouped by using the furthest neighbor clustering algorithm (Everitt et al. 2011, 61-80). Usually, when the data is not extensive and the purpose of the clustering is just to group a wide range of responses together, then the furthest neighbor clustering method has been used (see Tapio 2002). This method belongs to agglomerative hierarchical clustering methods. The algorithm starts by dealing with each case separately. Cases are the answers from each expert in this study. By analyzing each case, the two closest units of observation are identified and clustered together. Then each created cluster is compared to the furthest created clusters or units. The distance between them is minimized in such a way that, in the end, all units and clusters merge in one cluster (Everitt et al. 2011, 80-83). As each cluster has different arithmetic means of the responses for each variable, the mean can be considered as the future state of one theme (Varho & Tapio 2013, 619).

Furthermore, one of the most crucial issues while performing clustering remains the determination of cluster numbers. In general, there can be as few as two clusters and as many as seven or more. Two or three clusters would be too little for creating alternative images. Tapio (2003, 94-96) highlights that there is a danger in looking at two or three images from the perspective of obtaining “right” and “wrong” images. On the other hand, too many clusters might cause difficulties to see the difference between them. There are limits to the human capacity to grasp alternatives. Often, seven alternatives are regarded as the maximum relevant number of images (Vinnari & Tapio 2009, 272; Tapio 2003, 94-96; Varho & Tapio 2013, 619). In this study the gathered data was not large, as many as 4 clusters were considered optimal. As the dropout rate in the second round was 30 percent, the latest responses from each respondent were used in the cluster analysis. Thus, the iteration principle was met only partially. More than four clusters could result in one cluster (or image) with little explanatory power, or being not sufficiently different from other images.

The final choice was made by studying the clustering dendrogram (Figure 3) and the differences between the clusters. The dendrogram, or tree diagram, represents the clustering procedure in a mathematical and pictorial way. The dendrogram has nodes and the lengths of stems. The nodes are clusters, and the lengths of the stems are the distances between combined clusters (Everitt et al. 2011, 88-90). When the sample is small, it is suggested to use the original qualitative data and consider whether the grouping makes sense (Varho & Tapio 2013, 619-620). After the cases had been grouped into clusters, explanations for the differences between clusters were considered from the arguments given in the questionnaires. Qualitative arguments were referring to the same quantitative answers, but were not used in the grouping. Thus, the criteria of sensibility and heuristic sense making were used to choose the number of clusters as well (Tapio 2002, 98).

In general cluster analysis is considered to be well suited to the task if the aim of the study is to create alternative scenarios or images. While cluster analysis is used to group quantitative answers, the qualitative data provided insights to the quantitative statements. Thus, the emerging clusters were constructed into future images by using qualitative analysis of the qualitative answers in the survey. The difference between future images and clusters is that clusters are formed solely on the basis of closeness of quantitative values. Future images, however, complement clusters with qualitative argumentations (see Tapio 2002; Tapio 2003). The qualitative material of the study was analyzed separately. The Summary feedback was used here as well, as it provides data already analyzed by themes. The arguments were grouped together and considered if they made sense. Then the differences between formed images were thought through. It helped to modify and express clearly the states of the future.

## 6 RESULTS OF THE DELPHI STUDY AND DISCUSSION

### 6.1 Clustering in numbers

In this chapter the clusters are described in figures and numbers (Figures 3–8 and Table 3). Main differences in numbers are described below. The arguments behind the numerical values are presented in the following chapter. The combination of a quantitative cluster and the qualitative arguments of the cases within the cluster are considered here as future images.

The result of cluster analysis can be clearly illustrated by looking at the dendrogram (Figure 3) which illustrates how grouping of the cases are processed at each phase. According to the vertical lines in the Figure 3, the possible number of clusters could be 2, 3, 4, 5, and 7. However, as was discussed in Chapter 5, four clusters were chosen on the basis of the hierarchical clustering and are presented in Table 3.

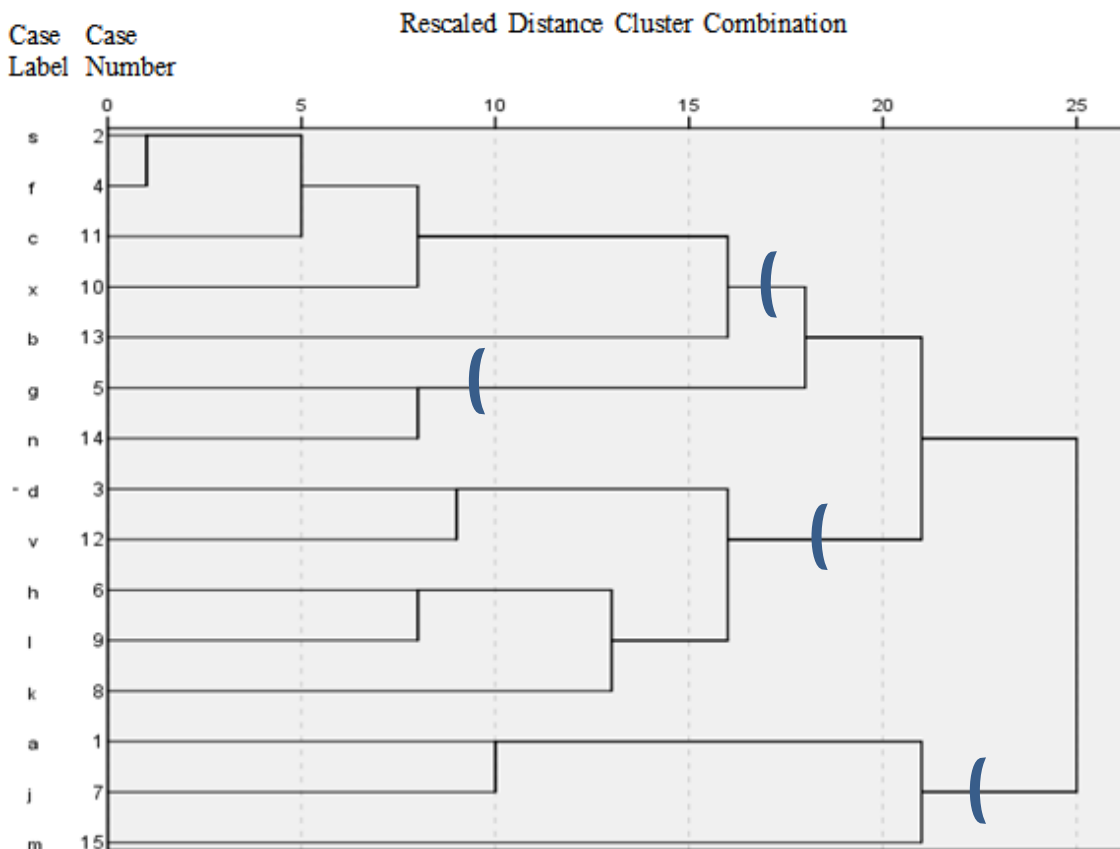


Figure 3 Dendrogram using furthest neighbor (complete linkage) method

In the previous chapter, we explained how cluster analysis was conducted on group cases together. The next step is to calculate cluster centers which represent the arithmetic

means of each variable in the different clusters produced by the hierarchical furthest neighbor method (Table 3).

Table 3 Arithmetic means of each variable in clusters on relative scale <sup>a, b</sup>

Cases	Sales Volume development					Merchandise breadth and depth development					Price development				
	Concept stores	Factory Outlets	Pop-up stores	E-commerce	M-commerce	Concept stores	Factory Outlets	Pop-up stores	E-commerce	M-commerce	Concept stores	Factory Outlets	Pop-up stores	E-commerce	M-commerce
CLUSTER1															
s	1	2	2	3	3	0	1	2	3	3	4	2	4	4	4
f	2	2	2	3	3	2	2	2	3	3	4	2	4	4	4
c	2	0	3	2	2	1	2	3	3	3	5	3	4	4	4
x	0	0	1	3	2	1	0	3	3	3	4	1	4	4	4
b	2	-2	1	3	3	3	-1	0	3	3	5	2	3	4	4
<b>mean</b>	<b>1,4</b>	<b>0,4</b>	<b>1,8</b>	<b>2,8</b>	<b>2,6</b>	<b>1,4</b>	<b>0,8</b>	<b>2,0</b>	<b>3,0</b>	<b>3,0</b>	<b>4,4</b>	<b>2,0</b>	<b>3,8</b>	<b>4,0</b>	<b>4,0</b>
CLUSTER2															
g	2	1	3	2	3	3	0	3	3	3	5	3	6	4	4
n	2	3	3	3	3	2	1	0	3	2	6	3	6	4	4
<b>mean</b>	<b>2,0</b>	<b>2,0</b>	<b>3,0</b>	<b>2,5</b>	<b>3,0</b>	<b>2,5</b>	<b>0,5</b>	<b>1,5</b>	<b>3,0</b>	<b>2,5</b>	<b>5,5</b>	<b>3,0</b>	<b>6,0</b>	<b>4,0</b>	<b>4,0</b>
CLUSTER3															
d	1	2	-1	3	2	0	1	0	3	3	5	2	7	4	4
v	1	2	1	3	3	-1	-1	0	1	1	5	2	6	5	5
h	3	1	0	3	1	1	2	0	2	2	7	3	4	4	4
l	0	1	1	2	2	0	1	0	1	1	7	3	5	3	3
k	2	1	-2	3	2	1	-1	0	1	3	6	5	4	4	3
<b>mean</b>	<b>1,4</b>	<b>1,4</b>	<b>-0,2</b>	<b>2,8</b>	<b>2,0</b>	<b>0,2</b>	<b>0,4</b>	<b>0,0</b>	<b>1,6</b>	<b>2,0</b>	<b>6,0</b>	<b>3,0</b>	<b>5,2</b>	<b>4,0</b>	<b>3,8</b>
CLUSTER4															
a	-2	1	2	3	3	-2	1	0	2	1	4	3	4	4	4
j	-1	1	2	2	3	-2	-1	2	2	2	4	1	4	2	2
m	1	2	0	3	3	1	1	0	3	3	2	1	1	2	2
<b>mean</b>	<b>-0,7</b>	<b>1,3</b>	<b>1,3</b>	<b>2,7</b>	<b>3,0</b>	<b>-1,0</b>	<b>0,3</b>	<b>0,7</b>	<b>2,3</b>	<b>2,0</b>	<b>3,3</b>	<b>1,7</b>	<b>3,0</b>	<b>2,7</b>	<b>2,7</b>

<sup>a</sup> Brand centers are not included in the cluster analysis due to incomplete data.

<sup>b</sup> All variables for sales volume and merchandise breadth and depth are on seven step Likert scale where -3= significant decrease, +3= significant increase; All variables for Price development are on seven step Likert scale where 1=low, 7=high

Four clusters are presented in detail in Table 3. The arithmetic means of grouped variables in the clusters are displayed. In addition, the individual answers included in each cluster are presented in Table 3 and Figure 4. Figure 4 illustrates how clusters are different in general between each other. The most sales growth is visible in Cluster 2, whereas the least growth is found in Clusters 3 and 4. Clusters 3 and 4 are also varied from Clusters 1 and 2 in the estimation of assortment development in stores. While Cluster 1 and 2 illustrate significant growth of the breadth and depth of merchandise on average, the increase is smaller in Clusters 3 and 4. The level of price is the lowest in Cluster 4 and approximately the same in other clusters.

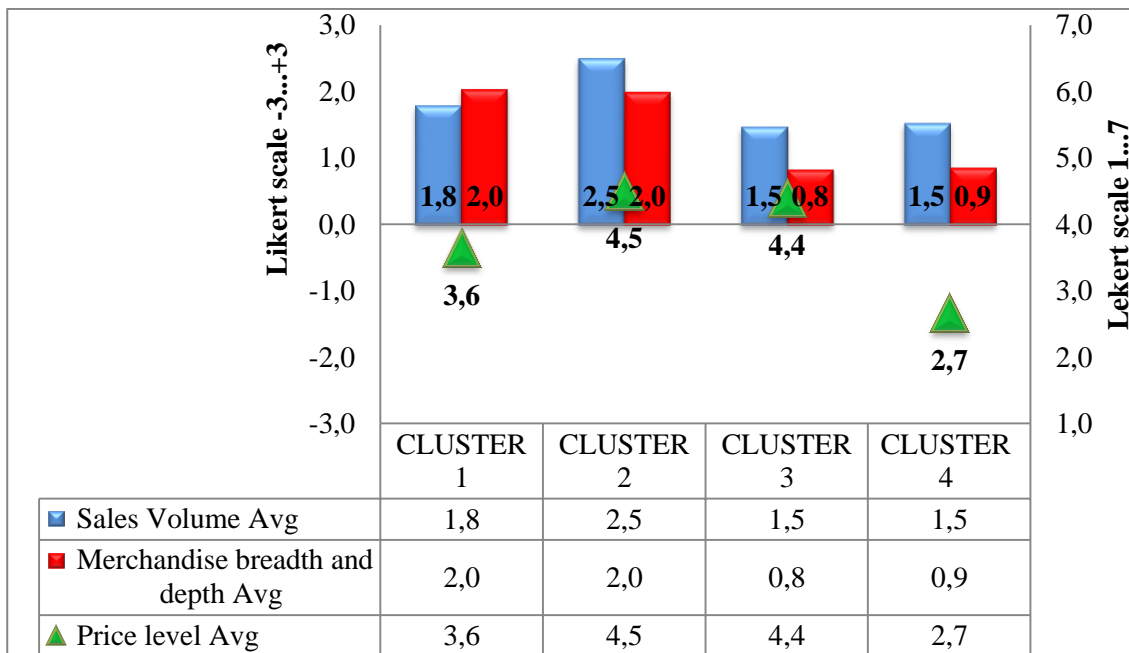


Figure 4 Arithmetic means of key indicators in the clusters (sum variables of all store formats) <sup>a, b, c</sup>.

