

RESEARCH

Christoph Preuss

Retail Marketing and Sales Performance

A Definitive Guide to Optimizing
Service Quality and Sales Effectiveness



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A Definitive Guide
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Quality and Sales Effectiveness

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Christoph Preuss
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Abstract

Retail Marketing and Sales Performance: A Comparison of Branch and Franchise Effectiveness (Christoph Preuss)

Keywords: Retail marketing, retail management, sales performance

The purpose of this research project is to contribute to effective retail by determining the impacts of the elements of retail marketing interventions on sales performance in franchises and branches. The approach comprises a series of complementary surveys of franchisees (n=85), branch managers (n=307), shop visitors (n=861) and customers (n=1000). This is enriched with secondary data and sector-specific structural detail (sales, store location and environment) to determine the direct and mediating effects of retail marketing on sales performance. Through factor analysis results provide evidence that RM has a high and positive, direct-structural impact on sales performance. Furthermore, in branches there is also a lesser, indirect effect on sales through the attitude of sales staff. Despite high internal construct validity, the findings are unproven in the retail context external to the retail network that was the focus of the investigation and so the generalizability could be considered to be limited. Future research should examine if the findings can be replicated in different retail sectors. This research contributes to the development of the dichotomy of branch and franchise management by exploring their operational differences. Retailers can exploit retail marketing more effectively if they understand that structural retail marketing parameters make the greatest impact on an outlet's sales performance. For the development of customer and shop visitor loyalty the main factor is the attitude of sales staff. Theoretically, this research contributes to understanding the effectiveness of retail marketing in plural-form networks.

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Christoph Preuss

This thesis is dedicated to Svetla Preuss
– my beloved wife –
who surely wins the award of the most wonderful wife in the world!

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List of Abbreviations

| | |
|------------------|---|
| AMA | American Marketing Association |
| ASA | Attraction-Selection-Attrition |
| BEH | Behaviour (intention) |
| CATI | Computer Assisted Telephone Interview |
| Chap. | Chapter |
| COM | Commitment |
| CRM | Customer Relationship Management |
| DBA | Doctor of Business Administration |
| DEV | Deviation |
| DMU _x | Decision Making Unit x |
| Edit. | Editor |
| e.g. | Exempli gratia |
| et al. | et alii |
| H _x | Hypothesis x |
| HR | Human Resources |
| HRM | Human Resource Management |
| i.e. | id est |
| Ill. | Illustration |
| IM | Internal Marketing |
| IR | Item Reliability |
| LGI | Liberty Global Incorporated |
| LOY | Loyalty |
| MLR | Maximum Likelihood with Robust Standard Errors and a Mean Adjusted Chi-Square Test Statistics |
| MSI | Marketing Science Institute |
| Nr. | Number |
| n. s. | not significant |
| OLS | Ordinary-Least-Squares |
| p. | Page |
| PDA | Personal Digital Assistant |
| PoS | Point of Sale |
| RM | Retail Marketing |
| ROI | Return on Investment |

| | |
|------|-------------------------|
| RS | Resource Scarcity |
| SAT | Satisfaction |
| SET | Social Exchange Theory |
| SLS | Stage-Least-Squares |
| SQ | Service Quality |
| SPI | Sales Performance Index |
| Tab. | Table |
| US | United States |

„For every sale you miss because you're too enthusiastic, you will miss a hundred because you're not enthusiastic enough.“

Zig Ziglar, American author, salesman and motivational speaker

1 Introduction

This introductory chapter starts with presenting the background and aims as well as the objectives of the research problem. It also presents the structure and purpose of the present thesis.

1.1 Background and Research Drivers

In many parts of the world retailing is a popular way of conducting business as it represents the culmination of the marketing process as well as the contact point between consumers and merchandise, communications and customer service at the point of sale (Zentes et al., 2007: 1-5). Retailing is characterised by the provision of goods and services to final consumers and includes traditional retail formats such as supermarkets, butcher shops and department stores (Miller, 2008: 3; Berman and Evans, 2008: 8).

Overall, the retail marketplace is at the mature stage in the industrial life-cycle. This means that growth has slowed down while competition has become more intense. As companies are fighting for market share, consumers have become accustomed to a ubiquitous and unlimited range of products and services in retail stores. These stores reflect a broad range of businesses (Lewis and Dart, 2010: 3-6).

Global retailing is undergoing fundamental changes. The increase of large-scale retailing represents a worldwide trend. A case in point is the United States (US) retail industry, in which the major expansion of price-aggressive national chains across all of retailing, including department stores has continued to be the dominating trend (Lewis and Dart, 2010: 35-48). Where category specialists long have been the first choice of the consumer for a variety of products, Wal-Mart has taken over as the worldwide biggest seller of toys, diamond jewellery, underwear, DVDs, and food. Another case in point is French-based Carrefour, the

world's second largest retailer which runs six different formats in 31 countries (Krafft et al., 2006: 13).

Retailers must develop new tactics to compete successfully against their rivals. **Franchising** is considered by many a retailer as a means to make their retailing approach more effective. Franchises are a very effective way for an organisation to have a significant control over a retail network without the usual financial constraints. For the franchisor the fact that he has no direct control over the franchisee (free-riding phenomenon) represents a major disadvantage (Miller, 2008: 5; Berman and Evans, 2007: 110-114).

Franchising currently accounts for 30 to 40% of all retail sales in the US and England with Germany somewhat lacking behind (Swartz 2001; Boyle 1999).

Often, franchising is not used as an exclusive retail strategy. Franchisors tend to own a substantial number of retail stores themselves. On the one hand the complexity of managing such **plural-form networks** is higher than that of running a monolithic format of exclusive franchises or branches. Furthermore, the risk of conflict is higher within these networks. They also require a different management style than a monolithic system. On the other hand synergies can be drawn when deciding on opening new stores (Cliquet, 2000). Moreover, the motivation and entrepreneurial mind-set of franchises is high, because they manage their own stores. Franchisees also have a strong knowledge of local markets. Their encounter with employees and customers is direct and personal (Zentes et al., 2003). Cliquet and Croizean (2002) analysed the dichotomous structures of plural forms in the French cosmetics industry. Based on interviews with executives from eight companies they concluded that plural forms help a retailer to foster control and stimulation in their network. According to them personnel training is a key point (Cliquet and Croizean, 2002: 241-248). They are able to give an indication of the relevant central support factors in a franchise context. However, their exploratory research misses methodological rigour, reliability of results and the perspective of the franchisees.

Against this backdrop retail organisations follow different approaches of improving their headquarters' performance towards branches and franchises by applying strategic schemes based on **retail marketing** (RM). The retail marketing mix represents all components that a retailer offers to a consumer. Its main components are: merchandise, store design, location, promotion, pricing and customer service (Miller, 2008: 39; McGoldrick, 2002: 5-8).

But what are the key drivers within the central retail marketing support for the sales performance of a retail outlet both in a branch and franchise format? In both business science and retail and sales management this is a highly relevant

question (Cliquet and Croizean, 2002; Cliquet, 2000). In order to be successful retailers in particular have to conduct special marketing activities such as communications or product- or service development in their representation towards external target groups (Mukherjee et al., 2003: 724). The best merchandise concept will only be accepted by the consumer if the store personnel are playing their part adequately. The human factor is pivotal in turning visitors into purchasers. In retailing the effect of central marketing activities largely depends on sales staff attitude to becoming part of a first class sales organisation (Perrey and Spillecke, 2011: 182-183). That is the reason why the American author, salesman and motivational speaker Zig Ziglar stresses the relevance of sales staff attitude by saying that “for every sale you miss because you're too enthusiastic, you will miss a hundred because you're not enthusiastic enough.”

This project is based on a retail marketing concept. Moreover, key elements from internal marketing (IM) are incorporated into the present research context. Whereas RM is generally directed towards external target groups, IM focuses on internal target groups. IM uses a marketing-like approach to enhance employee satisfaction and inter-functional coordination and implementation in order to develop customer satisfaction (Ahmed and Rafiq, 2002: 4-11). Because of the relevance of the **internal target groups' attitude** in the present context the classical RM definition is extended by three further central factors – internal communications, reward and recognition structures as well as staff training and development – that are more related to internal than retail marketing.

The incorporation of IM's focussed perspective on and of the employee together with key factors of IM into the present RM definition, thus, seeks to generate a clearer picture of the effectiveness of central support factors perceived by sales staff. As these **IM concepts are embedded** into the retail marketing context a new model is developed comparing the effectiveness of RM instruments between a branch and franchise format.

Traditionally, franchising research has investigated issues such as ownership redirection efficiency from a domestic perspective. It focuses on the perspective of the franchisor and emphasises the decisions retail networks make when deciding on opening or closing a branch or franchise outlet (Lafontaine and Shaw, 2005; Seshadri, 2002; Sorenson and Sorensen, 2001; Fock, 2001; Lafontaine, 1992; Dant et al., 1992; Hunt, 1973). In recent years global franchising has received a greater academic attention (Alexander and Doherty 2009; Sashi and Karuppur, 2002; Quinn and Alexander, 2002; Quinn and Doherty, 2000).

In franchising research **resource scarcity** and **agency theory** form the theoretical basis for the debate about the continued use of franchising in plural-form networks.

According to the resource scarcity (RS) theory franchisors over time learn the revenue and gross margin potential of individual outlets. As contracts expire, franchisors repurchase the most profitable franchise units. Generally, these attractive stores are most likely located in high traffic, densely populated areas. Less attractive units in rural areas, where the franchisor has little local market expertise and is trying to set up a critical mass of outlets the franchisor will tend to franchise. The inherent assumption of RS theory is that the franchisor, after having seized a particular network size, generates more and more positive cash flows and operational experience. This results in a reduction of his initial resource constraint (Carney and Gedajovic, 1991: 608-609; Lal, 1990; Norton, 1988; Oxenfeldt and Kelly, 1969).

Agency theory analyses the relationship between the principal (franchisor) and the agent (franchisee). It concentrates on the analysis of the agent's behaviour and motivation in connection with the franchisee's contractual terms and conditions. It seeks to motivate franchisees to put their maximum effort into their job. This in return leads to higher profits for the franchisor (Seshadri, 2002; Holstrom and Milgrom, 1994; Mathewson and Winter, 1985).

In service-related industries research on the effectiveness of RM towards the consumer – especially in terms of service quality – seems to be comprehensive, however it takes little note of the perception of franchisees (Maritz and Niemann, 2008: 13; Sorenson and Sorensen, 2002: 723).

This research project addresses the identified research gap. It seeks to develop further the **dichotomy of branch and franchise management** by exploring their operational differences and by addressing those (internal) characteristics that make retail marketing particularly suitable for franchising or branch management.

The research project is based on an analysis of a major German telecommunications retailer. First and foremost, it addresses the practical RM concerns of this selected retail organisation. Consequently, this research project focuses on contributing to the enhancement of the **practice of RM management** in the examined retail organisation. The satisfaction of franchisees and branch managers with the central retail marketing support is at the heart of the investigation. Based on supplementary interviews with shop visitors and customers, service quality is measured against their satisfaction and loyalty. Extensive literature has been published on this subject. Service quality has long been regarded as a driver

for customer satisfaction (Parasuraman, 2002; Behara and Gundersen, 2001; Zeithaml et al., 1993; Lewis, 1993; Parasuraman et al., 1985). Furthermore, customer satisfaction is a determining factor for consumer buying behaviour and economic success (Vogel, 2006; Krafft, 2002; Bernhardt et al., 2000). Therefore, service quality and its inherent concepts is not a central literature base. Moreover, this research project seeks to find generalizable results that contribute to the development of RM and IM theory.

1.2 The Telecommunications Industry as Research Context

Germany has Europe's largest telecom market, with a high penetration in the broadband and mobile sectors. Both the fixed network and broadband markets are dominated by Deutsche Telekom, though other notable players including United Internet, Vodafone and Telefónica have gained market share as the incumbent continues to suffer from poor performance.

In the wireline market, there were two major acquisitions in the third quarter of 2009. Firstly, Spanish fixed-line incumbent Telefónica announced that it had acquired German broadband operator HanseNet with the intention of merging it into its German mobile unit Telefónica O2 Germany. Telefónica has extensive experience of operating telecommunications businesses in Europe and also owns the incumbent operations in Spain and the Czech Republic. Its great wealth of experience and strategic guidance should help drive HanseNet forward in what is becoming an increasingly competitive market. The financial backing that Telefónica brought to HanseNet is also a huge advantage as consumers demand increasingly higher quality and advanced services such as high-speed broadband and IPTV. The other major acquisition was Liberty Global Incorporated (LGI)'s acquisition of Germany's second largest cable operator Unity Media. Again, LGI brings extensive regional and global experience and strategic expertise as well as powerful financial backing. These developments in the broadband sector should lead to greater competition in the broadband market, particularly for bundled service customers. Demand for double- and triple-services is growing and with three of the largest broadband operators in the country also being three of the country's mobile network operators, quadruple-play offers could soon begin to flood the market (Kurth, 2009: 50-54).

During the first three quarters of 2009 Germany's mobile market growth has slowed considerably. In the first quarter of 2009 the sector contracted by 0.2% before expanding by a meagre 0.2% the following quarter. In the third quarter of

the year growth came to 1.0%. At the end of 2009, the mobile subscriber base is just under 109.8 million customers with mobile penetration being above 130%. Market shares in the mobile sector have been relatively stable over the past few years with the general trend being increasing market shares of the two smallest operators E-Plus and O2 at the expense of the country's largest operator T-Mobile and Vodafone (Kurth, 2009: 50-59).

1.3 Company Context and Challenges: Freenet Group and mobilcom-debitel Retail Limited Company

1.3.1 Company Context

The company Freenet.de AG was founded in December 2009 as an internet service provider and internet portal. Mobilcom AG was holding 50.4% at that time. In March 2007 these two companies merged under the freenet Group construct. In July 2008 the freenet Group acquired its major competitor debitel Group. Through this acquisition the freenet Group became Germany's largest network-independent telecommunications provider offering its customers a broad portfolio of mobile voice and data services (freenet, 2009: 9-10). Following a business strategy focusing on mobile telecommunications freenet Group sold its internet service providing business to United Internet (1&1) in May 2009 (freenet, 2010: 9).

In contrast to a network operator the freenet Group as a **mobile service provider** has no own network infrastructure but resells own tariffs and tariffs of all four German network operators to consumers under its own name.

The **primary sales channels** are the own retail shops (mobilcom-debitel shop limited company) together with a significant presence in consumer electronics stores of Media-Saturn. Furthermore, freenet Group offers its products and services via its own online shop and a network of independent telecommunications specialists.

freenet's main competitors are Deutsche Telekom, Vodafone, E-Plus and O2. To differentiate itself from these rivals the company focuses its branding efforts under its **main brand "mobilcom-debitel"** on the B2C business with private consumers in Germany. freenet positions its key brand "mobilcom-debitel" with the following core factors: independence in consultation and choice of tariff, demand-oriented customer support and services for selected mobile

communications products and services, and customer proximity thanks to its large distribution network (freenet Group, 2011: 33-35).

In the discount sector, freenet AG regularly occupies top positions through its discount brands “klarmobil“, “freenetMobile“ and “callmobile“ in the respective categories of infrequent, normal and frequent callers. The products are available via the Internet, the hotline or at retail. In 2010, this competitive positioning was reinforced through new offers related to mobile voice and data services. As a result, freenet increased its customer base in this segment by more than half a million (freenet Group, 2011: 5-6).

Strategically freenet Group focuses on improving internal process optimisation and securing long-long-term profitability and strong cash flow (freenet Group, 2011: 31-32).

Based on its **15.65 million customer base** freenet generated revenue of 3.34 billion euros, compared with 3.60 billion euros in 2009 and an EBITDA of 366.5 million euros (after adjustments for one-off items) and a cash flow of 211.7 million euros in the financial year 2010. At the end of 2010 freenet employed 3,972 employees (freenet Group, 2011: 2).

mobilcom-debitel retail limited company represents a **retail network** that is fully consolidated in Germany’s largest telecommunications reseller, freenet Group. It is the most relevant sales channel of the organisation, operates more than 600 retail stores and represents the key brand and service touch-point for its almost 16 million customer base. Despite the strong competitive environment this retail organisation must sustain profitability.

1.3.2 Challenges

In the German telecommunications market consumers can choose from a wide assortment of products, the Internet makes it easier to shop and compare prices. Large-scale retailers such as Mediamarkt-Saturn on the one hand and telecommunications e-commerce specialists on the other hand are playing an increasingly relevant role. Additionally, the German market is characterized by a high density of more than 5,500 retail stores run by one of the four network operators. Given this backlog the present organisation finds it increasingly demanding to please more sophisticated consumers in order to increase store loyalty and to attain a high level of store effectiveness.

The decrease in the level of customer loyalty has resulted in higher degrees of competition while threats have also come from new entrants to this industry such as United Internet (UI). Based on a pure online and price leadership

strategy for high value customers UI has very successfully developed its mobile telecommunications business since August 2009.

From the author's perspective as the managing director of this retailer the following market and organisational trends strongly determine this corporation's challenges:

- Integration of mobile and fixed line service is leading to the development and launch of price aggressive product bundles and consequently to further price erosion
- Radical shift from voice to data traffic resulting in a decrease in gross margins and substantial revenue losses because of a higher penetration of data flat tariffs
- Increasing demand in mobile applications shifts revenues from mobile service providers to software and application vendors and device manufacturers
- Significant growth of smartphones increases the importance of retailers to offer a broad range of cutting-edge handset devices and superior service quality
- Growing share of discounters, especially in online realm results in a decrease of potential customer base for offline shops
- New organisational focus from shop expansion to optimization of store locations.

For the present retail organisation the ability to detect drivers of sales employees' attitude and behaviour is very important. For mobilcom-debitel retail limited company a clear understanding of the interdependencies of the relationship of RM and attitude and sales performance, therefore, is pivotal for developing its service quality and competitive edge.

Franchisees have a greater degree of freedom in planning and implementing their own marketing activities. Branch staff, however, largely depends on retail marketing activities from headquarters. It could be argued therefore that the impact of RM on sales staff' attitude and sales performance in a branch is higher than its impact in a franchise.

1.4 Research Aims and Objectives

The aim of the planned research project is:

To determine the critical success factors contributing to the relationship between retail marketing and sales performance on a headquarters and outlet level in a branch and franchise format.

For any retail organisation to enhance its success it is essential to address customer needs consistently. Therefore a retailer needs to coordinate its central marketing support effectively as well as to manage its sales personnel according to market needs (Berman and Evans, 2008: 35-36). This applies in particular to plural-form networks comprising of a branch and franchise organisation (Windsperger et al., 2004; Cliquet, 2000; Bradach, 1997).

Companies need to understand what makes their branch managers and franchise partners more satisfied, loyal and committed. Their attitude is central to an important organisational feedback loop lowering employee turnover leading to higher customer satisfaction, increasing loyalty and expanding profitability (Stock-Homburg, 2007; Wunderlich, 2005).

The conceptual approach behind this research project is the service profit chain model. This formulates positive correlations between employee- and customer satisfaction (Heskett et al., 1997). The analysis of the effectiveness of RM management that is to be carried out seeks to clarify the cause-and-effect-relationships of the entire service profit chain, starting with measurements for employee satisfaction and concluding with customer retention.

The objective of this research project is to make transparent the cause-effect relationships between RM (headquarters level) directly and sales performance (outlet level) as well as indirectly through the attitude of branch managers and franchisees towards sales performance. It is also intended to give concrete management recommendations for marketing and sales executives.

Therefore, this research-project sets out to clarify RM's direct effect on sales performance as well as its indirect effect on the attitude of internal target groups in a branch and franchise format in one retail network.

This overall aim can be broken down into two research objectives:

- to develop a conceptual model representing the relationship between RM and sales performance and to present results related to the research questions

- to test hypotheses concerning the effectiveness of RM.

To meet the overall aim and derived objectives five research steps have been developed for this study:

- to present a critical review of the existent knowledge about the relationship between retail and internal marketing on the one hand and sales performance and staff attitude on the other
- to clarify research deficits and to analyse the reliability and validity of RM research and further multi-disciplinary contexts
- to put the research questions into the existing literature
- to develop an effect model that serves as a framework to prove and reject the formulated hypotheses
- to evaluate the implications of the research results for the practice of retail marketing and management theory.

1.5 Research Design Stages and Thesis Structure

The research design represents the framework for this research project. A design is used to structure the research, to indicate how all of the major parts of the research project such as samples, measures, data collection and analysis tools and methods of assignment work together in addressing the central research questions.

The research design represents a framework for data collection and analysis. The selected research design indicates decisions about priorities set within the research process. The empirical effect analysis of RM activities in the present study is conducted in a retail network in the telecommunications industry.

The research design activities comprise the formulation of hypotheses as well as of empirical observation. These procedures are based on the theoretical model predicting which data should be obtained if this model provides a good fit to the real world (Van de Ven, 2007: 21-24).

In order to find out the direct cause-and-effect relationships between RM and sales performance, RM and attitude as well as attitude and sales performance within the adjusted service profit chain context, a confirmatory relational fixed research design is applied. Fixed designs generally deal with group characteristics and general tendencies. And they transcend individual differences and also

identify patterns and processes that can be connected to social structures and organisational features (Robson, 2002: 98-99). A relational fixed design measures the relationship between two or more variables. It typically applies correlation and regression analysis as main analytical technique. As all measures will be gained over a short period of time, this project focuses on the application of a cross-sectional design (Robson, 2002: 155-156). Since this study aims at comparing the effectiveness of RM in a branch versus a franchise format, the research design also includes a strong comparative component.

In the present context a five-step approach has been developed in addressing the research aim. The graph in Figure 1 illustrates the procedure of the research design stages and it formulates key aspects of each stage.

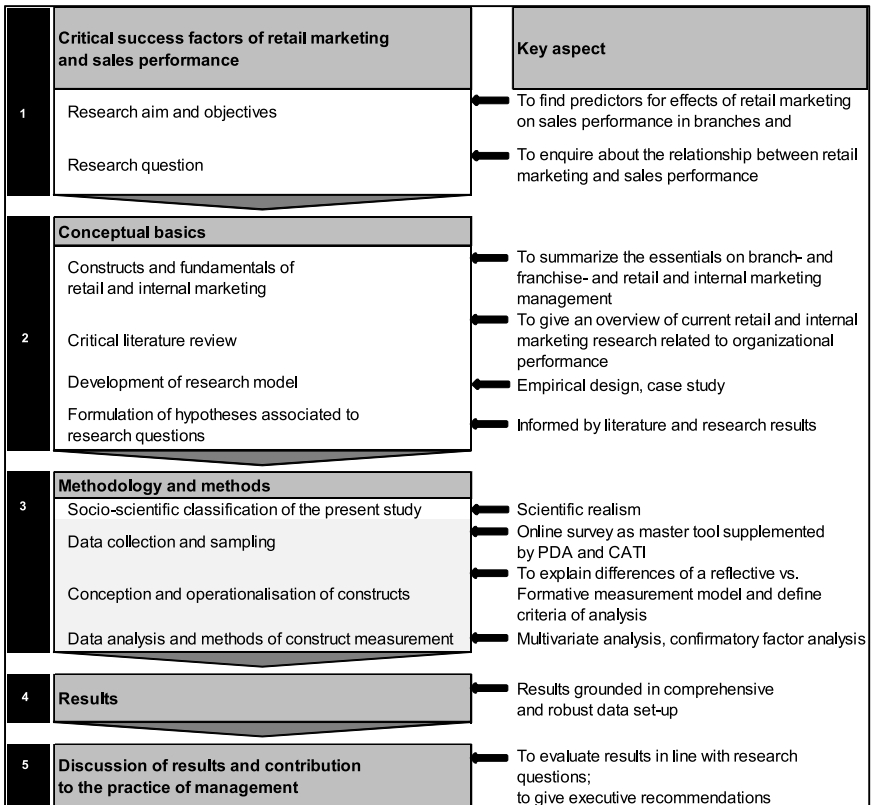


Figure 1: Overview of research design stages

The research design, which focuses on five design stages, is derived from the two research objectives. The first of these is to develop models for the measurement of RM effectiveness on sales performance. And the second tests the hypotheses on the relationship between RM and sales performance.

After the introduction to the problem in **chapter 1** the conceptual fundament of this research project is presented in **chapter 2**. This chapter aims at generating a common understanding of the relevant terms involved. In this case retail marketing and its instruments are defined in a first step and in a second step the terms “retail marketing” and “internal marketing” are evaluated in light of the planned transfer to a sales format comparison context between franchising and branch management. In this context an appraisal and critical acclaim of relevant empirical RM and IM research is carried out. As IM is transferred to the present RM research concept IM is comprehensively evaluated in the literature review section of this report. Hereby, a focus is laid on IM research in a service and retailing environment. Chapters and 1 and 2 mainly address the first research objective. In the last part of chapter 2 and the following chapters the second research objective is addressed.

The conceptualization of the measurement of RM activities and the development of a measurement approach is based on elements of the service profit chain concept in **chapter 3**. This service profit chain idea is adapted to the relevant RM context and a concept is developed to set a framework for the theoretical deduction of the research hypotheses in which direct, mediating and moderating effects are considered. This chapter details the employed research methods that present the basis for clarifying and justifying the methodological rigor of this research project. The processes underlying this research design, which includes data collection and concept measurement techniques applied, are discussed. Details of each research phase are provided. The chapter concludes by presenting analyses procedures to test reliability and validity of the research results.

Chapter 4 presents the results and analyses of the primary data collection process. The analyses and outputs of each research phase and the details of each survey are presented. Subsequent analysis of the surveys applying factor analysis is structured around the formulated research questions and hypotheses. This chapter focuses on presenting the research results. An assessment of these results and a discussion of their practical implication are dealt with in the following chapter.

Chapter 5 evaluates the results of this study in line with the research aim and objectives as well as the existing RM and IM literature related to organisational performance. This allows the research project to be positioned in terms of

its contribution to management practice and theory. The specific research questions and hypotheses are addressed in light of the research results. A particular focus is laid on the implications for management. The formulated overall aim of this project – to determine the success factors in the relationship between RM and sales performance – sets the frame for the evaluation. The chapter concludes by discussing the limitations and identifying future research potentials.

1.6 Methodology and Research Methods

Approach. The present research project is designed to establish cause-and-effect models for the relationship between RM and sales performance and to test the developed hypotheses on this relationship. In order to achieve these aims three complex surveys with sales staff, customers and non-customers are conducted.

Prior to the hypotheses formulation the research questions are derived from a comprehensive review of literature.

This project presents a new RM effectiveness framework that is based on a set of controllable RM and IM factors. This research is based on a **positivistic approach** applying three quantitative surveys as the primary data collection method. This quantitative focus is supplemented by the perspective on the RM effectiveness perceived by two different internal target groups in one retail network. At the same time this internal perspective is combined with an external perspective of customers and non-customers. The research design therefore also underlies a **dyadic structure**. Furthermore, secondary data of the relevant RM factors and sales performance are integrated so as to give a comprehensive analysis of RM effectiveness.

Epistemology. From an epistemological point of view this research project is based on a **scientific realism approach** that reflects an inductive method of conclusion through which truth is approached incrementally by taking into account many single observations. Moreover, the project follows a **pluralistic approach** in the sense that there is not one consistent set of truths about the world in general and Retail Marketing in particular, but several such truths. Consequently, several mutually exclusive complete and true descriptions of retail and internal marketing may help towards cognitive progress and improved organisational effectiveness in this domain.

Methods, implementation and sample. The survey sample comprises 392 interviews with sales staff from an online survey, 1,000 completed telephone

interviews with customers and 861 personal digital assistant (PDA) or handheld interviews with shop visitors. Data for the present project is drawn from these surveys and supplemented by secondary data from the headquarters of the scrutinized retail organisation. For each of these three different surveys two different samples for branch managers and franchisees are set up.

Within this context it must be ascertained that the analysis of only one retail network allows only restricted generalizable statements. This limitation in the research design is due to the complexity of the research project.

Analysis procedures. To address the first research objective cause-and-effect models were developed for the three surveys. The reliability of the constructs was measured based on global and detailed criteria following the procedure by Homburg and Giering (1996). The reliability of the latent themes within the developed concepts was confirmed with Cronbach's Alpha scores ranging from 0.638 to 0.861. Only one factor ("sales representatives' toolkit") fell slightly below the suggested level of 0.7 for Cronbach's Alpha; although it still was within acceptable limits (Min and Mentzer, 2004: 70-74) and the high factor loading justified its integration.

To address the second research objective the relationships within the developed cause-and-effect models are analysed. Based on these analyses the hypotheses will be accepted, partially accepted or rejected.

Reflective practitioner perspective. The managing director of the analysed retail network conducts this research project in pursuit of his studies as Doctor of Business Administration (DBA) candidate. Rather than viewing research as an end itself, the DBA focuses on the development of professional practice. Because of its practically focused conception the results of a DBA research project are typically broader than the intended learning outcomes of the traditional PhD in management (Lester, 2004: 757-761; Bareham et al., 2000: 394-395).

1.7 Contributions

1.7.1 *Contribution to Management Practice*

This research project seeks to find which RM management practices should be emphasized for a specific telecommunications retailer. First and foremost, it is aimed at developing RM practice and contributing to professional knowledge in this field.

Consequently, the identification of the pluralistic position of RM also contributes to management practice by recognizing and reacting on the role of the individual and relational dimension of RM contacts. These impacts extend from training, merchandise, incentive and compensation schemes to outlet location and customer retention. This project aims at gaining fundamental empirical findings on how management can optimize the RM-mix within two different sales formats, combined in one network.

A further contribution of this research to management practice centres on the identification of what branch managers and franchisees can influence in terms of customer loyalty and sales performance and what motivates them to be more customer-orientated. Influencing attitudes is of special interest. It adds further weight to the role and importance of individual franchisees and branch managers. An understanding of what motivates these two internal target groups to use their customer and service orientation makes a critical contribution to management practice. It is at this stage that latent, potential sales power is realized and achieves results.

1.7.2 Contribution to Theory and Conceptual Development

Through this research several contributions are made to the existing body of knowledge of retail marketing relationships. On the one hand, these are divided into theoretical-academic contributions related to the conceptual development of RM and the applied research design. On the other hand, they are related to contributions to retail marketing management practice.

The existing literature shows retail and internal marketing research to be mainly prescriptive. These bodies of knowledge, RM and IM, are not yet integrated. Furthermore, there is a lack of conceptual and empirical research related to the cause-and-effect mechanisms between RM, sales-staff loyalty and commitment and sales performance in plural form networks (Cliquet and Croizean, 2002: 249; Wunderlich, 2005: 196). In this context a dyadic approach combining internal and external perspectives has not yet been undertaken. In this research project these conceptual deficits are addressed through the development of a conceptual framework.

Primarily, the objective of this research project is to contribute to the optimization of RM effectiveness in practice and only in the second instance to the theoretical-academic development. A unique contribution is made through the separated perspective on two internal target groups within their respective

sales format, franchise and branch outlets. This perspective allows a direct comparison of the management of central RM factors for two different sales formats.

1.7.3 Contribution to Research Methods

The methodological approach in this project combining the RM and IM perspective enables a broader ontological and epistemological examination of the cause-and-effect relationships of RM factors on an outlet's sales performance and a sales staff's attitude. This combined and mixed perspective provides a significant contribution to the conceptual development of RM factors as the synthesis of these areas delivers a more robust representation of the concept than the existing RM or IM disciplines in isolation.