<sup>a</sup> Brand centers are not included in the cluster analysis due to incomplete data.

<sup>b</sup> All variables are on seven step Likert scale where -3= significant decrease, +3= significant increase.

<sup>c</sup> All variables are on seven step Likert scale where 1=low, 7=high.

Figure 5 is more illustrative as it shows which store formats are expected to grow the most or the least in each cluster. For example, in Clusters 1, 3 and 4 E-commerce and M-commerce are driving the growth of the sales in general. Cluster 2, on the other hand, shows strong performance of Pop-up stores and online channels. It is important to mention here that the rate of growth does not correspond to the volume of sales in absolute values. Sales across E-commerce and M-commerce come from a lower basis. Thus, significant growth of these channels does not necessary mean that total sales in absolute values are higher than in other store formats. Of more importance is the fact that all clusters differ in their perspectives of viewing store format sales development, thus, reflecting different future images of long-term change.





Figure 5 Sales volume development by clusters among store formats <sup>a, b</sup>.

<sup>a</sup> Brand centers are not included in the cluster analysis due to incomplete data.

<sup>b</sup> All variables are on seven step Likert scale where -3= significant decrease, +3= significant increase.

Figure 6 demonstrates the development of the breadth and depth of merchandise. There are some similarities between all clusters. Online channels and merchandise depth and breadth are expected to grow the most. Only Cluster 4 shows a decline in the assortment in Concept stores.

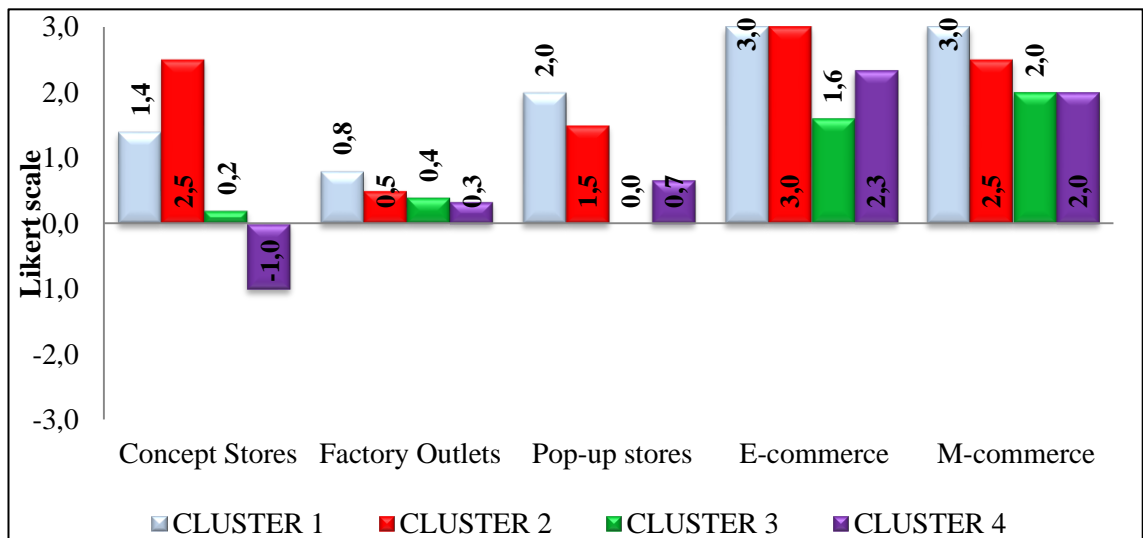


Figure 6 Depth and breadth of merchandise development by clusters among store formats <sup>a, b</sup>.

<sup>a</sup> Brand centers are not included in the cluster analysis due to incomplete data.

<sup>b</sup> All variables are on seven step Likert scale where -3=significant decrease, +3=significant increase.

Figure 7 represents the level of prices among store formats according to the respondents. Clusters 1 and 4 illustrate that the price level across all formats will be rather similar (Cluster 1 higher, Cluster 4 lower) except for Factory Outlets. On the other hand, Clusters 2 and 3 similarly give higher prices for merchandise in brick and mortar stores, except for Factory Outlets, in comparison with online channels. The main focus, however, is given to the price differentiation among store formats in analysis and future images creation. In all clusters, except for Cluster 4, E-commerce and M-commerce prices are at the same level.

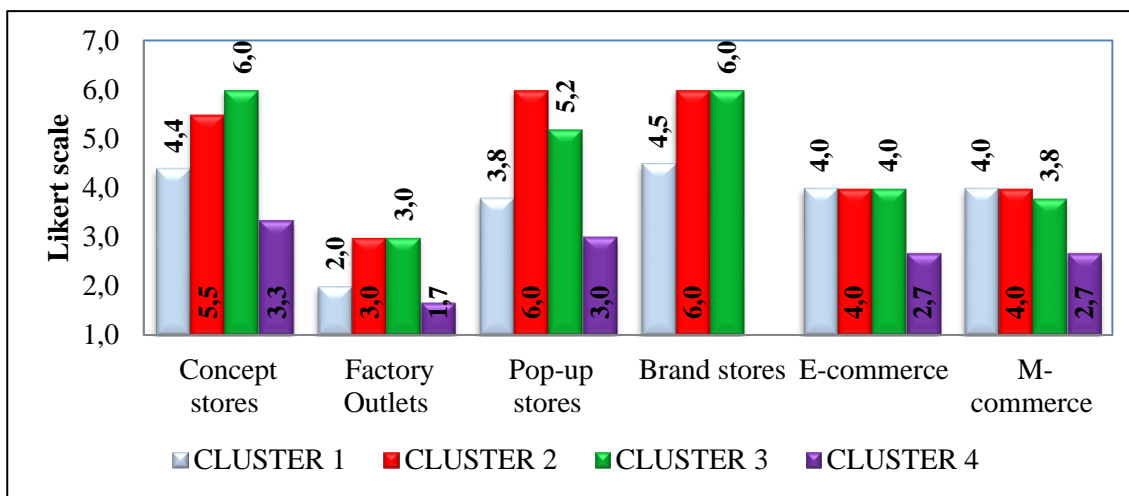


Figure 7 The level of price by clusters among store formats <sup>a, b</sup>.

<sup>a</sup> Brand centers are not included in the cluster analysis due to incomplete data.

<sup>b</sup> All variables are on seven step Likert scale where 1=low, 7=high.

In the following sub-chapter, the numeric clusters will be enriched by the qualitative argumentations provided by the experts. This will allow the formation of consistent future images which represent alternative states of the future development of sportswear retailing owned by manufacturers in Germany 2030.

## 6.2 Future images

In this section the quantitative clusters are arranged into future images by adding the qualitative material from the Delphi rounds' questionnaires. In order to protect the anonymity of the respondents I refer to all experts with the pronoun "he" or by symbols according to the dendrogram (Figure 3).

Before we consider the future images, it is important to highlight the structure of the questionnaire, and data that was gathered. In the cluster analysis, three key characteristics among five store formats were used to group the cases. This results in 15 variables analyzed in the cluster analysis. However, four additional quantitative questions were asked in the survey including the development of store size, the level of service, the level of experience in stores, and the ease of access. Additionally, the impact of different trends on store format evolution was gathered from experts. The qualitative questions regarding customer profiles, store locations, merchandise types, and technologies were asked in the first and second Delphi rounds. This data will be discussed and used to enrich the future images which are based on the numeric clusters. The names of the images were not based on literature but given by the designer based on common sense interpretation of the images and imagination.

### **6.2.1 Image 1 “Multichannel Integration”**

The first cluster shows sales growth among all store formats, although in Factory Outlets sales increase the least. There were five cases of the probable future that formed the “Multichannel Integration” image. Growth among all store formats is expected in this image. According to Expert S, “more concept stores will be required as retailers test out new physical ideas to complement their online activities”. The growth of sales in Pop-up stores is the consequence of E-commerce integration. This store format serves as a pick-up point for internet sales. The assumption here is that brick and mortar stores will be more interconnected. Experts highlight that online channels are part of a hybrid multi-channel business offer. While physical stores mostly serve as a place to experience the brand, online platforms serve as a convenient way of shopping. Moreover, more customers will become used to online sales. Therefore, a great growth and expansion of online channels is expected. Expert B highlights that such development will result in Factory Outlets being replaced (to a certain degree) by online businesses. This explains the least sales growth expected in Factory Outlets. Interestingly, Mobile commerce is seen to add value to customers and retailers. For customers smartphones bring “new ways of communicating, sharing opinions, influencing other customers”. For retailers M-commerce provides “new ways of addressing customers, more customized and specialized offers” (Expert C).

Most experts in Cluster 1 view that demands from consumers to have everything available at any time drives the breadth and depth of merchandise in online channels. Moreover, these channels do not require physical space for storage and, therefore, enable the availability of the whole product range. However, Expert B highlights that “companies need to find smart ways within the value chain to deal cost efficient with

this demand". Therefore, developments in warehouses, autonomous delivery vehicles and distribution centers, and IT management systems are expected to be enhanced.

The price level of all store formats, except for Factory Outlets, is clearly the same. A Factory Outlet serves as the clearance channel for online retailing at most. It can be assumed that prices will stay at the same level due to increased transparency. Different pricing might also cause within format competition. However, experts did not give any explanations to their choices. As Expert S highlights, "for everything it depends on what the concept/store is designed to achieve. This question is impossible to answer".

Importantly, most respondents view that service levels will increase significantly through new and integrated technologies in stores. Popularity of online channels as well as high standards among customers will keep Concept stores and Flagship stores under pressure to deliver a higher level of service. Mobile payments will become the norm as well as virtual currencies. Store personnel will use Google glasses, or similar technologies, to serve customers better. The Omni channel approach contributes to the development of services across all store formats, through services such as "click & collect". Such integration is driven by retailers' desire to increase the range of loyal customers. As Expert B mentioned, "the customers require better service - only those companies who understand this will survive".

Physical store location will be very much like they are today. Factory Outlets remain outside of cities and industrial halls. Concept stores will be located in major locations, mostly to attract consumers and represent the brand. However, Expert F highlights that, in order to further grow in saturated markets, B-locations will become more popular among retailers. Pop-ups, by their very nature, will be placed in surprising locations. Physical stores of all kinds vary in terms of size, location, and their flexibility to be adapted to the market.

Store formats attract different types of customers. That is also the aim of multichannel integration, as most experts agree that customers will switch between formats much more. Factory Outlets, for example, attract not just price sensitive bargain hunters but also affluent 'lifestyle' shoppers. However, Concept stores are more about experience, which will make customers feel special. According to Expert X, Concept stores attract all kind of customers depending on their needs: either to meet representatives of the brand, to change or return products, or to buy the exact model, size, color, etc. of product they require, as well as simply to experience the brand. While Concept Stores are more about providing experiences which make customers feel special, "Popups - will attract those most connected to social media, information sources in which news of their opening is made public" (Respondent S).

As for technologies, the experts highlight mobile payments, virtual currencies, 3D, Google glasses and equivalent augmented reality, in home holographic technology, virtualization, RFID or similar techniques. Interestingly, two experts especially

highlight Big Data Analytics and very powerful CRM systems to influence store formats development. “Such analysis will enable producers to sell not what the producer wants, and not even what an average consumer wants, but what each individual consumer wants. By knowing exactly what individual customers want producers will create products that meet the needs of the customer the best” (Expert X). “Retailers will be more capable of following their customers (whatever they do in the digital world) and thus be able to serve them better” (Expert B). Interestingly, both experts consider this development to have a positive impact on online sales channels; however, it is less beneficial for Concept Stores and especially Factory Outlets since remaining stock will decline significantly. Therefore, the physical stores are always pressured to deliver higher service level.

### 6.2.2 *Image 2 “Smart and Personal”*

There are two cases in the second cluster, however, qualitative arguments were provided only by one expert. These cases are the most optimistic in terms of sales growth among all formats. As argued by expert G:

*Own retail of branded apparel will continue to grow as branded manufacturers will try to gain more control over brand presentation, pricing and direct consumer interaction to leverage CRM. Concept Stores will spearhead development as they are best way to represent brand, but cost pressure (especially high quality but affordable locations) will limit growth.*

In this image, the role of Factory Outlets is different from the “Multichannel Integration” image. In the first image, Factory Outlets represent a clearing channel for online sales due to higher multichannel integration. However, in this image companies manage inventory more tightly and rather produce merchandise for Factory Outlets. The sales from Factory Outlets are growing the least in comparison with other images, as planning and forecasting improvement and mass customization becomes more important. Factory Outlets are selling not only out season but own merchandise as well. They still grow slightly to address shopper needs, and make up for Germany being behind other countries in this area. E-commerce and M-commerce will blend into each other as means of ordering, pick-up/delivery and payment are not easily distinguishable anymore. Online shopping is more secure and easier. Better integration of interactive services as well as “further improvement in delivery of services and Big Data analysis will drive service in e- and m-commerce to unknown heights” (Expert G).