Another fundamental contribution to management theory is made through challenging the nature of retail marketing because this underpins the validity and reliability of current and future research. This is achieved by using a robust research design and survey instruments designed by the researcher and supplemented by a practitioner community of managing directors and market research experts from the relevant retail organisation. In this way possible researcher bias is minimized. This contributes to the wider research community, enabling further research on RM to be developed. The generalizability of the research methodology is an important factor because the concept of RM has a broad theoretical resonance and the methods used in this research can be applied in other contexts in management research.

1.8 Summary

Retail organisations use retail and internal marketing activities to increase service quality and maximize sales and profits.

The overall of this research project aim lies in determining the critical success factors that contribute to the relationship between RM and sales performance on a headquarters and outlet level in a branch and franchise format. This study is aimed at developing RM practice and contributing to professional knowledge in this field. It focuses on the identification of what branch managers and franchisees can influence in terms of customer loyalty and sales performance and what motivates them to be more customer-orientated.

The research design focuses on five design stages and serves to develop models for the measurement of RM effectiveness and test the hypotheses on the

relationship between RM and sales performance. The thesis is structured in five key components: introduction, conceptual basis, methodology and methods, results and interpretation.

This study follows a positivistic approach applying three quantitative surveys as the primary data collection method and combining the perspective of internal target groups, customers and non-customers. From an epistemological point of view this research project is based on a scientific realism approach reflecting an inductive method of conclusion.

RM and IM literature appears to be prescriptive and in the case of IM still in its infancy. RM and IM are not yet integrated. This study is based on a RM and IM concept. IM is transferred to the retail marketing context.

There is also a lack of conceptual and empirical research related to the cause-and-effect mechanisms between RM, sales staff loyalty and commitment and sales performance. A dyadic approach combining internal and external perspectives has not yet been undertaken. These conceptual deficits are addressed through the development of a new conceptual framework in the present research project.

A unique contribution is made through the separated perspective on two internal target groups within their respective sales format, franchise and branch outlets. This perspective allows a direct comparison of the management of central RM factors for two different sales formats. It provides a significant contribution to the conceptual development of RM factors as the synthesis of these areas delivers a more robust representation of the concept than the existing RM or IM disciplines in isolation.

Based on current literature related to the dichotomy of plural-form networks it is assumed that RM is more important for the attitude of branch staff than this is the case for franchisees as franchisees have a somewhat greater degree of freedom in planning and implementing their marketing activities than branch staff. In other words, franchisees are less dependent on the RM effectiveness. Therefore, the author assumes a higher impact of RM effectiveness on the attitude and sales performance in a branch format than in a franchise format. The following chapters make the research questions and objectives more concrete and try to find answers for these questions and build a fundament for hypotheses testing.

2 Retail marketing, concepts and research model

2.1 Introduction

The aim of this chapter is to present an overview of the essential terms and conceptual basics which are necessary for a comprehensive understanding of the research problem. This comprises the definition of retail and internal marketing. To diagnose RM and propose solutions for a more effective RM management in practice, previous research and theories are drawn on. The analysis of relevant RM and IM literature, thus, helps to identify the appropriate theoretical and conceptual basis. This identification process is a key requirement for improving RM effectiveness. Moreover, it allows the research questions and associated hypotheses to be positioned in the overall context, thus highlighting their contribution to management practice and the development of insight related to RM research. At the same time research gaps are made transparent.

In this chapter a theory is presented that is appropriate for explaining the impact of RM activities on sales performance and on sales staff's attitude. Based on this theory a conceptual model is developed to connect RM factors with sales target figures and psychographic data in order to measure the direct and indirect effects of RM on sales. These RM factors have been derived from a comprehensive literature review. Their relevance for practice is summarized in chapter 2.5.

The specific objectives of this chapter are:

- to understand and critically evaluate RM and IM management theory
- to document and evaluate current RM and IM key models and frameworks related to organisational performance
- to examine the validity and reliability issues of current RM and IM research
- to identify gaps in knowledge and deficits in research
- to develop specific research questions addressing these gaps in knowledge and the associated research objectives
- to position this research in the existing RM and IM literature context

- to present evidence contributing to this research project for management practice and theory
- to develop a research model that helps to improve RM effectiveness in management practice
- to formulate research hypotheses based on this research model which will be tested statistically to answer the research questions.

2.2 Retail marketing

2.2.1 Defining retail and internal marketing

RM or retailing involves those companies engaged primarily in buying goods from other companies in order to resell these products to the consumer. Retail establishments are often called shops or stores. The retailing process is the last step in the distribution chain of merchandise. Retailers sell small or even single quantities to the general public. This process combines the following key elements: logistics, availability at point of sale, assortment, provisioning of sales advice, after-sales service (Zentes et al., 2007: 1-5). Owing to their direct contact with the consumer retailers have more options in their RM-Mix than manufacturers (Berman and Evans, 2008: 109-111).

Retail concepts are often replicated and transferred from one country to another. Replicating basic RM features and adopting new retail marketing practices to local markets are commonplace activities in retail expansion and internationalisation. Alexander and Doherty (2009) make clear that retailers operate very different concepts and formats. Retailers may run large hypermarkets or warehouses, such as Tesco or Carrefour or small concessionary outlets in department stores such as Oasis, an international fashion retailer. Retailers may licence or franchise their operations; a case in point is Marks & Spencer's internationalization strategy. They may even enter the market on a pure online strategy basis without integrating any local partner (Alexander and Doherty, 2009: 5).

Internal marketing is a concept that can help an organisation to improve its service quality by treating the employees as internal customers and by accordingly addressing their needs (Berry, 1981: 12). This treatment leads to a customer-orientated employee behaviour and supports the achievement of sales and corporate targets more effectively (Gelade and Young, 2005; Gelade and Ivery, 2003; Schneider and Bowen, 1995). A recent analysis by Brown and Lam (2008)

shows employee satisfaction to be a relevant determinant for service quality and customer satisfaction. Based on an empirical and a conceptual research review Ahmed and Rafiq (2002) identify five key IM elements: employee motivation and satisfaction, customer orientation and satisfaction, inter-functional management, a marketing-based approach towards an organisation's employees and an implementation of a corporate strategy (Ahmed and Rafiq, 2002: 9).

2.2.2 Clarifying the relevance of internal marketing

Internal marketing is particularly relevant in the present context because of the research aim, which is to determine the critical success factors of the direct and indirect relationships between retail marketing, attitude and sales performance. RM and IM aim at strengthening customer focus and service orientation. Both disciplines consider frontline employees' performance as pivotal in developing this customer focus. Because of the potential impact of RM and IM on sales staff attitude, congruent factors that can be ascribed to both disciplines are incorporated in the present RM definition. As outlined in section 1.1 the effect of central support factors from RM and IM on the attitude of internal target groups is of utmost importance in the present context. Therefore, three further **IM concepts are embedded into the classical RM definition**: internal communications, reward and recognition structures as well as staff training and development. By definition these factors are more related to internal than retail marketing.

2.2.3 Defining franchising and branch management

Franchising is defined as a contractual agreement between two legally and financially separate entities, the franchisor and the franchisee. The franchisor has established a market-tested and flexible business concept (Connell, 1999). He grants the franchisee the right to distribute its products, techniques and trademarks with certain preconditions attached. These preconditions may include a percentage of gross monthly sales and a royalty fee as well as an obligation to purchase goods exclusively from the franchisor. The franchisor provides commercial, marketing and technical assistance (Gilbert, 1999: 241; Inma, 2005: 29). A franchise system offers the franchisor a relatively fast and cost-effective market penetration, compared with establishing company-owned branches (Hoffman and Preble, 1991).

In general, franchising is not used as an exclusive company strategy, but franchisors run a significant number of outlets or branches themselves. Running **plural-form networks** is more complex than monolithic systems of branches or franchise stores. In return, there are synergies such as a higher flexibility, e.g. when deciding on opening new stores. At the same time, the risks of conflict are higher within the network. Often, franchise systems require a different management culture needed to manage a branch store (Cliquet, 2000: 375-377).

Basically, there are three forms of franchising. Firstly, there is **product-distribution franchising** in which the franchisor grants the franchisee the right to sell specific goods by using his or her name. This form of franchising is also widely understood as a form of licensing. Secondly, there is **trade mark franchising**. In this case a franchisor grants the franchisee the right to use a certain production system to produce certain goods. The franchisor grants the permission for the franchisee to present and promote the goods. Thirdly, there is **business format franchising** in which the franchisor offers a complete business format to the franchisee. The franchisor provides a proven trading method and supports the franchisee in developing and operating the business (Berman and Evans, 2008: 110-114; McGoldrick, 2002: 51). This case represents the understanding of franchise management in the present study.

2.2.4 *Targeting through retail marketing*

The planned analysis of the effectiveness of RM addresses both internal and external target groups. RM effectiveness is measured in terms of its impact on sales performance and the attitude of its internal target groups. This perspective combines two sales formats, both franchise and branch outlets.

Other than the management of a branch format, the management of a franchise format needs to pay particular attention to the fact that a franchisee is a business owner in his or her own right. This makes it difficult for the franchisor to enforce the implementation of concrete RM or service initiatives within this system. The effective communication with the franchise partner is a key factor in developing a trusting relationship between headquarters and franchisee (Maritz and Niemann, 2008: 20).

2.2.5 *Managing the elements of retail marketing*

Firstly, RM concerns four elements: product, place, promotion and distribution. In the retail context it is vital to mention the selling environment especially as this environment places the RM-Mix in relation to its direct and local environment and also covers its store image as well as regional and local trends. Considering these aspects and the justification of the integration of IM concepts (see sections 1.1 and 2.2.2) retail marketing is defined by the following factors in the present context: communications and sales support, staff training and development, merchandising, pricing, reward and recognition structures and location and store environment.

2.2.5.1 Communications and sales support

Communications has both an external and internal aspect. The external focus has the objective of gaining customer loyalty by means of a branding strategy. Keller (1993) defines a brand as a set of mental associations held by the consumer regarding a product. This definition focuses on the gain in perceived value which the brand name brings. Brands are conditional assets supported by economic business models. At the same time they are names that influence buyers who decide on the strength of a relationship (Perrey and Spillecke, 2011: 3-5).

Word-of-mouth recommendation based on previous experience is essential for a customer's future choice. As such personal recommendations now play a major part in the promotional mix. For the retailer branding clearly has advantages since it helps to differentiate one product from that of a competitor. This is true particularly for own-label product ranges. For the consumer branding also has advantages because it facilitates the recognition of a product and the identification with it (Tybout and Calkins, 2005: 1-8).

The internal dimension is directed at all communications activities meant to change insights, attitudes and behaviour of internal target groups (Bruhn, 1998: 1046). This definition shows that internal communications is aimed at informing the relevant internal target groups directly in contact with the customer. They must be informed about corporate changes such as a new marketing or sales strategy or external changes in the market place (Stauss and Schulze, 1990: 151-153). The effective use of internal communications requires the co-ordinated use of different media such as oral briefings, corporate newspapers and videos (Ahmed and Rafiq, 2002: 31).

2.2.5.1 Staff training and development

Training comprises both basic and advanced aspects. It covers all activities concerning the development of the employees' job-related qualifications. These training periods are relevant because customer personnel need to possess special knowledge and skills that can identify and solve the problems of a customer. In this way good service quality can be offered, sales can be generated and, last but not least, customers can be retained. Success and failure in retailing largely depends on the know-how of its staff. Training allows personnel to feel confident in the encounter with the customer, in completing the transaction and in dealing professionally with all situations (Gilbert, 1999: 92). In the internal marketing context staff training and development aim at developing customer consciousness (Ahmed and Rafiq, 2002: 35).

2.2.5.2 Merchandising

Within the store the retailer offers a merchandise assortment to the customers and one of his primary functions is to select the appropriate breadth and depth of the assortment and the specific products. Subsequently, he tailors the offer to the targeted customers' requirements (Krafft and Mantrala, 2006: 20). Therefore the development and implementation of a merchandise plan and a product portfolio is a singularly important aspect of a retail strategy (Gilbert, 1999). Traditionally, retailers have been promoting a single manufacturer or brand, which has been developed to multiples so as to create differentiation. Consequently, a merchandising concept working with different categories with key brands is a relatively new feature. According to Walters & Hanrahan (2000) the phases of merchandising are listed as: marketing consideration, merchandise, strategy options, type of customer base, financial considerations and merchandise assortment.

A critical factor in merchandising management is related to availability and flexibility. Thanks to modern technology it is easy to control and centralize merchandise management through rapid communication with sales and stock departments. Delivery schemes, once the domain of manufacturers, can also be controlled by retailers (Foord, Bowlby and Tillsley, 1996). This allows for the meeting of customer needs rapidly through more effective control over stock. In internal marketing the job represents the merchandise or product (Collins and Payne, 1991: 265).

2.2.5.3 Pricing, reward and recognition structures

As consumers spend a large part of their disposable income on retailing, pricing is regarded as a major factor. Retailers have many strategic and tactical pricing options available to influence purchasing behaviour (Zentes, 2007: 5).

For internal target groups reward systems are relevant as they form the basis of their income. Therefore reward systems are a key element in the organisational incentive system (Spelsiek 2005: 41). Employee reward systems refer to programs set up by a company to reward performance and to motivate employees on an individual and group level (Becker, 1995: 34). They are normally considered to be separate from regular salary. They may be monetary in nature or otherwise. In practice they used to be considered the domain of large companies. Meanwhile, however, small businesses have also begun employing them as a tool to lure top employees in a competitive job market as well as to increase employee motivation and performance (Homburg and Jensen, 2000: 57-60).

The use of motivational cash incentives such as bonuses, awards and recognition programs directed at front personnel is common (Ahmed and Rafiq, 2002: 31). It is a widely held belief that cash incentives are superior to non-monetary incentives. "The major advantage of paying in cash is that the value of cash in the eyes of the recipient is universally high" (Lawler, 1987: 222). Monetary incentives can be split into fixed and variable incentives (Lehmkühler, 2001: 119). Variable incentives fluctuate according to their assessment base such as revenue, sales quota or customer satisfaction. They make clear to the employee that an orientation of their individual behaviour towards specific corporate targets is a worthwhile endeavour (Lehmkühler, 2001: 152). In this context commissions and premiums are especially relevant.

2.2.5.4 Location and store environment

The old adage that the three most important factors in retailing are "location, location and location" is still frequently repeated. Location of the store is clearly considered a pivotal determinant of retailing success because in store-based retailing good locations are key elements for attracting consumers. Furthermore, because of its intrinsically fixed nature, in the short-term the location cannot be changed (Zentes et al., 2007: 4).

It is argued that the selling environment comprises elements such as customer-orientated display of goods in a convenient location, supported by well-presented merchandise. Customers have a conception of current fashion and

Table 1: Integration of RM factors in the present research context

| RM Factor | Relevance for Research Context |
|---|---|
| Communications and Sales Support | <p>Branding is a strategic asset in retailing in general and can be a competitive advantage. It is particularly relevant in telecommunications retailing because of fierce competition and high penetration of specialist / network operator stores (ubiquity of products and services).</p> <p>Personal recommendations from customers and shop visitors (word-of-mouth recommendation) based on previous service experiences with that store develop the image and brand of a retailer.</p> <p>Internal communications is very important as information on new mobile phones, voice or data tariffs, campaigns (new customer and retention offers) change quickly. Sales staff must be on the edge of these developments to be competent in the sales conversation with customers.</p> |
| Training and Development of Personnel | <p>Training is a key requirement for a high competence and service-quality level as telecommunications solutions are based on complex products and services.</p> |
| Merchandising | <p>Merchandise plan and product portfolio are crucial factors. The present telecommunications retailer promotes offers of different network operators (mobile and fixed line) so as to create differentiation from single brand outlets. The merchandising concept, therefore, must be adjusted to the higher complexity resulting from a multi-brand portfolio. Because of the dynamic technological changes in this sector a critical factor in merchandise management is related to availability and range of mobile phones.</p> |
| Pricing, Reward and Recognition Systems | <p>Pricing is another pivotal factor. In saturated markets prices often decide over where the customer makes the deal. This applies in particular to the telecommunications sector in Germany with its high density of telecommunications retailers and operator stores.</p> <p>Reward and recognition systems are relevant because branch managers earn a third of their income on a variable basis. In the case of franchisees these systems are even more relevant as their entire income depends on these schemes.</p> |
| Location and Store Environment | <p>Location and store environment are considered to be the most relevant factors in retailing. In the present case this is especially relevant because telecommunications outlets are generally located in AAA locations in all midsize and big cities.</p> |

style which retailers need to live up to (Markham, 1998). Research shows that the changes of lifestyle have affected people's shopping behaviour in terms of their being more sensitive to the selling environment. Retailers are increasingly starting to concentrate on the overall shopping environment and experience. Both the demands for leisure goods and an entertaining shopping environment in

which to purchase these goods must to be borne in mind by retailers (Krafft and Mantrala, 2005: 16). In the HRM and internal marketing context location or place or distribution may represent the physical workplace and meetings, conference rooms and channels used to deliver training programs (Ahmed and Rafiq, 2002: 34).

Table 1 represents the foundation for the theoretical underpinning of the research. It justifies the **definition of RM factors** and presents their **specific relevance** for the mobilcom-debitel retail network. This table is derived from the previous five sections on the management of RM factors.

2.3 Concepts

To address the research aim and objectives, the literature is reviewed to identify research needs and relevant constructs. This section covers concepts and theoretical findings of retail and internal marketing research.

2.3.1 *Retail marketing and the service profit chain*

The present project does not take an isolated view of the relationship between RM and sales performance. It endeavours to offer an integrated perspective of the cause-and-effect structures between the headquarters and the internal and external target groups. In accordance with the service profit chain concept, this research model presents a functional chain covering central RM on the headquarters level. On the outlet level it embraces attitude and behavioural aspects of sales personnel together with the degree of satisfaction with the perceived service quality by customers and non-customers.

The service profit chain model highlights links between customer satisfaction as well as employee loyalty and satisfaction. Moreover, it shows the connection between these factors and an organisation's overall profit. This profit is linked to customer loyalty and satisfaction through the implementation of referral related sales and retention strategies. The service profit chain identifies direct and strong relationships between profit, customer satisfaction, employee satisfaction and capability (Heskett et al., 1997: 17-38). In the present context, sales performance substitutes profitability as a target variable.

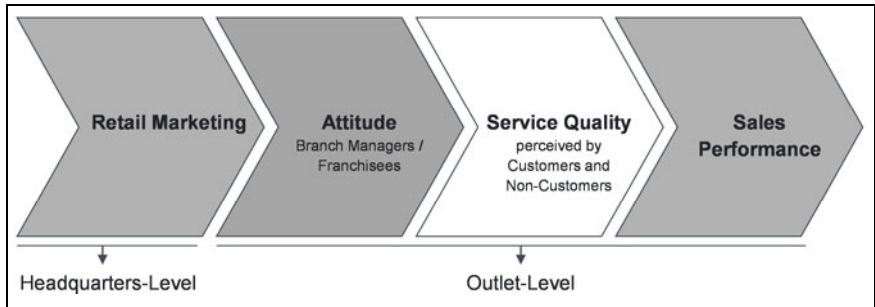


Figure 2: Extended service profit chain.
Source: Accordance to Heskett et al. (1997)

The illustration in figure 2 presents an overview of the key elements within the adjusted service profit chain.

The service profit chain model highlights the links between customer satisfaction and employee loyalty and satisfaction. It also shows the connection between these factors and an organisation's overall profit. This profit is not directly linked to service quality. It is indirectly connected with customer loyalty and satisfaction through referral, related sales and retention strategies (Heskett et al., 1997: 26-34).

The closer an employee feels connected to the employer, the more effort and energy he will invest in his day-to-day business (Drake et al., 2005).

In the present research project the original service profit chain-concept is extended by the central RM dimension. Furthermore, the adjusted model puts sales performance at the place of profitability as key output variable.

2.3.2 *The loyalty and commitment index*

To successfully address the research aim and to determine the success factors contributing to the relationship between RM, attitude and sales performance, the applied attitude concept takes into account the typically relevant sub-items: loyalty, commitment and autonomy.

In scientific research, the attitude and satisfaction concepts are intensively discussed with particular consideration of their similarities and differences. Attitudes are generally defined as an individual's acquired and lasting willingness to react to certain objects positively or negatively (Fishbein and Ajzen, 1972: 488). Employee satisfaction relates to the overall feeling and expectations about a job or its different aspects (Petty et al., 2005; Spector, 1997; Togia et al., 2004).

In the same way as satisfaction, attitude is a concept with a multi-attribute object evaluation that takes into account cognitive and affective components. Moreover, both constructs have a behavioural relevance (Kaas and Runow, 1984: 454; Stauss, 1999: 12). To distinguish between these terms, based on a transaction-related understanding, satisfaction is more bound to concrete experiences (transactions) whereas attitude is an anticipating object evaluation which is independent of prior experiences (Schlüter, 2001: 98; Stauss: 1999: 12).

A further differentiating criterion is the ongoing stability of satisfaction or dissatisfaction with certain transactions. This only has an effect if these experiences reach a significant level of insensitivity and frequency (Schütze, 1992: 145-148).

Satisfaction can be split into the above-mentioned satisfaction items related to prior experiences or transactions and to a more global relationship-orientated satisfaction comprising all prior experiences in a certain relationship. In the same way as the attitude concept, relationship-orientated satisfaction requires lasting stability. It can only be changed through intense and repetitive positive or negative experiences. The developed attitude concept is based more on an affective rather than a cognitive dimension. It differs from the relationship-satisfaction in the sense that its formation is not restricted to own experiences (Schlüter, 2001: 96-98; Stauss, 1999: 12).

In the present context, satisfaction is operationalized as relationship-orientated satisfaction. The satisfaction of the internal and external target groups is mainly operationalized as a satisfaction with business transactions and the working relationship (Spector, 1997: 2). The advantage of this operationalization is that through this model, interactions and activities such as management behaviour or performance are considered although they cannot be assigned to a specific transaction. Furthermore, this form of operationalization offers a more coherent explanation and prognosis potential than a short-term operationalization focussing only on one transaction (Bauer, 2000: 33-35; Schütze, 1992: 45-57).

According to Mowday et al. (1979) organisational commitment defines an individual's identification with and involvement in an organisation. It thus expresses to which extent a person agrees or disagrees with the values and norms of his or her organisation. And it also reflects the willingness of a person to support organisational targets. Commitment is firmly based on the belief that an employer supports the employees and takes care of their personal well-being and development. Employee commitment is connected with allegiance and loyalty toward an organisation (Meyer and Allen, 1997). Three different types of commitment exist: affective, continuance and normative commitment. Affective

commitment reflects to what extent an employee feels attached to and identifies with an organisation. Continuance commitment defines a decision to stay with an organisation. Normative commitment relates to an individual’s sense of obligation (Angelis et al., 2011: 572).

In contrast to satisfaction, loyalty reflects long-term convictions and beliefs and it thus offers a time-wise more reliable attitude factor than is the case with satisfaction (Mowday et al., 1979: 226). In an external customer context loyalty is in general operationalized as the intention of re-purchase, cross-buying and recommendation (Bruhn, 2003: 104; Bayón and von Wangenheim, 2005: 171; Reichheld; 1996). It is generally accepted in consumer loyalty literature to consider different types of customer loyalty. In the present study these insights are applied to an employee context: positive word-of-mouth or recommendation, intention to stay and complaining (Zeithaml et al., 1996).

Autonomy reflects the perceived degree of freedom and scope related to the personal working environment. It is particularly relevant for the franchisees as entrepreneurs within the retail network. It expresses to what extent the internal target groups feel themselves to be bound to the regulations set by headquarters. For the franchisees, autonomy is a measure to which they feel their economic self-employment limited by central headquarter regulations (Borchert, 2001: 85; Evanschitzky, 2003: 46).

The illustration in figure 3 provides an overview of the developed attitude concept for the planned research project.

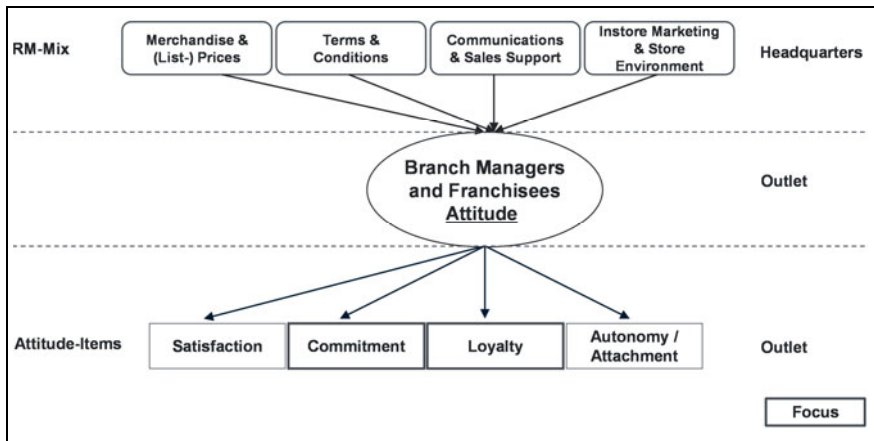


Figure 3: Composition of attitude concept

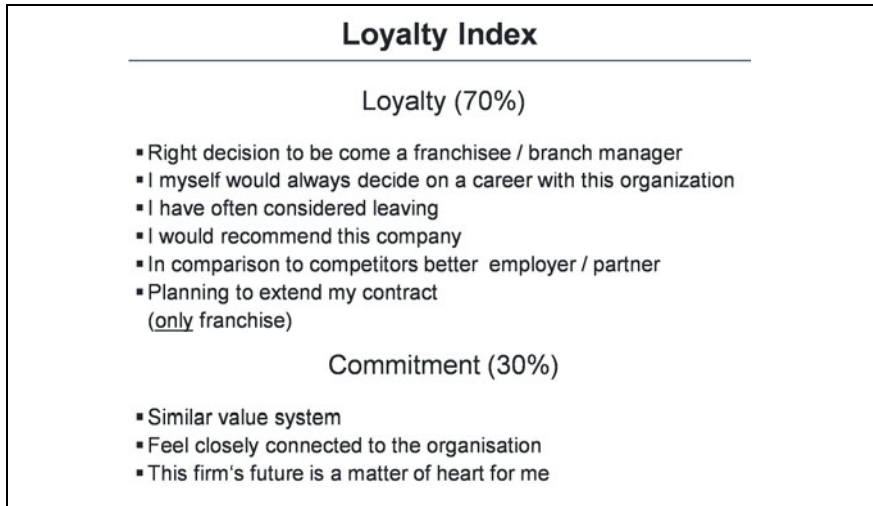


Figure 4: Operationalisation of loyalty and commitment index

The commitment and loyalty concept is calculated apart from the measurement model. An index is extracted based on the factors “Commitment“ (COM) and “Loyalty“ (LOY) which themselves are based on several indicators. The weighted average of these two factors, 0.7 for loyalty and 0.3 for commitment, results in the loyalty and commitment index. Figure 4 illustrates the assignment of the indicators to these two factors.

2.3.3 Findings of retail and internal marketing research

For the first time, the concept of RM is being applied to an analysis of direct and indirect effects on the attitude of franchisees and branch managers combined in one retail network. According to this concept, in order to have a more comprehensive perspective of RM effectiveness the perception of customers and non-customers of the service quality is integrated.

As a first step a review of research literature that explicitly deals with RM is undertaken. Because of their similarity with RM as regards content and methodology empirical studies from IM are also presented. In the final section of this chapter research results are critically discussed and research deficits are identified. These are addressed in the present study. There are basically two essential criteria which serve as key characteristics for existing studies: research focus and research approach. In both disciplines these two elements are examined.

As the present research project focuses on an analysis and synthesis of the direct and indirect impact of RM instruments on pre-economical target values, namely sales performance and sales personnel's attitude, and as the project is empirical and quantitative, articles were selected that focus on sales performance or organisational performance.

A few research studies have been conducted on the analysis of the RM mix in order to compare the relevance of specific attributes for building a strong retail brand (Kent, 2003; Miranda et al., 2005). RM research has been mostly conducted from the perspective of external target groups or consumers. This perspective can be considered as closely related to the store image concept (Morschett et al., 2005). Research of store image has been developed on the idea that consumers hold a specific image of an outlet in their mind (Berry, 1969; Kasulis and Lusch, 1981; Marks, 1976). This research focused on identifying the drivers of store image such as research by Birtwistle et al. (1999) and Teas (1994) who found a different number of pivotal instruments in fashion retailing.

According to Varey (1995) most of the research conducted in IM is descriptive and prescriptive and still in its infancy (Varey, 1995: 42). Many IM related papers consider the relevance of IM from a purely conceptual perspective. There exist only a small number of empirically based papers analysing the impact of IM on organisational performance (Gleitsmann, 2007: 50). This is due to the fact that there is no consistent definition of IM and therefore only few approaches exist to measure its impact (Lings, 2004: 406).

As far as research focus is concerned, previous empirical research studies have analysed the degree of implementation of IM in organisations as well as the impact of IM on pre-economical and partially on economical or organisational performance target values (Boshoff and Tait, 1996; Caruana and Calleya, 1998).

Referring to the research approach there has recently been a trend towards quantitative approaches (Lings and Greenley, 2005; Hwang, 2005 and Keller et al., 2006). In the past, most authors applied qualitative research instruments such as interviews in depth (Sargeant and Asif, 1998).

The key elements in the IM mix derived from Human Resources Management (HRM) and marketing research are as follows: strategic rewards, internal communications, training and development, organisational structure, senior leadership, physical environment, staffing, selection and succession, inter-functional co-ordination, incentive systems, empowerment, and operational changes (Ahmed et al., 2003: 1223).

According to Ahmed et al. (2003), the three organisational competence indicators related to IM are: customer orientation, employee satisfaction and individ-

ual competencies. IM develops these management and individual skills leading to organisational competencies. These competencies then act as a mediator between the relationship of IM and business performance (Ahmed et al., 2003: 1222-1225). According to their model, the key for employee motivation and quality-enhancing behaviour is the adequate perspective on and management of the organisation as a whole. Treating employees as partners is based on mutual understanding, trust and commitment. Their model helps organisations to develop both management and technical competencies through the development of individual competencies (Ahmed et al., 2003: 1225).

The focus of Gounaris' (2008) research is the relationship between IM and IM Orientation (IMO) and job satisfaction as well as on the moderating effect of IMO on the relationship between IM and job satisfaction (Gounaris, 2008: 74). Gounaris (2008) analyses the relevance of empowerment, participative management and the mode of communication between supervisors and employees for IMO.

Table 2 gives a structured overview of the key aspects of current IM research (see next page).

2.3.4 Identification of research needs

There is little empirical proof of the impact of the individual factors of RM or IM on sales performance. On the one hand a comprehensive format comparison of the impact of RM on sales and on the other hand on the attitude of different internal retail target groups such as franchisees and branch managers combined in one retail network seems so far to be unexplored.

With the exception of one research project all IM reports that were analysed consider direct effects. Only Ahmed et al. (2003) analyse the mediating effects. Their study represents employee attitude and behaviour as a mediator for the relationship between IM and corporate success. Ahmed et al. (2003) confirm a partial mediation of employee competence and behaviour on corporate success. Ahmed et al. (2003) and Gounaris (2008) prove a positive correlation between IM and employee satisfaction.

Ahmed et al. (2003) identify positive effects of IM activities on customer satisfaction, service quality and corporate success.

The study of Ahmed et al. (2003) shows that IM activities have a positive impact on the economic success of an organisation via employee- and customer

Table 2: Overview of results in analysed studies on internal marketing

| Source | Success Factor / Key Results | Context / Data Collection | Theory |
|--|--|--|--------|
| Ahmed et al. (2003) | IM (Empowerment) → corporate success ($\beta=0.583$) IM (Index) → corporate success ($\beta=0.719$) IM (Index) → employee satisfaction and – behaviour ($\beta=0.808$) Employee competence and – behaviour → corporate success ($\beta=0.645$) IM (communications and training) → corporate success ($\beta=0.181$) IM (incentive system and people selection) → corporate success ($\beta=0.131$) → IM leads to productivity increase and → IM needs to target all employees → IM sets a cultural framework and is tool for strategy alignment within an organisation through the development of service competencies | Sample of 504 companies, addressee: CEO / top executives, n = 111 questionnaires, 22% return rate, inter-sectoral: 80% from manufacturing; 20% financial services or insurance or other non-services industry (Malaysia) | +/- |
| Nauade et al. (2003) | IMO → local management ($\beta=0.338$) IMO → satisfaction (reward / workload) ($\beta=0.215$) IMO → direct manager ($\beta=0.163$) → IM fosters job satisfaction and market orientation → IM should address all employees → Success of IM implementation depends on individual and organisational competencies | Combination of interviews and focus groups, comprehensive literature review and survey with n=1,351 questionnaires, 21% return rate, within a multinational company (UK), industry-/company-specific. | - |
| Gounaris (2008) | IM (Communications) → employee satisfaction ($\beta=0.27$) IM (Empowerment) → employee satisfaction ($\beta=0.14$) IM (Participation) → employee satisfaction ($\beta=0.13$) | Industry-specific / Hotel industry (Greece), questionnaire-based, personal interviews with employees and managers with more than 12 months of relevant work experience, n=583 | +/- |
| Theoretical foundation + = theoretical foundation +/- = rudimental theoretical foundation - = no theoretical foundation | | | |

attitude. In contrast to Ahmed et al. (2003) who demonstrate the inter-sector effect of IM on corporate success, Gounaris (2008) and Naude et al. (2003) fail to demonstrate a direct or indirect effect of IM on organisational performance for different industries. Their work is restricted to the direct positive effect of IM activities on employee satisfaction based on industry-specific cases from the hotel industry. According to Gounaris (2008) IM is a driver for employee satisfaction.

Although determinants researched by Naude et al. (2003) such as commitment and organisational satisfaction correlated positively with IM, it is not yet clear which cause-and-effect relationships exist between these factors and other factors not considered. Although Naude et al. (2003) deliver some empirical proof for IMO in organisations, they fail to answer the question, which organisational variables are affected by employee satisfaction and how these outcomes influence organisational performance or service quality and how the variables are interlinked. Their concept is restricted to the internal perspective, namely the perspective on and of the employee. Their analysis could have more clearly demonstrated the extent to which IM gives support to external marketing and the way IM helps to improve service quality as perceived and appreciated by the customer.

In a recent review related to franchising research Combs et al. (2011) identify the moderating impact of key attributes such as local markets, competitive environment, customer sophistication, density of population on the relationship between franchising and performance as key issues for further inquiry (Combs et al., 2011: 103-105).

Both of these research streams – RM and IM – include starting-points for this planned research project. Short et al. (2010) and Combs et al. (2004) support the idea of incorporating concepts from different fields in order to gain a better understanding of organizational relationships in franchising. The critical review demonstrates that the effectiveness of RM can be defined through a measurement of its perceived effectiveness by the internal target groups. To measure the effectiveness of RM instruments on two internal target groups in a plural-form network a comprehensive conceptual framework needs to be developed. In this case the theoretical cause-and-effect relationships should be theoretically supported. Moderating effects of the sales format and the store environment are also taken into account.

2.3.5 *Deduction of research questions*

Given the increasing business relevance of franchising and the high relevance of the attitude factor of franchisees and their employees in the service sector, the absence of a comprehensive literature overview of RM in branch management and franchising is surprising. Even the related IM research confirms a research and literature gap of elaborated concepts in these two sales formats. All the more surprising is this as not only respected service and retail sector researchers such as Zeithaml et al. (2006) define the employees in their own corporation as target group of IM activities but even consider employees to be providers. Providers can be the firm's employees, subcontractors or outsourced entities that actually deliver the company's services (Zeithaml et al., 2006: 56).

Due to these gaps in research this work focuses on answering the following research questions on an empirical basis supplemented by conceptual work. Defining these research questions is a pivotal step in the research process. These questions transfer the research objective and purpose to concrete questions that a researcher tries to address in his or her studies (Creswell, 2005; Johnson & Christensen, 2004).

RM is not an end in itself. It needs to be reflected by an outlet's sales performance and a change in the attitude and behaviour in the defined target groups. To be effective, RM must first have a substantial impact on the attitude of internal target groups. The perspective of and on internal target groups clearly relates to IM. Empirical research, however, about the effectiveness of IM is very limited (Gleitsmann, 2007; Gounaris, 2008: 70-72; Pitt et al., 1999). At the same time these empirical findings are to be criticized as they are mostly interview-based and miss a cogent proof by objective primary and secondary data. A validation of these results via empirical testing and objective success criteria is pending (Ahmed et al., 2003; Rafiq and Ahmed, 2000).

Moreover, in the given research context a format comparison between franchise and branch outlets combined in one network has not been conducted. It is questionable to what extent the effectiveness of RM instruments in a plural-form network depends on the sales format. Consequently, the selection of the relevant internal target groups in RM in a branch and franchising network must be defined empirically.

Traditionally, franchising literature mainly addresses the franchisor. As outlined in the introduction franchising research focuses on ownership redirection in plural-form networks (Fock, 2001; Dant et al., 1992; Norton 1988) and the control of franchise networks in a domestic and in an international context

(Quinn and Alexander, 2002; Vignali, 2001; Quinn, 1999; Sanghavi, 1991; Whitehead 1991; Lal, 1990). Much of this research has been formed by agency and resource scarcity theory (see section 1.1).

Wunderlich (2005) analyses franchisee-, employee und customer satisfaction in a pure franchise context. Furthermore, research has been conducted related to franchisor selection analysing the relevance of support services through the franchisor (Dormann and Ehrmann, 2007; Peterson and Dant, 1990; Kaufmann and Stanworth, 1995) or inside the satisfaction management in franchise organisations (Schlüter, 2001; Morrison, 1997; Morrison, 1996).

In view of the aforementioned lack of published research – both conceptual and empirical – pertaining to perceived RM effectiveness and sales performance as well as to RM and attitude in general and to an analysis of these relationships within a branch and franchise retail format in particular, the following research questions arise:

To what extent do RM and its factors such as location, merchandising, prices and commissions, store layout and corporate image make an impact on sales performance in a branch and franchise outlet? Which RM input factors – both on a central headquarters and decentralized outlet level – determine the outlet-specific sales performance?

The degree of satisfaction of the internal target groups with support from headquarters is a crucial factor for their attitude in general and in particular for their satisfaction (Michaelis, 2009; Wunderlich, 2005). It is questionable to what extent the RM activities for franchise and branch outlets make an impact on the attitude of sales personnel and how far a different attitude leads to a change in the behaviour of the franchisees and branch managers in their day-to-day operations and ultimately to a better service quality perceived in the eyes of the consumer. Furthermore, with respect to the particular target group the question arises as to which RM instruments are more or less relevant for the attitude of sales personnel. Against this background the following research question needs to be answered:

What is the relationship between RM and the attitude of sales personnel in a branch and franchise outlet?

A key question in the relationship between attitude and organisational performance is not only whether a cause-and-effect relationship exists between these

factors. It is which of these two factors acts as a driver for the other variable (Combs et al., 2011: 118). Therefore, the question is whether a successful shop owes its success to the attitude of sales personnel or vice versa? This obvious deficit in research shall be addressed through the following research question:

What is the nature of the relationship between staff attitude and sales performance, both in a branch and franchise outlet?

From the answers to the first four questions initial implications for an efficient use and allocation of resources in RM can be derived, as RM might be differently relevant under certain conditions. Consolidation, competitive pressures and the requirement to operate on thin margins require retailers to be efficient in all operational aspects (Krafft and Mantrala, 2006: 255). Consequently, RM needs to be evaluated under the efficiency aspect. Thus, a comparison must be made between the impacts of RM on sales performance directly and its short- or mid-term impact on the attitude indirectly. This leads to the following research question:

What are the direct and indirect impacts of RM on the attitude of sales personnel? – Which impact of the RM-Mix on sales performance is stronger, its direct or indirect effect mediated through the attitude of sales personnel?

Related to their format-specific RM effectiveness it could be argued that significant differences not only between a franchise and branch network exist, but also within these two groups. Therefore, the differences within these two groups need to be analysed with respect to their personnel-related individual characteristics and outlet-related structural conditions and environment (Combs et al., 2011: 113-115). Consequently, for an effective targeting it is of interest to analyse the moderating impact of these conditions on the relationship between RM and sales performance. Concretely, the following three research questions are to be answered:

What is the impact of the sales format on the relationships between a) RM and sales performance, b) RM and attitude and c) attitude and sales performance?

Firstly, the framework endeavours to answer the “Return on Investment” on RM activities in terms of sales performance, franchisee and employee commitment. Secondly, it sets out to analyse the impact of RM on service quality in terms of

Table 3: Overview of research questions

| Number | Research question |
|---|---|
| Direct and mediating effects of RM | |
| 1 | To what extent do RM and its factors such as location, merchandising, prices and commissions, store layout and corporate image make an impact on sales performance in a branch and franchise outlet? Which RM input factors – on a central headquarters and decentralized outlet level – determine the outlet specific sales performance? |
| 2 | What is the relationship between RM and the attitude of sales personnel in a branch and franchise outlet? |
| 3 | What is the nature of the relationship between staff attitude and sales performance both in a branch and franchise outlet? |
| 4 | What are the direct and indirect impacts of RM on the attitude of sales personnel? – Which impact of the RM-Mix on sales performance is stronger, its direct or its indirect effect through the attitude of sales personnel? |
| Moderating effects of sales format and personnel | |
| 5 | What is the impact of the sales format on the relationships of a) RM and sales performance, b) RM and attitude and c) attitude and sales performance? |

customer satisfaction and perceived service quality. The second aspect is considered from a more aggregated level.

The five research questions of table 3 have been developed based on a comprehensive literature review.

2.4 Research model

In the following, a research model for RM is developed. This is based on the service profit chain concept in which interdependencies between RM and sales performance are presented. These are theoretically supported in the process of hypotheses generation.

2.4.1 *Direct, mediating and moderating effects*

Direct, mediating and moderating effects can occur in measurement concepts. With direct effects the exogenous variables affect each other directly without any further systematic impact on the endogenous variable. With an indirect effect the

impact of the exogenous variable on the endogenous variable is mediated through one or many variables.

A mediation model seeks to examine the mechanism underlying an observed relationship between an independent variable and a dependent variable by including a third explanatory or mediator variable. In contrast to a direct causal relationship between the independent variable and the dependent variable, a mediated model assumes that the independent variable makes an impact on the mediator variable. This in turn affects the target variable. Therefore, the mediator variable helps to clarify the relationship between the independent and dependent variables (James and Brett, 1984: 307-330).

The strength of a relationship between an exogenous and endogenous variable can be affected by one or many moderating variables (moderator). A moderator can be a qualitative or quantitative variable affecting the direction and strength of a relationship between a dependent and independent variable (Baron and Kenny, 1986: 1173-1174).

2.4.2 *Research model: retail marketing, attitude and sales performance*

The illustration in figure 5 represents the research model. It shows the direct, mediating and moderating relationships between RM and sales performance within the adjusted service profit chain context:

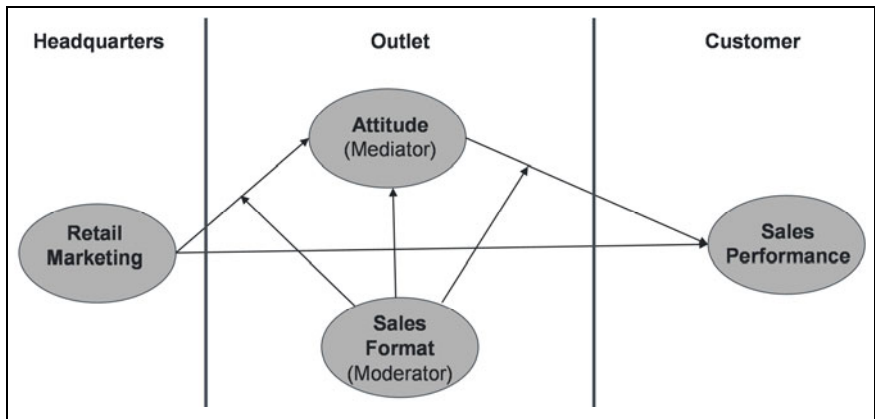


Figure 5: The research model in accordance with the extended service profit chain

The present research model reflects the direct relationships between RM and attitude, attitude and sales performance, RM and sales performance. It also considers a potential indirect effect of retail marketing on sales performance mediated through the attitude (mediator) of internal target groups. Moreover, moderating effects are considered as the impact of the sales format (moderator) on the illustrated relationships between RM, attitude and sales performance is being examined.

2.4.3 *Research questions and associated research hypotheses*

2.4.3.1 The direct and mediating effects of retail marketing on sales performance

The **first four research questions** are related to the **direct and mediating effects** of retail marketing. **Question five** explicitly refers to the relevance of the sales format and addresses the **moderating effects** of the relationships between RM, attitude and sales performance.

The service profit chain represents the selected reference concept; it presumes no direct impact of service quality on profitability. Service quality acts as a significant driver for customer satisfaction (Woodside et al., 1989: 7). Customer satisfaction is a determinant factor for the buying behaviour and consequently for profitability (Vogel, 2006: 120-130). Therefore, customer satisfaction can be regarded as mediator between the relationship of service quality and profitability (Gelade and Young, 2005: 5). Different studies confirm the positive relationship between customer satisfaction and profitability. Bernhardt et al. (2000) prove that customer satisfaction has a long-term impact on profitability (Bernhardt et al., 2000). Ittner und Larcker (1998) demonstrate the fact that customer satisfaction is a driver for revenue and customer growth. Williams and Naumann (2011) confirm a significant relationship between customer satisfaction and corporate and financial performance based on a comprehensive research in a specific organisation in the business-to-business service industry.

Moreover, variation in franchise performance has not been thoroughly examined (Sorenson and Sorensen, 2001: 723).

As the aforementioned cause-and-effect relationships have been analysed, the present research is narrowed down to an analysis of the direct impact of RM on sales performance and the attitude of sales personnel. And then service quality perception by an external target group is considered.

The **first research question** asks for the **impact of retail marketing and its factors on sales performance**. The conventional service profit chain model supposes an exclusive, indirect effect of service quality on performance and profitability (Heskett et al., 1997). In contrast to this model, the developed model presumes a direct impact of the RM mix by internal and external target groups on sales performance. The developed service profit chain model chain assumes a direct relationship between the perceived RM effectiveness by internal and external target groups and sales performance. This is supported by related IM research from Michaelis (2009) who confirms a positive relationship between perceived IM effectiveness and corporate financial results in a cross-sector study.

The structural basic conditions of the impact of RM are primarily related to the competitive and store environment. Given that large chains often control retail distribution, it must be emphasised that stores within a chain differ from one another. This is mainly the result of their location, either in different neighbourhoods of the same city or in different cities and regions. This means that in each individual location they have different customers and competitors who represent a complex sphere expressing the location of that outlet, its customers and competitors (Cataluna, 2004: 205; McGoldrick, 2002: 235-278).

In RM location is widely considered to be the crucial factor (Zentes et al., 2007: 143). Therefore, this present project assumes that location is the key driver for sales performance. The longer an outlet exists, the better its chances in building a reputation and enhancing its image in the local retail environment. Consequently, the greater are its chances of winning new customers and retaining the old ones (Miller, 2008: 150-151; Krafft, et al., 2005: 306).

The effectiveness of further structural parameters such as the competitive environment is also a relevant RM factor (Seiders et al., 2005: 31). The more competitors there are, the greater the risk of a lower sales performance. RM has a higher relevance for an outlet when competition is intense. Intense local competition may imply a higher value from the central RM support (Perrey and Spillecke, 2011: 36-42). Consequently, the evaluation of further structural parameters consists of data such as the competitive environment. This will be carefully considered in this research, but not formulated in dedicated hypotheses.

Compared to the headquarters' management, local branch managers and franchisees are likely to have a sharper insight into the local market and competition (Windsperger et al., 2004: 114; Cliquet and Croizean, 2002: 245). At the same time headquarters can develop adequate, decentralised marketing strategies or counter actions, which are based on similar outlet structures in the entire network (Norton, 1988). Moreover, in order to be relevant for the consu-

mer a more intense competitive structure necessitates a more differentiated competitive positioning. In this context a personal and individual customer reception and sales dialogue is relevant. This implies specific knowledge about the customers' interests and needs and also a social and specialist competence. The key factor in developing these skills is training (Ballantyne, 2003: 1249-1252; Ahmed and Rafiq, 2002: 19-21).

These ideas are expressed by the first hypothesis:

H1: RM has a significant, positive impact on the outlet's specific sales performance. In both formats location is the main driver for sales performance. The second most relevant driver is the age of the outlet.

The **second research question** addresses the direct relationship between **RM and attitude**.

Empirical results from a study by Alexandrov et al. (2007) prove that the perceived central management support acts positively as a driver for attitude (Alexandrov et al., 2007: 364). Without strong employee satisfaction there can be no long-term economic success guaranteeing customer satisfaction and loyalty (Heskett et al., 1997). The closer an employee feels connected to headquarters, the more effort and energy he will invest in the day-to-day business (Drake et al., 2005). Consequently, the level of employee commitment indicating the extent to which employees are satisfied with the central retail management support and identify with the organisation, combined with adequate marketing support and coordination from headquarter to the outlet level are critical success factors in a retail organisation heavily dependent on the attitude of its staff in generating sales. Therefore in any retail organisation the right mix of central support factors and its perceived effectiveness and empowerment by internal target groups are critical success factors (Perrey and Spillecke, 2011: 182-183).

The developed research model assumes that the implementation of RM initiatives is positively evaluated by both internal target groups and that RM has a direct and positive impact on the attitude of sales personnel. Attitude in this concept comprises the satisfaction level with the central RM support from corporate headquarters and the loyalty, commitment and autonomy factor.

The effectiveness of RM is primarily measured by the attitude of sales personnel. Its impact is reflected in the attitude items and behaviour of sales personnel.

RM thus has a direct impact on the attitude of sales staff. This is illustrated by the second hypothesis.

H2: RM is a significant driver for attitude.

The **third research question** is related to the direct relationship between **sales staff attitude and sales performance**. The persuasion of the attitude of internal target groups through central marketing support is only a means to an end. Attitude must have an impact on the behaviour of sales personnel, which leads to higher sales. Based on a survey with 200,000 interviewees from 8,000 outlets in which they analysed employee attitude Harter et al. (2002) were able to predict an outlet's economic performance of (Harter, 2002: 272). Other studies conclude that because of converse causalities this correlation cannot be established (Schneider et al., 2003). In fact Schneider et al. (2003) are able to prove the converse correlation. According to their research the overall return rate on capital employed affects employee satisfaction (Schneider et al., 2003: 843). Koys' (2001) and Leung's (1997) research results, however, support the direction of impact of attitude on organisational performance proposed by Harter et al. (2002). Leung (1997) finds a significant correlation ($r=0.37$) between employee attitude (satisfaction) and the growth of revenues in a retail chain in Hong Kong (Leung, 1997: 2002).

Lings (2004) suggests that employee satisfaction, retention and commitment have a direct impact on employees' market oriented behaviour. Sivaramakrishnan et al. (2008) also find a significant effect of commitment on organisational market orientation and consider commitment as a requirement for market oriented behaviour. Stock-Homburg (2007) differentiates general performance and customer service of the employee (Stock-Homburg, 2007: 18). The second aspect is of particular relevance. Dubinsky and Hartley (1986) and Grund (1998) and Hoffman and Ingram (1992) prove a positive correlation between employee satisfaction and customer-orientated behaviour in the service sector (Dubinsky and Hartley, 1986; Grund, 1998; Hoffman and Ingram, 1992 and MacKenzie et al., 1998).

Allen and Grisaffe (2001) regard employees' commitment to be an important driver for service quality (Allen and Grisaffe, 2001: 216-220). Ramsay et al. (2000) prove a positive context between commitment and service quality (Ramsay et al., 2000). Malhotra and Mukherjee (2004) prove that satisfaction and commitment are important determinants for service quality (Malhotra and Mukherjee, 2004). Iaffaldano and Muchinsky (1985), however, demonstrate only a low correlation ($r=0.17$) between employee satisfaction and performance on an individual employee level (Iaffaldano and Muchinsky, 1985).

Based on these studies the following hypothesis is to be tested:

H3: Attitude is a significant driver for sales performance.

Research question four is related to the **direct and mediating impacts of RM** on sales staff attitude. This research question also asks which RM effect on sales performance is stronger – its direct or its mediated impact.

It is hereby assumed that the direct impact of RM factors on sales performance is stronger than its indirect effect mediated through the attitude of sales staff. The significant relevance of structural retail marketing parameters has been outlined in a section related to the first research question. Supposing a significant, direct RM effect on sales performance the following hypothesis is formulated:

H4: After controlling the impact of RM on attitude there is a significant impact of RM on sales performance. There is also a direct impact of attitude on sales performance. – RM's direct effect on sales performance is stronger than its indirect effect.

2.4.3.2 The moderating effect of the sales format on attitude and sales performance

The **fifth research question** considers the relevance of the **sales format** for the relationships between RM, attitude and sales performance.

Concerning actual and perceived effectiveness of RM as well as its direct and mediating role there is a distinction between the two internal target groups. The central support is a key factor for independent contractors for entering a franchise network (Kaufmann and Stanworth, 1995; Williams, 1999). In contrast to franchisees, branch managers have no personal monetary cost effect in connection with RM activities. All things being equal, they can only benefit from RM. At the same time branch managers do not depend economically on the effectiveness of central headquarters support, as is the case for franchisees. Nevertheless, one key aspect of RM remains exclusively with the franchisees. They can adapt the specific RM factors e.g. by making price and product adjustments, whereas the branch managers depend solely on the central RM support and their own sales efforts (Berman and Evans, 2008: 120-126). Despite this conflict this research assumes a higher impact of RM on sales performance for

branch managers than for franchisees, as well as a higher relevance of RM for the attitude of branch managers than for that of franchisees.

A franchisee is a business owner in her or his own right operating an own cost and profit structure. As far as generating sales goes it is because of this profit or loss that the attitude is even more significant for the franchisee than for a branch manager. The sales format aspect was also evaluated as relevant in interviews with the managing directors of the present retail network. The following hypotheses reflect this critical aspect:

H5a: The strength of relationship between RM and sales performance is greater for branch outlets than for franchise-led outlets.

H5b: The strength of relationship between RM and attitude is greater for branch managers than it is for franchisees.

H5c: The strength of relationship between attitude and sales performance is stronger for franchise outlets than it is for branches.

2.5 Summary of research questions and associated hypotheses

According to the deductions from the hypotheses in the previous chapters the effect relationships of RM can be grouped into two categories. The first of these (research questions and hypotheses one to four) comprises those research questions and hypotheses which focus on the direct and mediating impact of RM on sales performance. It also includes the indirect impact via attitude within the adjusted service profit chain.

The second category (research questions and hypotheses 5a-5c) examines the moderating role of the sales format between the relationships within the service profit chain. It also considers potential moderating effects of character. It takes into account the influence that typologies of the sales personnel as well as the local competitive and store environment have on the relationships within the developed service profit chain concept. Table 4 gives an overview of the research questions and associated hypotheses.

Table 4: Summary of research questions and associated hypotheses

| Number | Research question | Hypothesis |
|---|--|---|
| Direct and mediating effects of RM | | |
| 1 | <p>To what extent do RM and its factors such as location, merchandising, prices and commissions, store layout and corporate image make an impact on sales performance in a branch and franchise outlet?</p> <p>Which RM input factors – on a central headquarters and decentralized outlet level – determine the outlet specific sales performance?</p> | <p>H1: RM has a significant, positive impact on the outlet’s specific sales performance. In both formats location is the main driver for sales performance. The second most relevant driver is the age of the outlet.</p> |
| 2 | <p>What is the relationship between RM and the attitude of sales personnel in a branch and franchise outlet?</p> | <p>H2: RM is a significant driver for attitude.</p> |
| 3 | <p>What is the nature of the relationship between staff attitude and sales performance both in a branch and franchise outlet?</p> | <p>H3: Attitude is a significant driver for sales performance.</p> |
| 4 | <p>What are the direct and indirect impacts of RM on the attitude of sales personnel? – Which impact of the RM-Mix on sales performance is stronger, its direct or its indirect effect through the attitude of sales personnel?</p> | <p>H4: After controlling the impact of RM on attitude there is a significant impact of RM on sales performance. There is also a direct impact of attitude on sales performance. – RM’s direct effect on sales performance is stronger than its indirect effect.</p> |
| Moderating effects of sales format and personnel | | |
| 5 | <p>What is the impact of the sales format on the relationships of a) RM and sales performance, b) RM and attitude and c) attitude and sales performance?</p> | <p>H5a: The strength of relationship between RM and sales performance is greater for branch outlets than for franchise-led outlets.</p> <p>H5b: The strength of relationship between RM and attitude is greater for branch managers than it is for franchisees.</p> <p>H5c: The strength of relationship between attitude and sales performance is greater for franchise outlets than it is for branches.</p> |

2.6 Summary

It can be ascertained that RM and IM as social concepts and holistic approaches require a high degree of coordination and integration. The reviewed research intensely addressed the relevance of RM and IM for an organisation's market orientation. Theory, however, covered only partially the direct and indirect effects of RM; no recommendations are made for the management of RM for a network that comprises a franchise and branch format. By drawing on existing RM and IM theories and considering the RM management challenges for a telecommunications retailer, this research project seeks to propose solutions to these challenges and to further develop RM theory.

All in all, the conclusion from this reviewed research can be drawn that the methodology of RM and IM and the linkage between their relevant variables seem to be under-researched. The impact of the elements of the RM mix such as training and development, strategic rewards, sales support on the loyalty and commitment of sales staff and organisational performance are not clearly proven in a plural-form telecommunications network.

Addressing these research deficits this chapter formulates relevant research questions targeting the research aim and objectives. To address the first research objective it proposes a new RM effectiveness framework. The concept is based on a set of controllable factors from RM and IM. The developed model tests the impact of these factors on sales performance. A new feature is presented in the sense that a comprehensive format comparison of RM's impact on sales performance and the attitude of two different internal target groups combined in one retail network is conducted. The planned project is based on a quantitative perspective of RM effectiveness perceived by two different internal target groups within one retail network. This internal perspective is combined with an external perspective of customers and non-customers. Additionally secondary data of the relevant RM factors and sales performance are integrated so as to give a comprehensive analysis of RM effectiveness.

It will thus be analysed to how far the satisfaction with the RM instruments affects sales performance directly or whether RM makes a higher impact on attitude than on sales performance. To put it more formally, the questions arises as to whether attitude acts as a mediator for RM on sales performance in a franchise and branch format.

Based on a comprehensive literature review and the developed RM framework the research hypotheses have been derived in order to address the second research objective and answer the associated research questions.

3 Methodology and methods

3.1 Introduction

The aim of this chapter is to outline the selected methodological and methodical research approach employed. This chapter provides the rationale for the methodology applied in this research project by positioning it in an ontological and epistemological domain and by highlighting the contributions to management practice and theory. Furthermore, it continues by detailing the research design, methods of data collection and concept measurement.

Moreover, further aspects of the research design such as sampling, instrument development and piloting are explained and justified.

The specific objectives of this chapter are to:

- to identify the methodological issues arising from the research objectives
- to identify the underlying assumptions of different methodological paradigms
- to explain and justify the methodology applied in this project
- to position the research project in an adequate socio-scientific context by defining the adequate epistemology
- to identify the types of data and skills needed to present the research objectives adequately
- to present the relevant data collection and management methods
- to inform the data collection process and structure the research analysis
- to present a rationale for the selected analysis methods applied.

3.2 Methodological considerations

Methodological considerations are based on a knowledge basis enabling a researcher to analyse and explain methods. In this process the limitations and resources of the individual research methods are indicated. Furthermore, their

requirements, assumptions and consequences related to the research steps are examined. Moreover, the methodological considerations underpin the types of questions that can be addressed and the origin of knowledge that is generated. These considerations are relevant to any research project as the determination of the research paradigm, type of data, data management, analysis procedures and data collection methods have significant implications upon the research findings. These methodical considerations are presented in detail in the following sections (Bryman and Bell, 2007; Robson, 2002; Clark et al., 1984).

3.3 Methodological approach

The present research project underlies a **positivistic orientation** because of its strong quantitative approach it follows in order to address the research questions on RM's effectiveness. In contrast to interpretivism, or the qualitative approach, positivism presupposes the fact that monitoring, observing and experiencing are fundamental to **cognition and knowledge**. Positivists stand apart from the world they study in contrast to researchers within the other paradigms such as critical theory, constructivism and realism (Bryman and Bell, 2007: 13-21; Deshpande, 1983: 101).

In contrast to the high relevance of **positivism to quantitative research**, the three other major paradigms – **critical theory, constructivism and realism** – are more important regarding qualitative research (see e. g. Greetham, 2006).

Critical theory emphasizes social realities, which incorporate historically situated structures. This involves critically analysing and transforming social, political, economic, cultural, ethnic and gender values as applied in ethnographic and historical studies of organisational processes and structures. As marketing research aims at comprehending the conduct of decision-makers who are actively involved rather than transforming their behaviour or attitudes to strategy-building (Healy and Perry, 2000: 119), for this planned research project a critical theory approach can be excluded.

Constructivism holds that truth is a particular belief system in a certain context. Constructivism, like critical theory, questions the values and ideologies that underlie cognition. According to constructivists reality consists of many individual realities that people have in their minds (Healy and Perry, 2000: 119). Consequently, constructivists have a problem with the notion of an objective, accessible reality known to everybody. Constructivists view their main task as understanding the multifarious social constructions of meaning and knowledge.

They therefore apply methods such as surveys and observations, which allow them to gain these different perspectives and to construct knowledge and meaning from their experience (Robson, 2002: 27). For the present research project a constructivist perspective is less appropriate as this approach excludes concerns about the relevant, real, economic and technological dimensions of business (Hunt, 1991).