Big Data analytics and CRM programs are considered to play one of the most important roles in driving E-commerce and M-commerce. Big Data makes better

(system-aided) recommendations in store to customers, and ensures that the assortment fits the local tastes and avoids excess stock. This leads to store formats which can exist with less back office and much higher conversion rates and sales. Thus, Big Data analytics, as well as better inventory process, explains the highest growth among all store formats in branded sportswear retailing in 2030.

In this “Smart and Personal” image, Omni channel integration influences in-store assortment differently from the first image. In the “Multichannel Integration” image, physical stores are considered to be more limited by space availability, whereas in this image, enhanced inventory management, supply chain and services contribute to a higher growth of assortment in stores. Inventory integration enhances distance trade with stores. It allows Concept stores to increase their breadth and depth of merchandise by showcasing more products.

Product individualization (mass customization) also drives the classical article sales in stores. Body scan and virtual try on are widely available as mass customization becomes more and more operationally feasible without much higher cost:

*As long as proper scanning and virtual reality technology is not affordable to be kept in each home, the brick and mortar stores are the place to not only tailor your clothes with regards to fit and look, but also seamlessly integrates the showcasing of the product to be purchased at the same time (Expert G).*

Therefore, the breadth and depth of merchandise rises in Concept stores that showcase products, offer help with tailoring/customization, and sell a few impulse articles and current best sellers. This is supported by more powerful and more efficient back office operations.

As described above, developments push the popularity of Concept stores and their importance to keep them in prime locations. They do not need to hold any inventory (and risk being associated with high costs) but do require investment. Therefore, retailers try to pursue a consolidation of locations to ensure high utilization. The size of branded stores will also be smaller due to the high prices in premium locations. Factory Outlets, on the contrary, will slightly grow in size “as companies will not have to be present in so many locations and can reap savings from operating one big store instead of 3 smaller ones” (Expert G). They will be close to highly frequented highways, in better and more frequented agglomerations. Pop-up stores are relatively small with merchandise accordingly to context: World Cup, Olympic Games, Release of new product, etc. However, the possibility to showcase more products in stores, and deliver them almost immediately, means price differentiation at stores and online here. Therefore, this image differs from the first one as prices are considered to be higher in brick-and-mortar stores, except for Factory Outlets, than online.

The image “Smart and Personal” highlights a switching customer behavior:

*The hybrid customer cherishes the excitement of a pop-up store, treats himself to a really cool product in a concept store but will have to work with his wallet/income and therefore also make use of Factory Outlets (Expert G).*

While the first image illustrates the interconnection between store formats in terms of value-added services, this image represents the view of store formats being a touch point with customers. According to Expert G:

*I believe that there will be one or max three 'connectors' that will be basic to how we interact with the world in the future and that lets companies, organization and oneself use 'data' to improve service and product offering across formats. This may be payment methods, the way we interact with the electronic cosmos or something very different. In any way, there will be no more FORMATS, but only different touch points with consumers offering different experiences.*

### **6.2.3 Image 3 “Consumer Diversification”**

There are five cases in Cluster 3. The experts are positive about the growth of online channels but less optimistic about the sales development in brick and mortar stores. Pop-up stores were expected to decline in terms of sales due to their limited potential. Similar to the “Smart and Personal” image, Concept stores are expected to develop more as manufacturers try to strengthen their retail “full price” businesses. However, according to Expert K, the level of prices is not high due to increased transparency and competition. In general, this image of the future is focusing more on customer behavior and preferences. Therefore, I try to emphasize this in the name of the image: “Consumer Diversification”. Each format puts efforts to attract a certain profile of customers. Expert H, for example, predicts “the increase of Concept stores [sales here] because sports activities are becoming a more important part of lifestyles”.

Factory Outlets growth is driven by German customers who are more price-conscious. According to Expert V, “Factory Outlets will increase even more with bargain hunters on the rise”. Manufacturers start to plan production for Factory Outlets and no longer consider them as the only clearance channel. While Factory Outlets in the “Smart and Personal” image are considered to be less important than other formats to achieve gains, in this image Factory Outlets are popular and drive sales and retail business up. Moreover, they evolve into a self-service model which helps to save on costs and to be competitive. E-commerce is growing considerably, but this is mainly due to convenience reasons, easiness of shopping, improved technology, and an increased number of users. Online formats attract “people which are shopping for the

purpose and not for the shopping experience” (Expert D). Thus, this image is based on the importance of customers’ choices, their shopping needs and preferences.

Differences in customer lifestyles contribute to the differentiation of sportswear collections. The same is expected for sports equipment:

*The display of new clothes collections and sports equipment in the stores is important, consumers want to see and try the new products before they make purchase decisions (Expert H).*

As customers are very price-conscious, more products are expected in Factory Outlets. “Factory outlets, on the other hand, rely on a value-for-money approach and mass products rather than sophisticated novel products” (Expert H). Concept stores are also challenged by Factory Outlets moving to larger cities or places accessible with public transportation. Therefore, in order to attract customers to “full price” Concept stores and Brand Centers retailers concentrate on “displaying the new products, rare and expensive products while focusing on profitability” (Expert K). The focus on store performance highlights the importance of transparency “about successes and failures” in stores. Concept stores are monobranding. They need to differentiate themselves based on services, product range and store atmosphere, and experience and brand relationships. Pop-Up stores also cover only the best most innovative and, therefore, most expensive products.

Concept stores are smaller in size in order to be more profitable. They attract young, branded and wealthy customers. Customer focus also contributes to the development of services in stores. “Social value is offered to consumers in the form of possible communities or expert / peer advisers” (Expert H). The importance of face to face interactions is on a rise.

*Social platforms will serve as information and information sharing also with regard to shopping experiences, however, consumers will keep on socializing in the 'traditional' face-to-face way. Thus, social platforms might not result in the hype that was somehow expected in times of their beginning (Expert I).*

While brick and mortar stores are very conscious to expand their assortment, online platforms are offering more merchandise as warehouses and delivery is centralized.

This image expects more price differentiation in stores: “The willingness and ability to pay for sports products will vary a lot among consumers” (expert H). Concept stores and Flagship stores have the highest prices. Retailers highly invest in designed environments to make it possible for consumers to gain new experiences. New in-store marketing mechanisms are implemented “e.g. in store TV, in store digital signage, virtual shelves” (Expert I). Interestingly, only in this image do experts foresee the rise of environmentally concerned consumers. For store formats this means that they invest in the “newest trends and technologies in recycling; they show the second life of the



products. Instead of taking the products to landfills, the retailers (and manufacturers) invent new ways to reuse or recycle the products” (Expert V).

The stores are connected through services and brands. For example, customers are able to see product availability in stores already online. They also can order and pick up in stores. However, all store formats serve their special roles. Moreover, customer segmentation and specific trends determine the merchandising. Factory Outlets’ role is to attract mostly price-conscious consumers. These stores become the focus of mass products. Concept and Flagship stores, on the other hand, emphasize experience and services in stores with higher priced products. Pop-up stores communicate brand messages to visitors, trendsetters, not the average consumers.

#### **6.2.4 Image 4 “Always online”**

There are three cases in Cluster 4. This image is the least optimistic regarding the ability of brick and mortar stores to generate sales at the same level as online channels. Similarly to Image 3, Factory Outlets are gaining power. They are shopping destinations for many consumers in times of financial downturn. Concept stores are struggling to provide exciting experiences in a harsh and highly competitive environment. However, retailers are aware that brick and mortar stores help to drive online business, which is the highest priority. Moreover, the rise of generation Y drives sales online much faster than in any other formats. The Internet is everywhere. “Even PlayStation players can order and share the products online” (Expert J). Therefore, the reasons to leave your house for shopping are becoming fewer in the “Always Online” image.

Similar to the Image 1 “Factory outlets will still be used for clearance - but more and more for E-commerce clearance. Retailers try to get customer attention through Pop-up stores with a lot of marketing around” (Expert J). The prices are the same in E-commerce, M-commerce, Pop-up and Concept stores, “otherwise these store formats would compete with each other” (Expert M).

According to Expert J, Factory Outlets’ breadth and depth of merchandise is driven by online clearings, while Concept stores are more exclusive. However, the integration of the Internet and mobile technologies makes it difficult to identify which format contributes to the sales of merchandise. For example, Expert M argues that “in combination with E-commerce and mobile devices installed in the Concept stores, the range of merchandise could be increased significantly (full range)”. The space in Concept stores is used not only for selling merchandise, but also for providing different online-related services. Technological solutions are an inseparable part of Concept stores such as interactive windows, virtual showrooms, 3D printing in stores, immediate online design support, body scan, 3D projections instead of mannequins, and virtual

product walls. As such stores are very expensive to keep and they are only in the best locations. Only most profitable stores survive in the environment of high competition and economical pressure.

Interestingly, only in this image are services driven by enhancements in online channels. New technologies provide cheaper ways to increase customer satisfaction online, whereas the huge costs of brick and mortar stores hinder customer experience growth. Expert A highlights that “improving service is one of the key methods for the online business to grow”.

### 6.3 Catastrophic scenarios

Additionally, experts were asked to imagine a “catastrophic scenario” for one of the store formats in the future. One such uncertainty is regulation changes. For example, higher prices for prime locations of Concepts and Flagship stores can negatively influence their development. In general all images highlights the risks associated with high costs of prime locations. According to one of the experts:

*Changes in regulation may further affect physical retailers' ability to trade from economically optimal locations or in economically optimal ways (e.g. buying groups with cartel implications) to compete effectively with online firms. Prime locations are getting so expensive, that companies are moving away from them and focus on especially E-commerce and M-commerce.*

Such development would be the least harmful for Image 4, where online formats drive business. There, online channels themselves can transfer the brand experience, but in a much cheaper way for retailers. However, the lack of regulation harmonization (e.g. taxation, distance selling) may adversely affect online retailers' ability to trade across borders.

Uncertainty also lies in the ability of Concept stores to attract customers, especially in times of harsh economic conditions and high competition. The risk of “boring” stores might change the role of Concept stores. They could mostly serve as places for services which consumers do not want to take care of themselves (Image 4). The development of online sales might be harmful especially for Factory Outlets, or may lead to changes in their roles. Virtual tailoring is becoming pretty standard in 15 years, leading to the almost non-existence of Factory Outlets. As it is highlighted in the second image, the advances in business analytics will reduce left-overs and enhance merchandise planning as well.

One of the main roles of Brand Center is to provide the best customer and brand experience (see Adidas 2013; Kozinetsa et al. 2002; Moore et al. 2010); however, according to one expert:

*It is possible that it will not continue forever. Consumers may try to find new ways of expressing themselves, differentiating from others etc. Authentic, local design will be preferred over mass produced brands etc.*

Therefore, Brand Centers and Concept stores will have trouble attracting customers especially if the prices are high. Pop-up stores may also over estimate one theme, and may not be perceived as specific and special. The applied concept might detract customers from the brand.

Every image foresees the growth of online channels in one way or another. The multichannel integration of store formats, new value added services, and Big Data analytics are the examples of online channel contributions. However, one of the experts highlights the importance of thinking about scenarios where E-commerce would not work as expected:

*“[What if] there will be decline in the development of the E-commerce store format for the number of reasons? For example the hype of the virtual world ends, people want to come back to the roots, live in the real world, be more environmentally friendly, consume local products and therefore they do not look for global producers and they do not shop online. They rather stick to a small corner shop of the local producer”.*

E-retailing and M-commerce are vulnerable with respect to changes in delivery costs as well: “if (and when), the use of Internet is not anymore that inexpensive as it is now (it has to become more expensive because the operators are not getting enough money from phone calls anymore), on-line retailing may be forced to radical changes” (Expert G).

Another uncertainty is the competitive nature of store formats. The threat of cannibalization among channels is one of them (see, Dekimpe et al. 2011; Avery et al. 2012). Lower costs of online business supported by enhanced technological solutions might lead to the showrooming effect in physical stores, decreasing their profitability. However, in the second image, show rooming is seen as an advantage. The ability of stores to showcase many products, supported by personalization and mass customization, as well as instant delivery opportunities, will drive branded stores development. This is an excellent example of how out-of-box thinking can find different ways to deal with the fears of today, and how to turn threat to opportunity in the future.

The importance of actions which are made today based on knowledge, observations, and belief is well highlighted in one of the expert arguments. In the future, online sales can “take” share from branded stores reducing their profitability. The inability to clearly analyze the performance of Concept stores and short-term managerial decisions might

lead to the closing of Concept stores. Less Concept stores means less touch points for brand communication. As the result, weak brand support online and in stores leads to the weakening of the whole business in the long run. It is already now hard to put clear boundaries between channels when customers can buy online and pick up at stores, for instance. Thus, inability to measure store performance in a multichannel environment can lead to disappointing results. In fact, it is argued that one of the major challenges in attempts to integrate channel is to build an integrated IT infrastructure (Zhang et al. 2010, 175).

## **6.4 Discussion on future images**

In this study, fifteen experts presented their views on the probable futures of sportswear store formats owned by manufacturers in Germany by the year 2030. There were clear differences in the assumptions about the future of different store formats in retailing: some believed that brick and mortar stores would grow modestly/significantly, others foresee decline or slight growth. Different store characteristics such as pricing strategy, the sizes of stores, and merchandise availability are varied in assumptions and influenced by different trends. As the aim of the study is to explore different views on the alternative futures, the causes of the differences between images are analyzed in the remainder of this chapter.

Future images are based on the clusters which represent the quantitative development of chosen variables; then qualitative material was integrated to them. However, images were found to be not always entirely consistent within the clusters, as argumentations varied even inside individual clusters. For example, in the image “Always Online” two of the three experts highlight a decrease in Concept store sales due to harsh competition and the inability of stores to attract customers, whereas another expert believes that Concept store sales will slightly increase. Furthermore, the second image, “Smart and Personal”, for instance, was built mostly from the expert opinion of one Expert G. However, it is most important that future images represent consistent views of the futures. To accomplish this, logical analysis, heuristic sense making, and practical experience was applied during the images writing process. These practices are also recommended by researches (see, Varho & Tapio 2013; Tapio 2003). Some actions were suggested by Tapio et al. (2011, 1623-1625) to avoid inconsistencies in scenarios. For example, a single response could be left out if it helps to reduce abnormalities.

In this study images of the future were thought to describe consistent future states based on logic and heuristic sense making. As is mentioned above, there were cases of inconsistency in qualitative argumentations for the same answers or different numerical

estimations. To eliminate inconsistency some arguments were not incorporated. For the purpose of the study, however, it is more valuable to note that analysis reveals the great uncertainties lying behind the assumptions about future development. Let us now look in more detail at some of the arguments and trends behind the different responses and views. Also, the uncertainties described by experts in response to the qualitative question regarding a “catastrophic scenario” for any of the store formats are presented here.

The images of the future highlight the importance of different trends. Each image has different focus and assumptions behind store format development in sportswear retailing in Germany 2030. One of the most important trends, which is present in every image, is multichannel integration (Chapter 4). Customers’ expectations are growing and they are seeking a seamless experience across all channels. They challenge retailers to move in this direction. Multichannel integration involves different strategic decisions while taking into consideration the level of integration between channels and the degree of coordination across channels (Zhang et al. 2010, 173-176). This highlights the importance of understanding what Omni channel will mean for each store format in the future.

In this study multichannel integration varies in Images 1 and 4. The first view of the future highlights the complementary development of each store format and differentiation of brick and mortar stores based on experience. The “Always Online” image reflects a reality where online channels dominant any other channels and, therefore, dictates their development. Brick and mortar stores are more oriented towards providing online services to customers rather than on differentiating themselves from e-tailing. This is similar to discussions in the literature regarding the questions of cross-channel cannibalization and synergy (Dekipme et al. 2011; Avery et al. 2012). The future images illustrate to the readers that different viewpoints and solutions exist on how store formats will integrate with each other, and how they will differentiate or complement each other in the long run.

According to the literature findings, a well-integrated multichannel retail system has a positive impact on customer loyalty (Schramm-Klein et al. 2011, 501). This view is well traced in the first image. Popularity of online channels and high standards among customers will always keep Concept and Flagship stores under pressure to deliver a higher level of service. Such integration is driven by retailer desire to grow their range of loyal customers. The relevant questions for retailers to ask are how loyal customers are defined, how their needs and preferences might change in the future, and what the possible approaches are to ensuring the loyalty of customers while they can switch between formats and retailers easily.

Multichannel integration also influences in different ways the development of merchandise, pricing, store sizes, etc. For example, in the first image physical stores are

seen to be more limited by space availability, whereas in the second image enhanced cross-channel inventory management, supply chain and services contribute to higher growth of assortment in stores. Higher integration in assortments between different stores formats is highlighted in the literature as well (see Accenture 2013b). The question to retailers, therefore, is what products to offer online and in which stores. While in the second image better supply chains will help to deliver products in shorter times to stores providing retailers with the possibility to showcase a wider range of various products. In the third image, Concept stores and Brand Stores, in order to differentiate themselves from online channels, concentrate on displaying new, rare, and expensive products.

However, multichannel integration is a complex process. From the future images the reader can see how important the ability to provide seamless cross-channel experience to customers will be in the future. Therefore, retailers already now have to think of what kind of capabilities they will need to make one of the images comes true. It also applies that if no actions and decisions are made today, the future might be different from desired one. In the literature and images of the future, IT capabilities and inventory management systems are expected to play the most crucial role in achieving synergies between formats.

Experts also have different views on price strategies. In some images multichannel integration, coupled with the growing power of consumers, leads to higher transparency and levels the prices, whereas other images describe price differentiation among store formats. As Expert G highlights “retailers will find a way to put a price to almost instant delivery”. In the literature the cost differentiation in brick and mortar stores is usually attributed to space limitations and higher inventory costs in physical stores (see, Zhang et al. 2010). The future of pricing strategies is expected to be flexible with the help of technologies such as RFID and NFC. Thus, different scenarios can be thought through regarding how pricing strategies might be changed or enhanced in the future.

Certainly, the most important driver of change in future images is technological innovation. However, the images emphasize the importance of one or another technological solution or group of solutions in the future. For example, while in Image 4 technological solutions aim at enhancing online experience, the image “Consumer Diversification” emphasizes the crucial role of social interaction supported by new in-store marketing mechanisms such as in-store TV and virtual shelves. Different emphases highlight that the choices of implementing technological solutions in stores might be also be defined by retailers’ goals and how they perceive customers’ needs and expectations. Interestingly, in two images Big Data analytics and very powerful CRM systems are believed to drive changes, but in different ways. In the “Multichannel Integration” image Big Data analytics contributes to the knowledge of retailers regarding what each single consumer wants. This Data is obtained and analyzed from e-

channels. Factory Outlets are seen to be negatively affected by such development since surplus stock declines significantly. In the “Smart and Personal” image the huge potential of Big Data to contribute to the growth of brick and mortar stores is highlighted. “This leads to store formats which can exist with less back office and much higher conversion rates and units per transaction thus improving the economics of brick and mortar stores” (Expert G). In general, experts strongly believe in the power of technologies to profoundly reshape the retail environment in the future which is supported by literature and reports (see Chapter 4.1.).

The trend of individualization (mass customization) contributes positively to higher levels of in-store experience and services. Brick and mortar stores are seen to be empowered by 3D technologies, scanning and virtual reality technologies. Interestingly, due to this trend, showcasing of the products at Concept and Flagship stores is seen as an advantage for retailers as customers are able to purchase customized products at stores seamlessly (see the image “Smart and Personal”). It is argued that personalization is a strong trend in retailing, however, it would be interesting to think about what personalization might mean for customers in 15 years, or if it can become one of the strongest competitive advantages for a retailer, or what can hinder the possibilities for such services.

Switching behavior of customers is mentioned in almost all images. This is also acknowledged in the literature. Customers are better equipped nowadays and can obtain information faster and easier. The Internet allows shoppers to search for information in their own ways where retailers have little control (Heitz-Spahn 2013, 570). However, the approach to this trend is different. In the first image, stores attract all kind of customers in order to adapt to such behavior. However, in the third image even though customer switching behavior is acknowledged by experts, it is believed that customers switch between store formats depending on their needs. Therefore, each format targets a different customer profile. This highlights the uncertainty in how current changes might influence retailers’ strategies in the future.

Even though the trend towards more sustainable store environments and services is widely discussed in the press, literature, and on companies websites (see Jones et al. 2013; BCSC 2007; Hampl & Looock 2013) only in the third image it was highlighted. It is viewed that healthier customer lifestyles as well as higher customer awareness will contribute to increased services connected to the environment and sustainability. The lack of attention to sustainability in the experts’ arguments might illustrate that the concept is still very weak among experts. It is still not seen to be as an important driver of business as IT or Big Data analytics. These results are quite surprising, as big sportswear manufacturers have already achieved some results in this regard.

In all images the growth of sales, and breadth and depth of merchandise in online channels are predicted. The main reason of such development is the growing number of

online users. In the second image it is also highlighted that the perceived risk of transactions made online will decrease. The fourth image, however, points out that new technologies provide cheaper ways to increase customer satisfaction online in comparison with physical stores. Moreover, it is easier to improve services online. Interestingly, in this image, the online channel is integrated the most into store formats shifting focus to the virtual world. However, in the literature it is often viewed that online stores improvements will put physical stores under pressure to provide better shopping experiences and mix of services, or something different and unique which will drive traffic to the stores (Kalish & Bearnse 2014). This view is similar to the third image, where physical stores try to differentiate themselves on the basis of services and merchandise.

The general view regarding the influence of social media platforms on store format development is quite similar in all images. The most valuable contribution of social media is seen in the development of Pop-up stores. They will target customers who are trendy and always connected. Social media is seen as a way to gather data as well as share information. However, in the third image the importance of social media platforms in store formats was questioned as the role of in-store communication is viewed to be of more value. Bäckström and Johansson (2006, 417) also argue that traditional values are still the most important for enhancing in-store experience. This is a very relevant point, as retailers also should keep in mind that, probably, some technologies or innovations do not add value for customers. Important questions to ask are whether or not some technologies can jeopardize traditional shopping values or customers' needs, or, on the contrary, how they enhance shopping experience.

Moreover, an additional question regarding "catastrophic scenarios" helps to explore valuable insights into the greatest uncertainties which might define the fate of store formats. These uncertainties point out that the role of store formats can be changed, or they can fail to adapt to new environments, or online business might do not work as expected. Therefore, retailers always need to question "business as usual". They could probably ask themselves how the role of store formats can change or be changed. As was highlighted in the previous subchapter, inability to understand the environment and trends, and to apply prospective thinking, can lead to wrong or short-term decisions. One of the solutions could be making assumptions clear while making decisions. Such an approach can leave room for critical thinking.

Thus, each image is different from each other while describing the future alternatives of branded sportswear store formats evolution in Germany 2030. Such trends as multichannel integration, technological solutions in stores and online, switching customer behavior, growth of online users, in-store experience, among others are driving the changes. Even though the images can highlight the same trends, the assumptions on how they might influence the development of store formats are



different. A few of the uncertainties in regard to store formats development have been described by experts. Inability to measure performance, online regulation changes, cannibalization of sales, changes in customer values might define the fate of store formats in the future. Thus, there are plenty of trends as well as uncertainties which can lead to different futures. The future images help to open up minds and encourage perspective thinking. This analysis helps us to understand the differences which each future image holds. Readers should reflexively consider the alternative images of the future, and the assumptions and trends behind them. Readers will be more aware of the implications of their decisions and of alternative futures that these decisions might lead to, even if they do not accept any of the images described in this work. This reflection should be based on an attitude of responsibility towards the future and consideration to the consequences of one's actions. It enforces the ability to understand that our decisions today will shape the future tomorrow.

## 7 CONCLUSION

### 7.1 Conclusion

This study focuses on exploring future images of sportswear store formats owned by manufacturers in Germany in 2030. The German market is a good example of store format diversity in sportswear retailing. Store formats such as Flagship stores, Concept stores, Factory Outlets, Pop-up stores and online channels, including E-commerce and M-commerce, are all operating in the market. The second research question is addressed by discussing their characteristics, aims and roles. They have different aims and roles in a multichannel environment. While Factory Outlets serve a “clearing” function for other formats, Flagship stores aim at conveying powerful brand statements and showcasing the full breadth and depth of merchandise. Store formats have different advantages which retailers try to leverage. Online channels, for instance, provide opportunities to create demand anywhere and anytime. Concept stores, on the other hand, are more capable of satisfying customers’ needs for trying products and experiencing brands. Even though retailers aim at catching up with growing customer expectations in a multichannel environment by offering synergies across formats and channels, each store format has different characteristics which influence customers’ choice of store.

Theories on retail evolution have shown that different trends and innovations can influence the development of store formats and their characteristics. Retailers will have to rethink their business models, in-store environment, the way they communicate with customers, and what services and experiences their stores provide. Store characteristics such as services, customer experience, convenience, and availability of merchandise are influenced by different trends. Observation of leading, innovative technologies helps us to imagine different opportunities. 3D printing, for example, might enable co-creation opportunities for manufacturers and customers. Other trends, which are very strong and clearly visible even today, are the growth of online channels, multichannel integration, customization and personalization, sustainability, increased role of social platforms, and experiencing retailing. Future views on in-store experience are highly connected to technological implementations. However, traditional values such as supportive and knowledgeable personnel together with good range and breadth of merchandise also influence in-store experience, which should not be forgotten by retailers.

The discussion of trends, which addresses the second research question, is focused more on potential opportunities or uncertainties. Multichannel integration, for example, is believed to be the future of retailing, providing many opportunities both to customers and retailers. However, it is not clearly addressed how store formats will be integrated, how such synergies will influence each of the store formats, and how they will approach

customers. Therefore, images of the future of store formats in branded sportswear retailing were created. By exploring alternative states of the future, different assumptions and trends can be retrieved. The images of the future also help us to comprehend the development of store formats together. They can be compared and analyzed in order to understand which trends, hopes and fears might drive our action in the present.