Realism assumes that there is a real world although it is not perfectly comprehensible. Realist researchers are value-aware in the sense that they accept the existence of a real world. Human beings can thus acquire knowledge of the world. The validity of this knowledge is partly defined by the way the world is and such knowledge can be used to deduct general conclusions (Van de Ven, 2007: 58). Robson (2002) refers to the difference of a realist versus a positivist perspective in the sense that realism does not hold that there are universal undisputed truths, which can be empirically observed. According to Robson (2002) knowledge in a realist sense is a subjective, social and historical product and science tries to develop theories for possible explanations also referred to as mechanisms. These theories are tested by rational criteria (Robson, 2002: 32-5). Realism thus aims at developing mechanisms and offering explanations for patterns that can be continually tested and revised.

One of the main pillars of **positivism** is the **critical rationalism** developed by Popper. Critical rationalism assumes the basic fallibility of human reason. An incontestable line of argumentation of general statements or empirical hypotheses cannot exist in principle because of restrictions of human cognition (fallibility). In place of the classic idea of an adequate, positive argumentation or verification of statements the critical rationalist puts the methodological idea of a reasoning-free, negative critique or falsification (Popper, 1994: 160-164). Through this falsification, namely the substitution of hypotheses by contradicting, empirical statements, an approximation to truth that is only gradual is the result. In the light of a systematic analysis, theories that successfully passed these plausibility tests have proven to be valid. Moreover, they can, for the time, be regarded as confirmed (Greetham, 2006: 137-138).

However, in order to address the relevant research questions related to a quantification of RM's direct and mediating effects this theoretical orientation that was developed in a natural science context is perceived to be less applicable (Homburg, 1995; Deshpande, 1983; Arndt, 1985). The sharpest points of criticism are the missing theoretical foundation of empirical research projects, the error-in-measurement problem and the virtually infeasible integration of all

context factors in business studies (Homburg, 1995: 58-60). These last two aspects complicate the fallibility of theories in particular.

Consequently, a cognitive progress in science is only possible when falsified theories are substituted by new theories. These new theories exist only for that period until they themselves are replaced. In this cognition process only the most adequate theory survives. A theory does not necessarily need to be refuted, in the context of falsification it can be modified (Popper, 1994: 25-28).

Critical rationalism has its origin in the natural sciences. The phenomena lying at the heart of natural sciences are highly deterministic. In social sciences, however, many influence- and context factors exist which need to be controlled closely to falsify or undermine a theory effectively. A comprehensive control of all context factors does not seem realistic even in an experimental research setting and can be excluded, as in every research situation the behaviour of individuals that cannot be perfectly replicated comes into play (Greetham, 2006: 73-74). This applies even more so for the present empirical research project that is embedded in a specific corporate context. Therefore, a sound falsification or refutation of hypotheses in social sciences in general and in the present corporate context in particular is hardly possible.

Moreover, **errors in measurement** with empiric surveys in social sciences are the rule rather than the exception (Bryman and Bell, 2007: 259). This measurement aspect also clearly refutes the idea of an indisputable falsification of a hypothesis.

In contrast to critical rationalism, the **scientific realism following a positivistic approach** acts on the assumption of a **step-by-step confirmation of scientific theories**. It claims that science develops statements that are true at theoretical and empirical level of phenomena and that science progresses incessantly by reaching a closer approximation to reality (Chalmers, 1999: 238). This step-by-step approach replaces the strict falsification principle of critical rationalism. A basic requirement for such a step-by-step-approach is the **inductive procedure** taken by scientific realists. Despite this **cumulative cognition and truth process**, scientific realism does not assume the possible acquisition of absolute truth. Moreover, every potential truth can be refuted by adequate testing which is also characterized as fallibility and which demonstrates the parallels to critical rationalism (Kwan and Tsang, 2001: 1165). Because of its more **realistic approximation to empirical studies**, in contrast to critical rationalism, **scientific realism** forms the basis of the theoretical orientation of the **planned research project** on retail marketing effectiveness.

3.4 Methods and research design

The analysis of RM’s empirical effect is undertaken for a telecommunications retailer. As telecommunications services represent complex services in a market with high advertising costs and fierce competition, RM activities are crucial factors. Consequently, a thorough examination of the cause-and-effect mechanisms of RM factors seems to be justified so as to address the research objectives. A precondition for this examination is to identify the information needs related to the research questions, to locate the data sources and to collect and analyse the relevant data.

3.4.1 Information needs

Relevant information needs exist on a headquarters-, outlet- and customer level. Survey data are supplemented by comprehensive secondary, objective (internal) data sets. Figure 6 illustrates the relevant data requirements and it offers an overview of the applied data collection methods on the relevant unit of analysis at headquarters-, outlet- and customer level.

As the necessary data are mostly taken from an internal corporate perspective, only the relevant organisation can provide precise information about these

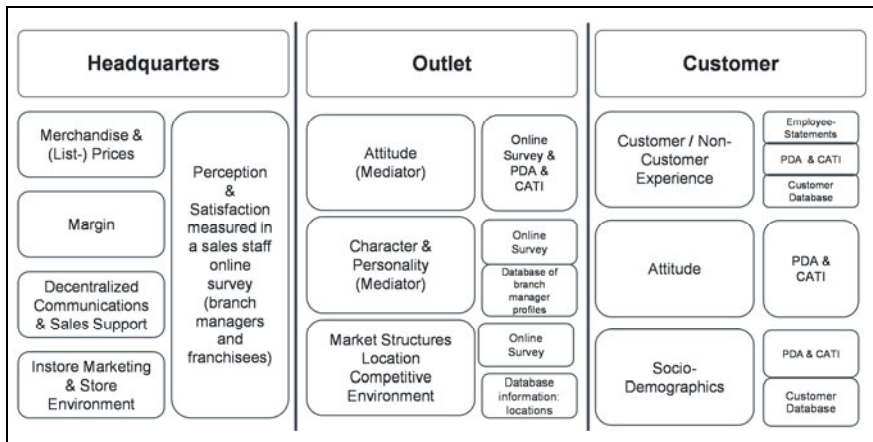


Figure 6: Overview of data requirements and methods of data collection

concepts. Therefore, the data collection process largely depends on the corporate side. However, as some key variables can be collected more reliably and objectively through an additional customer- and non-customer survey, additional surveys are made. Such a dyadic research design requires a direct pair assignment of internal, corporate and external customer- and non-customer based data. Based on an effective intersection, this makes a data collection of three samples rather difficult. As a key objective of the present research project lies in an empirical test of the hypotheses, for each of the surveys it is necessary to have a large sample size.

The first and second generation methods to be applied to test reliability and validity of the developed concepts require a large sample size (Homburg and Baumgartner, 1995: 1103).

To generate reliable feedback from the sales force, the online survey with sales staff (branch managers and franchisees) must be carried out anonymously. The anonymous conduct together with the relevant sample size drives the complexity of the data collection process.

The online survey is central to the present project. This is supplemented by a survey of customers and non-customers at the point of sales. Computer aided telephone interviews (CATI) with customers and a personal digital assistant (PDA) based interviews with shop visitors (customers and non-customers) are carried out. The PDA based interviews with shop visitors take place in front of 100 shops and are carried for four hours per outlet. The average time for an interview is ten minutes. These interviews address the motivation for shop visit and key satisfaction dimensions related to the shop visit, overall customer satisfaction and loyalty and shop visitor attitude towards the mobilcom-debitel brand; it also includes questions related to socio-demographic parameters such as age and professional status of the interview participant. In contrast to the PDA supported interview the CATI based interview is only conducted with customers; non-customers or non-buyers are not included. In parallel to the interview with shop visitors the customer interviews address the buying motivation, customer satisfaction and loyalty, attitude towards the retail brand and socio-demographic factors. The CATI based interviews last five minutes on average. Figure 7 illustrates the data collection techniques applied in the three surveys.

In empirical research measurement of latent concepts is based on multi-item-scales to cover complex phenomena (Field, 2005: 736). Latent concepts are essential in the social sciences in general as well as in the analysis of marketing research and consumer behaviour in particular.

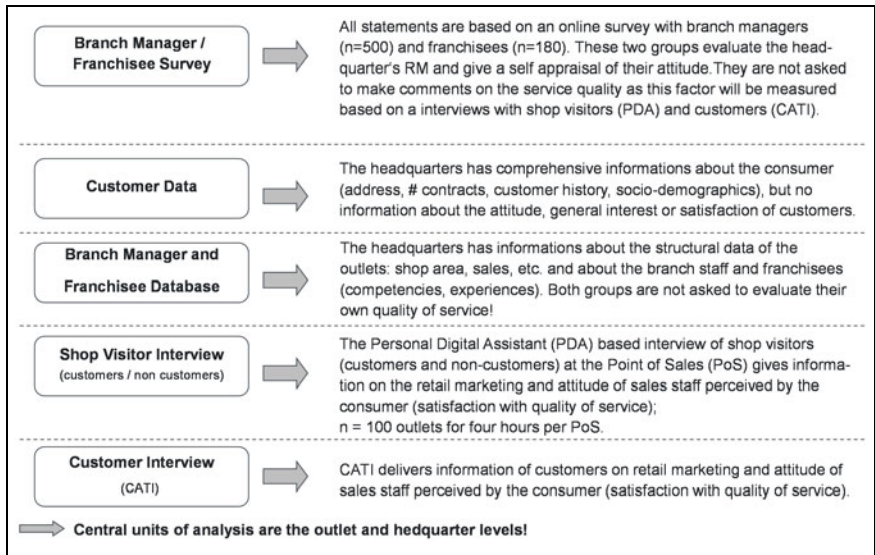


Figure 7: Overview of data sources and methods of data collection

In the present context the relevant items in the survey are measured on a five-level bipolar rating Likert scale. For the operationalisation of the relevant concepts scales are used that have been proven in empirical research.

To guarantee comparability of the research model on a headquarters- and especially on an outlet-level the relevant concepts for the two different internal target groups are operationalised as closely to each other as possible. Depending on the unit of analysis (sales format) adjustments of some items are necessary, e.g. the parameter of entrepreneurial orientation. This is likely to have a higher relevance determining the attitude of franchisees than the attitude of branch staff. In accordance to Bettencourt et al. (2005) attitude is measured on the basis of the following indicators: satisfaction, loyalty, commitment. These three indicators are supplemented by autonomy, as it is perceived by sales personnel. Autonomy is a crucial factor for the attitude of franchisees because they are entrepreneurs and thus aim at a higher degree of entrepreneurial independence or autonomy than a branch manager does.

The loyalty concept of internal target groups comprises aspects of a confirmatory election of the employer or franchisor. At the same time it takes into account a possible intention to terminate the job or the franchise contract. Loyalty is measured on the basis of the approach developed by Wangenheim

et al. (2007) and Zeithaml et al. (1997). Perceived overall satisfaction and autonomy are measured on the basis of a single-item-measure following Schlüter (2001).

The relevant RM parameters are identified according to Gilbert (1999) and McGoldrick (2002). These parameters comprise product portfolio, prices and commissions, sales support and internal communications.

Measurement of customer satisfaction with service quality follows Dabholkar's (1996) approach to the analysis of retail service quality. It comprises the following attributes: physical aspects such as store appearance and convenience of store layout, reliability, personal interaction and problem-solving. Service quality is measured through interviews with customers and non-customers after they have left an outlet. Additionally, a computer aided telephone interview (CATI) is conducted with customers.

Consequently, complex data sets on all three organisational levels (headquarters, outlet and consumer) are analysed. In this instance one can distinguish primary and secondary data. With primary data collection the data is collected by the researcher. The key point is that the data collected is unique to the research project. In general no one else has access to it.

In contrast to primary data, secondary data consists of data collected by someone other than the user. Both primary and secondary data may be qualitative or quantitative in nature (Robson, 2002: 360-368). Table 5 summarizes the necessary primary and secondary data, their source and data collection method and the data analysis method. The analysis part is presented in section 3.4.9.

In order to address the second research objective and to test the hypotheses about the impact of RM on sales performance, it is necessary to integrate secondary data such as central corporate controlling data. Therefore, in addition to survey data, objective data is considered as inputs and outputs for the cause-and-effect-model. A simultaneous consideration or integration of survey and objective data lowers the risk of distortions through common-method bias (Campbell and Fiske, 1959; Nacif, 2003: 157; Podsakoff et al., 2003). A common-method bias occurs when the researcher's applied instruments affect the data that is being collected. According to Campbell and Fiske (1959) comparative methods help analyse potential bias. Podsakoff et al. (2003) recommend alternatives to test for common method bias, even when only one method is being applied.

Table 5: Information plan

| Secondary | Data/ Information | Unit of Analysis | Access | Analysis |
|---|---|--------------------------------|---|---|
| <p><i>Internal</i></p> | <p>General data about the outlet: Email-address of branch manager and franchise and contact person (name, first name) Sales data: Sales of credit, debit, retention and broadband contracts on outlet level</p> | <p>Outlet Outlet</p> | <p>Sales Unit of Retail Organisation Through Headquarters of Retail Organisation and Controlling, Marketing and Sales Unit</p> | <p>Sales Performance Index (SPI); SPI = 1.0 x credit contract, 1.0 x customer retention, 1.0 x broadband contracts and 0.2 debit contract Descriptive Statistics Multivariate Analysis Factor Analysis Multi-Structural Equation Modelling</p> |
| | <p>Structural Retail Marketing & Market Structures data (mostly related to shop location, design, staffing and store environment): Sales format (branch, franchise) Opening date outlet (month / year) Start of branch manager / franchisee Outlet history: originally mobilcom, dug or dvg outlet Sales area Sales district Location Number of residents of city or part of town Outlet size in square meters (net area without back-office) Number of full time employees Start date new PoS-system (month / year) Customer base Number of visits by sales representatives Number of online trainings attended Number of offline trainings attended Number of offline promotions conducted</p> | <p>Headquarters and Outlet</p> | <p>Through Headquarters of Retail Organisation and Controlling, Marketing and Sales Unit. Through Online Survey.</p> | <p>Descriptive Statistics Multivariate Analysis Factor Analysis Multi-Structural Equation Modelling</p> |
| <p>Character & Personality</p> | | <p>Outlet</p> | <p>Through Headquarters of Retail Organisation (Branch & Franchise Management Department)</p> | <p>Descriptive Statistics Multivariate Analysis Factor Analysis Multi-Structural Equation Modelling</p> |

| Primary | Information required | Collection method / unit of analysis | Sample Population | Analysis |
|--------------|---|--------------------------------------|---|---|
| Quantitative | Merchandise & List Prices | Online Survey / Headquarters | N=496 branch managers and 175 franchisees | Descriptive Statistics Multivariate Analysis Factor Analysis Multi-Structural Equation Modelling |
| | Margin & Compensation | Online Survey / Headquarters | N=496 branch managers and 175 franchisees | Descriptive Statistics Multivariate Analysis Factor Analysis Multi-Structural Equation Modelling |
| | Decentralized Communication & Sales Support | Online Survey / Headquarters | N=496 branch managers and 175 franchisees | Descriptive Statistics Multivariate Analysis Factor Analysis Multi-Structural Equation Modelling |
| | In-store Marketing & Store Environment | Online Survey / Headquarters | N=496 branch managers and 175 franchisees | Descriptive Statistics Multivariate Analysis Factor Analysis Multi-Structural Equation Modelling |
| | Attitude (Loyalty, Commitment and Autonomy) | Online Survey & CATI / Outlet | N=496 branch managers and 175 franchisees | Descriptive Statistics Multivariate Analysis Factor Analysis Multi-Structural Equation Modelling |
| | Market Structures | Online Survey / Outlet | N=496 branch managers and 175 franchisees | Descriptive Statistics Multivariate Analysis Factor Analysis Multi-Structural Equation Modelling |
| | Attitude of Branch Staff | PDA and CATI / Customer | CATI N=1000 customers PDA N=100 shops (interviews will be conducted for 4 hours per shop with customers and non-customers) | Descriptive Statistics Multivariate Analysis Factor Analysis Multi-Structural Equation Modelling |
| | Socio-Demographics | PDA and CATI / Customer | CATI N=1000 customers PDA N=100 shops (interviews will be conducted for 4 hours per shop with customers and non-customers) | Descriptive Statistics Multivariate Analysis Factor Analysis Multi-Structural Equation Modelling |

To reach a high level of validity of corporate data, apart from literature review, the retail executives in the headquarters of the relevant retail organisation were interviewed about the relevant performance indicators (for this process also see Mukherjee et al., 2003: 727). Through this process the number of trainings attended in 2009, the average number of (telephone) contacts with the

| | | | | |
|--|---|---------------|---|----------------|
| Sales Performance Index (SPI) = | | | | |
| DSL Ø x 1 | + | Credits Ø x 1 | + | Debits Ø x 0,2 |
| | | | + | Upgrades Ø x 1 |

Figure 8: Composition of sales performance index

sales support team and the visits by sales representatives were identified as further relevant RM factors.

From July 2008 to June 2009 the relevant retail organisation provided data. However, within this procedure potential distortions, so called time-lag-effects, are not represented. Even if this procedure does not allow for definite statements on causalities, it is also applied in other research studies because of a restricted data situation (Gelade and Ivery, 2003), e.g. when the period of data collection for the dependent and independent variable differs.

Average monthly sales performance per outlet was identified as a significant output factor. It is calculated as the weighted arithmetic mean of the sales of credit contracts with a factor of 1.0, broadband contracts (1.0), customer retentions (1.0) and debit contracts (0.2). Figure 8 gives an overview of the developed sales performance index (SPI):

3.4.2 Approach

The managing director of mobilcom-debitel retail limited company carries out this research project to gain organizational insights related to RM's effectiveness on franchises and branches.

Reflecting on my interactions with colleagues from Marketing and Market Intelligence within the freenet Group, these exchanges were helpful in tailoring this research project to suit **organizational needs and interests**. Discussions with internal and external business partners – particular in the field of marketing research and intelligence – combined with the exchange with my academic peers and supervisor supported me in thinking through and developing a more robust and effective system of data collection and data analysis.

Although I have tried to keep an open mind and to explore and research alternatives, my (internal) role as a **reflective practitioner** may have had an impact on data collection, analysis as well as on the overall project. Considering other alternative methodological approaches, critically reflecting my own assumptions and challenging our existing organizational practices – in particular

related to our management of franchises – may have helped to minimize my personal bias on this project and to exclude conjectured and anticipated formulation of findings.

The identification of the relevant information needs and the selection of the data collection method represent a fundamental decision in every empirical project. A first step is taken to establish whether the data are collected unilaterally or dyadically. Data collection is termed “dyadic” if data are collected on the corporate as well as on the customer side. In order to analyse the relationships between the variables beyond the different data sets, a pair-wise formation of customer- and corporate data is necessary. A dyadic data collection is more expensive and time-consuming than a unilateral data collection. A central problem of a dyadic data collection lies in the generation of direct data pairs because many companies refuse to supply customer data. A direct comparison of data pairs excludes an anonymous and comprehensive data collection (Stock, 2003: 112-114).

Unilateral data collection is generally directed towards only one side. In most cases, the corporation represents this side. This method entails lower costs but it brings the risk of a diluted database. In this instance the respondents tend to have a socially desired, consistent answer behaviour. To avoid these effects the formation of the collection instruments must be carefully operationalized. Therefore, literature recommends making use of neutral item formulations (Böhler, 2004: 98-100).

The concrete data collection can be based on an **observation** or **survey** (Böhler, 2004: 85-88; Schnell et al., 2005: 335-336). Observation presupposes sensual perception of the relevant variables. This method has the advantage of being independent of participant’s willingness. In this way, data and facts of which the participant may not even be aware of can be obtained. However, this method comes with some disadvantages. There are high costs and greater time investment; an even greater problem is the possibly greater subjective selectivity of the observer (Böhler, 2004: 105). Furthermore, some situations or factors such as values, attitudes and psychological conditions cannot be observed neutrally.

There is an alternative form. This is the survey method (Gleitsmann, 2006: 104-105). This comprises questions concerning the research aim. In general, the concepts are generated by means of individual indicators (items) to which adequate reply categories are assigned. A case in point for this assignment of answer categories is the standardized questionnaire. A special form of the multi-choice question is the Likert-Scale question; in this case agreement or disagreement is represented by certain categories. Graphic scales are often applied; they have no denomination of the categories apart from the denomination of the ex-

treme values. Checking of the written survey is speeded up, and this facilitates the effective examination of the survey. Moreover, online surveys do not require interviewers to be present. Thus, possible **bias of the interviewer** related to social desirability is reduced (Böhler, 2004: 98-100).

Further **potential bias** with online surveys can result from the non-representative nature of the survey participants and the self-selection of participants (Kümmel et al., 2009: 101-117). In the present project the volunteer effect can be excluded as only participants have been invited from the relevant retail network.

The sample in this research project is biased in the sense that no participants outside the network have been invited to participate (see also section 3.4.8 on validity and reliability). This potential bias from a **non-representative sample composition** has been taken into consideration. The subset of this population (franchisees and branch managers) is – in line with the defined research objectives and questions – representative for the examined internal target groups of the mobilcom-debitel retail network.

Online surveys can also be biased when a single user fills in the same questionnaire multiple times or when the user can go back to the survey and modify his entries (Van Selm and Jankowski, 2006). The chance of filling in a survey multiple times by the same franchisee or branch manager has been technically (IP address management) prevented or at least been minimized. As it takes participants an expected time of about 30-40 minutes to fill out the survey and as they are supposed to do the survey during working hours in their day-to-day shop business, participants can make a break, logout and then go back to the survey after a few hours or even days. They are, however, not able to modify already made entries in order to exclude the aforementioned bias effect.

Moreover, the following initiatives helped minimize other possible bias effects in the present research context: **piloting** and checking of the online survey with scientists and franchisees and branch managers before the start of the field work, the **anonymous conduct**, the **communication** of this anonymous conduct in a separate writing to the franchisees and branch managers before the start of the online survey (see Appendix 2).

A further fundamental decision relates to the definition of the basic or **sample population** and the selection of the **unit of data collection and analysis**. The basic population is the number of all potentially relevant research objects to be taken into consideration.

Following the aim of the research – an analysis of the relationship between RM and sales performance – and endeavouring to answer the two research objectives, the methodical framework must give a solid understanding of the necessary data requirements and methods of collection. For this purpose, primary data from three different surveys and secondary data from the relevant retail organisation are integrated into the database.

The definition of the method of data collection relates to the research objectives.

Two objectives are crucial for the empirical conduct in the present case:

Firstly, to develop three models for measuring the relationship between RM and sales performance for an online survey with sales staff, a PDA based interview with shop visitors (customers and non-customers) and a CATI based interview with customers.

Secondly, to test the hypotheses about the direct, indirect and moderating effects of RM.

In this research the survey method is the key approach for data collection. The sampling of the online survey consists of all branch managers and franchisees within the relevant retail organisation. As such, the key research method includes the online survey to analyse the impact of RM factors on sales performance, loyalty, commitment and service quality as perceived by the internal target groups. This online questionnaire was developed after a comprehensive review of literature as well as diverse discussions with market research experts, marketing and sales managers and sales staff. Prior to the field period, the survey was tested in a pre-test with branch managers and franchisees to check clarity and redundancy. Moreover, these persons were asked to judge the structure and length of the survey. The questionnaire was assessed as logical and clear. Regarding clarity of formulation only a small number of items needed to be adjusted. The survey length was evaluated as long but acceptable. As a result of this pre-test only few items were reformulated. On account of their redundancy two items were deleted.

Besides the online interview with sales staff, a customer survey will be conducted offline so as to analyse retail service quality as buyers and non-buyers perceive it. Moreover, a computer-aided-telephone interview (CATI) is conducted in order to analyse customer satisfaction. Bivariate measurement scales in the form of nominal and interval measurement scales are applied. Use is made of a standard five-point Likert-scale, which facilitates consistency and usability. On

this scale, the survey participants could express their agreement or disagreement with a certain statement. In order to avoid different interpretations of the scale items by the survey participants only the extreme positions were declared. The minimum scale parameter 1 was described with “do not agree at all” and with the maximum value 5 “fully agree”.

3.4.3 *Instrument development*

Table 6 gives a partial overview of the items applied in the online survey. Differences in the concrete formulation of the items depending on the internal target group or sales format are printed in italics.

To analyse the cause-and-effect relationships between RM activities, sales personnel attitude and behaviour, it is necessary to use different data sources so as to avoid the problem of common method bias. This problem describes distortions of analysis results that are caused by interviewees relating to the dependent and independent variable in the concept (Podsakoff et al., 2003: 881-883). Consequently, to test the hypotheses both primary data and secondary data are used. Primary data consist of data from surveys and interviews. Secondary data include data from the controlling unit of the retail organisation, literature on RM and IM, the service profit chain model, retail service quality and franchising.

This research is quantitative in nature and supplemented by qualitative components. Qualitative data from interviews with the management of the retail organisation help formulate the hypotheses. Quantitative primary data serve to test these hypotheses.

Duration as well as age and type or characteristics of the internal target groups' members as well as location of the retail outlet and competitive environment are considered to be relevant (control) variables. The distinction between different internal target groups such as branch staff and franchisees acts as an interaction-factor or moderator for the strength of relationships being analysed in the developed concept.

Table 6: Indicators of analysis (non-exhaustive)

| Indicator (Examples; non-exhaustive) | Source |
|---|----------------------------|
| RM – Product Portfolio | |
| RM-P ₁ : How satisfied are you with the product portfolio from your organisation? | own items |
| RM-P ₂ : To what extent does headquarters support you in offering a portfolio covering recent market trends in mobile telephony? | |
| RM-P ₃ : To what extent does the headquarter support you in offering a portfolio covering recent market trends in mobile internet business? | |
| RM – Terms & Conditions | |
| RM-T ₁ : How satisfied are you with terms & conditions offered by your organisation in general? | own items |
| RM-T ₂ : To what extent does the airtime program from your organisation support your financial situation? | |
| RM-T ₃ : To what extent does the rental fee support program from your organisation help your financial situation? | |
| RM – Sales Support | |
| RM-S ₁ : How satisfied are you with the support you receive from your organisation offering your customers the highest possible service quality? | own items |
| RM-S ₂ : How satisfied are you with the support from your organisation's sales representatives? | |
| RM-S ₃ : To what extent does the training support from your organisation help you in generating sales? | |
| RM – Communications | |
| RM-C ₁ : How satisfied are you with the central communications from headquarters to your branch (<i>franchise shop</i>)? | own items |
| Attitude – Satisfaction | |
| A-SAT1: How satisfied are you as an employee (franchisee or employee of a franchisee) with the overall support from your organisation? | Schlüter (2001) |
| Attitude – Commitment | |
| A-COM1: My ideals are similar to those of my employer. | Betten-court et al. (2005) |
| A-COM ₂ : I feel closely connected to my employer. | |
| A-COM ₃ : The future of my employer is a matter of heart for me. | |
| A-COM ₄ : I consider my organisation's system to be the best possible system for me. | |

| Indicator (Examples; non-exhaustive) | Source |
|---|------------------------------|
| Attitude – Loyalty | |
| A-LOY ₁ : If I had the chance to start again as an employee (as a franchisee) with this company, I would always take it. | von Wangenheim et al. (2007) |
| A-LOY ₂ : I have often thought of leaving this system. | Singh et al. (1996) |
| A-LOY ₃ : If friends asked me about my company, I would always recommend it as an attractive employer (franchisor). | Zeithaml et al. (1996) |
| Attitude – Autonomy | |
| A-A ₁ : My company offers me an adequate amount of freedom of action to be a successful employee (franchisee). | Own item |
| Retail Service Quality – Store Appearance | |
| RSQ-S ₁ : This store has modern-looking equipment and fixtures. | Dabholkar et al. (1996) |
| RSQ-S ₂ : This store offers clear and transparent product categories. | Dabholkar et al. (1996) |
| RSQ-S ₃ : This store layout makes it easy for customers to find what they are seeking. | Dabholkar et al. (1996) |
| Retail Service Quality – Personal Interaction | |
| RSQ-P ₁ : The behaviour of employees (franchisees) instils confidence in this store. | Dabholkar (1996) |
| RSQ-P ₂ : In their transactions with this store customers feel safe. | Dabholkar et al. (1996) |
| RSQ-P ₃ : Employees (franchisees) give customers prompt service. | Dabholkar et al. (1996) |
| Retail Service Quality – Competency | |
| RSQ-C ₁ : Employees (franchisees) in this store possess the knowledge to answer customers' questions. | Dabholkar et al. (1996) |
| RSQ-C ₂ : Employees (franchisees) in this store address customers' needs accordingly. | Own item |
| RSQ-C ₃ : Concerning tariffs on new mobile phones, broadband and internet employees (franchisees) in this store are always up to date. | Own item |
| Retail Service Quality – Reliability | |
| RSQ-R ₁ : This store performs the service right the first time. | Dabholkar et al. (1996) |

| Indicator (Examples; non-exhaustive) | Source |
|--|---|
| RSQ-R ₂ : This store has the right handsets available when the customer wants them. | Own item in accordance to Dabholkar et al. (1996) |
| RSQ-R ₃ : This store insists on error-free sales and contractual transactions. | Own item in accordance to Dabholkar et al. (1996) |
| Retail Service Quality – Corporate Quality | |
| RSQ-C ₁ : I have full knowledge of the organisation's retail strategy. | Own item |
| RSQ-C ₂ : I closely identify with the organisation's retail strategy. | Own item |
| RSQ-C ₃ : I firmly believe in the organisation's value system. | Own item |

3.4.4 Construct measurement

3.4.4.1 Basics of the formation and operationalization of constructs

The factors and variables in the present frame of reference are hypothetical concepts (Herrmann and Homburg, 2000: 20). A hypothetical concept is "...an abstract entity which represents the true, non-observable state or nature of a phenomenon" (Bagozzi and Fornell, 1982: 24). To make these non-observable and not directly measurable concepts empirically measurable, adequate variables or so-called indicators must be available. These indicators must reflect the characteristics of the concept precisely (Homburg and Giering, 1996: 6; Schnell et al., 2005: 127-129). In the context of hypothetical concepts the terms of conception and operationalization are relevant (Homburg and Giering, 1996: 6).

Conception means generating a draft or image with the objective of gaining a precise, comprehensive understanding of the individual facets (Homburg and Giering, 1996: 11). The development of a measurement model, the so-called operationalization, is based on this conception. The operationalization is the determination of how to measure the facts of the case. For the exact measurement of hypothetical concepts a measurement model consisting of multiple indicators or items is widely recommended by the literature (Churchill, 1979: 66; Jacoby, 1978: 93; Homburg, 2000: 13).

In the context of operationalization there is a distinction between single- and multi-factor concepts. A single-factor concept corresponds to one factor, so that the observable indicators can be directly aggregated on the conceptual level. A

multi-factor model is represented by two or more factors. If a concept is put into its individual factors and each factor belongs to the same and only theoretical dimension, this concept will be called uni-dimensional. The concept itself is not directly linked to the indicator variables. If there are multiple theoretical dimensions comprising several factors, a multi-dimensional concept is present (Bagozzi and Fornell, 1982: 28-30; Homburg and Giering, 1996: 6). In a multi-dimensional concept neither the concept itself nor the individual dimension is directly linked to the indicator variables.

Variables analysed in a survey present so-called latent concepts. These concepts cannot be measured directly. They must be collected via indicators (Homburg and Giering, 1996: 6).

In order to define the quality of these latent concepts the criteria of objectivity, reliability and validity are taken into consideration (Berekoven et al., 2004: 88).

Objectivity describes the independence of the results from the person performing the measurement or procedure (Hermann and Homburg, 1999: 23).