Thus, the last research question was approached by using futures studies methods resulting in four future images: “Multichannel Integration”, “Smart and Personal”, “Consumer Diversification”, and “Always Online”. The names of the images are used to reflect the main idea behind the alternative future states. Each of the images has their similarities and differences. Even though images can include the same trends, assumptions about how they influence sportswear retailing and formats can be completely different. The “Smart and Personal” image indicates that the role of Factory Outlets will change. In this image, companies manage inventory more tightly and rather produce own merchandise for Factory Outlets. The “Multichannel Integration” image reflects the difficulties of Factory Outlets as a clearing channel. This is only one of the many examples of how the views can be different from each other.

The future images also help to reveal uncertainties in retailing, such as cannibalization of channels and the growing popularity of online channels. However, different ways to treat such trends and threats were illustrated in the future images. In the “Consumer Diversification” image, brick and mortar stores try to differentiate themselves from online channels by targeting different needs and segments of customers. In this future state, retailers focus on providing greater in-store experience and exclusive merchandise, thus preventing risks of cannibalization of physical stores by online stores. In the “Always Online” image, retailers, on the other hand, enhance online store experiences. This image reflects a reality where online channels dominate all other channels and, therefore, dictate their development. Brick and mortar stores are more oriented towards providing online-related services to customers rather than differentiating themselves from e-tailing.

Moreover, there are many uncertainties lying ahead in the future. These include regulation, inability to fulfill growing customer expectations or wild cards such as inability to use online services or willingness to buy only local products. Such uncertainties are difficult to extract from literature reviews; they usually stay hidden and implicit. However, not all trends discussed in the literature are possible to be traced to future images. This highlights the fact that there are many alternative futures. Future images can be considered as special tools to deal with possible futures in this regard. Prospective thinking of this kind also involves creativity and imagination. Future images could well serve as tools to communicate possible results to decision-makers

and stakeholders - to compare them and analyze them to inspire and direct actions to the future.

## **7.2 Validity and reliability of this research**

The validity and reliability of the study are important considerations for any research. They are the basic criteria for research evaluation. These estimations should help readers to understand if the research design can be applied in other fields and how precise it is (Thietart 2001, 196).

The validity of the study can be assessed in different ways (Hasson & Keeney 2011, 1695-1698). However, as futures studies are a specific field of research, many difficulties in proving the validity of research have been discussed by researchers (see Rowe & Wright 2011). Nevertheless, paying attention to external and internal validity and reliability is important. Internal validity of the research, in short, means identification of whether the study measured what the researchers intend to measure (Thietart 2001, 196). The measurement of internal validity can be different depending on study design. One of the ways to enhance internal validity is to describe all the tools, methods, and steps of the research in every detail. This increases the transparency of the study process. The applications of methods and tools, methodological steps, and data analysis used in this study have been described in as much detail as possible. This allows a reader to have a full and correct picture of study design and process. Moreover, direct quotes from experts are used in the future images to avoid subjective interpretation of the arguments behind the numbers.

Not only internal validity but also external validity can be assessed. External validity refers to the ability to apply the results of study to other contexts (Thietart 2001, 196). This study results can be to some extent applied to other countries or other types of retailing (for example, fashion retailing). However, every country has its own peculiarities and structures of sportswear retail business. Therefore, the results cannot be simply transferred to other countries. However, identified trends and uncertainties of store format developments in branded sportswear retailing can be applied and analyzed in other countries as well.

The reliability of the study refers to the ability to obtain the same results if the research would be conducted by someone else or repeated (Thietart 2001, 210). The reliability of scenario-based Delphi studies is difficult to implement. One of the ways is to conduct the same research twice with the same panel group, or to conduct the same research with two panelist groups simultaneously and then compare results (Hasson & Keeney 2011, 1698-1700) Vinnari (2008), for instance, used two different panelist groups consisting of experts and consumers in his research which helped to elaborate on

the topic and obtain results. Another approach might be to organize a workshop with participants which can validate the study results and contribute to possible implementations (Rikkonen & Tapio 2009). However, due to the scope of this master's thesis, approaches described above were considered to be too time consuming. Moreover, the aim of the research was not to obtain precise information regarding the future development of store formats in sportswear retailing in Germany, but rather explore different alternative views based on the experts' opinions. It is difficult to say how much the results of the study could have been different if other experts would have been chosen to express their personal views regarding the topic, or if the research would be repeated, for example, in one year. Moreover, Hasson & Keeney (2011, 1701) emphasize that researchers should not forget about the main aim of the studies to explore different views on the future. Opinions will change anyway in a time.

Several steps are important to be undertaken to enhance the creditability of the research. One of the threats to external and internal validity is the lack of accountability for experts' opinions (Förster & Gracht 2014, 215). Therefore, the choice and type of panel group represent a critical step in any Delphi-based studies. In this research the group selection of the panelists is clearly described in the paper. Attempts to create balanced expert group were made. However, there were some problems with the selection of respondents. More than 50 experts were contacted based on expert composition criteria relevant for this study. In the end, only 15 of them participated in the research. Even though all expert composition groups were fulfilled, the groups of experts were not balanced. The background expertise of participants was not very diverse causing the possibility for "narrow" views. Therefore, the study suffered from a typical problem of Delphi studies, the low respondent rate

Another limitation of the research rose from the lack of commitment of experts. Data saturation did not occur in the second round Delphi. As a result, the development of Flagship stores is highlighted only little in the future images. However, the expert "quality" is seen to be very good in this study. Many of participants have a long experience in retailing, researching, sport retail industry in Germany and abroad, and have high positions in organizations they work for.

### **7.3 Limitations**

Limitations are inherent within all research. The validity and reliability of the research questions depends on understanding these limitations. Some of these limitations were already addressed in the methodological part of the thesis. However, it is important to discuss other limitations of the paper.

The most obvious limitation of this study is that the future images are not commented on, or assessed by participants. The creation of future images is a rather subjective process including interpretation by the researcher. Even though the future images are based on the clusters and qualitative data from experts, future images writing requires the researcher's own thinking and capabilities which help to create consistent alternative future images. This research was organized by following gradual steps starting from a literature review, followed by the identification of a framework, the analysis of relevant store format characteristics and trends, conducting the Delphi studies according to up to date literature, and, finally, creating future images based on clusters and qualitative argumentations. However, expert opinion regarding constructed future images could enhance validity of the research. Nevertheless, theoretical analysis of the most discussed trends in the trusted literature sources and companies' publications helped to frame the questions, analyze experts' argumentations, and construct the future images. The researcher's own experience and thinking also helped to identify and eliminate inconsistencies in the future images.

A second limitation of this paper is that some trends were not well elaborated in the future images such as the aging of the population, sustainability, and the role of social platforms. Although these trends were scored highly by experts in the questionnaires, there were little or no arguments behind these numbers. The third round Delphi or additional interviews with experts would be required to more closely examine certain trends. But due to scope of the research, time limitation and sufficiency of gathered information for answering the research questions, it was decided to proceed without further Delphi rounds. Moreover, readers can gain ideas about above mentioned trends in the theoretical part of this paper.

The limitation to be discussed with regards to the theory is the application of the evolution of retailing theoretical framework to store format developments. Theories of retailing are very general and mostly applied in the food retailing segment. Moreover, there is no common definition of what is a store format, which makes it harder to identify the focus of the research. Furthermore, the trend extrapolation option for future images creation in the questionnaires was not incorporated in the research as access to the necessary data was not available. One of the limitations of any theory in retail evolution is the lack of statistical data. Also, even if some data is publicly accessible, differences in retail typologies and characteristics make it harder to apply a high level of detail to data such as, for example, the range and breadth of merchandise.

Finally, this study examined only the largest sportswear manufacturers' store formats in Germany such as Puma, Nike, and Adidas. Information regarding smaller sportswear retailers and manufactures was hard to find in the literature or trusted internet resources. Moreover, there was no possibility to reach experts from smaller organizations. However, the main idea of this thesis is to identify trends and uncertainties, and to

generate alternative future images based on the experts' own opinions rather than to look at current development of all sports retailers in Germany. Towards this purpose, I believe the thesis provides a practical and theoretical contribution.

#### **7.4 Practical and academic importance**

There are several important practical implications which can be derived from this research. First of all, the trends which might influence the future development of store formats in sportswear retailing in Germany in 15 years were identified and analyzed. The thesis can help organizations understand how various trends might influence business evolution. Moreover, the analysis of assumptions and uncertainties concerning store format development can be very beneficial for companies when making strategic decisions.

The second practical importance of this paper is that future images provide a great opportunity to look into the future with an open mind. The future images can be used for an assessment of the decisions which one might make today. Relevant business questions applied to retail business in general can be asked: How will stores be integrated with each other? Will they serve different customers? What will be the role of each store format? How will uncertainties regarding online and physical stores co-existing develop? More precise questions can be addressed as well such as: Is Big Data analytics important and how can the data be used? Which technologies are the most crucial, and do we need to invest in them already now? All these questions force practitioners to think about the trends, beliefs and assumptions behind one's own future images. It is very important to understand that the images of the future affect the actions of individuals and groups. They have real social consequences. Therefore, by being aware of alternative futures, beliefs and assumptions one is able to make a better decision today for a better future tomorrow.

There are aspects to this thesis that are of an academic importance. Firstly, the thesis raises the importance of looking at store format evolution. The thesis consolidates the information about some trends which are viewed as being influential to retail evolution with a focus on key store format attributes. This thesis raises the discussion of how the uncertainties and trends presented in the future images correlate with theoretical findings in the literature and views in the publications.

One of the most obvious points of academic importance of this master's thesis is the contribution to store format observations it provides. The paper contributes to academic literature by describing the store formats that exist in the branded sportswear retail business. The literature about different store formats is well saturated in the food segment, however, much less can be found relating to non-food retailing.

As a final note I would like to state that future research into the sportswear retailing will be very useful for the industry in general. It would be interesting to assess current long term strategies of the largest sportswear retailers against each of the future images. Another way to look into the future is to create what-if scenarios, based on the uncertainties discussed in the paper, or create scenarios using the backcasting approach. It is very important to recognize that the future is not predetermined. The future images presented in this thesis are not the only alternatives. The future of branded sportswear retailing, and store formats particularly, depends on the decisions and actions taken today. By looking closely at trends and assumptions and by being aware of consequences of our decisions we can aim at desirable future. The future is made by us; therefore, by acting today we will shape the future tomorrow.



## 8 SUMMARY

The evolution of retailing has undergone many changes in the last 50 years. Different theories have been created to explain such changes and foresee the possible developments in the future. In this paper the future images of branded sportswear store formats in Germany are constructed and examined using the Disaggregative Policy Delphi method. Here we present summary on the overall thesis.

In general this master's thesis had 3 objectives: to look at the existing store formats of sportswear retailers, to identify the trends which influence store format developments; and, create future images of sportswear store formats owned by manufacturers in Germany 2030. We start by analyzing a theoretical framework and describing key store characteristics. The theoretical framework was beneficial to this research in two ways. First of all, it points out the trends which influenced retailing in the past, including store format evolution. The model of retail change points out that the external environment must be taken into consideration while explaining and studying the evolution of retail formats. Such trends as technological achievements, innovations, legislation changes, and market turbulence can lead to changes in assortment and prices. Secondly, retail evolution theories highlight important store format characteristics. Key store characteristics served as the basis for quantitative questions in the Delphi questionnaires and cluster analysis. For example, the Retail Accordion theory highlights the crucial role of changes in assortment. The Retail Life Cycle theory emphasizes merchandise, sales, and location. The Big Middle theory highlights the importance of relative price and relative offer while describing retail evolution. Therefore, such store format characteristics as location, the breadth and depth of merchandise, store size, price, services, and in-store experience were chosen to be examined in detail while describing different store formats among sportswear manufacturers in Germany. Six store formats were identified and described including Flagship stores, Concept stores, Factory Outlets, Pop-up stores, E-commerce, and M-commerce.

There are a variety of trends that influence and might influence the future of retail in general and sportswear manufacturers in particular. The most discussed trends in the literature are multichannel integration, technological development, sustainability, the increased role of social platforms, customization and personalization, and the growth of E-commerce, as well as M-commerce. These trends influence key store format characteristics in different ways.

The look at leading, innovative technologies helps us to imagine different opportunities in the future. In 15 years' time the entire shopping, buying, paying, servicing, researching, and promoting of retail activities will be reshaped by smartphones, mobile applications, 3D printing, interactive technologies, Big Data analytics, and IT solutions. People will be more informed and connected, whereas

retailers will provide seamless experience in a multichannel environment. However, multichannel integration is a complex phenomenon which requires considerable investments and strategic decisions in different retail function areas. Therefore, to build Omni channel businesses, retailers have to overcome many challenges including questions regarding free-riding customer behavior and the showrooming threat in regards to physical stores.

E-tailing is expected to provide greater customer experience in the future. Online retailers have been already changing the way customers shop through such actions as new payment methods, new ways and apps for shopping, globalization of operations, delivery enhancements, and cross channel services. It is also believed that online store improvements, a greater usage of mobile devices, and switching customer behavior will put physical stores under pressure. They will have to provide better a shopping experience and mix of services, or something different and unique to drive traffic to stores. The common belief is that the future of retail will be more experiential. However, the success of these trends depends on the ability of retailers to obtain relevant insights from customer data and to have right technological solutions at place.

The result of the trends evaluation and two rounds of the Disaggregative Policy Delphi method was the creation of four images of futures in sportswear retailing owned by manufacturers in Germany 2030: “Multichannel Integration”; “Smart and Personal”; “Consumer Diversification”; “Always Online”. The names of the images try to reflect the main idea behind the alternative future states. Each of the images has their similarities and differences. Even though the images can include the same trends, assumptions of how they influence the world of sportswear retailing and formats can be completely different. The “Multichannel Integration” image reflects difficulties for Factory Outlets, driven by better inventory management and sales forecast in other formats. However, the “Smart and Personal” image points out that the role of Factory Outlets will change. In this image companies will more tightly manage inventory and rather produce merchandise for Factory Outlets. This is only one of many examples of how views can be different. On the other hand, the trend of sustainability is highly discussed in the literature and already now influences the type of merchandise in stores and store design. However, the experts in the study did not highlight this trend in their views.

In general, different trends are highlighted in the images such as technologies, Big Data analytics, switching customer behavior, enhanced online experience, economic turbulence, multichannel integration, changes in store format roles, customization and personalization, and changes in store format roles. The comparison of trends, uncertainties and assumptions of future images along with literature findings illustrate the importance of being aware of consequences of our decisions today if we wish to aim at a desirable future. The future is made by us; therefore, by acting today we shape the future tomorrow.

From methodological standpoint, the Disaggregative Policy Delphi method was applied in this study. Two Delphi survey rounds were used to collect quantitative and qualitative data. These two types of data were used for the creation of future images. However, the qualitative and quantitative data combination was not so straight forward. In some cases, even though the quantitative values were the same, the qualitative explanations were different, or the other way around, where the qualitative argumentations were the same but the numerical estimates differ. This reflects the significant uncertainties beneath the assumptions regarding the influence of different forces on store format developments.

Finally, we consider the usefulness of the method presented for creating future images. The method was very useful in highlighting uncertainties and the driving forces of change. Cluster analysis contributed to the development of images which otherwise would be difficult to envisage. Quantitative estimates helped to identify differences in clusters/images. Qualitative arguments helped to think in a more structural way regarding the assumptions behind the numbers. Combined together the differences in argumentations and quantitative estimations in each future image draw attention towards uncertainties and trends which might impact key store format characteristics and store format developments. Therefore, the method of collecting both quantitative and qualitative responses and cluster analyses were useful to reach study's objectives. The Disaggregative Policy Delphi method helped to create images which even with similar estimations can reflect various future alternatives. It shows that small changes in assumptions can result in very different views.

In the end, the art of creating future images and scenarios lies in ability to present result clearly and transparently. Therefore, the focus of the study was to combine qualitative and quantitative data in a structural way in order to construct different consistent alternative future views on the topic. The Disaggregative Policy Delphi method was found to be a rather flexible tool by which to achieve this aim. The main steps, including construction of an expert group, Delphi rounds, cluster analyses, and the combination of different types of data, were thought through beforehand and described in detail. Such an approach helped this study to be more transparent in relation to methodology as well as producing useful study results.

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## **APPENDIX 1 SECOND ROUND QUESTIONNAIRE**

This is the second round questionnaire. The first round questionnaire included the same questions from 1 to 13. The Brand Center format was not included in the questions 1-7 in the first round Delphi.

### **The future of Store Formats in branded sportswear retailing in Germany 2030.**

Dear experts,

First of all thank you for participation in the first round questionnaire on "The future of store formats in branded sportswear retailing in Germany 2030". Attached you will find a summary [feedback report](#) of the first survey round.

This is the second round questionnaire based on the first round questionnaire. Three additional questions (№14-16) are added at the end of the first round. In the questionnaire you will be able to see your personal answers from the first round (questions №1-13). Please, also provide your estimations and arguments to questions №1-8 regarding "Brand Center" format. The format is added to the questions №1-8. You are welcome to add new arguments, change your opinion, defend your own positions or comment on the responses of the other experts in the questionnaire based on summary feedback.

Please, return the answers by **25th of March 2014**.

Thank you for sharing your inspirational thoughts!



Please provide brief arguments for your statements above: what factors or trends will make your predictions come true?

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[Save and continue later]

2. Please project how ease of access to stores will develop.

	The ease of access to stores will						
	decrease significantly -3	decrease modestly -2	decrease slightly -1	stay at current level 0	increase slightly 1	increase modestly 2	increase significantly 3
Concept Store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Factory Outlet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pop-up stores	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E-commerce	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
m-commerce	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
brand center/flagship store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please provide brief arguments for your statements above: what factors or trends will make your predictions come true?

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**3. Please identify how the level of service will evolve in different store formats.**

	<b>The level of service will</b>						
	<b>decrease significantly -3</b>	<b>decrease modestly -2</b>	<b>decrease slightly -1</b>	<b>stay at current level 0</b>	<b>increase slightly 1</b>	<b>increase modestly 2</b>	<b>increase significantly 3</b>
<b>Concept Store</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Factory Outlet</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Pop-up stores</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>E-commerce</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>m-commerce</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>brand center/flagship store</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please provide brief arguments for your statements above: what factors or trends will make your predictions come true?**

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4. Please give your opinion on how the importance (level) of experiencing product and brand will develop in different store formats.

**The importance of experiencing the product and brand will**

	decrease significantly -3	decrease modestly -2	decrease slightly -1	stay at current level 0	increase slightly 1	increase modestly 2	increase significantly 3
Concept Store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Factory Outlet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pop-up stores	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E-commerce	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
m-commerce	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
brand center/flagship store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

[Save and continue later]

Please provide brief arguments for your statements above: what factors or trends will make your predictions come true?

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5. Please give your opinion regarding the development of the depth and range of available products in stores.

The depth and range of assortment in stores will

	decrease significantly -3	decrease modestly -2	decrease slightly -1	stay at current level 0	increase slightly 1	increase modestly 2	increase significantly 3
Concept Store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Factory Outlet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pop-up stores	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E-commerce	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
m-commerce	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
brand center/flagship store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please provide brief arguments for your statements above: what factors or trends will make your predictions come true?

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6. Please give your opinion regarding the level of products' price in stores (within formats comparison).

	The level of price for products in stores will be							
	low					high		
	1	2	3	4	5	6	7	
Concept Store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Factory Outlet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Pop-up stores	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
E-commerce	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
m-commerce	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
brand center/flagship store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

Please, provide brief arguments for your statements above: what factors or trends will make your predictions come true?

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[Save and continue later]



**7. Please give your opinion regarding the size of stores in different formats.**

	The size of stores will						
	decrease significantly -3	decrease modestly -2	decrease slightly -1	stay at current level 0	increase slightly 1	increase modestly 2	increase significantly 3
Concept Store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Factory Outlet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pop-up stores	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E-commerce	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
m-commerce	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
brand center/flagship store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please provide brief arguments for your statements above: what factors or trends will make your predictions come true?**

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**8. Please describe the most probable locations and space characteristics for Factory Outlets, Concept Stores, Pop-up and Brand Centers/Flagship stores in 2030.**

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**9. Please briefly describe typical customers for each of store formats in 2030.**

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**10. Please describe how you believe all store formats will be connected as one business model.**

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[Save and continue later]

**11. Please imagine and describe possible "catastrophe" scenario for one of store formats.**

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**12. Please list the major technologies and innovations which you believe will influence the development of store formats or transform the business model of a retailer.**

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**13. Please give your opinion regarding the level of impact of the following trends on store format development.**

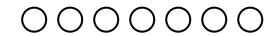
The impact of the trend  
low high

1 2 3 4 5 6 7

**Retail trends:**

- Increasing globalization of retail operating models ○ ○ ○ ○ ○ ○ ○ ○
- Increased role of social media platforms: social merchandising, subscriptions ○ ○ ○ ○ ○ ○ ○ ○
- Multichannel integration ○ ○ ○ ○ ○ ○ ○ ○
- Increasing value for personalization of shopping experience ○ ○ ○ ○ ○ ○ ○ ○
- Mix channel switching behavior of the customers ○ ○ ○ ○ ○ ○ ○ ○
- Flexible in-store environment through design, product offerings and promotions ○ ○ ○ ○ ○ ○ ○ ○
- Retail on Demand – including Service with an opt-in, Auto-curated Shopping, Shopper Coaching, Bespoke at Scale, Fit with a Click ○ ○ ○ ○ ○ ○ ○ ○
- Growing customers' distrust with more information available ○ ○ ○ ○ ○ ○ ○ ○
- The power shift from retailer to consumer ○ ○ ○ ○ ○ ○ ○ ○
- The polarized value-centric, premium-seeking shoppers ○ ○ ○ ○ ○ ○ ○ ○
- Decreasing price competition while increasing combination of price and non-price elements ○ ○ ○ ○ ○ ○ ○ ○

Enhanced ability for customer analytic, product movement analytic, replenishment quantity analysis, sales and forecast analysis



Rising costs due to add-services



Shift from store as the epicenter to the brand as the epicenter



Increasing importance of Customer Loyalty Programs



Virtual is the next online



Socializing shopping online



Increasing out of stock possibilities



“Get local” trend



The rise of environmentally concerned consumers



Growing importance of collaborative consumption (retail sharing, fashion sharing, design selection)



**Demographic change:**

Aging populations



Declining populations in the West



**Economical trends:**

Volatile economy



Globalised flow of capital – Unrestrained financial sector



**New patterns of mobility:**

Mobility increases worldwide



Barriers to mobility increase



Intelligent logistics solutions



**Digital culture and Ubiquitous intelligence:**

Digital technologies pervading and connecting all aspects of daily life



Transition towards cloud-based IT



Breakthroughs in artificial intelligence and robotics



**Business ecosystems:**

New value-chain partnerships



System innovations



**Changes in the work world:**

Highly dynamic and flexible working practices



Advances in automation



**Upheavals in energy and resources:**

Strategic resource scarcities



Use of alternative sources of energy and renewable resources



**Urbanisation:**

Strong growth of megacities and urban conglomerations



Greater structural problems in rural areas



**Global risk society:**

Growing vulnerability of technical and social infrastructures



Greater number of natural disasters



**14. Please chose one technology out of the list from summary feedback and briefly describe how it might influence the development of store formats.**

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**15. Please chose one of the trends: increasing role of social platforms; personalization of shopping experience; Big Data analytics; flexible in-store environment; the rise of environmentally concerned customers; aging population - and briefly describe how it might influence the development of store formats, their characteristics.**

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[Save and continue later]

**16. Please briefly describe the type of merchandise in stores.**

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## APPENDIX 2 SUMMARY FEEDBACK

The following are slides from the Summary feedback sent to the experts after the first round Delphi questionnaire.



### AGENDA

1. Executive summary
2. Sales volume forecast in store formats
3. Forecast of easiness to access stores
4. Level of services forecast in stores
5. Forecast of brand and product experience in stores
6. Forecast of merchandise depth and range in stores
7. Prices level forecast in stores
8. Store size forecast
9. Other developments
10. Next steps

EXECUTIVE  
SUMMARY

The following is a summary feedback report of the first survey round. In total, 16 panelists answered the questionnaire including experts from academia, consultancy and companies.

The presentation contains quantitative answers relating to store formats characteristics as well as all panellists qualitative argumentations concerning the future of store formats development in branded sportswear retailing in Germany 2030.

The survey shows the future of store formats is negatively or positively influenced by many trends. The amount of sales in various store formats, breadth and depth of merchandise, location, access, size, price of products, service development, experience in stores are shaped by such forces as multichannel integration, e-commerce and m-commerce value offering, tough competition, growing customer power and expectation, various technologies, Big Data analytics, customization etc.

E-commerce and m-commerce development and integration with other formats represent the biggest potential where Brick&Mortar stores can play main role by being more service-oriented, focusing on personalized experience, seamless experience and brand empowerment.

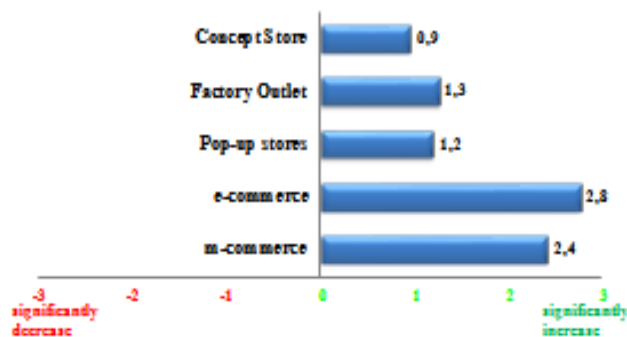
Summary Feedback 01/20214 3

2. SALES VOLUME FORECAST IN  
STORE FORMATS

Summary Feedback 01/20214 4

SALES VOLUME  
DEVELOPMENT  
ON AVERAGE IN  
STORES UP TO  
2030, GERMANY

Sales volume development in stores up to 2030,  
average answer, number of responses=16 (n=16)

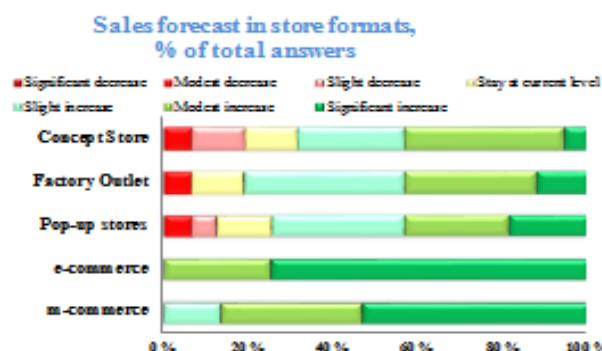


E-commerce and m-commerce formats predicted to grow the most; driven by best “value” offering and “techy” customers; influencing other formats in different ways.