Reliability addresses the creditability of the procedure (Böhler, 2004: 111), when several measurements conducted under the same conditions lead to identical results.

Validity shows the extent to which a procedure fits the actual measurement objective (Böhler, 2004: 111).

In conclusion, it can be established that reliability presents the formal precision of measurements, whereas validity addresses the formal material precision of those results (Hermann and Homburg, 1999: 23-24). Attaining a high level of reliability is empirically motivated. Validity must be regarded independently of the theories to be tested (Carmines and Zeller, 1986: 16). Referring to the relationships between factors and items there are two different cases. Basically, the specification of a measurement model can be based on a formative or reflective measurement model (Bagozzi and Baumgartner, 1978: 386-390).

In contrast to reflective measurement models, formative models are based on the assumption that the concept is generated by the indicators. As the observable indicators are regarded as the cause of the hypothetical concept, this concept is defined as the sum or linear combination of its indicators. The coefficients indicate the loading of the indicators at the linear setting to the hypothetical concept. If an indicator changes, the value of the concept will also necessarily change, whereby the characteristics of the other indicators may remain unaffected (Fassott and Eggert, 2005: 38-39). Consequently, in a formative measurement model the indicators do not necessarily closely correlate with each

other. If the indicators are the cause of the hypothetical concept, these indicators do not fully show all facets of the concept. The concept value resulting from the indicators can, therefore, deviate from the actual concept value. This deviation is called “lack of validity” (Lohmöller, 1989: 15) and is represented by the residual variance that cannot be ascribed to reasons inside the model (Herrmann et al., 2006: 34.35).

The relationship between indicators and the appropriate hypothetical concepts (reflective versus formative) necessitates different requirements for the development and evaluation of the respective measurement model. These requirements and evaluation criteria are presented as follows.

3.4.4.2 Requirements for the construct measurement of retail marketing, attitude and sales performance

In empirical research, measurement of latent constructs is based on multi-item-scales so as to cover complex phenomena comprehensively (see also Peter, 1981: 133). According to general procedure these items can be interpreted as “metric“ (Homburg and Krohmer, 2003: 220).

In the present project relevant items in the survey are measured on a five-level bipolar rating scale. For the operationalization of the relevant concepts, scales will be used that are proven in the context of empirical RM and IM research supplemented by own items. Concepts will be operationalized homogeneously to guarantee comparability of findings between the units of analysis on a headquarters and an outlet level. Adjustments of some items will be necessary depending on the concrete unit of analysis as e.g. the parameter of entrepreneurial orientation is likely to have a higher relevance for the character and attitude of franchisees than this may be the case with branch employees.

3.4.5 *Samples*

Prior to the data collection process the sample for each of the three surveys was defined. As planned in the research design the sample population for the online survey included all branch managers and franchisees (n=671).

For the telephone interviews 1,748 customers were contacted out of a sample population of 5,000 customer data sets referring to 150 outlets in order to get 1,000 responses. A maximum of seven customers of each of these 150 shops were successfully interviewed.

| | Sales Staff | Customers | Shop Visitors |
|---------------------|--|--|--|
| Method | Online | CATI | PDA |
| Sample | N=671 | N=5,000* | N=110 Shops |
| Realized Interviews | N=392 <small>(add. 79 partial interviews)</small> | N=1,000 <small>(max. 7 interviews per shop)</small> | N=861 <small>(5-17 interviews per shop)</small> |
| # Shops | N=392 <small>(add. 79 partial interviews)</small> | N=150 | N=100 |
| Period | 21.10.-16.11.2009 | 02.-14.11.2009 | 23.10.-07.11.2009 |

Figure 9: Key facts research design

Additionally, PDA based interviews (n=861) were successfully conducted with shop visitors (customers and non-customers) in front of 100 outlets. These interviews took four hours. Owing to a different visitor frequency and willingness of shop visitors to participate in the survey, the number of PDA interviews ranged from a minimum of five to a maximum of 17 interviews per outlet.

Before a third-party marketing research institute sent out the survey, all participants were contacted by the management team of the retail organisation in writing and asked for their active participation. The data collection process resulted in 392 online interviews. This reflects a conversion rate of 58.4%. Considering the length and complexity of the online survey and the busy sales activities of the participants, this can be regarded as a high conversion rate. Figure 9 offers an overview of the key elements of the sampling of the surveys.

Figure 10 shows the intersections from the online survey, CATI- and PDA interviews.

364 interviews out of 364 stores were conducted online with sales staff for which no customer feedback could be collected. By using CATI, data were generated from 247 interviews with sales staff and customers from 32 shops. 1,219 interviews from 75 outlets are based on interviews with sales staff with complete customer information (CATI and PDA).

For another 376 interviews related to 25 shops complete transparency of customer information (PDA and CATI) without any assignment to the online

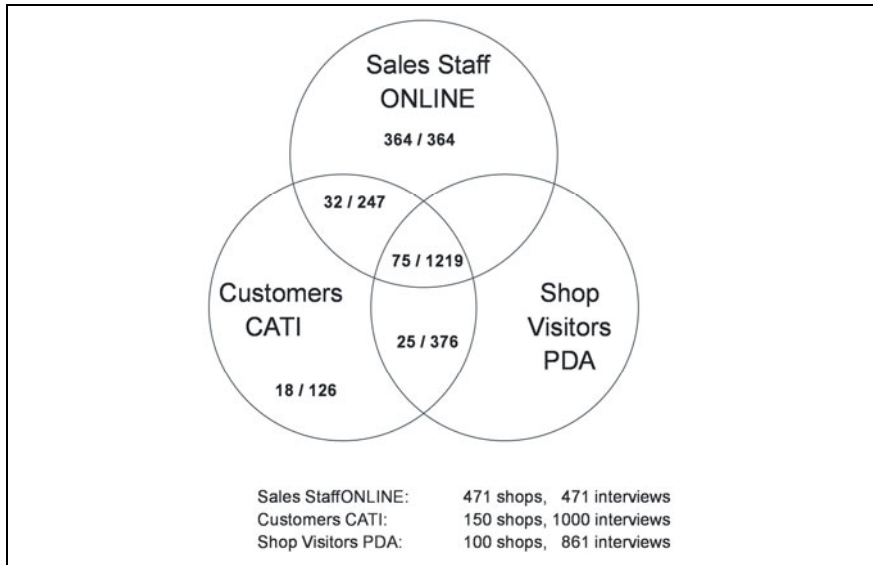


Figure 10: Participation in interviews

survey data with sales staff is given. There were 126 cases from 18 shops, which are only based on CATI. They could not be assigned to an online interview with sales staff.

3.4.6 Implementation

The use of an electronic data collection method allows the researcher in this project to access the relevant internal target groups in different geographical areas of Germany. This helps to analyse their opinions and attitudes without long-distance travel within a fast feedback cycle of 14 days. Although online surveys have the same weaknesses as most survey instruments have, they provide a more convenient tool for some people in dealing with sensitive business issues. They have been regarded as a feasible alternative to the more established instruments, e.g. face-to-face interviews. Moreover, online surveys can be set up in a way that requires the user to register and create a password to ensure confidentiality of the data (Evans and Mathur, 2005: 196-199).

Since online surveys are based on non-face-to-face interactions, the answers are generally easier to analyse and open questions can be answered confidentially.

The survey addressed both branch managers (population = 496) and franchisees (population = 175). It was conducted in the same time period (1.11.09-16.11.2009) as the customer and shop interviews were carried out in order to control potential time-lag-effects between the answers and reactions of the survey participants. All survey participants were addressed via a personalized mailing from a third-party marketing research institute two weeks before the start of the survey. This survey was conducted confidentially. After 10 days a reminder was sent to the participants to increase the conversion rate.

In order to assign the survey data to the relevant units of analysis, a unique link to the survey portal was sent out to every outlet. This procedure guaranteed the participant's confidentiality towards the headquarters of the retail network. Vogel (2006) recommends a similar procedure (Vogel, 2006: 139).

3.4.7 *Data management*

As online surveys are prone to self-selection of participants the procedure by Armstrong and Overton (1977) was applied in order to check systematic distortions within the answer behaviour of the survey participants: so-called "non-response-bias". A "non-response-bias" is on hand if the answers in the first survey differ significantly from those of later respondents. It is hereby assumed that a high level of accordance of the answer behaviour exists between the late respondents and the group that has not participated in the survey. For this purpose the survey participants were split into three equal groups. The answer behaviour of the first group was compared on the basis of a t-test, with the answers of the third group. Based on a ten per cent significance level this test showed no great differences. It can therefore be established that in this survey no systematic distortions exist.

Whereas the online-survey was carried out to collect information about the effectiveness of the RM-factors and attitude of the internal target group, a further interview survey with customers and non-customers was conducted at 100 outlets lasting four hours. This survey served to analyse service quality and satisfaction.

Additionally, 1,000 customers were successfully telephoned. These interviews were conducted to explore customer satisfaction as a further relevant performance indicator in addition to sales performance.

3.4.8 *Validity and reliability*

The basic contention is that empirical findings will be strengthened when instrument validation precedes both internal and statistical validity and reliability. Therefore, researchers need to validate their research instruments. In the following the key research instruments are presented with a particular focus on the measures applied and their reliability and validity.

This section, therefore, focuses on analysing the validity of measurement concepts and on confirming the validity of the selected instruments and procedures. To evaluate reliability and validity of the relationships of RM and sales performance within the developed measurement concepts the approach developed by Homburg and Giering (1996) is applied. Threats to reliability comprise of social desirability of participants, inadequate construct definition and mono-method bias (Coolican, 1994; Homburg and Giering, 1996: 11-12). The piloting of each of the surveys with scientists and practitioners, the use of different methods, the anonymous conduct, large sample sizes at an early stage of the research project helped minimize these threats and increase the reliability of the results.

Homburg and Giering (1996) suggest a two-step analysis procedure making use of criteria and procedures of the first and second generation. **First generation approaches** tend to be more explorative than techniques of the second generation. These first generation approaches comprise Cronbach's Coefficient Alpha, item-to-total-correlation and the explorative factor analysis.

Cronbach's Coefficient Alpha: Internal-consistency reliability is measured by Cronbach's Coefficient Alpha which measures overall inter-item correlation between the identified concepts. Cronbach's alpha is a tool for measuring the internal consistency of measurement scales (Homburg and Giering, 1996: 8). The range of value is from 0 to 1. When interpreting the alpha value, it should be borne in mind that its value depends on the number of indicators. For this reason concepts with lesser indicators and lower values may be accepted (Cortina, 1993: 101). The test estimates the reliability of a scale by determining the proportion of a scale's variance that is caused by a common cause. To express it simply, it represents the degree to which participants answered to the relevant items similarly. Generally, values of above 0.70 are used to establish reliability (Nunally, 1978). Acceptable values may be as low as 0.40 for broadly defined constructs. Factor analysis was used to test the reliability of the scales. With the exemption of one factor the identified Cronbach alpha scores all exceed the 0.70 level and judged as reliable.

Item-to-total-analysis: Directly connected with Cronbach's alpha is the item-to-total-correlation indicating the coherence of an indicator with all indicators assigned to a certain factor (Homburg and Giering, 1996: 8). Item-to-total-analysis supplements the qualitative refinement of the Cronbach Alpha value by eliminating indicators with a low item-to-total-correlation step-by-step. This is feasible because indicators with a high item-to-total-correlation can explain a larger part of variance of the relevant factor. They thus contribute to its reliability (Churchill and Gilbert, 1979: 68). To achieve a higher statistical power, item measures were analysed individually and item measures with insignificant factor loadings were removed from the scale if content validity was not affected (Hair et al., 2006).

Explorative factor analysis: In a further step the exploratory factor analysis is applied. In the social sciences exploratory factor analysis (EFA) is a broadly applied statistical technique. EFA is employed to identify the underlying conceptual structure within the developed RM concepts. Given the illustrated deficits in RM and IM research, this suggests that these underlying structures or latent constructs are not fully known, supporting the application of EFA in this research project.

EFA comprises of several steps: data collection, generation of the correlation matrix, factor extraction, deciding on factor retention and rotating factors to a meaningful solution as well as the construction factor score and scale (Cooldige, 2000).

EFA proves the indicators with respect to their factor structure without taking into account any hypotheses about the concrete factor assignments or concepts. This procedure guarantees that the factor is uni-dimensional, this being necessary to make first statements about the convergence- and discriminance-validity of the relevant concept (Robson, 2002: 433-434; Homburg and Giering, 1996: 12). Exploratively extracted factors should explain at least 50% of the variance of the indicators. If these criteria are not met, indicators with a lower factor value can be eliminated (Homburg and Giering, 1996: 12).

To reduce the number of items and reveal the underlying structures of RM and sales performance relationships **principal components factor analysis** with **Varimax rotation** was applied. Principal component factor analysis is used to reduce the amount of data. It represents the most common form of factor analysis (Field, 2000: 619-680). Different techniques of factor analysis may lead to different results and solutions (Guadagnoli and Velicer, 1988). Empirical studies, however, show that this risk is only relevant in the case of a small number of variables (<20), low communalities (<0.40) and small sample sizes (Stevens,

1992). In this research project these risks can be excluded because of the large sample sizes, high number of variables and high communality values.

Orthogonal varimax rotation simplifies the columns of the factor matrix creating a clearer separation of the factors by highlighting the contribution of variables to factors (Field, 2000: 635-636).

In addition to the quality criteria and the approaches of the first generation procedures, criteria of the **second generation** based on high-capacity procedures are taken into account (Gerbing and Anderson, 1988: 188-190).

Confirmatory factor analysis: In this context the confirmatory factor analysis serves as a measurement model for causal analysis. It serves to confirm the structure of the developed RM relationship instruments previously developed. This comprises quality criteria for single concepts (detailed criteria) and for the quality (global criteria) of the overall model (Homburg and Baumgartner, 1995: 162-165). Relevant criteria are: indicator reliability, composite reliability and the Fornell-Larcker-criterion. Confirmatory factor analysis represents a particular form of a cause-and-effect analysis.

There is support in the RM and IM literature for developing and confirming the constructs through factor analysis. The large sample sizes (see chapter 3.4.5) were sufficient as they were over the recommended number of 100 (Hair et al. 2006; Foster, 2001).

The cases of branch and franchise outlets were used as individual samples as this project was looking for correlations between items within these cases. In total six separate factor analyses were conducted for the online, CATI and PDA measurement concepts, three each for the online and franchise format in order to address the research questions related to the relationships between RM, commitment and loyalty and sales performance. The outlined procedures are in line with recommended guidelines for factor analysis (Hair et al., 2006). They refer to all analyses with the results presented in chapter 4.

A ratio of five observations per item is regarded as the minimum level for factor analysis (Hair et al., 2006). The high variable number in the surveys increased the risk of multicollinearity and the potential of deriving sample specific factors, thus reducing generalizability. The examination of the samples revealed ratios that were above the minimum level for all cases.

Items with factor loadings of above 0.50 and with eigenvalues of above 1.0 were retained and considered to be significant. A strict limit of 0.30 for the rejection of items was applied owing to the high number of items increasing error variance.

The **communality values** for the factor analyses are all above the recommended level of 0.40 (Field, 2000: 726).

Kaiser-Meyer-Olkin's Measure of Sampling Adequacy is an indicator for the proportion of variance in the items caused by underlying factors. The **Kaiser criterion** is used when factors with eigenvalues greater than 1.0 are considered. Unless a factor does not extract at least as much as the equivalent of one original variable, it is rejected. This criterion was proposed by Kaiser (1960), and is probably the one most widely applied. The scores exceeded the acceptable value of 0.5 (Field, 2000: 640). The data for all communalities are presented in the relevant tables in chapter 4.

Fornell-Larcker-criterion: With the help of the criterion developed by Fornell and Larcker the **validity of discrimination** of individual factors can be defined (Fornell and Larcker, 1981: 46-47). This validity indicates to what extent one concept differs from others. According to Fornell and Larcker (1988) validity of discrimination is present if the average collected variance of a factor is greater than the square of each correlation of this factor with all other factors (Fornell and Larcker, 1981: 46). This criterion is stricter than the often applied rule according to which two concepts are discriminately valid when not fully correlating with each other. Consequently, the correlation coefficient should be smaller than 0.9 (Backhaus et al., 2006: 372).

This criterion is met in all measurement concepts as the correlation coefficients between the factors were below 0.9 thus supporting discrimination validity.

Analysis of global quality factors: Whereas the aforementioned detailed criteria are applied to evaluate the quality of individual concepts, global criteria indicate to what extent the overall model adjusts to the empirical data or how far the model is able to reproduce the data. Global quality criteria applied with SPSS are the comparative-fit-index (CFI), the Tucker-Lewis-index (TLI), the root-mean-square-error-of-approximation (RMSEA) as well as the standardized-root-mean-square-residual (SRMR).

Comparative Fit Index (CFI): The CFI developed by Bentler (1990) is an incremental fit index and an advanced version of the normed fit index (NFI). The CFI is normed so that values range between 0 and 1. Higher values indicate a greater fit. Because of its many desirable properties such as high insensitivity to model complexity it is a widely used index. CFI values above 0.90 are generally considered to reflect a high model fit (Bentler, 1990: 238-240; Hair et al., 2006: 668-669).

With the exemption of the franchise measurement model for the online survey (CFI = 0.669) all other measurement concepts have a CFI of above 0.8, thus meeting this criterion.

Tucker-Lewis-Index (TLI): Like the CFI, the TLI is a modification of the NFI developed by Bentler and Bonett (1980). This varies in the sense that it is a comparison of the normed chi-square values for the null- and specified model, taking into account model complexity. The TLI is not normed. Its values can fall below 0 or above 1. In general, models with a good fit have values close to 1.0. A model with a higher value reflects a model with a better fit than does a model with a lower value (Hair et al., 2006: 668).

Again with the exception of the franchise measurement model for the online survey (TLI = 0.594) all concepts have strong TLI values of close to 1.0

Root-Mean-Square-Error-of-Approximation (RMSEA): The RMSEA is another measure for the precision of fit, which relates to a model's empirical data. This measure is based on the non-centrality parameter. Good models have an RMSEA of 0.05 or less. Models whose RMSEA is 0.10 or more have a poor fit. A RMSEA of 0 would reflect a model fit that is perfect. For this index a confidence interval can be computed. Ideally, the lower value of the 90% confidence interval is very close to zero and the upper value is not so high, i.e. it is less than 0.08 (Browne and Cudeck, 1993: 144).

All measurement concepts have an RMSEA of below 0.1, thus supporting the strong model fit of all concepts.

Standardized-Root-Mean-Square-Residual (SRMR): As with the RMSEA, the SRMR should also indicate low values. A low value reflects a lower share of variances and co-variances in the sample that the model cannot explain. The RMSEA is the standardized difference between the observed co-variance and the predicted co-variance. A value of zero indicates perfect fit. This measure tends to be smaller, as sample size increases and as the number of parameters in the model also increases. A value of less than 0.08 is considered to be a good fit (Hu and Bentler, 1998: 428).

This criterion has not been closer examined because of its similarity with the RMSEA.

Moreover, the **algorithm for the minimization of the discrepancy function** must be defined in the context of the confirmatory factor analysis.

| Precision-of-fit criteria of the first generation | |
|---|--------|
| Factor loading | > 0.4 |
| Explained variance (explorative factor analysis) | > 50 % |
| Cronbach's α | > 0.7 |

↓

| Precision-of-fit criteria of the second generation | |
|--|-------|
| Global criteria | |
| Comparative-Fit-Index | > 0.9 |
| Tucker-Lewis-Index | > 0.9 |
| Root-Mean-Square-Error-of-Approximation | < 0.1 |
| Standardized-Root-Mean-Square-Residual | - |
| Detailed criteria | |
| Correlation coefficient | < 0.9 |
| Composite reliability | > 0.6 |
| Average variance | > 0.5 |
| Indicator reliability | > 0.4 |

Figure 11: Precision-of-fit criteria for the evaluation of measurement models.
Source: In accordance to Evanschitzky, 2003: 193; Nießing, 2005: 135.

Because of its asymptotic consistency, efficiency and scale variance, the **Maximum-Likelihood Estimation (MLE)** is the most often applied algorithm. It requires the existence of a metric scale as well as a multi-normal distribution of the variables included (Köster, 2006: 224).

In the present context the MLE based on the „**Maximum Likelihood with Robust Standard Errors and a Mean Adjusted Chi-Square Test Statistics (MLR)**“-algorithm is applied as it also delivers valid results in non-normally distributed samples. It is less sensitive towards dependencies between the individual observation cases.

Figure 11 represents the procedure described for the evaluation of a measurement model and it gives an overview of the level required for each criterion. In a closer sense these levels should not be taken to be strict falsification criteria. Bagozzi and Baumgartner (1994) note that “it is difficult to justify such guidelines without considering the context of a given measurement procedure.” (Bagozzi and Baumgartner, 1994: 403). These criteria, therefore, only

give an orientation. In empiric research they have become established rules. For the evaluation of a measurement model it is not necessary for all criteria to be fulfilled. If individual local criteria are not met, this should not automatically lead to a rejection of the model (Homburg and Baumgartner, 1995: 363). For the acceptance or rejection of a model, both content and overall impression of all the quality criteria ought to be most relevant factors. The overall impression must be sound (Krohmer, 1999: 11). Figure 11 gives an overview of the relevant criteria for the evaluation of the developed measurement models in this research project.

3.4.9 *Analysis procedures*

The present research project involves a significant volume of data to analyse. To validate the formulated hypotheses, it is necessary to capture, cleanse and compile comprehensive data sets. The previous sections explained the procedure for data capture. This section gives an explanation of the procedure for data processing, organisation, combination, summation and analysis.

3.4.9.1 Analysis procedures and selection of algorithm

The following sections detail the analysis procedures undertaken in this research. The research findings and the analysis of the results are presented in chapter four. These results are evaluated under particular consideration of their contribution to management practice in chapter five.

To address the second research objective and to test the developed hypotheses by applying multivariate analysis methods, it is necessary to reach the first objective and to test the measurement models separately (Hair et al., 2006: 725-727; Homburg and Baumgartner, 1995: 171-173). Therefore, in the following chapter the previously operationalized reflective concepts are tested separately in relation to their reliability and validity. The procedure of Homburg and Giering (1996) is applied (Homburg and Giering, 1996: 5-7). According to this procedure reliability is checked on the basis of Cronbach's Alpha; validity is checked on the basis of factor analysis (see also chapter 3.4.8).

The items are aggregated to their underlying factor structure (Krafft, 1995: 260). Indicators are assigned to the relevant concept if they have a high factor loading with this concept or if they have a low factor loading with other concepts (Backhaus et al., 2006: 260). According to Bagozzi and Baumgartner (1994) the minimum value of indicator reliability should be 0.4 (Bagozzi and Baumgartner, 1994: 401-405). Bagozzi and Yi (1988) suggest a minimum value of 0.5 (Ba-

gozzi and Yi, 1988: 80-82). Tabachnick and Fidell (2001) cite a value of 0.32 as a good rule of thumb for the minimum loading of an item.

A “crossloading” item is an item that loads at 0.32 or higher on two or more factors. If there are several adequate strong loaders (0.50 or better) on each factor, a cross-loading item should be eliminated from the analysis. If there are several cross-loaders, the items within the factor structure could be flawed. A factor with fewer than three items is generally weak and unstable; 5 or more strongly loading items (0.50 or more) indicate a solid factor. Through further research and analysis it may be possible to reduce the item number and at the same time maintain a strong factor (Tabachnick and Fidell, 2001).

Through explorative factor analysis those factors are extracted that can be interpreted according to their individual meaning. All indicators can be unambiguously assigned to the relevant factors. During the operationalization of factor generation reversely coded items were re-coded before the analysis was made. Therefore, in these cases, too, a positive factor loading is illustrated. Without this step the factor loading would have otherwise been negative.

Subsequently, the factors derived from factor analysis are checked via confirmatory factor analysis. The maximum-likelihood estimation (MLE) is applied as algorithm. The MLE is an alternative method to the least square procedure used in multiple regression analysis. It represents a procedure that repeatedly improves parameter estimates (Hair et al., 2006: 632). The MLE is insensitive towards dependencies of observation cases and even in the case of non-normally distributed sample results it provides a valid outcome (Köster, 2006: 225). Fabrigar et al. (1999) argue that if data are normally distributed, MLE is the best choice because it facilitates the calculation of diverse indices of the precision of the model and it allows for the statistical significance testing of factor loadings and correlations between factors and items as well as the estimation of confidence intervals (Fabrigar et al., 1999: 277).

Another relevant indicator is communality. Communality is the amount of variance that an original variable shares with all other variables in a factor analysis. A communality value below 0.5 implies that less than half of the variance in the item has been considered in determining the latent concept. Item communalities are considered “high” if they are all 0.8 or greater (Velicer and Fava, 1998: 240-243). But in real data this is unlikely to occur. Common magnitudes in the social sciences are communalities of 0.40 to 0.70. If an item has a communality of less than 0.40, it may either be unrelated to the other items or it suggests an additional factor to be explored. It should be then clearly considered

why that item was included in the data and whether to drop it or to add similar items for the next research steps.

It is assumed that the residual variance is made up of error and unique variance. Specific variance is related to a further variable. Error variance results from unreliability in the data-collection process, measurement errors or a random factor in the measurement concept. Scale purification through factor analysis is an effective tool to delete items with low communality values from the analysis (Hair et al., 2006: 92-105; Field, 2005: 632-633).

If the model to be explained is correct, the factors will not extract all variance from the items. Only that proportion is extracted that is due to the common factors and shared by several items. The proportion of variance of a particular item that is due to common factors or shared with other items is thus called “communality”. Therefore, an additional task applying CFA is to estimate the communalities for each variable, namely the proportion of variance that each item shares with other items. The proportion of variance that is unique to each item is then that respective item's total variance minus the communality. Therefore, use is made of the squared multiple correlation of an item with all other items as an estimate of the communality. This central communality aspect relates to the discussion of internal consistency covered in chapter 3.4.8. Ejecting items with low communality must be carefully considered. A concept combining redundant items is likely to have high communality values for those items. Conversely, the more valid yet less internally consistent measures are likely to have lower item communalities. Therefore, the deletion of items with low communalities can only be argued from a conceptual perspective if the error variance is expected to be high or if the item relates to a different concept or dimension. However, a situation with a low common variance, but a high unique variance, may imply that the item is the only measure of a particular aspect in a specific concept. Consequently, to eject such an item could mean losing one, which is significant. Therefore a low communality item of which the relevance could be supported by sound primary or secondary research could lead to an under-representation of a particular aspect of the overall concept.

There are no standard, statistical means for differentiating unique variance from error variance. It is therefore necessary to go back through the previous stages of the research (i.e. the “item generation process”) to guarantee the specification of the relevant item. Only if the error variance is high or the item does not relate to the appropriate concept, should it be deleted from the concept (Cattell, 1978).

3.4.9.2 Causal analysis and multi-structural equation modelling

The present project applies linear structural equation modelling which is an area from the field of econometrics (Vogel, 2006: 158) to test the seven hypotheses about the relationship between RM and sales performance. There is a distinction between two groups of models in econometrics (Auer, 2007: 3). Based on econometric uni-structural equation models, the impact of one or multiple independent (exogenous) variables on one dependent (endogenous) variable can be explained. If only one independent variable is taken into account, a simple regression only will exist. In the case of multiple independent variables, there are multiple regressions (Auer, 2007: 15-17). An econometric multi-structural equation model consists of multiple uni-equations. In this case every equation is a simple or multiple regressions with one or multiple independent variables (Schlichthorst, 2007: 216). Within such a system of equations, variables exist that are of endogenous and exogenous character in one or the other equation at the same time (Gujarati, 1995: 635). This context is represented by the equation in figure 12. In equation 1.1 the exogenous variables X1 and X2 affect the endogenous variable Y1. In the equation (1.2) together with Y2 this variable represents the exogenous variable, which explains the endogenous variable Z1.

The **standardized regression coefficient β** is an indicator for the strength of a connection between the independent and dependent variable. SPSS provides the standardized β values that present the number of standard deviations the outcome will form when there is one standard deviation change in the dependent variable or predictor (Field, 2005:193). β could illustrate the effect on the

| Econometric Multi-Structural Equation Model | |
|--|---|
| (1.1) | $Y_1 = \alpha_1 + \beta_{11} * X_1 + \beta_{12} * X_2 + \varepsilon_1$ |
| (1.2) | $Z_1 = \alpha_2 + \beta_{12} * Y_1 + \beta_{22} * Y_2 + \varepsilon_1$ |
| Legend: | |
| Y_1 | Endogenous Variable in equation 1.1 and exogenous variable in equation 1.2 |
| X_i | i-th exogenous variable in equation 1.1 |
| β_i | Regression coefficient of the i-th exogenous variable of the j-the equation |
| Z_1 | Endogenous variable in equation 1.2 |
| Y_i | i-th endogenous variable in equation 1.2 |
| α_j | Constant in the j-th equation |
| ε_j | Residuum in the j-th equation |

Figure 12: Example of an econometric multi-structural equation model

attitude of sales staff or on the sales performance of an outlet after trainings have been increased by one standard deviation.

α_j as a constant represents the level of the dependent variable (Backhaus et al., 2006: 58-59). The residuum comprises unsystematic impacts of the dependent variable (Hamann and Erichson, 2000: 69-71).

For the appraisal of the cause-and-effect relationships in a multi-equation system a mathematic algorithm must be applied. In general, the Ordinary-Least-Square (OLS)-Estimator is the most widely used algorithm in the field of regression analysis (Backhaus, 2006: 63). Based on a minimization of the squared deviations between the empirical and estimated values, the parameters of each equation are calculated (Skiers and Albers, 2000: 108). At the same time the OLS-Estimator omits some of the information contained in the remaining equations (Vogel, 2006: 153). Consequently, this estimator has only a limited application (Eckey et al., 2001: 320).

As in the present case, the structural parameters in all equations of the model are assessed directly. At the same time, an estimation procedure is applied which is also designated as „Three-Stage-Least-Squares” (3SLS)-estimation (Zellner and Theil, 1962). Because this method is a full information method it possesses clear efficiency advantages over other procedures in a situation with limited information.

In econometrics a parameter is called “efficient” when it is free of distortions and if this parameter has the lowest estimation error of all undistorted parameters at the same time (Skiera and Albers, 2000: 221). In addition to this efficiency advantage, the parameter is very sound in respect to its possible lack of certain requirements, as may be the case with non-normally distributed data (Wooldridge, 2002: 194-196; Greene, 2003: 409-411).

For the evaluation of an equation model’s precision-of-fit the same criteria that are used for the evaluation of measurement models can be applied (Backhaus, 2006; Skiera and Albers, 2000: 13-15).

Based on the global criteria an evaluation as to what extent the measurement model adjusts to the empirical data can be made. In literature there is a strong reference to the (adjusted) stability index and f-statistics (Backhaus et al., 2006).