Summary Feedback 01/20214 5



## SALES VOLUME FORECAST IN STORES



The agreement exists on the fate of e-commerce and m-commerce, however, Brick&Mortar formats face greater uncertainty.

Summary Feedback 31/12/2014 3

## ARGUMENTS FOR SALES VOLUME FORECAST IN STORES

### Decrease:

Concept stores sales decrease driven by e-commerce, m-commerce greater value offerings (Concept Stores are operating as showrooms mostly); due to price-conscious customers and information availability; due to inability to create not "boring" experience for techy customers;

Factory Outlets sales decrease due to competition from e-commerce;

### Stay at the current level:

Pop-up has limited potential and is not so popular among sport retailers;

Concept Stores sales are challenged by high prices and expenses;

### Increase:

Concept Stores sales increase :

due to Omni channel approach (Concept Stores and e/m-commerce sales are not distinguished anymore);

driven by new concepts introduction, ideas, new merchandise (also due to e-commerce extensive integration);

due to fast fashion capabilities (as a reaction on fierce competition);

due to brand power and customers pay for "best" experience (costs associated with best locations limit growth);

due to interesting complementary solutions to products (motivation apps, training solutions);

due to "healthier", more sporty lifestyle;

due to manufacturers strategy to control brand presentation, pricing and consumer interaction to leverage CRM;

due to wholesale and concession corners sales decrease;

Summary Feedback 31/12/2014 3

## ARGUMENTS FOR SALES VOLUME GROWTH IN STORES

### Factory Outlets sales increase:

Factory Outlets are "buying" now driven by much better forecast techniques, inventory management;

Factory Outlets are popular shopping destinations for big segment of price-conscious customers;

due to economic turbulence and better price-quality offers for many customers; price competition;

driven by e-commerce clearing;

driven by shoppers needs and necessity to make up for Germany being behind other countries;

### Pop-up sales increase:

as the industry becomes turbulent: to test and experiment with new products, technology, customer experiences;

as an important marketing tool with a lot of "surprises" for more sophisticated customers;

as pick-up points for e-commerce;

### E-commerce sales grow:

as all customers use internet, Internet coverage everywhere;

as consequences of integration with Concept Stores (pick-up, try and order online);

due to best value offer: price-quality, convenience, speed;

due to the growth of more "purpose"-oriented customers;

### M-commerce sales grow:

due to mobile touch points of sales are everywhere (e.g. buying on a way possibilities);

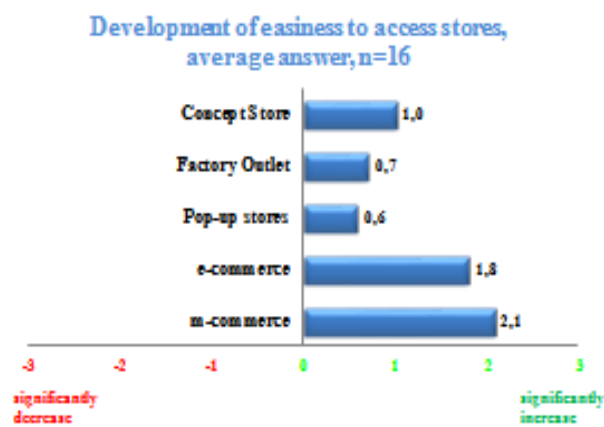
as mobile devices replace computers;

driven by integration with each format.

Summary Feedback 31/12/2014 3

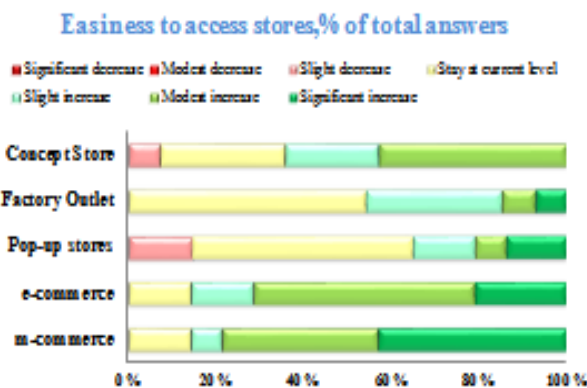
### 3. FORECAST OF EASINESS TO ACCESS STORES

#### DEVELOPMENT ON AVERAGE OF EASINESS TO ACCESS STORES



Customers enjoy better and easier ways to access stores (products) in 2030, mostly driven by multichannel integration.

#### DEVELOPMENT OF EASINESS TO ACCESS STORES



E-commerce and m-commerce empowered by better solutions as well as multichannel integration, whereas Brick&Mortar ease of access is mostly driven by movements to other than prime locations and continuous urbanization.

## ARGUMENTS FOR DEVELOPMENT OF EASINESS TO ACCESS STORES

### Decrease:

number of Factory Outlets decrease due to urbanization;  
Pop up stores are rarely used;

### Stay at the current level:

Brick&Mortar ease to access is the same as infrastructure is the same;  
Factory Outlets are still out of the city;

### Increase:

Factory Outlets are more accessible as they move to city centers;  
E-commerce and m-commerce are challenged by innovative retailers (e.g. Amazon);  
E-commerce and m-commerce are easier to use due to improvements in usability, diminishing risk-perception of customers, increased security, internet coverage everywhere, integration with other formats;  
 Global mobility is pushing ease of access to any locations;  
Pop-up stores are in usual as well as non-traditional locations;  
Concept Stores are in smaller cities.

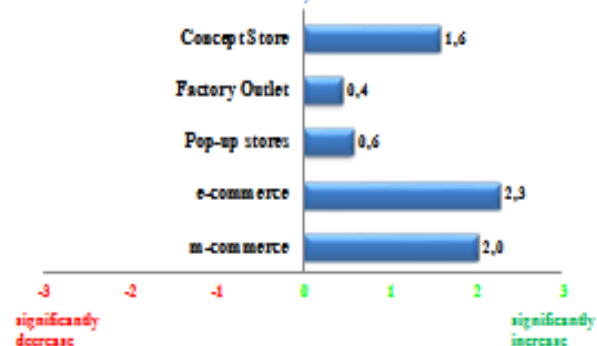
Summary Feedback 01/2014 11

## 4. LEVEL OF SERVICE FORECAST IN STORES

Summary Feedback 01/2014 12

## DEVELOPMENT ON AVERAGE SERVICES IN STORES

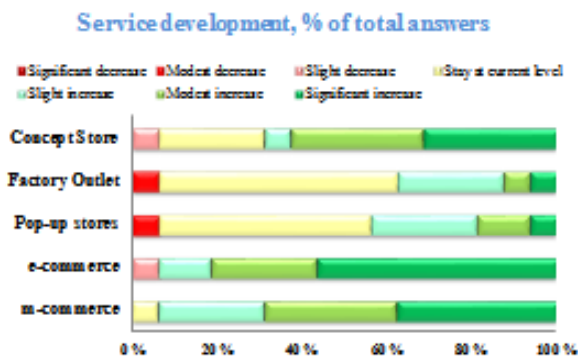
The level of services development, average answer, n=16



Service is especially emphasized in Concept Stores, e-commerce and m-commerce service is driven by importance of “experience” in Brick&Mortar stores and technological advantages in logistics.

Summary Feedback 01/2014 14

## DEVELOPMENT OF SERVICES IN STORES



It is not only about products, service and personal approach are important and sometimes “decisive” forces of store performance driven by e/m-commerce multichannel integration and tougher competition.

Summary Feedback 2012-2014 13

## ARGUMENTS FOR SERVICE DEVELOPMENT IN STORES

### Decrease or stay at current level:

- Level of service in Concept Stores is hindered by big costs associated with personal expenses;
- Factory Outlet services are challenged by inability to put prices higher (“value for money”);
- Factory Outlet service evolves to a self-service model;
- E-commerce services are challenged by regulation decisions (e.g. customers pay shipments costs when products returns);

### Increase:

#### Concept Stores level of service increase:

- as differentiation factor (including store atmosphere, product range) over e-commerce and other multi-brand retailers;
- due to the role of Concept Stores to empower Brand (provide complementary elements to products; personalize shopping experience possibilities (staff knows you, your style, your history and give suggestions));
- due to tough competition; services as competitive advantage to drive retail KPIs;
- due to Omni channel approach: click&collect;
- due to importance of satisfying loyalty program members: some products are available only for loyal customers;

**Others:** Pop-up and Concept Store levels of service depend on the concept.

Summary Feedback 2012-2014 14

## ARGUMENTS FOR SERVICE DEVELOPMENT IN STORES

#### Factory Outlets level of service increase:

- due to multichannel integration;
- Factory outlets tend more into premium direction;

#### E-commerce and m-commerce level of service increase:

- due to multichannel integration;
- due to Big Data analytics capabilities;
- driven by enhancement of interactive services, virtual showrooms, etc.;
- due to improvements in logistics (centralized);
- driven by development of new internet features (based on relatively low cost of implementing).

Summary Feedback 2012-2014 15

## 5. FORECAST OF BRAND AND PRODUCT EXPERIENCE IN STORES

Summary Feedback 2022014 12

### DEVELOPMENT ON AVERAGE OF BRAND AND PRODUCT EXPERIENCE IN STORES

The importance of experience product and brand forecast, average answer, n=16

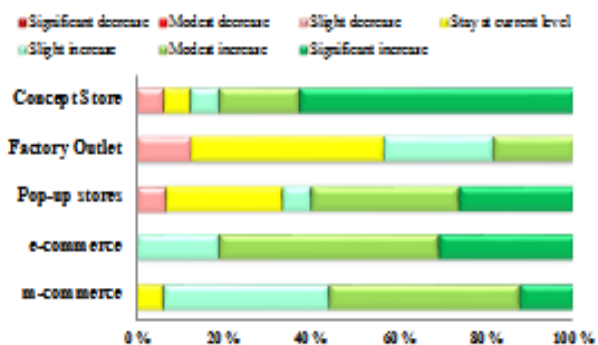


The importance of product and brand experience drives every format, but is least important in Factory Outlets.

Summary Feedback 2022014 13

### DEVELOPMENT OF BRAND AND PRODUCT EXPERIENCE IN STORES

Forecast of product/brand experience importance, % of total answers



The level of product and brand experience is growing due to high customer expectations, tough competition, and new technologies in-stores and online.

Summary Feedback 2022014 14

## ARGUMENTS FOR BRAND AND PRODUCT EXPERIENCE IMPORTANCE IN STORES

### Others

M-commerce may serve the needs of the customers in a hurry so the experience is less important than time-saving;

### Decrease:

Factory Outlets focus on low pricing;

### Increase or stay at the current level:

due to optimization of back-up processes;  
 due to expectations of more sophisticated customers;  
 due to tough competition;

Concept Stores focus on new ways of experience which can not be emulated online;

Concept Stores focus on new roles (such as click&collect);

E-commerce focus on transition of multidimensional brand experience;

Concept Stores and Pop up stores play a "physical" role of experience the brand;

Digitalization and virtualization of products and brands in online stores brings experience to the consumer

Pop-up stores are used for brand building purposes.

Summary Feedback 01/2014 11

## 6. FORECAST OF MERCHANDISE DEPTH AND RANGE IN STORES

Summary Feedback 01/2014 12

### DEVELOPMENT ON AVERAGE OF RANGE AND DEPTH OF MERCHANDISE IN STORES

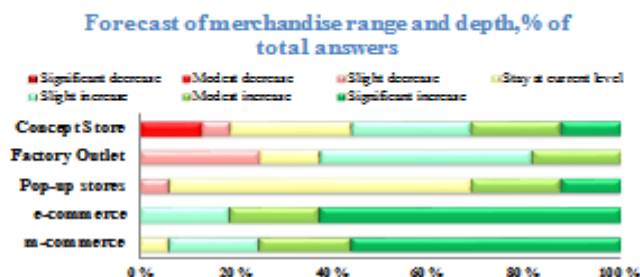
The range and depth of merchandise development, average answer, n=16



The range and depth of merchandise is driven by e- and m-commerce whereas Brick&Mortar stores are limited by space and roles.

Summary Feedback 01/2014 13

## DEVELOPMENT OF RANGE AND DEPTH OF MERCHANDISE IN STORES



E-commerce and m-commerce enjoy the advances in logistics and multichannel integration, increasing production whereas Brick&Mortar stores take opportunities in mass customization, multichannel integration, new technologies but restricted by space, service and social-orientation.

Summary Feedback 01/2014 14

## ARGUMENTS FOR MERCHANDISE DEPTH AND RANGE DEVELOPMENT IN STORES

### Others:

Concept Stores breadth and depth of merchandise varies between concepts;

### Decrease:

Concept Stores focus on only exclusive merchandise to attract customers;

In small cities Concept Stores are small in order to be profitable;

Brick&Mortar stores are limited by physical space;

### Stay at the current level in Concept Stores or slight increase:

due to only new, rare and expensive products introduction;

due to focus more on brand relationships building;

Concept Stores are more service oriented;

Concept Stores are more social oriented (experts' advice, participation in community life).