Stability index (R^2): The stability index or correlation coefficient squared, also known as the coefficient of determination, R^2 , indicates the variability in one variable explained by the other (Field, 2005: 128). In accordance with the objectives of this research the relationship between RM and sales performance is analysed. From outlet to outlet sales performance may vary as several factors such as different level of personnel friendliness and competence, store appear-

ance determine the value of this variable. When all of this variability is added up, a clear picture of variability of service quality levels is formed. R^2 defines how much of this variability is explained by one factor, e.g. competence level of sales personnel or shop location.

t-test: If an independent variable makes an impact on another variable it will have a β -value significantly different from 0. t-statistics check on whether this is the case and whether with the null-hypothesis the value of β is 0. As the magnitude of β -values depends on the units of measurement, the t-test is calculated by integrating the standard deviation as a measure of the similarity of β -values across samples. A small standard deviation means that most samples probably have a β -value similar to that of the sample analysed. Because β is representative of most samples even a slight deviation may reflect a significant difference (Field, 2005: 151).

f-test: A further measurement of the precision of fit of a model is f-statistics which tests the null-hypothesis by demonstrating that no connection between independent and dependent variable exists. As with the t-test, the f-test measures the ratio of systematic and unsystematic variation. In other words it is the ratio of the experimental effect on the individual performance differences. If the value is less than 1, it will represent a non-significant effect, meaning that there is more unsystematic than systematic variance. If it is greater than 1, it will show that the experimental manipulation had an effect (Field, 2005, 323).

3.4.9.3 Data analysis and formative and reflective measurement models

In order to effectively address the research questions and formulated hypotheses it is important to link these questions and hypotheses to the data analysis procedures. Whereas data collection refers to the systematic recording of information, data analysis implies to uncover patterns and trends in data sets; data interpretation then explains those patterns and trends. Hereby, scientists interpret data based on their background knowledge and experience. Consequently, scientists can interpret the same data in different ways.

The **three steps** taken in data analysis in this research project are exploratory factor analysis (EFA), confirmatory factor analysis (CFA) and structural equation modelling (SEM); for a detailed explanation of EFA and CFA see also section 3.4.8 on validity and reliability.

First, **exploratory factor analysis** is used to identify a priori latent concepts of RM factors in branches and franchises via the analysis of empirical data from the surveys with sales staff and interviews with shop visitors and customers. This

step is essential to explore the number of relevant RM factors and the items that are related to a specific RM factor.

Second, **confirmatory factor analysis** is applied. Based on the previous factor analyses, CFA examines ex post the logically derived and formulated measurement concepts (Backhaus et al., 2011: 13). CFA is conducted prior to the specification of the structural equation model. CFA is used as a first step to assess the proposed RM measurement concepts for sales staff, shop visitors and customers. It assesses item contribution, measures how well the scale measures the concept and helps testing hypotheses about the structure and relationships between the latent variables underlying the data that are tested (Hair et al., 2006: 19-20; Field, 2005: 726).

Third, **multi structural equation modelling** is characterized by the structural model (path model) and the measurement model. The structural model specifies the direction and causality of particular RM factors and variables. SEM is used to analyse the relations and regressions between the variables (Hair et al., 2006: 645-650; see also previous section 3.4.9.2). In the present investigation SEM helps assess how well the developed measurement model for sales staff, shop visitors and customers fit the data and estimate the strength of the relationships (R^2) in these measurement models. In total six measurement models are examined – two each for sales staff, shop visitors and customers as both sales formats (branch and franchise) are examined separately.

Structural equation modelling as applied in the present context distinguishes two measurement models: reflective and formative (Edwards & Bagozzi, 2000). In a **reflective model**, a latent variable represents the cause of item behaviour. Consequently, the causal action flows from the latent variable to the indicators. A **formative model** posits a composite variable summarizing the common variation in multiple indicators. A composite variable is composed of independent, albeit correlated, variables. Therefore, the causal action flows from the independent variables to the composite variable.

In order to deduce management recommendations, which are based on formative models, all relevant facts of the concept must be integrated in the measurement model (Gleitsmann, 2007: 121). Therefore, the following four steps must be taken (Fassot, 2007: 95-97). Firstly, the conceptual basis of the relevant concept must be defined for the relevant RM and IM context. Secondly, the formative factors, which can be based on expert opinions, are defined (Fassot, 2007: 99). In the present case, three executives from the relevant retail organisation and two experts from social science associations were consulted. Therefore, the appropriate content validity can also be supported. Rossiter (2002)

regards content validity as the most relevant factor for a measurement model's precision-of-fit.

Thirdly, **multi-collinearity** as the degree of linear dependence of the indicators must also be checked. Formative measurement models are based on the principle of multiple regression analysis (Fassott, 2007: 96). In this case, the appraisal of the regression coefficient becomes less reliable with a higher multi-collinearity (Backhaus et al., 2006: 89-91). The bi-variate correlation coefficients serve as an indicator for the existence of multi-collinearity. They should not exceed a value of 0.8. Although in literature different opinions about the value of this indicator exist (Krafft, 1995: 300).

Fourthly, tolerance can be considered as a further measure for multi-collinearity (Backhaus et al., 2006: 91). As long as the values are below 0.1, the degree of multi-collinearity can be considered as immaterial (Fassott, 2007: 96).

If these criteria are met in the planned research, there will be no sign of multi-collinearity.

In the present research project a formative measurement model is applied for the measurement of RM activities. This measurement approach has been selected because of the normative-practical insight gain being pursued. A formative model is best used when concrete starting-points for the interaction of the depending variable are explored (Albers and Hildebrandt, 2006: 87).

3.4.9.4 Single-item scales

In SEM **single-item scales** are used when concepts can be adequately represented with a single item (Hair et al., 2006: 701).

The issue of single-item scales is addressed in detail by Rossiter (2002). The debate can be summarised as the C-OAR-SE procedure for scale development in marketing. Hereby, constructs are described in terms of object, attribute, and rater entity. The C-OAR-SE steps for classifying objects and attributes result in a framework that indicates when to apply single-item scales or multiple-item scales. Reliability is determined by the rater entity type which estimates the precision-of-score for a specific application of the scale (Rossiter, 2002)

Rossiter (2002) contends that it is not necessary to apply more than a single item to measure it in a scale if there is a concrete attribute (Rossiter, 2002: 313).

Thus single items are justified in this research because they reflect direct, easily understood concepts that do not require multiple items. In the present research project in all measurement models single-item scales such as "visits by

sales representatives (district level)", "training facilities" or "work experience" are applied.

3.4.9.5 Non-response bias

The representativeness of the selected sample (sample adequacy) is an essential aspect. In this context the question arises as to whether there are any systematic distortions between the selected and active sample and the overall sample because of non-participation. In accordance with Armstrong and Overton (1977) the survey participants that have answered late have a higher similarity with non-participants in their answer behaviour (Armstrong and Overton, 1977: 397). In order to check systematic distortions a non-response bias test was conducted. Participants who answered early were compared with those participants who completed the survey much later within the 25-day online survey period. To check non-response bias the overall sample was split into three parts according to their return period. Later, the first third of survey participants (early respondents) was compared with the last third (late respondents) by analysing all variables with respect to their different mean averages based on a t-test. No significant differences between the two groups could be found. Therefore the present study contains no significant non-response bias.

3.4.9.6 Missing data

The overall missing data are low. A small number of responses were discarded from the online sample as the missing data occurred in a non-random way (Hair et al., 2006). For these answers there was attrition at the end of the survey with only the half of the questionnaire completed at the time the survey period had ended.

Variables with 15% missing data should be considered for deletion (Hertel, 1976). This was not the case for any of the variables in the present research project. Given the number of Likert scale questions especially in the online survey, the missing answers are to be categorized as user inducted. Missing data were, therefore, not deemed to negatively influence the results.

3.4.9.7 Factor labels

When an acceptable factor construct was obtained according to the criteria previously stated, meanings were assigned to the structure of the factor loadings. In this case, factor loadings were considered to be more relevant and had a

greater impact on the factor name (Hair et al., 2006). The labelling process is developed by the researcher intuitively in order to guarantee that the assigned names represent the derived factors and its constituent variables. Underlying factor dimensions and the relative weight of the factor loadings of the variables were carefully scrutinized to label the factor constructs as precisely as possible.

3.5 Summary

The present research analyses the relationship between RM and sales performance in the context of the service profit chain concept. A complex data collection concept serves to generate the relevant data. In order to address its research aim and objectives the present thesis develops a latent concept which serves to address the developed overall research question and related sub-questions as well as to prove or refute the developed hypotheses. The relationships between the relevant factors are analysed mainly by factor analysis so as to quantify cause-and-effect-relationships of different RM-factors within the developed research model. Focus is placed on a control of precision of fit of individual relationships as well as the fit of the overall model.

There are no strict rules regarding sample size or item integration and rejection for the empirical conduct of an exploratory factor analysis. Adequate sample size is partly determined by the nature of the data (Fabrigar et al., 1999; MacCallum et al., 1999; Widaman, 1993; Zhang, & Hong, 1999). In general, for an accurate analysis the stronger the data, the smaller the sample can be. In factor analysis “strong data” means uniformly high communalities without significant cross loadings, plus several variables loading strongly on each factor. In practice, these conditions are rare. If these problems emerge, a larger sample can help determine whether or not the factor structure and individual items are valid. In general, it can be ascertained that the established EFA is a “large-sample” procedure. Therefore, when the sample is too small, generalizable or replicable results are unlikely.

From an epistemological perspective this research is based on a scientific realism approach. This reflects an inductive method of conclusion through which truth is approached incrementally by taking into account many single observations. In this case critical rationalism’s falsification principle is replaced by the incremental confirmation principle of realism. In the same way as with critical rationalism, infallible knowledge cannot be acquired. Furthermore, the research follows a pluralistic approach in the sense that there is not one

consistent set of truths. Consequently, several mutually exclusive complete and true descriptions of RM and IM may promote cognitive progress and improve organisational effectiveness.

Concerning the methodical approach, the analysis of one retail network justifies generalisations that have their limitations. The limitation in the research design results from the complexity of the research project. Moreover, the necessary access to the relevant primary and secondary data presupposes a close connection to the relevant organisation. The supply of these data for scientific purposes is often restricted by corporate regulations. Consequently, further analyses from other industries may be conducted in order to test these developed hypotheses further.

This chapter has detailed the research methods applied in the overall design and in the individual phases of the research project. The applied procedures have followed recommended guidelines to defend the rigor of the research design and data collection methods. Chapter 4 presents the results of the data collection and analysis process.

4 Results

4.1 Introduction

The aim of this chapter is to present the findings and analyses of the primary data collection process. Chapters 2 and 3 outlined the research design covering the methods and approaches applied at each research stage. Issues of item development, operationalization and survey design and data analysis techniques were explained and justified. This chapter is based on the methods and procedures formulated in chapter 3 and it presents the results of each research step. The last research phase involved three surveys. This chapter presents the analysis results of these surveys following the specific research questions and hypotheses. The presented findings related to the research questions, the existing research literature and its implications for managerial practice are discussed in chapter 5.

The specific objectives of this chapter are:

- to present the results of the exploratory factor analysis
- to present the results of the of reliability and validity check of measurement models
- to present the results of the multi-structural equation modelling related to the surveys in line with the formulated research questions and hypotheses.

4.2 Overview of measurement concepts, research questions and hypotheses

Three measurement concepts have been developed to address the two research objectives effectively. The measurement model for sales staff is at the heart of the empirical examination. The results from this concept address all research questions and hypotheses. This concept is supplemented by interviews with shop visitors and customers to understand better the fundamentals of the relationship between RM and sales performance. The interviews with shop visitors and customers relate to research questions 1 and 5a and hypotheses H1 and H5a. Table 7 illustrates the relevance of the different measurement concepts for answering the formulated research questions and hypotheses testing.

Table 7: Overview of measurement concepts and associated research questions and hypotheses

| Measurement concept | Research question | Hypothesis |
|---|---|---|
| <p>Sales staff Shop visitors Customers</p> | <p>To what extent do RM and its factors such as location, merchandising, prices and commissions, store layout and corporate image make an impact on sales performance in a branch and franchise outlet? Which RM input factors – on a central headquarters and decentralized outlet level – determine the outlet specific sales performance?</p> | <p>H1: RM has a significant, positive impact on the outlet's specific sales performance. In both formats location is the main driver for sales performance. The second most relevant driver is the age of the outlet.</p> |
| <p>Sales staff</p> | <p>What is the relationship between RM and the attitude of sales personnel in a branch and franchise outlet?</p> | <p>H2: RM is a significant driver for attitude.</p> |
| <p>Sales staff</p> | <p>What is the nature of the relationship between staff attitude and sales performance both in a branch and franchise outlet?</p> | <p>H3: Attitude is a significant driver for sales performance.</p> |
| <p>Sales staff</p> | <p>What are the direct and indirect impacts of RM on the attitude of sales personnel? – Which impact of the RM-Mix on sales performance is stronger, its direct or its indirect effect through the attitude of sales personnel?</p> | <p>H4: After controlling the impact of RM on attitude there is a significant impact of RM on sales performance. There is also a direct impact of attitude on sales performance. -RM's direct effect on sales performance is stronger than its indirect effect.</p> |
| <p>Sales staff (all) Shop visitors Customers (only question and hypothesis 5a)</p> | <p>What is the impact of the sales format on the relationships of a) RM and sales performance, b) RM and attitude and c) attitude and sales performance?</p> | <p>H5a: The strength of relationship between RM and sales performance is greater for branch outlets than for franchise-led outlets. H5b: The strength of relationship between RM and attitude is greater for branch managers than it is for franchisees. H5c: The strength of relationship between attitude and sales performance is greater for franchise outlets than it is for branches.</p> |

4.3 Construct profiles

This section gives an overview of the significant findings from the answers of survey participants to clarify the satisfaction with retail marketing from an internal and external target group perspective. A careful examination of these answers might lead to findings that support or reject the developed hypotheses, which will be tested on the basis of the developed measurement concepts in section 4.4.

4.3.1 Sales staff survey

4.3.1.1 Overall satisfaction and loyalty

The overall satisfaction of franchisees and branch managers is very high.

Table 8: Sales staff – overall satisfaction

| Overall satisfaction | Total | | Franchises | | Branches | |
|--------------------------|-------|---------|------------|---------|----------|---------|
| | n | % | n | % | n | % |
| Basis (n / %) | 379 | 100.00% | 76 | 100.00% | 303 | 100.00% |
| 1 (very satisfied) | 20 | 5.28% | 4 | 5.26% | 16 | 5.28% |
| 2 | 141 | 37.20% | 9 | 11.84% | 132 | 43.56% |
| 3 | 130 | 34.30% | 27 | 35.53% | 103 | 33.99% |
| 4 | 60 | 15.83% | 26 | 34.21% | 34 | 11.22% |
| 5 (totally dissatisfied) | 24 | 6.33% | 9 | 11.84% | 15 | 4.95% |
| No statement | 4 | 1.06% | 1 | 0.01% | 3 | 0.99% |
| Total | 379 | 100.00% | 76 | 100.00% | 303 | 100.00% |
| Top-two boxes | 161 | 42.48% | 13 | 17.11% | 148 | 48.84% |
| Bottom-two boxes | 84 | 22.16% | 35 | 46.05% | 49 | 16.17% |
| Average | 2.78 | 0.73% | 3.32 | 4.36% | 2.64 | 0.87% |

Question A1:1. In the following we would like to know your general satisfaction. How satisfied are you as a franchisee / branch manager overall? (1 = very satisfied; 5 = totally dissatisfied).

Table 9: Sales staff – loyalty (top-two boxes)

| Aspects of loyalty (Overview; top-two boxes) | Total | | Franchisees | | Branches | |
|---|-------|---------|-------------|---------|----------|---------|
| | n | % | n | % | n | % |
| Basis (n / %) | 379 | 100,00% | 76 | 100,00% | 303 | 100,00% |
| I took the right decision to become a franchisee / branch manager with this organisation, | 251 | 66,23% | 36 | 47,37% | 215 | 70,96% |
| If I had the choice again, I would again decide for this partnership model / organisation, | 225 | 59,37% | 26 | 34,21% | 199 | 65,68% |
| I am planning to extend my contract. | 31 | 8,18% | 31 | 40,79% | 0 | 0,00% |
| I have often thought about leaving this franchise system / company. | 76 | 20,05% | 20 | 26,32% | 56 | 18,48% |
| If friends asked me, I would recommend this franchise system without hesitation / present employer (headquarters). | 212 | 55,94% | 21 | 27,63% | 191 | 63,04% |
| In comparison to other systems, this one is the best choice / employer is the best. | 147 | 38,79% | 28 | 36,84% | 119 | 39,27% |
| Question A3: 3. In the following we would like to know more about the individual aspects of your loyalty. To what extent can agree or disagree with the following statements? (1 = fully agree; 5 = totally disagree). | | | | | | |

The loyalty and satisfaction of franchisees are significantly lower than this applies to branch managers. The arithmetic mean for the overall loyalty is 3.4 for franchisees (SD 1.0; n=98) and 2.7 for branch managers (SD 0.9; n=354).

Representing the two highest loyalty and satisfaction values (“good” and “very good”) or the “top two boxes” the following figure shows that franchisees’ loyalty is more balanced than this is the case with the attitude of branch managers. Almost 8 out of 10 branch managers confirm that it was the right choice to join this company. At the same time, however, only every second branch manager is convinced that the retail organisation he or she works for is superior to other retail systems.

4.3.1.2 Effect of retail marketing elements on sales staff satisfaction

Sales support – this factor is evaluated equally important by franchisees and branch managers alike. Customer service, repair service and promotions are not regarded as very supportive for sales staff for their day-to-day operations. Compared to branch managers, franchisees are more satisfied with this support factor. All in all, satisfaction with the individual training dimensions is high in both groups.

Table 10: Sales staff – satisfaction with sales support (top-two boxes)

| Sales Support (Overview; top-two boxes) | Total | | Franchises | | Branches | |
|--|-------|---------|------------|---------|----------|---------|
| | n | % | n | % | n | % |
| Basis (n / %) | 379 | 100.00% | 76 | 100.00% | 303 | 100.00% |
| Regional sales representatives | 205 | 54.09% | 46 | 60.53 | 159 | 52.48% |
| Sales representatives (district level) | 264 | 69.66% | 52 | 68.42% | 212 | 65.97% |
| Shop support hotline | 172 | 45.38% | 32 | 42.11% | 140 | 46.20% |
| Online portal | 232 | 61.21% | 45 | 59.21% | 187 | 61.72% |
| PoS-system (branches only) | 223 | 58.84% | 0 | 0.00% | 223 | 73.60% |
| Training | 247 | 65.17% | 60 | 78.95% | 187 | 61.72% |
| Promotions | 132 | 34.83% | 23 | 30.26% | 109 | 35.97% |
| Customer service (headquarters) | 100 | 26.39% | 16 | 21.05% | 84 | 27.72% |
| Sales documents | 244 | 64.38% | 38 | 50.00% | 206 | 67.99% |
| Question B1: 1. Overall Evaluation. To what extent do you feel supported in the following areas? (1 = very good; 5 = very poor). | | | | | | |

Table 11: Sales staff – satisfaction with merchandise

| Merchandise (Overview; top-two boxes) | Total | | Franchises | | Branches | |
|--|-------|---------|------------|---------|----------|---------|
| | n | % | n | % | n | % |
| Basis (n / %) | 379 | 100,00% | 76 | 100,00% | 303 | 100,00% |
| Variety of handsets | 252 | 66,49% | 49 | 64,47% | 203 | 67,00% |
| Variety of debit bundles | 123 | 32,45% | 17 | 22,37% | 106 | 34,98% |
| Variety of netbook portfolio | 187 | 49,34% | 23 | 30,26% | 164 | 54,13% |
| Prices of non-subsidized handsets | 170 | 44,85% | 12 | 15,79% | 158 | 52,15% |
| Prices of handsets for credit bundles (new business) | 257 | 67,81% | 37 | 48,68% | 220 | 72,61% |
| Prices of handsets in combination with a customer retention contract | 99 | 26,12% | 12 | 15,79% | 87 | 28,71% |
| Prices of debit bundles | 231 | 60,95% | 32 | 42,11% | 199 | 65,68% |
| Prices of netbook bundles | 318 | 83,91% | 55 | 72,37% | 263 | 86,80% |
| Special campaign packages (decentralized special offers; franchise only) | 43 | 11,35% | 43 | 56,58% | 0 | 0,00% |
| Availability of handsets (device only) | 80 | 21,11% | 8 | 10,53% | 72 | 23,76% |
| Availability of credit bundles | 121 | 31,93% | 12 | 15,79% | 109 | 35,97% |
| Availability of debit bundles | 149 | 39,31% | 15 | | 134 | 44,22% |
| Availability of netbooks | 189 | 49,87% | 25 | 32,89% | 164 | 54,13% |
| Question D1: 1. Handsets. How do you evaluate the following aspects relating to your sales performance (1 = very good; 5 = very poor). | | | | | | |

Merchandise – branch managers and franchisees are not satisfied with the availability of merchandise. This applies in particular to the franchisees. The satisfaction of both target groups is relatively low overall for almost all merchandise items with the exception of netbook bundle prices, variety of handsets and prices of handsets (here only branch managers are satisfied).

Table 12: Sales staff – satisfaction with tariffs

| Tariffs (Overview; top-two boxes) | Total | | Franchises | | Branches | |
|---|-------|---------|------------|---------|----------|---------|
| | n | % | n | % | n | % |
| Basis (n / %) | 379 | 100.00% | 76 | 100.00% | 303 | 100.00% |
| Mobile phone tariffs... | | | | | | |
| Variety of network operator tariffs | 289 | 76.25% | 29 | 38.16% | 260 | 85.81% |
| Variety of own tariff portfolio | 324 | 85.49% | 58 | 76.32% | 266 | 87.79% |
| Competitiveness of tariff portfolio... | | | | | | |
| Voice flat portfolio | 328 | 86.54% | 60 | 78.95% | 268 | 88.45% |
| Own tariffs | 196 | 51.72% | 30 | 39.47% | 166 | 54.79% |
| Student tariffs | 221 | 58.31% | 43 | 56.58% | 178 | 58.75% |
| No-frills tariffs | 315 | 83.11% | 59 | 77.63% | 256 | 84.49% |
| Data flat tariffs | 347 | 91.56% | 67 | 88.16% | 280 | 92.41% |
| Data options | 313 | 82.59% | 63 | 82.89% | 250 | 82.51% |
| Question D2: 2. Tariffs. How do you evaluate the following aspects relating to your sales performance (1 = very good; 5 = very poor). | | | | | | |

All in all, branch managers and franchisees are satisfied with the tariff portfolio. From the perspective of both internal target groups two tariff features are relatively weak: the own consumer and student tariff portfolio.

Branch managers are more satisfied with the core components within the terms and commissions schemes than franchisees. Franchisees are not satisfied with the important, but missing transparency of their commission schemes and income statement, which they receive from headquarters.

Table 13: Sales staff – satisfaction with terms & commissions (franchises)

| Terms & Commissions (Overview; top-two boxes) | Franchises | |
|--|-------------------|---------|
| Basis (n / %) | 76 | 100.00% |
| Transparency of the existing commission model | 24 | 31.58% |
| Completeness of transactions considered | 26 | 34.21% |
| Validity period of the existing model | 29 | 38.16% |
| To what extent are you satisfied with the gross margin per unit for... | | |
| Credit contracts | 8 | 10.53% |
| Customer retentions | 14 | 18.42% |
| Broadband contracts | 20 | 26.32% |
| Debit contracts | 11 | 14.47% |
| No-frills | 17 | 22.37% |
| To what extent are you satisfied with the amount or validity period of the quantity bonus... | | |
| Credit contracts | 27 | 35.53% |
| Broadband contracts | 23 | 30.26% |
| Validity period | 25 | 32.89% |
| Question C2: 2a) Commission Model (franchisees only). How satisfied are you with the following aspects of the commission model (1 = very satisfied; 5 = dissatisfied)? | | |

Naturally specific, product-related commissions are more important for franchisees than branch managers. Consequently, they differentiate between the income factors. In contrast to a branch manager a franchisee is dependent on these commissions as the single source of income in his business partnership with

Table 14: Sales staff – satisfaction with terms & commissions (branches)

| Terms & Commissions (Overview; top-two boxes) | Branches | |
|--|-----------------|---------|
| Basis (n / %) | 303 | 100.00% |
| The factors below relate to the core component | | |
| Amount of commissions for credit contracts | 103 | 33.99% |
| Amount of commissions for customer retentions | 141 | 46.53% |
| Amount of commissions for broadband contracts | 127 | 41.91% |
| Amount of commissions for sales of devices and sets | 118 | 38.94% |
| Amount of commissions for accessories | 92 | 30.36% |
| Amount of commissions for device insurance options | 112 | 36.96% |
| Transparency of core component | 199 | 65.68% |
| Relevance of core component | 187 | 61.72% |
| Validity period | 177 | 58.42% |
| The following factors relate to the campaign component | | |
| Amount of commissions | 155 | 51.16% |
| Transparency | 182 | 60.07% |
| Relevance | 183 | 60.40% |
| Validity period | 190 | 62.71% |
| Question C2: 2b) Commission Model (branch managers only). How satisfied are you with the following aspects of the commission model (1 = very satisfied; 5 = dissatisfied)? | | |

headquarters. This high relevance is confirmed. At the same time franchisees are dramatically unsatisfied with commissions from their core business credit contracts and customer retentions.

Table 15: Sales Staff – satisfaction with marketing support program (franchises)

| Marketing Support (Overview; top-two boxes) | Franchises | |
|---|-------------------|---------|
| Basis (n / %) | 76 | 100.00% |
| Criteria within the Programme | 32 | 42.11% |
| Marketing advertising support (financially) | 42 | 55.26% |
| Transparency of the Programme | 36 | 47.37% |
| Sales rallies | 31 | 40.79% |
| Events and incentives | 22 | 28.95% |
| Financial support from the Programme | 26 | 34.21% |
| Amount of rental support | 23 | 30.26% |
| Question C4: 4. Marketing Support Programme (franchisees only). To what extent are you satisfied with the marketing support programme and the marketing incentive schemes (1 = very satisfied; 5 = dissatisfied)? | | |

The marketing support program is considered as very important from the perspective of franchisees; the satisfaction with its key attributes is higher than their satisfaction with product margins and the quantity bonus.

Store equipment, layout and location are perceived as a real strength of this organisation.

Table 16: Sales staff – satisfaction with store environment and store layout

| Location and Store Environment (Overview; top-two boxes) | Total | | Franchises | | Branches | |
|---|-------|---------|------------|---------|----------|---------|
| | n | % | n | % | n | % |
| Basis (n / %) | 379 | 100.00% | 76 | 100.00% | 303 | 100.00% |
| Shop interior | 272 | 71.77% | 46 | 60.53% | 226 | 74.59% |
| Shop exterior | 221 | 58.31% | 39 | 51.32% | 182 | 60.07% |
| Location | 237 | 62.53% | 54 | 71.05% | 183 | 60.40% |
| Space of outlet | 277 | 73.09% | 54 | 71.05% | 223 | 73.60% |
| Colour Code | 303 | 79.95% | 52 | 68.42% | 251 | 82.84% |
| Number of display posters | 283 | 74.67% | 54 | 71.05% | 229 | 75.58% |
| Question E1:1. Overall Evaluation. How do you evaluate the store equipment and the personnel relating to your sales performance (1 = very good; 5 = very poor). | | | | | | |

4.3.1.3 Effect of retail marketing elements on sales staff loyalty

The commitment of franchisees and branch managers is very high. The characteristics of the individual commitment dimensions are similar in both groups.

Table 17: Sales staff – commitment

| Commitment (Overview; top-two boxes) | Total | | Franchises | | Branches | |
|--|-------|---------|------------|---------|----------|---------|
| | n | % | n | % | n | % |
| Basis (n / %) | 379 | 100.00% | 76 | 100.00% | 303 | 100.00% |
| My ideals are similar to those of my employer. | 211 | 55.67% | 28 | 36.84% | 183 | 60.40% |
| The future of my organization is a matter of heart for me. | 301 | 79.42% | 61 | 80.26% | 240 | 79.21% |
| Franchisees only: I am proud to say that I am a franchisee with this organization. | 54 | 14.25% | 54 | 71.05% | 0 | 0.00% |
| Branch managers only: I am proud to say that I am an employee with this organization. | 230 | 60.69% | | 0.00% | 230 | 75.91% |
| Question F1: 1. Commitment. To what extent do you agree with the following statements (1 = fully agree; 5 = totally disagree). | | | | | | |

With respect to autonomy franchisees appear to be more demanding than branch managers. At the same time only a few franchisees, however, had experience in running their own telecommunications store prior to joining this franchise system.

Table 18: Sales staff – autonomy, experience, self-appraisal

| Autonomy (Overview; top-two boxes) | Total | | Franchises | | Branches | |
|--|-------|---------|------------|---------|----------|---------|
| | n | % | n | % | n | % |
| Basis (n / %) | 379 | 100.00% | 76 | 100.00% | 303 | 100.00% |
| My company offers me an adequate amount of freedom of action to be a successful franchisee / employee. | 194 | 51.19% | 24 | 31.58% | 170 | 56.11% |
| Good ideas are appreciated by headquarters. | 168 | 44.33% | 5 | 6.58% | 163 | 53.80% |
| Prior to my current franchise activity, I gained experience in other franchise systems. | 199 | 52.51% | 4 | 5.26% | 195 | 64.36% |
| The compensation of my sales staff is directly linked to their sales performance. | 33 | 8.71% | 33 | 43.42% | 0 | 0.00% |

Question F3: 3. Autonomy. To what extent do you agree with the following statements (1 = fully agree; 5 = totally disagree).

The loyalty of branch managers is significantly higher for branch managers (arithmetic mean 70.0) than this is the case for franchisees (57.9).

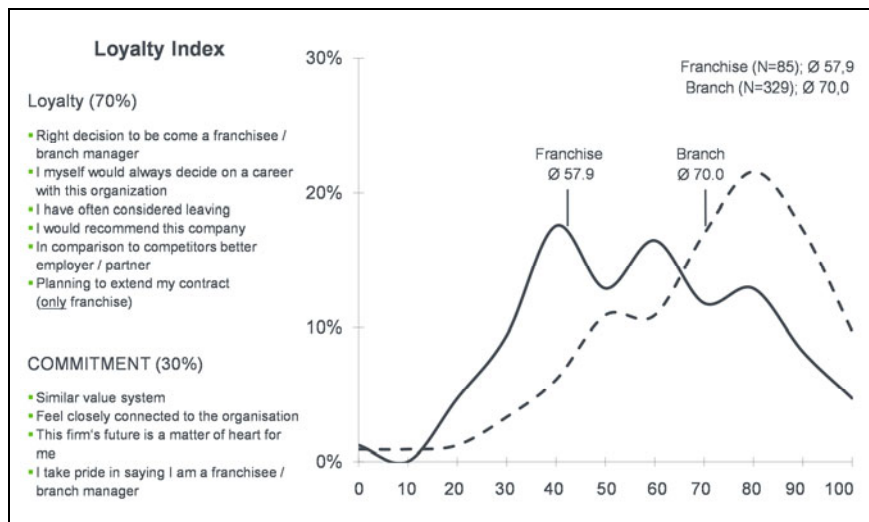


Figure 13: Distribution of loyalty index

4.3.1.4 Distribution of sales performance index

The average (standardized) SPI for the examined outlets is 9.1. The standard deviation of 36.6 indicates significant performance differences between these shops. 266 (57%) stores are either 40 points above or 20 points below the arithmetic mean. Representing a small group of outperformers 83 (18%) outlets generate more than 100 SPI points in their outlets. 116 (25%) shops only reach 5% to 30% of the average sales performance.

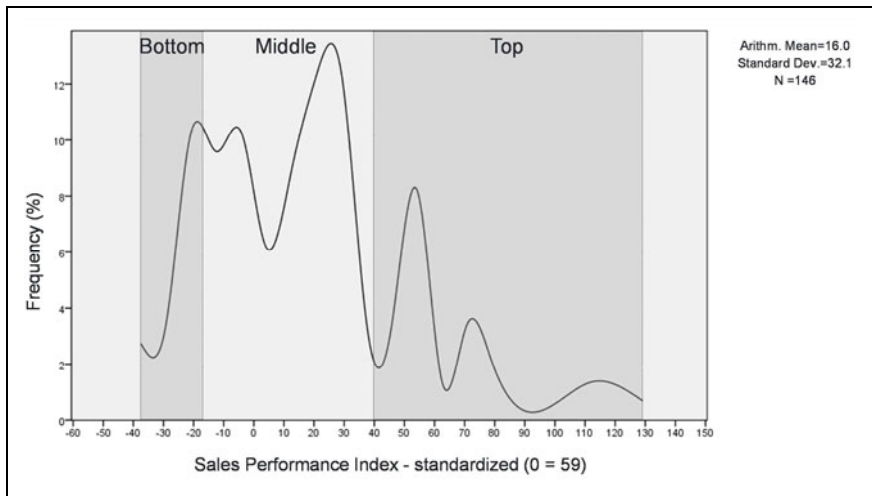


Figure 14: Distribution of sales performance index

4.3.2 Shop visitor survey

4.3.2.1 Overall satisfaction and loyalty

From the perspective of shop visitors the satisfaction, recommendation and willingness to revisit one of the retail stores are very high in both sales formats.

Table 19: Shop visitor – overall satisfaction and loyalty

| Satisfaction and Loyalty (Overview; arithmetic mean; standard deviation) | Total | | | Franchises | | | Branches | | |
|--|-------|--------------------|-----------------------|------------|--------------------|-----------------------|----------|--------------------|-----------------------|
| | n | Arithmetic Mean | Standard Deviation | n | Arithmetic Mean | Standard Deviation | n | Arithmetic Mean | Standard Deviation |
| Overall Satisfaction | 858 | 1.69 | 0.78 | 409 | 1.66 | 0.78 | 449 | 1.72 | 0.77 |
| Recommendation | 850 | 1.73 | 0.86 | 405 | 1.66 | 0.86 | 445 | 1.80 | 0.85 |
| Revisit | 859 | 1.59 | 0.84 | 412 | 1.55 | 0.83 | 447 | 1.63 | 0.85 |

Question B1, B3 and B4.: 1. To what extent are you satisfied overall with the shop visit? Please indicate your level of satisfaction on a scale from 1-5 (1=very satisfied; 5=totally dissatisfied). 3. Based on your experience would you recommend this shop to a friend? Please answer on a scale from 1-5 (1=fully agree; 5=totally disagree). 4. Based on your experience would you re-visit this shop? Please answer on a scale from 1-5 (1=fully agree; 5=totally disagree).

4.3.2.2 Effect of retail marketing elements on shop visitor satisfaction

Shop visitors are satisfied with sales staff. Store interior and prices are regarded as less attractive.

Table 20: Shop visitor – individual performance dimensions

| Satisfaction with Marketing Elements (Overview; top-two boxes) | Shop Visitors | |
|---|----------------------|---------|
| Basis (n / %) | 851 | 100.00% |
| Shop interior | 632 | 74.27% |
| Shop exterior | 612 | 71.92% |
| Mobile phone portfolio | 615 | 72.27% |
| Prices | 595 | 69.92% |
| Sales staff | 685 | 80.49% |
| Availability of sales staff | 703 | 82.61% |
| Sales conversation with sales staff | 675 | 79.32% |
| Friendliness of sales staff | 697 | 81.90% |
| Question C1:1. To what extent are you satisfied with the following aspects of your shop visit? Please answer on a scale from 1-5 (1=fully agree; 5=totally disagree). How satisfied are you with... | | |

4.3.3 Customer survey

4.3.3.1 Overall satisfaction and loyalty

Overall satisfaction and loyalty dimensions reach a high level from a customer viewpoint.

Table 21: Customers – overall satisfaction and loyalty

| Satisfaction and Loyalty (Overview; arithmetic mean; standard deviation) | Total | | | Franchises | | | Branches | | |
|--|-------|--------------------|-----------------------|------------|--------------------|-----------------------|----------|--------------------|-----------------------|
| | n | Arithmetic Mean | Standard Deviation | n | Arithmetic Mean | Standard Deviation | n | Arithmetic Mean | Standard Deviation |
| Overall Satisfaction | 994 | 1.91 | 1.01 | 512 | 2.00 | 1.08 | 482 | 1.82 | 0.92 |
| Recommendation | 985 | 1.89 | 1.12 | 509 | 1.91 | 1.15 | 476 | 1.87 | 1.10 |
| Revisit | 988 | 1.70 | 1.12 | 508 | 1.73 | 1.17 | 480 | 1.68 | 1.06 |

Question B1, B3 and B4.: 1. To what extent are you satisfied overall with the shop visit? Please indicate your level of satisfaction on a scale from 1-5 (1=very satisfied; 5=totally dissatisfied). 3. Based on your experience would you recommend this shop to a friend? Please answer on a scale from 1-5 (1=fully agree; 5=totally disagree). 4. Based on your experience would you re-visit this shop? Please answer on a scale from 1-5 (1=fully agree; 5=totally disagree).

4.3.3.2 Effect of retail marketing elements on customer satisfaction

Similar to shop visitors, customers are highly satisfied with sales staff and less satisfied with the store layout and prices of merchandise; especially prices of mobile phone tariffs are regarded as less attractive.

Table 22: Customers – individual performance dimensions

| Satisfaction with Marketing Elements (Overview; top-two boxes) | Customers | |
|--|---------------|--------|
| | Basis (n / %) | 1000 |
| Shop interior | 715 | 71.50% |
| Shop exterior | 583 | 58.30% |
| Cleanliness of shop | 938 | 93.80% |
| Range of mobile phone tariffs | 699 | 69.90% |
| Range of mobile phone devices | 672 | 67.20% |
| Prices of tariffs | 626 | 62.60% |
| Prices of mobile phone devices | 631 | 63.10% |
| Overall impression of sales staff | 843 | 84.30% |
| Waiting time | 839 | 83.90% |
| Availability of sales staff | 925 | 92.50% |
| Sales conversation with staff | 839 | 83.90% |
| Friendliness of sales staff | 927 | 92.70% |
| Question C1:1. To which extent are you satisfied with the following aspects of your shop visit? Please answer on a scale from 1-5 (1=fully agree; 5=totally disagree). How satisfied are you with... | | |

4.4 Research objective 1: relationship between retail marketing and sales performance

Given the backdrop of what participants answered in the surveys as illustrated in the previous section this section presents the results of the empirical and multi-variate examinations. Based on these examinations, the developed hypotheses are tested. This procedure follows in accordance with the common procedure scheme for the conduct of empirical Marketing research projects (Homburg and Giering, 1996: 5-8).

In this connection the results of factor analyses play a pivotal role. Exploratory factor analyses are used to uncover underlying structures of many variable sets. Prior to the actual examination it is assumed that any indicator may be associated with any factor. The results of these factor analyses or so-called factor loadings help detect the factor structure of the data. In the present case comprehensive factor analyses have been carried out. They are presented to describe variability among retail marketing and attitude variables and describe variations in response to latent variables. Consequently, these factor analyses help identify the key attributes that branch managers, franchisees, shop visitors and customers apply in order to evaluate RM effectiveness and service quality.

4.4.1 Sales staff

4.4.1.1 Franchise outlets

As explained in chapter 3.4.9 the exploratory factor analyses (EFA) are presented to evaluate the correlations between the variables and the factors, as they are extracted by default. These correlations are also called “factor loadings”. These factor analyses are carried out to extract factors that can be interpreted according to their individual meaning. All indicators can be unambiguously assigned to the relevant factors.

Table 23 presents the results of the exploratory factor analysis and indicates the “activation and information system” latent concept. Applying the Kaiser criterion leads to three different factors. The items correlating strongest with the first factor can best be aggregated under the term “relevance of information”. The second factor summarizes the “usage of the online of forum” whereas the third factor refers to “system stability”.

Table 23: Latent franchise theme “activation and information system”

| Latent Themes of Retail Marketing Factor "Activation and Information System" | | | | |
|--|-------------|----------------|--------------|--------------|
| Item Name | Communality | Factor Loading | | |
| | | 1 | 2 | 3 |
| Relevance of Informations (Cronbach's α = 0.752) | | | | |
| Topicality of informations | 0.907 | 0.927 | | |
| Relevance of informations | 0.868 | 0.907 | | |
| Scope of covered information needs | 0.855 | 0.886 | | |
| Online Forum (Cronbach's α = 0.748) | | | | |
| Usage of online forum | 0.911 | 0.911 | 0.940 | |
| System Reliability (Cronbach's α = 0.713) | | | | |
| Reliability / Stability of IT-systems | 0.919 | | | 0.947 |
| Eigenvalue (post-rotation) | | 2.630 | 1.325 | 1.281 |
| % explained variance | | 43.8% | 22.1% | 21.3% |
| Cumulative explained variance | | 43.8% | 65.9% | 87.2% |
| Sample n = 81 | | | | |

Factor reliability was tested by using Cronbach's Alpha. All factors are above the suggested level of 0.7 (Nunally, 1978). The eigenvalue of the first factor explains 43.8% of the variance of the factors that were extracted and is expressed as a percentage of the total variance. Furthermore, factor 2 accounts for another 22.1% of the variance, factor 3 for 21.3%. The overall variance explained of the three factors is 87.2%.

Items with significant factor loadings eigenvalues above 1.0 were retained. The communalities for the factor analyses exceeded the recommended level of 0.4 (Field, 2000).

Table 24 reflects the results from the EFA for the factor “marketing program”.

Table 24: Latent franchise theme “marketing program”

| Latent Themes of Retail Marketing Factor "Marketing Programme" | | |
|---|--------------------|-----------------------|
| Item Name | Communality | Factor Loading |
| | | 1 |
| General Marketing Support (Cronbach's $\alpha = 0.778$) | | |
| Financial support from marketing programme | 0.709 | 0.842 |
| (Monetary) advertising support | 0.683 | 0.826 |
| Partner events and -incentives | 0.644 | 0.803 |
| Transparency of marketing programme | 0.643 | 0.802 |
| Sales rallies | 0.614 | 0.784 |
| Bonus point system | 0.503 | 0.709 |
| Amount of rent subsidies | 0.468 | 0.684 |
| Eigenvalue (post-rotation) | | 4.265 |
| % explained variance | | 60.9% |
| Cumulative explained variance | | 60.9% |
| Sample n = 81 | | |

All relevant variables are summarized in the one factor “marketing program” or “general marketing support”. Factor loadings are relatively high, whereas the “financial support” item alone has a communality value of above 0.7. All other items are in the range between 0.468 and 0.683. The eigenvalue of 4.265 of the created factor explains 60.9% of the variance of the extracted factors.

Table 25: Latent franchise theme “merchandise”

| Latent Themes of Retail Marketing Factor "Merchandise" | | | | | |
|---|-------------|----------------|--------------|--------------|---------------|
| Item Name | Communality | Factor Loading | | | |
| | | 1 | 2 | 3 | 4 |
| Availability (Cronbach's α = 0.861) | | | | | |
| Availability of credit bundles | 0.823 | 0.862 | | | |
| Availability of devices (without contract) | 0.775 | 0.841 | | | |
| Availability of debit cell phones | 0.705 | 0.762 | 0.322 | | |
| Availability of netbooks | 0.652 | 0.736 | 0.326 | | |
| Prices (Cronbach's α = 0.726) | | | | | |
| Listed prices of mobile phones - customer retention | 0.633 | | 0.732 | | |
| Listed prices debit bundles | 0.709 | | 0.722 | 0.375 | |
| Listed price of mobile phones - without contract | 0.591 | | 0.649 | | |
| Listed prices credit bundles (new business) | 0.504 | | 0.547 | | |
| Listed price of netbook bundles | 0.633 | | 0.538 | 0.434 | |
| Diversity (Cronbach's α = 0.753) | | | | | |
| Diversity of accessories portfolio | 0.673 | | | 0.797 | |
| Diversity of device portfolio | 0.711 | | | 0.713 | 0.364 |
| Variety of colors of a specific mobile phone | 0.678 | 0.312 | 0.402 | 0.538 | |
| Diversity of netbook portfolio | 0.514 | | 0.432 | 0.531 | |
| Diversity of prepaid bundles | 0.562 | | 0.434 | 0.443 | 0.438 |
| Sales Rep. Tool Kit (Cronbach's α = 0.738) | | | | | |
| Sales representative tool kit | 0.712 | | | | 0.8141 |
| Eigenvalue (post-rotation) | | 3.277 | 2.833 | 2.185 | 1.551 |
| % explained variance | | 21.2% | 19.2% | 14.6% | 10.3% |
| Cumulative explained variance | | 21.2% | 41.1% | 55.6% | 66.0% |
| Sample n = 81 | | | | | |

The concept for “merchandise” can best be described by four factors. The items related to the availability of merchandise form the basis for the first factor, “availability”. The second factor “prices” is based upon the price list items. The third factor “diversity” is directed towards the mix and variety of the merchandise portfolio. The “tool kit of the sales representatives” represents the fourth factor. The eigenvalue of the first two factors explains 41.1% of the variance of the factors that were extracted. The cumulated variance of all four factors is 66.0%.

Table 26: Latent franchise theme “store layout”

| Latent Themes of Retail Marketing Factor "Store Layout" | | | |
|---|-------------|----------------|--------------|
| Item Name | Communality | Factor Loading | |
| | | 1 | 2 |
| Store Layout and Product Presentation (Cronbach's $\alpha = 0.812$) | | | |
| Store layout (out-of-store) | 0.618 | 0.763 | |
| Store layout (in-store) | 0.545 | 0.737 | |
| Color code | 0.555 | 0.701 | |
| Amount of posters (in-store) | 0.496 | 0.505 | 0.491 |
| Availability of dummies | 0.253 | 0.501 | |
| Shop Size and Location (Cronbach's $\alpha = 0.752$) | | | |
| Floor area / shop size | 0.687 | | 0.817 |
| Store location | 0.617 | | 0.783 |
| Eigenvalue (post-rotation) | | 2.148 | 1.622 |
| % explained variance | | 30.7% | 23.2% |
| Cumulative explained variance | | 30.7% | 53.9% |
| Sample n = 81 | | | |

No factor fell below the suggested level of 0.7 for Cronbach's Alpha (Min and Mentzer, 2004).

The latent scheme “store layout” is explained by two factors: “store layout and product presentation” and “shop size and location”. The eigenvalue of the first factor explains 30.7% of the variance. The second factor explains another 23.2% resulting in a cumulative explained variance of 53.9%.

In a next step, confirmatory factor analysis is applied to test specific hypotheses about the factor structure for a set of latent concepts and structure variables in the two samples for franchisees and branch managers.

Table 27: Test of measurement model of franchises

| Global and Detail Criteria of SPI and Loyalty & Commitment Model for Franchise Outlets | | | |
|---|--|-----------------------|----------------------|
| Target Variable / Global Criteria | Factor | Factor Loading | R² |
| Commitment & Loyalty Index | Merchandise: Customer Retention Offers & Campaigns | 0.968 | 0.937 |
| | | 0.671 | 0.451 |
| | Activation and Information System | 0.929 | 0.863 |
| | | 0.905 | 0.818 |
| | | 0.893 | 0.798 |
| | | 0.895 | 0.801 |
| | Merchandise: Availability | 0.866 | 0.751 |
| | | 0.700 | 0.489 |
| | | 0.692 | 0.479 |
| | Merchandise: Variety | 0.698 | 0.488 |
| | | 0.576 | 0.332 |
| | | 0.666 | 0.443 |
| | | 0.651 | 0.424 |
| | | 0.653 | 0.427 |
| | | 0.655 | 0.429 |
| | | 0.525 | 0.276 |
| | | 0.583 | 0.339 |
| | | 0.596 | 0.356 |
| | | 0.883 | 0.779 |
| | Marketing Programme | 0.800 | 0.639 |
| | | 0.797 | 0.636 |
| | | 0.787 | 0.619 |
| | | 0.754 | 0.568 |
| | | 0.720 | 0.519 |
| 0.666 | | 0.443 | |
| Store Layout (in-store) | 0.802 | 0.643 | |
| | 0.585 | 0.342 | |
| | 0.580 | 0.336 | |
| | 0.509 | 0.259 | |
| | Compensation | 0.209 | |
| | Visits by Sales Rep. (District Level) | 0.170 | |
| | Sales Rep. (District Level) Interaction | 0.160 | |
| | Training Facilities | 0.140 | |
| | Shop Support (Hotline) | 0.080 | |
| Sales Performance Index | Customer Visits (Frequency) | 0.285 | |
| | # Employees | 0.262 | |
| | Working Experience | 0.230 | |
| | Rent | 0.173 | |
| | Shop Floor (Space) | 0.146 | |
| | Opening date (Age of Shop Existence) | 0.092 | |
| | Off-line Training Facilities | 0.091 | |
| | Age of Sales Staff | 0.040 | |
| | Coaching | 0.015 | |
| | Loyalty & Commitment | 0.011 | |

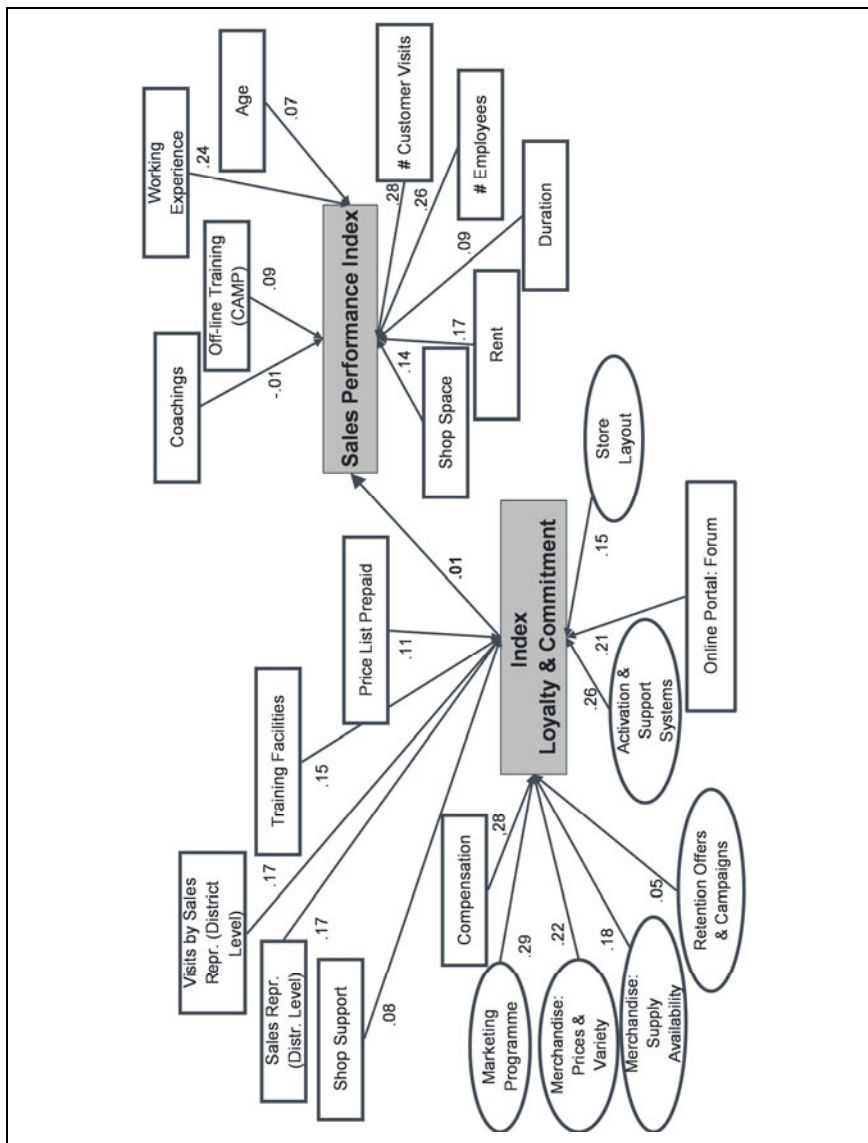


Figure 15: Path diagram – franchises (sales staff model)

The path diagram related to the final structural model for franchises (sales staff model) is illustrated in figure 15.

Table 28: Fit statistics for measurement model of franchises

| Fit Measures | Recommended Criteria | Conceptual Model |
|---|---|------------------|
| Absolute Fit Measures | | |
| Root Mean Square Error of Approximation (RMSEA) | No absolute threshold, recommended 0.9 or above | 0.091 |
| Likelihood-Ratio Chi-Square Statistic | p-value > 0.05 | 0.000 |
| Incremental Fit Measures | | |
| Tucker Lewis Index (TLI) | No absolute threshold, recommended 0.9 or above | 0.594 |
| Incremental Fit Index (IFI) | No absolute threshold, recommended 0.9 or above | 0.698 |
| Normed Fit Index (NFI) | No absolute threshold, recommended 0.9 or above | 0.468 |
| Relative Fit Index (RFI) | No absolute threshold, recommended 0.9 or above | 0.372 |
| Comparative Fit Index (CFI) | No absolute threshold, recommended 0.9 or above | 0.669 |
| Parsimonious Fit Measures | | |
| Normed Chi-Square (CMIN/df) | Acceptable ratio 2-5, not over 5 | 1.484 |

To assess the overall fit of the model the different global measures of goodness-of-fit presented in section 3.4.8 are split into three groups: absolute, incremental and parsimonious fit measures (table 28).

Tables 27 and 28 and figure 15 address the first four research questions and hypotheses. It becomes clear that all precision-of-fit criteria have satisfying values. The strong fit of the indicators is reflected by factor loadings of above

Table 29: Sales staff model for franchises

| Target Variable | Ranking | Factor | Factor Loading | Factor Loading (%) | Factor Loading (cum. %) |
|---------------------------------|---------|--|----------------|--------------------|-------------------------|
| Loyalty & Commitment | 1 | Marketing Programme | 0.29 | 12.4% | 12.4% |
| | 2 | Compensation | 0.28 | 12.0% | 24.5% |
| | 3 | Activation & Information Systems | 0.26 | 11.2% | 35.6% |
| | 4 | Merchandise: Prices & Variety | 0.22 | 9.4% | 45.1% |
| | 5 | Activation & Information Systems | 0.21 | 9.0% | 54.1% |
| | 6 | Merchandise: Supply Availability | 0.18 | 7.7% | 61.8% |
| | 7 | Sales Representatives (District Level) | 0.17 | 7.3% | 69.1% |
| | 8 | Visits by Sales Representatives (District Level) | 0.17 | 7.3% | 76.4% |
| | 9 | Training Facilities | 0.15 | 6.4% | 82.8% |
| | 10 | Store Layout | 0.10 | 4.3% | 87.1% |
| | 11 | Price List Prepaid | 0.11 | 4.7% | 91.8% |
| | 12 | Shop Support | 0.08 | 3.4% | 95.3% |
| | 13 | Flyer | 0.06 | 2.6% | 97.9% |
| | 14 | Retention Offers & Campaigns | 0.05 | 2.1% | 100.0% |
| | | Total | 2.33 | 100.0% | |
| Sales Performance Index | 1 | # Customer Visits | 0.28 | 20.6% | 20.6% |
| | 2 | # Employees | 0.26 | 19.1% | 39.7% |
| | 3 | Work Experience | 0.24 | 17.6% | 57.4% |
| | 4 | Rent | 0.17 | 12.5% | 69.9% |
| | 5 | Shop Space | 0.14 | 10.3% | 80.1% |
| | 6 | Off-line Training (CAMP) | 0.09 | 6.6% | 86.8% |
| | 7 | Duration | 0.09 | 6.6% | 93.4% |
| | 8 | Age | 0.07 | 5.1% | 98.5% |
| | 9 | Coachings | 0.01 | 0.7% | 99.3% |
| | 10 | Loyalty & Commitment | 0.01 | 0.7% | 100.0% |
| | | Total | 1.33 | 100.0% | |

RMSEA: 0.091; R2 Loyalty: 0.654; SPI: 0.364; TLI: 0.594
All significant inter-correlations considered.
Non-significant: prices-variety,availability, retention-offers, price list, shop support, off-line coachings (CAMP), duration, age.
N=81

0.4 for all latent concepts in the developed model. Likewise, the absolute and incremental fit measures in table 4.22 have strong values (CFI = 0.982, TLI = 0.971, RMSEA = 0.077). Therefore, with respect to the empirical data it can be established that there is a good fit of the model.

Table 29 gives an overview of the cause-and-effect relationships within the sales staff concept for franchise outlets.

Within the factor “merchandise: prices & variety” the item “diversity of mobile phones” has a high factor loading of 0.698 and an R^2 of 48.8%. The items “supply availability of mobile phones” and “availability of credit bundles” have very high loadings for the factor “merchandise availability”. Both factors explain more than 70% of the inherent variance.

The “competitiveness of retention offers” versus the generally higher subsidized “credit offers in the new business” has a very high loading and explains

93.7% of the variance. This also applies to a lesser extent to the centrally initiated “retention campaigns”.

Key items within the “marketing support program” are “transparency”, “bonus schemes” and “financial marketing support payments”.

The factor “store layout” is significantly defined by the exterior outlet appearance. In contrast to this item, the “interior outlet appearance” and the “color code” offer only a limited explanation.

The items comprising “topicality”, “relevance” and “scope” of information of the “activation and information system” all have high loadings and they contribute towards explaining the factor as their individually explained variance ranges from 79.8% to 86.3%.

Key points of the measurement model for franchisees are as follows:

Addressing the first research question and hypothesis related to RM and sales performance **structural parameters** like store location, rent, floor space, customer base and number of employees seem to have a relevant and **direct impact** on sales performance.

Referring to the second research question and the effects of RM on attitude it gets transparent that together with a clear **monetary incentive scheme** in the form of commissions and financial support from the marketing program, the number of **visits by the sales representatives** at district level acts as a **key driver for the loyalty of franchisees**. Furthermore, the right merchandise concept together with the supply availability of products also makes a relevant impact on the loyalty and commitment index.

Referring to research question and hypothesis three and four related to the direct and indirect effects of RM on sales performance, there is **no significant mediating effect of RM** through loyalty and commitment on sales performance measurable.

The part of the model explaining the SPI is relatively weak. It explains only **36.4% of the SPI variance**.

The part of the model explaining **loyalty** is strong, as the underlying factors explain **65.3%** of the variance of the target variable. The franchise loyalty model includes clearly **separable factors** with significant effects.

4.4.1.2 Branch outlets

The development of the latent concepts for the branch outlet measurement model is based on the same EFA approach as is the case for the franchise measurement concept; it addresses the same research questions and hypotheses.

Table 30: Latent branch outlet theme “shop support (hotline, email)”

| Latent Themes of Retail Marketing Factor "Shop Support (Hotline, Email)" | | | | |
|---|-------------|----------------|--------------|--------------|
| Item Name | Communality | Factor Loading | | |
| | | 1 | 2 | 3 |
| Quality & Reliability (Cronbach's $\alpha = 0.743$) | | | | |
| Quality of informations | 0.800 | 0.874 | | |
| Scope of informations | 0.745 | 0.847 | | |
| Topicality of informations | 0.690 | 0.824 | | |
| Relevance of informations | 0.684 | 0.816 | | |
| Frequency of informations | 0.634 | 0.790 | | |
| Competence & Tonality (Cronbach's $\alpha = 0.759$) | | | | |
| Kindness and Understanding | 0.778 | | 0.880 | |
| Problem-solving skills | 0.827 | | 0.870 | |
| Competence level | 0.826 | | 0.859 | |
| Availability (Cronbach's $\alpha = 0.661$) | | | | |
| Availability | 0.957 | | | 0.948 |
| Eigenvalue (post-rotation) | | 3.506 | 2.373 | 1.061 |
| % explained variance | | 39.0% | 26.4% | 11.8% |
| Cumulative explained variance | | 39.0% | 65.4% | 77.2% |
| Sample n = 283 | | | | |

Table 30 represents the explorative factors within “shop support (hotline and email)”.

All three factors can be clearly separated from each other. The items correlating strongest with the first factor can best be aggregated under the term “quality & reliability”. The second factor “competence & tonality” summarizes one soft factor “kindness and understanding” and two hard factors “competency and problem-solving skills”. “Availability” of hotline services for the shop support represents factor 3. Cumulatively, these three factors explain 77.2% of the inherent factor variance.

Table 31: Latent branch outlet theme “promotions”

| Latent Themes of Retail Marketing Factor "Promotions" | | |
|--|--------------------|-----------------------|
| Item Name | Communality | Factor Loading |
| | | 1 |
| Promotions (Cronbach's $\alpha = 0.729$) | | |
| Quality of promotion organization | 0.738 | 0.859 |
| Quality of promotion teams (punctuality) | 0.686 | 0.828 |
| Competence of promoters | 0.680 | 0.824 |
| Attractivity of promotion activities | 0.674 | 0.821 |
| Sales effectiveness of promotions | 0.646 | 0.803 |
| Frequency of promotions | 0.423 | 0.650 |
| Eigenvalue (post-rotation) | | 3.846 |
| % explained variance | | 64.1% |
| Cumulative explained variance | | 64.1% |
| Sample n = 283 | | |

The factor promotion explains 64.1% of the factor variance and it summarizes all relevant promotion items. With the exception of “frequency of promotion” all items have a significant communality value of > 0.5 .