Summary Feedback 01/2014 15

## ARGUMENTS FOR MERCHANDISE DEPTH AND RANGE DEVELOPMENT IN STORES

### Increase:

due to logistic and warehouses are centralized;

due to logistic improvements;

due to increase in merchandise production;

Omni channel approach encourage distance trade with stores with bigger inventory and instant delivery possibilities;

driven by customers expectations to have everything available at any time (hindered by supply chain expenses, country range);

Brick&Mortar stores merchandise is driven by mass customization;

Brick&Mortar stores merchandise contains not only bestsellers but showcase products due to ability of almost instant delivery;

Concept Stores merchandise is driven by m-commerce integration (but not in Factory Outlets);

Factory Outlets merchandise is driven by e-commerce integration;

Factory Outlets merchandise is driven by changing role of Factory Outlets as "buying stores" (although with smaller range)

Classical items are available for customization everywhere

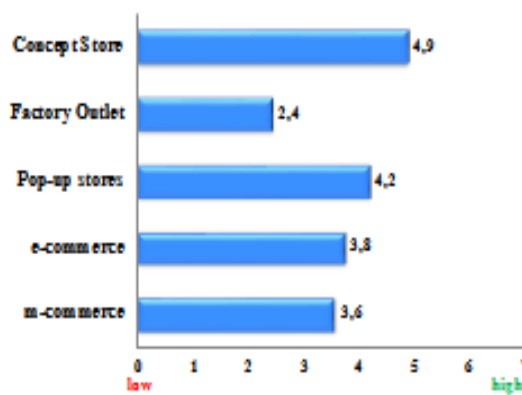
Merchandise is more technologically advanced: changing colors shoes, connected T-shirt with mobile app).

Summary Feedback 01/2014 16

## 7. PRICES LEVEL FORECAST IN STORES

### FORECAST ON AVERAGE OF PRODUCT PRICES IN STORES

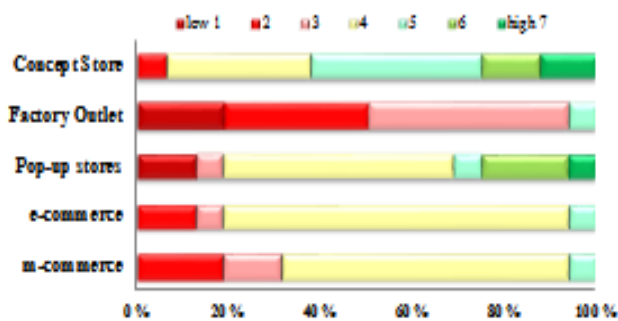
The level of products prices in stores, average answer, n=16



Prices are higher in Concept Stores whereas other formats keep prices at lower level.

### FORECAST OF PRODUCT PRICES IN STORES

Forecast range of product price in stores, % of total answers



High competition, price-conscious customers, information availability across channels/competitors are keeping prices at moderate level whereas Concept Stores put higher prices as customers are ready to pay for in-store experience and services.



## ARGUMENTS FOR PRICE LEVELS IN STORES

### Others:

Different prices for different concepts;  
Different customers have different prices;

### Decrease or stay at current level:

Prices are in-line (except of Factory Outlets) as transparency/ comparability increase (challenged by price competition)

Factory Outlets keep prices at entry price level;

E-commerce and m-commerce play more "promotional role";

### Increase:

Concept Stores higher prices driven by higher expenses and customers are ready to pay for "experience";

Pop-up higher prices as it represents the best innovative merchandise.

Summary Feedback 2012014 10

## 8. STORE SIZE FORECAST

Summary Feedback 2012014 11

### DEVELOPMENT ON AVERAGE OF STORES' SIZE

Store sizedevelopment, average answer, n=16

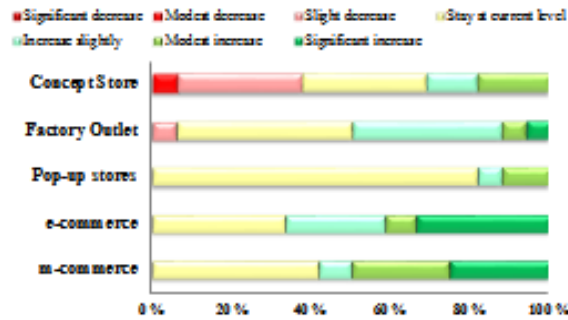


Among Brick&Mortar stores, Factory Outlets are growing in size and bigger together with e/m-commerce whereas Concept Stores and Pop-up stores remain the same.

Summary Feedback 2012014 12

## DEVELOPMENT ON AVERAGE OF STORES' SIZE

Forecast of store size development, % of total answers



Sizes of stores are challenged by different forces: increased expenses; increased assortment; space required for customer "experience".

Summary Feedback 31/12/2014 33

## ARGUMENTS FOR STORES' SIZE FORECAST

### Decrease or stay at current level:

Concept Stores are smaller due to high expenses of prime locations (need to be profitable);  
Concept Stores are exclusive stores which are not required a lot of space;  
Pop-up are small per definition;

### Increase:

Factory Outlets size increases driven by needs of clearing from Concept Stores and e-commerce;  
E/m-commerce presence increases in stores due to in-store technologies: tablets, interactive screens.;  
 Brands will further strengthen their own estores and "shut down" partner sites;  
Factory Outlets size increases due to agglomeration trend;  
Concept Stores size is driven by wider range of products  
Concept Stores size is driven by closing of low-profitable stores;  
Concept Stores which showcase the brand are big (more space for projectors, for manikins, play yard for kids, coffee shops to make sure customers stay).

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## 9. OTHER DEVELOPMENTS

Summary Feedback 31/12/2014 35

## LOCATIONS AND SPACE CHARACTERISTIC OF STORE FORMATS

Concept Stores are located in:

urban area and big cities; city-centers with high traffic to represent brand; only in best locations to showcase brand and provide services, customization; different places depending on brand statement; also in smaller cities due to cut down of wholesale; only in a big city due to big wholesale operations; in "the second best location" following growth strategy of a manufacture.

As more old people come to stores, Concept Stores are lighter and more environmentally friendly due to environmental concerns.

Factory Outlets are located in:

outside of the city with low rents; destination locations such as big malls or outlet villages; industrial area; close to country borders; places which are accessible by public transportation; close to highways; in satellite cities.

Pop-up stores are located in:

inner-city; big metropolitan areas, where event, concerts or community gathering with merchandise accordingly to events; surprising locations.

There are uncertainties regarding locations of Brick&Mortar stores, driven by the need to provide the best experience in Concept Stores, challenged by wholesale operations and probable movements of Factory Outlets closer to the city centers.

Summary Feedback 01/2014 20

## TYPICAL CUSTOMER IN STORES

E-commerce and m-commerce customers are young and middle age people.

Concept Stores customers are: brand-oriented, luxury-oriented consumers; young and sportive people; customers with time and money; fashion/technology "victims" ☺; urban population; early adopters; anyone depending on the need (pick-up, experience brand, try out); anyone depending on objective of the store.

Pop-up customers are: pedestrian and visitors; trendy people; those who follows social media; early adopters.

Factory Outlets customers are: families also with small kids, low-middle-class; bargain-hunters and life-style shoppers; bargain-hunters not depending on the level of income or culture.

Customer segmentation is challenged by customers format switching behavior, different needs (which can be fulfilled in one store format), larger products availability, faster new product introduction.

Summary Feedback 01/2014 21

## BUSINESS MODEL INTEGRATION

- There is no one business model but fragmentation and re-aggregation of existing models which is driven by frequent experiments

- All store formats will play specific "role" (e.g. Factory Outlets serve only as clearing channel with limited planned buying).

- Business model is based on product flow, however, due to significantly improved demand planning and increased Factory Outlets own range of products, there are separate profit center optimizations. As Concept Store are changing the products more often, the merchandise goes to Factory Outlets and e-commerce faster.

- Business model is based on services integration, also with focus on customer loyalty.

- Business model is based on seamless experience (pick up in store, see online what is in the store, omnichannel approach).

- Business model is based on different ways of brand representation, as brand is the only link between store formats.

- Business model is based on various touch points for triggering different consumers' experience.

- FO are the least integrated.

Store formats integration can be done in deferent ways, depending on the logic and focus behind it.

Summary Feedback 01/2014 22

## CATASTROPHIC SCENARIOS

- Pop-up stores over-estimate themes and not seen as special with high risk of damaging the "brand".
- Regulation adversely affects online sales opportunities (taxation, distance selling, failure of Bitcoin, delivery costs); People stop using internet and environment awareness has led to switching only to local consumption (global manufactures are out of the game); Internet is too expensive for customers.
- Brick&Mortar locations are restricted by the law or Concept Stores are out of prime locations as it is so expensive.
- Virtual tailoring has led to extinction of Factory Outlets and now Concept Stores only focus on services which they can provide to customers (e.g. haptic experience on fabric).
- Due to weak economic performance in a country, Concept Stores are losing power to attract customers which is reinforced by Factory Outlets coming to the city. As the result, short-term managerial decisions have led to closing of Concept Stores due to their weak performance and inability to understand if Concept Stores drive sales in other formats or not.

Uncertainties regarding online regulation or store location regulation; inability to analyze contribution of each formats and; movements of Factory Outlets to the city centers might be very harmful.

Summary Feedback 8/12/2014 37

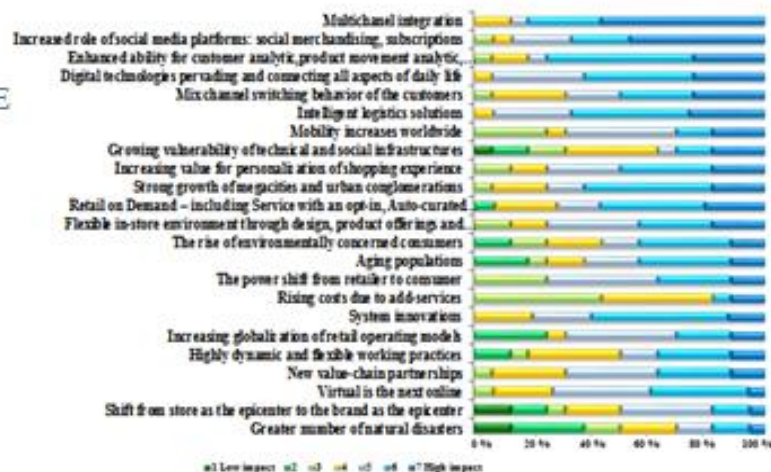
## TECHNOLOGIES WHICH CHALLENGE STORE FORMATS DEVELOPMENT

- Smartphone, internet;
- ietv;
- Wireless communication;
- Google glasses (Internet always on);
- Social media platforms, games;
- Big data analytics;
- Mobile payments;
- Virtual currencies;
- Autonomous delivery vehicles;
- Delivery system innovations;
- Warehouse and distribution center IT;
- Management systems;
- RFID, NFD and so on;
- Fast fashion possibilities;
- Virtual "try on" technologies;
- Body scan, Interactive screens
- Holographic technology
- Virtual showrooms
- Customization
- 3D printing
- Online design support

Technology shapes the future of store formats development: influencing logistics, analytics, in-store environment, services as well as merchandising.

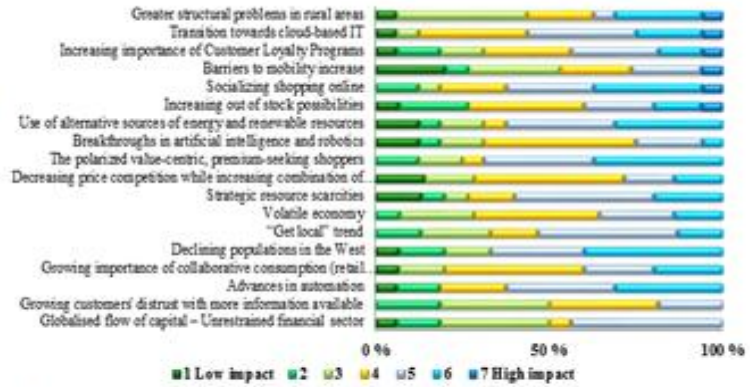
Summary Feedback 8/12/2014 40

## TRENDS INFLUENCING STORE FORMATS DEVELOPMENT



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TRENDS  
INFLUEN-  
CING STORE  
FORMATS  
DEVELOP-  
MENT



The most influential trends are: multichannel integration; increasing role of social platforms; intelligent logistics solutions; Big Data analytics; retail on demand; digital technologies; personalization of shopping experience; flexible in-store environment etc.

Summary Feedback 20120014 12

10. NEXT STEPS

NEXT STEPS

- Please go to your previous questionnaire (the link is provided in email) and answer **3 additional questions** at the end of the questionnaire.
- Please also provide your estimations and arguments to **questions 1-8** regarding **Brand Center format**. The format is added to the questions.
- Please defend your own positions or comment on the responses of the other experts provided in this summary feedback or develop new ideas on questions in the first round. You **can modify your answers** to questions from the first round questionnaire.

This is the last round of the research. Based on your priceless contribution, future scenarios of store formats development in branded sportswear retailing Germany 2030 will be sent to you in the form of a master thesis ☺

Summary Feedback 20120014 14