Table 32: Latent branch outlet theme “compensation & commissions”

| Latent Themes of Retail Marketing Factor "Compensation & Commissions" | | | | | |
|---|--------------|----------------|--------------|--------------|--------------|
| Item Name | Communality | Factor Loading | | | |
| | | 1 | 2 | 3 | 4 |
| Standard Module Commissions (Cronbach's $\alpha = 0.793$) | | | | | |
| Standard module - commission on mobile phone insurance | 0.835 | | | | |
| Standard module - credit contract commission | 0.746 | 0.448 | | | |
| Standard module - customer retention commission | 0.745 | 0.492 | | | |
| Standard module - broadband commission | 0.741 | | | | 0.356 |
| Standard module - device only commission | 0.735 | | | | 0.353 |
| Standard module - accessories commission | 0.627 | 0.501 | | | |
| Standard Module Transparency (Cronbach's $\alpha = 0.756$) | | | | | |
| Standard module - transparency | | 0.812 | | | |
| Standard module - validity period | | 0.805 | | | |
| Standard module - relevance | | 0.796 | | | |
| Extra Module Commissions & Transparency (Cronbach's $\alpha = 0.694$) | | | | | |
| Extra module - amount of commissions | | | | 0.799 | |
| Extra module - transparency | | | | 0.785 | |
| Extra module - relevance | | | | 0.472 | 0.316 |
| Extra Module Targets & Validity Period (Cronbach's $\alpha = 0.717$) | | | | | |
| Extra module - validity period | | | | | 0.816 |
| Extra module - fairness of targets | 0.357 | | 0.327 | | 0.756 |
| Basic compensation | | | 0.442 | | 0.648 |
| Eigenvalue (post-rotation) | 3.130 | 3.006 | 2.814 | 2.325 | |
| % explained variance | 20.9% | 20.0% | 18.8% | 15.5% | |
| Cumulative explained variance | 20.9% | 40.9% | 59.7% | 75.2% | |
| Sample n = 283 | | | | | |

Within the concept of “compensation & commissions” for branch managers four factors explaining 75.2% of the variance seem to be relevant. For the first factor “commissions” within the “standard compensation module” are relevant. For the second factor qualitative aspects within this compensation module such as “transparency” and “validity period” are important. Factors three and four

Table 33: Latent branch outlet theme “merchandise”

| Latent Themes of Retail Marketing Factor "Merchandise" | | | | | |
|---|-------------|----------------|--------------|--------------|--------------|
| Item Name | Communality | Factor Loading | | | |
| | | 1 | 2 | 3 | 4 |
| Availability (Cronbach's $\alpha = 0.815$) | | | | | |
| Availability of credit bundles | 0.817 | 0.835 | | | |
| Availability of devices (without contract) | 0.773 | 0.762 | | | |
| Availability of netbooks | 0.615 | 0.727 | | | .406 |
| Availability of debit cell phones | 0.703 | 0.574 | 0.572 | | |
| Diversity (Cronbach's $\alpha = 0.739$) | | | | | |
| Diversity of prepaid bundles | 0.706 | | 0.815 | | |
| Diversity of device portfolio | 0.617 | | | 0.462 | 0.732 |
| Diversity of accessories portfolio | 0.569 | | 0.694 | | |
| Diversity of netbook portfolio | 0.475 | | 0.640 | | |
| Prices (Cronbach's $\alpha = 0.718$) | | | | | |
| Listed price of netbook bundles | 0.513 | | | 0.678 | |
| Listed price of mobile phones - without contract | 0.473 | | | 0.651 | |
| Listed prices debit bundles | 0.612 | | 0.366 | 0.635 | |
| Listed prices credit bundles (new business) | 0.606 | | | 0.588 | 0.493 |
| Listed prices of mobile phones - customer retention | 0.562 | | | 0.462 | 0.451 |
| Color Variety (Cronbach's $\alpha = 0.774$) | | | | | |
| Variety of colors of a specific mobile phone | 0.717 | | 0.408 | | 0.725 |
| Eigenvalue (post-rotation) | | 2.396 | 2.319 | 2.060 | 1.858 |
| % explained variance | | 17.1% | 16.6% | 14.7% | 13.3% |
| Cumulative explained variance | | 17.1% | 33.7% | 47.4% | 60.7% |
| Sample n = 283 | | | | | |

relate to the extra module and the “basic or fixed compensation”. Factor three comprises the “fairness of targets” of the extra module. Factor four includes the fairness of sales targets and fixed compensation.

Similar to the concept for franchise outlets, the “merchandise” concept for branch outlets can best be described by four factors. Factor 1 consists of the items related to the “supply availability of merchandise”. Factor 2 comprises the

Table 34: Latent branch outlet theme “store interior”

| Latent Themes of Retail Marketing Factor "Store Interior" | | | |
|---|--------------------|-----------------------|--------------|
| Item Name | Communality | Factor Loading | |
| | | 1 | 2 |
| Layout and Product Presentation (Cronbach's $\alpha = 0.723$) | | | |
| Floor area / shop size | 0.669 | 0.818 | |
| Availability of dummies | 0.855 | 0.693 | |
| Number of posters (in-store) | 0.569 | 0.670 | 0.337 |
| Store location | 0.698 | 0.647 | |
| Color code | 0.585 | 0.548 | 0.372 |
| Store Layout (Cronbach's $\alpha = 0.752$) | | | |
| Store layout (in-store) | 0.725 | | 0.746 |
| Store layout (out-of-store) | 0.608 | 0.349 | 0.694 |
| Eigenvalue (post-rotation) | | 2.039 | 1.770 |
| % explained variance | | 29.1% | 25.3% |
| Cumulative explained variance | | 29.1% | 54.4% |
| Sample n = 283 | | | |

“diversity of netbooks”, “debit bundles” and “accessories”. Factor 3 includes all “list price” items. Factor 4 is directed towards the “diversity of devices” on offer and the “color variety of mobile phones”. The cumulated variance of all these four factors is, similar to that of the franchise model, 60.7%.

Table 34 gives an overview of the factors within the RM concept “store interior” explaining 54.4% of the variance.

In line with the concept for franchise outlets, the latent scheme “store layout” for branch outlets is explained by two homogenous factors. In this instance, “shop size”, “location” and “in-store shelf space for posters” as well as the “color code” are the relevant items. The second factor includes “store layout” and “availability of dummies” for the presentation of the merchandise.

Table 35 summarizes the relevant items for the personnel related RM concept for branch outlets.

Table 35: Latent branch outlet theme “staffing / personnel”

| Latent Themes of Retail Marketing Factor "Staffing / Personnel" | | |
|--|--------------------|-----------------------|
| Item Name | Communality | Factor Loading |
| | | 1 |
| Sales Staff (Cronbach’s $\alpha = 0.761$) | | |
| Qualification of branch staff | 0.535 | 0.849 |
| Team spirit | 0.722 | 0.792 |
| # of sales staff present at the same time | 0.627 | 0.731 |
| Eigenvalue (post-rotation) | | 1.884 |
| % explained variance | | 62.8% |
| Cumulative explained variance | | 62.8% |
| Sample n = 283 | | |

All items have a communality value exceeding 0.5 and form one factor. The factors “qualification of personnel”, “team spirit” and “staff present” are all relevant. They account for 62.8% of the variance of the created “personnel” factor.

Parallel to the analysis of the franchise measurement model, the extracted factors of the branch measurement model are tested via a confirmatory factor analysis. Again, the MLE is used as algorithm. The results of the multi-structural equation modelling and the absolute and incremental fit measures for branch outlets are presented in tables 36 and 37 and figure 16. Figure 16 illustrates the path model relating to the final structural model for branches.

Tables 37 and 38 and figure 16 provide estimation results for the first four research questions and hypotheses. The present measurement model for branch outlets has weaker precision-of-fit criteria values than those of the franchisees. This is reflected in the global criteria. Thus, the RMSEA exceeds the limit value of 0.1; CFI and TLI do not reach the necessary values of > 0.9. The CFI is only slightly below this threshold (CFI=0.86).

Table 36: Test of measurement model of branches

| Global and Detail Criteria of SPI and Loyalty & Commitment Model for Branch Outlets | | | |
|---|--|----------------|----------------|
| Target Variable / Global Criteria | Factor | Factor Loading | R ² |
| Commitment & Loyalty Index | Merchandise: Customer Retention Offers & Campaigns | 0.968 | 0.451 |
| | | 0.671 | 0.519 |
| | | 0.525 | 0.400 |
| | | 0.583 | 0.287 |
| | Merchandise: Availability | 0.895 | 0.774 |
| | | 0.866 | 0.642 |
| | | 0.712 | 0.434 |
| | Shop Support (Email) | 0.692 | 0.349 |
| | | 0.889 | 0.791 |
| | | 0.825 | 0.673 |
| | | 0.769 | 0.591 |
| | Promotions | 0.762 | 0.581 |
| | | 0.715 | 0.511 |
| | | 0.852 | 0.722 |
| | | 0.808 | 0.653 |
| | | 0.799 | 0.638 |
| | | 0.789 | 0.622 |
| | Merchandise: Variety | 0.753 | 0.562 |
| | | 0.583 | 0.340 |
| | | 0.533 | 0.284 |
| 0.580 | | 0.336 | |
| Merchandise: Price | 0.625 | 0.390 | |
| | 0.561 | 0.314 | |
| | 0.630 | 0.397 | |
| Sales Performance Index | 0.655 | 0.379 | |
| | 0.653 | 0.268 | |
| | 0.596 | 0.252 | |
| | Visits by Sales Rep. (District Level) | 0.24 | |
| | Compensation | 0.23 | |
| | Visits by Sales Rep. (Regional Level) | 0.12 | |
| | Training facilities | 0.09 | |
| | Visits by Sales Rep. (last 3 months) | 0.03 | |
| | Rent | 0.472 | |
| | Customer Visits (Frequency) | 0.234 | |
| Opening date (Age of Shop Existence) | 0.227 | | |
| Coaching | 0.136 | | |
| Shop floor (space) | 0.126 | | |
| Age of Sales Staff | 0.117 | | |
| Loyalty & Commitment | 0.095 | | |
| # Employees | 0.051 | | |
| Offline training facilities (Camp) | 0.045 | | |
| Working experience | 0.035 | | |
| Promotions | 0.018 | | |

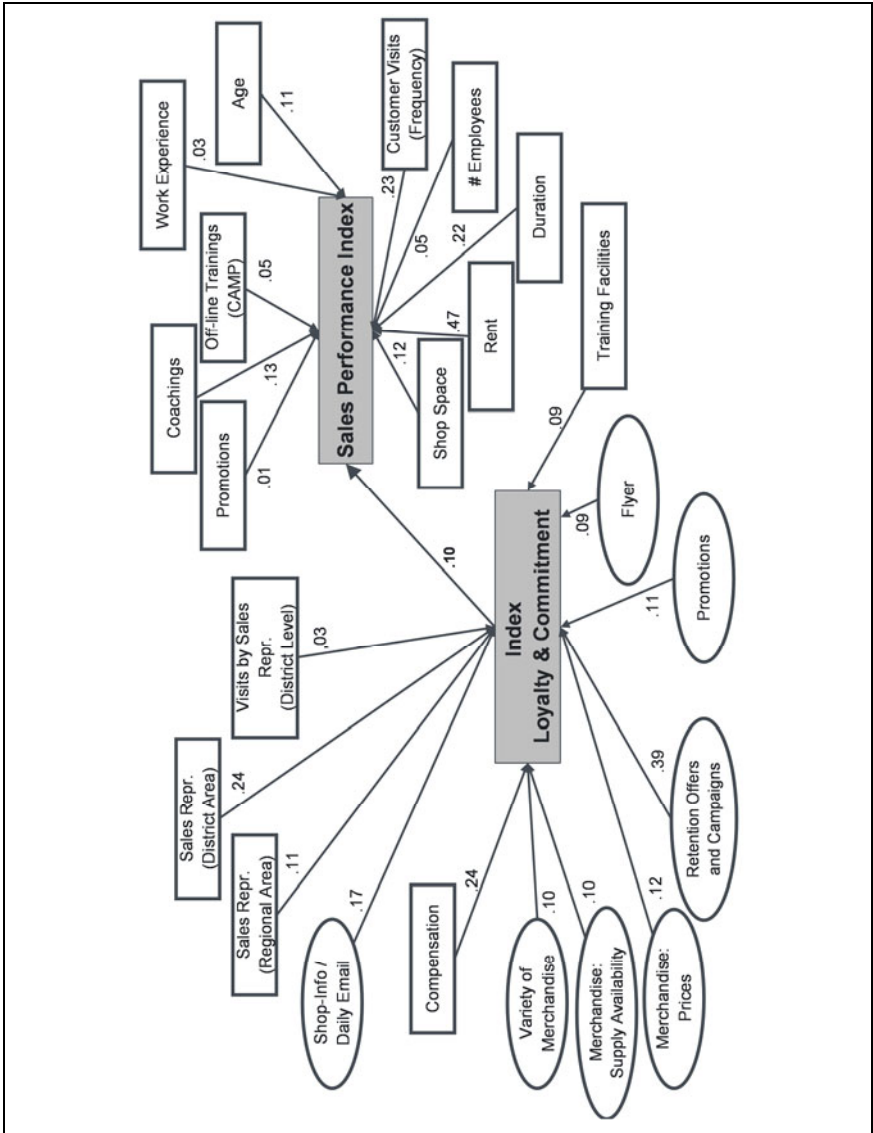


Figure 16: Path diagram – branches (sales staff model)

Table 37: Fit statistics of measurement model of branches

| Fit Measures | Recommended Criteria | Conceptual Model |
|---|---|------------------|
| Absolute Fit Measures | | |
| Root Mean Square Error of Approximation (RMSEA) | No absolute threshold, recommended 0.9 or above | 0.049 |
| Likelihood-Ratio Chi-Square Statistic | p-value > 0.05 | 0.000 |
| Incremental Fit Measures | | |
| Tucker Lewis Index (TLI) | No absolute threshold, recommended 0.9 or above | 0.836 |
| Incremental Fit Index (IFI) | No absolute threshold, recommended 0.9 or above | 0.867 |
| Normed Fit Index (NFI) | No absolute threshold, recommended 0.9 or above | 0.743 |
| Relative Fit Index (RFI) | No absolute threshold, recommended 0.9 or above | 0.693 |
| Comparative Fit Index (CFI) | No absolute threshold, recommended 0.9 or above | 0.862 |
| Parsimonious Fit Measures | | |
| Normed Chi-Square (CMIN/df) | Acceptable ratio 2-5, not over 5 | 1.648 |

As the validation of the measurement model is ideally based on the same argumentation for branch managers and franchisees, no items are eliminated. Such an approach can also be justified because most factors within both models have strong criteria values, all factor loadings being above 0.4. Furthermore, the critical value of factor reliability (FR) of 0.6 is mostly surpassed. Consequently, the measurement model can be used for further analysis.

Table 38: Sales staff model for branches

| Target Variable | Ranking | Factor | Factor Loading | Factor Loading (%) | Factor Loading (cum. %) |
|---------------------------------|---------|--|----------------|--------------------|-------------------------|
| Loyalty & Commitment | 1 | Retention Offers & Campaigns | 0.39 | 22.1% | 22.1% |
| | 2 | Sales Representatives (District Level) | 0.24 | 13.6% | 35.7% |
| | 3 | Compensation | 0.24 | 13.6% | 49.4% |
| | 4 | Shop-Info / Daily Email | 0.17 | 9.7% | 59.1% |
| | 5 | Merchandise: Prices | 0.12 | 6.8% | 65.9% |
| | 6 | Promotions | 0.11 | 6.3% | 75.2% |
| | 7 | Sales Representatives (Regional Area) | 0.11 | 6.3% | 78.4% |
| | 8 | Merchandise: Supply Availability | 0.1 | 5.7% | 84.1% |
| | 9 | Variety of Merchandise | 0.1 | 5.7% | 89.8% |
| | 10 | Flyer | 0.09 | 5.1% | 94.9% |
| | 11 | Training Facilities | 0.09 | 5.1% | 100.0% |
| | | Total | 1.76 | 100.0% | |
| Sales Performance Index | 1 | Rent | 0.47 | 31.1% | 31.1% |
| | 2 | Customer Visits (Frequency) | 0.23 | 15.2% | 46.4% |
| | 3 | Duration | 0.22 | 14.6% | 60.9% |
| | 4 | Coachings | 0.13 | 8.6% | 69.5% |
| | 5 | Shop Space | 0.12 | 7.9% | 77.5% |
| | 6 | Age | 0.11 | 7.3% | 84.8% |
| | 7 | Loyalty & Commitment | 0.09 | 6.0% | 90.7% |
| | 8 | # Employees | 0.05 | 3.3% | 94.0% |
| | 9 | Off-line Trainings (CAMP) | 0.05 | 3.3% | 97.4% |
| | 10 | Work Experience | 0.03 | 2.0% | 99.3% |
| | 11 | Promotions | 0.01 | 0.7% | 100.0% |
| | | Total | 1.51 | 100.0% | |

DF: 907; RMSEA: 0.049; : R2 : Loyalty: 0.521, SPI: 0.450; TLI: 0.836
All significant inter-correlations considered.
Non-significant: visits by sales repr. (district level), variety and supply availability of merchandise, off-line trainings (Camp), promotions, work experience, # employees.
N=330

Key points of the measurement model for branch outlets are as follows:

Addressing the first research question and hypothesis **structural outlet parameters** such as rent acting as a strong indicator for the **quality of a location, customer base and duration of shop existence** together with floor space and number of employees seem to have a relevant and direct impact on **sales performance**. In addition to these structural RM parameters coaching and trainings together with character and personality (age and work experience) of sales staff drive the SPI.

Referring to the second research question and the effects of RM on attitude the branch model makes clear that retention **offers and campaigns, visits by the sales representatives (district level), compensation and internal communications via the daily email** represent almost 60% of the loyalty and commitment

of branch managers. From a branch manager perspective these factors are considered more relevant than merchandise and prices (6.8%).

A **mediating effect** of RM factors on sales performance through the loyalty and commitment of branch managers, thus addressing the third and fourth research question and supporting the fourth hypothesis related to RM's direct and indirect impacts.

Similar to the franchise model, the part of the branch measurement model explaining loyalty is strong as the relevant concepts explain 52.9% of the variance of the calculated "loyalty and commitment" target variable. The branch model also includes clearly separable factors with significant effects.

Although the part of the model explaining the SPI is higher in the branch model than it is in the franchise model (+10%) the explained variance is not very strong, as only 45.0% of the SPI variance is explained.

Addressing the third research question, merchandise and communication via the sales representatives are considered to be of further relevance for the SPI, albeit on a lesser scale.

4.4.1.3 The moderating effect of sales format

To answer research questions 5a), b) and c) and to test hypotheses 5a), b) and c) related to the sales format a joint model including both sales formats, the franchise and branch, is calculated. It explains the impact of the sales format. The model explains 46.2% of the inherent variance. It makes clear that the "sales format" factor with a factor loading of 0.18 makes a significant impact on the SPI. Only the factors "rent" and "customer frequency" which are both strong indicators for the quality of a store location have a higher impact on sales performance.

Table 39: Moderating effect of sales format for the sales staff model

| Target Variable | Ranking | Factor | Factor Loading | Factor Loading (%) | Factor Loading (cum. %) |
|-------------------------|--------------|-----------------------------|----------------|--------------------|-------------------------|
| Sales Performance Index | 1 | Rent | 0.42 | 23.2% | 23.2% |
| | 2 | Customer Visits (Frequency) | 0.23 | 12.7% | 35.9% |
| | 3 | Sales Format | 0.17 | 9.9% | 55.2% |
| | 4 | Duration | 0.17 | 9.4% | 64.4% |
| | 5 | Shop Space | 0.10 | 5.5% | 70.2% |
| | 6 | Loyalty & Commitment | 0.09 | 5.0% | 75.1% |
| | 7 | Coachings | 0.09 | 5.0% | 80.1% |
| | 8 | Age | 0.09 | 5.5% | 85.1% |
| | 9 | Work Experience | 0.08 | 4.4% | 89.5% |
| | 10 | # Employees | 0.07 | 3.9% | 93.4% |
| | 11 | Off-line Trainings (CAMP) | 0.06 | 3.3% | 96.7% |
| | 12 | Location | 0.02 | 1.1% | 97.8% |
| | 13 | Roadshow | 0.02 | 1.1% | 98.9% |
| | 14 | Promotions | 0.01 | 0.6% | 99.4% |
| | 15 | # Inhabitants | 0.01 | 0.6% | 100,0% |
| | Total | | 1.81 | 100.0% | |

DF: 71 RMSEA: 0.099 SMC: 0.462 TLI: 0.425
 All significant inter-correlations considered.
 Non-significant (<90%): Location, inhabitants, promotions, CAMP, roadshow.
 N=411

4.4.1.4 Comparison of sales formats

Research questions and hypotheses 5a), b) and c) and hypotheses concentrate on a comparison of the effectiveness of RM in a branch and franchise format. Consequently, there are two separate models being tested in which the impact of RM on loyalty, commitment and sales performance are measured. Attitude is based on an external calculation of the loyalty and commitment index (see loyalty model in chapter 3.4). This model focuses exclusively on loyalty and commitment. It does not include satisfaction as a separate attitude level. The relevant satisfaction factors are directly directed towards loyalty. Consequently, overall satisfaction does not represent an additional step between partial satisfaction models and loyalty. Additionally, all sales support activities such as number of visits by sales representatives (district level) and number of trainings are considered.

As branch managers and franchisees are analysed in separate models, the main differences exist in the following areas:

Addressing research questions and hypotheses 5a) and 5b) a **positive impact of loyalty and commitment on sales performance** is measurable in the case of branch managers. For franchisees, however, this effect could not be proven.

A different model structure exists on the SPI level. For **branch managers** the most relevant driver is the **rent**. Rent is a strong indicator for a good store location in densely populated areas (big cities). **Age of shop existence** is another important driver.

For franchisees the outlet-related structural drivers are more balanced. Here, indicators such as store size in terms of floor space and number of employees seem to make a relevant impact.

Addressing research question 5c) for franchisees the part of the model explaining loyalty is stronger than for branch managers. The branch loyalty model includes more clearly separable factors with significant effects than is the case within the franchise model. **In contrast to franchisees a mediated effect of RM on the SPI via loyalty and commitment could be proven for branch managers.**

The number of visits by the sales representatives on a district level makes a positive impact on the loyalty of franchisees.

Moreover, the results of the format comparison provide evidence that location and age of the shop are the most relevant factors for sales performance.

4.4.2 *Shop visitors*

4.4.2.1 Franchise outlets

Overall satisfaction and loyalty (attitude questions related to customer retention) are closely connected for customers and shop visitors. Therefore, they can be used alternately, or on one model level (table 40).

All items have a communality value of > 0.5 and they form three different factors. The first factor is related to “sales staff”, the second factor relates to the “store layout”. The third factor is formed by “merchandise” and “prices”. Together these factors make for 71.6% of the inherent variance.

In parallel to the analysis of the measurement model for sales staff, the factors extracted from the branch and franchise measurement model for shop visitors are tested by means of a confirmatory factor analysis. Once again, the MLE is used as algorithm. The results of the multi-structural equation modelling and the absolute and incremental fit measures for branch outlets are illustrated in tables 41 and 42.

The path model relating to the final structural model for franchises (shop visitor model) is illustrated in figure 17.

Tables 41 and 42 and figure 17 provide estimation results for research questions and hypotheses 1 and 5a) related to the direct effects between RM and sales performance and the moderating effect of the sales format on RM and sales performance. These questions can, however, only be addressed after the results

Table 40: Latent themes “shop visitor satisfaction dimensions” for franchises

| Latent Themes of "Shop Visitor Satisfaction Dimensions" for Franchise Outlets | | | | |
|---|-------------|----------------|--------------|--------------|
| Item Name | Communality | Factor Loading | | |
| | | 1 | 2 | 3 |
| Sales Staff (Cronbach's $\alpha = 0.731$) | | | | |
| Quality of sales conversation with sales staff | 0.800 | 0.879 | | |
| Available time of sales staff for sales conversation | 0.723 | 0.836 | | |
| Overall impression of sales staff | 0.706 | 0.792 | | |
| Friendliness of sales staff | 0.611 | 0.768 | | |
| Store Layout (Cronbach's $\alpha = 0.778$) | | | | |
| Store layout (out-of-store) | 0.730 | | 0.842 | |
| Store layout (in-store) | 0.679 | | 0.789 | |
| Products & Prices (Cronbach's $\alpha = 0.792$) | | | | |
| Prices | 0.809 | | | 0.891 |
| Merchandise: mobile phones & tariffs | 0.676 | | 0.303 | 0.733 |
| Eigenvalue (post-rotation) | | 2,799 | 1,488 | 1,446 |
| % explained variance | | 34.9% | 18.6% | 18.1% |
| Cumulative explained variance | | 34.9% | 53.5% | 71.6% |
| Sample n = 316 | | | | |

for the equivalent branch manager model have been reviewed. The results of table 4.36 indicate that the present measurement model for franchise outlets is a reliable and valid concept. This is reflected in the absolute, incremental and parsimonious measurement criteria. RMSEA does not reach the limit value of 0.1; CFI and TLI do reach the necessary values of above 0.9.

Moreover, for the latent concept of the loyalty and commitment index the critical value of factor reliability (FR) of 0.6 is mostly surpassed. Consequently, for further analysis this measurement model can be used.

Key points of the measurement model for branch outlets are as follows:

There is no mediating effect of RM factors on sales performance through the loyalty of shop visitors.

Table 41: Shop visitor model for franchises

| Global and Detail Criteria of Shop Visitor Satisfaction Model for Shop Visitors of Franchise Outlets | | | |
|--|-----------------------------|----------------|----------------|
| Target Variable / Global Criteria | Factor | Factor Loading | R ² |
| Commitment & Loyalty Index | Sales Staff | 0.840 | 0.706 |
| | | 0.765 | 0.585 |
| | | 0.863 | 0.745 |
| | | 0.692 | 0.479 |
| | Merchandise & Prices | 0.753 | 0.567 |
| | | 0.674 | 0.454 |
| | Store Layout | 0.863 | 0.745 |
| Recommendation | 0.485 | 0.235 | |
| Revisit | 0.913 | 0.834 | |
| Brand | 0.913 | 0.834 | |
| Sales Performance Index | Customer Visits (Frequency) | 0.172 | |
| | Number of Sales Staff | 0.469 | |
| | Age of Outlet Existence | 0.351 | |
| | Rent | 0.187 | |
| | Loyalty | -0.055 | 0.715 |
| | Shop Floor (Area) | -0.025 | |
| | Customers | -0.012 | |
| | | -0.06 | |

Similarly to the sales staff model, the part of the measurement model explaining loyalty is strong because the relevant concept explains 71.5% of the variance of the calculated “loyalty and commitment” target variable.

The part of the model explaining the SPI is significant, although it is lower than the explained variance of loyalty. Only 57.6% of the variance of the SPI is explained.

The quality of the sales clerks, namely the franchisee and his or her sales staff, make the greatest impact, having a factor loading of 0.65 on the loyalty of shop visitors.

To gain the loyalty of shop visitors and to retain or increase it, sales staff plays a far more significant role than does the store layout, the brand, the merchandise or the prices.

Addressing research questions 1 and 5a) structural outlet parameters such as rent, acting as number of shop visitors (frequency), number of employees make a relevant and direct impact on sales performance. These results support answering the relevant research questions 1 and 5a.

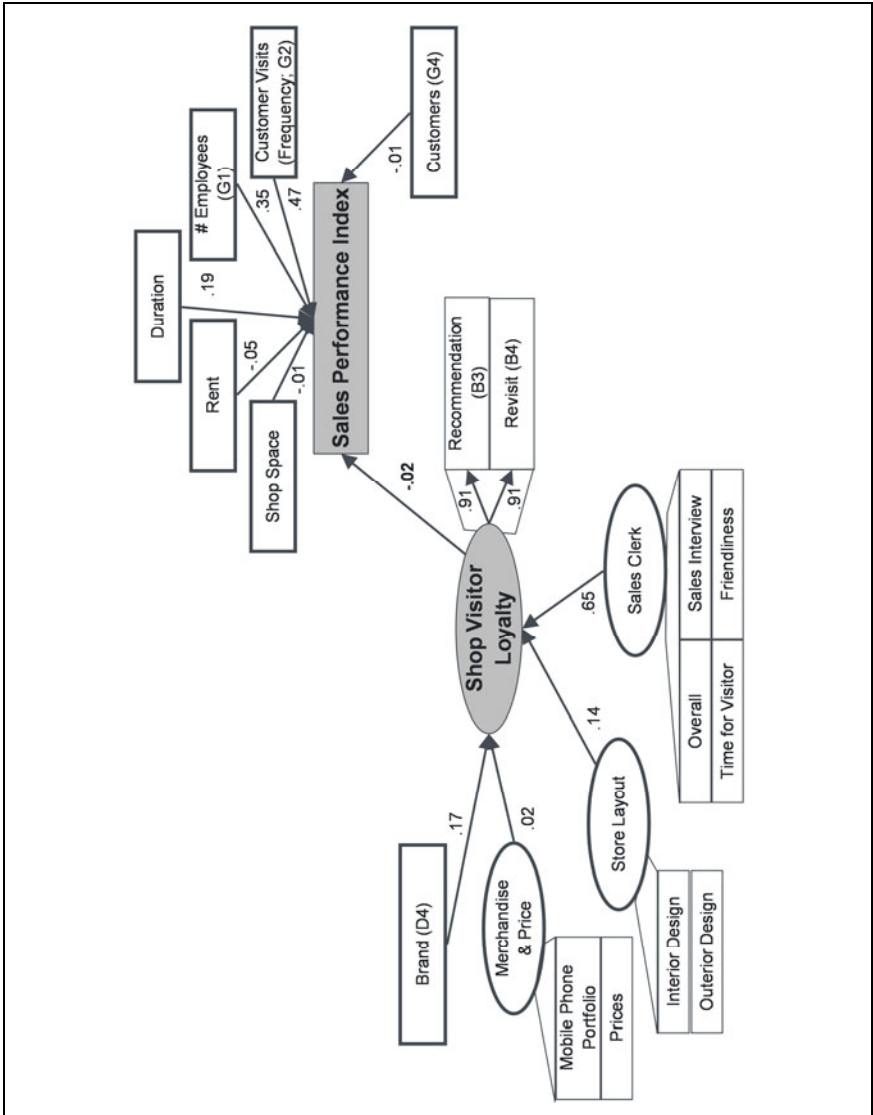


Figure 17: Path diagram – franchises (shop visitor model)

Table 42: Fit statistics for shop visitor model for franchises

| Fit Measures | Recommended Criteria | Conceptual Model |
|---|---|------------------|
| Absolute Fit Measures | | |
| Root Mean Square Error of Approximation (RMSEA) | No absolute threshold, recommended 0.9 or above | 0.056 |
| Likelihood-Ratio Chi-Square Statistic | p-value > 0.05 | 0.000 |
| Incremental Fit Measures | | |
| Tucker Lewis Index (TLI) | No absolute threshold, recommended 0.9 or above | 0.912 |
| Incremental Fit Index (IFI) | No absolute threshold, recommended 0.9 or above | 0.941 |
| Normed Fit Index (NFI) | No absolute threshold, recommended 0.9 or above | 0.899 |
| Relative Fit Index (RFI) | No absolute threshold, recommended 0.9 or above | 0.854 |
| Comparative Fit Index (CFI) | No absolute threshold, recommended 0.9 or above | 0.940 |
| Parsimonious Fit Measures | | |
| Normed Chi-Square (CMIN/df) | Acceptable ratio 2-5, not over 5 | 2.277 |

4.4.2.2 Branch outlets

In line with the measurement model for franchise shops, all items within the branch measurement model have a communality value of > 0.5. And these form three different factors related to sales staff, store layout, prices and merchandise. Similarly to the franchise model, these factors explain 69.7% of the inherent variance.

The items within the customer satisfaction dimensions are clearly separable: “store layout”, “sales staff”; “merchandise” and “price”, which although closely connected, could have been separated had more questions to each factor been asked.

Figure 19 illustrates the path diagram for the final structural model for branches for the shop visitor concept.

Tables 44 and 45 and figure 18 provide estimation results for research questions 1 and 5a. Relationships within the branch model are similar to those examined in the franchise model. As shown in table 4.39 the present measurement model for branch outlets is a reliable and valid concept. The RMSEA does not reach the limit value of 0.1. The CFI and TLI almost reach the necessary values of 0.9.

Table 43: Latent themes “shop visitor satisfaction dimensions” for branches

| Latent Themes of "Shop Visitor Satisfaction Dimensions" for Branch Outlets | | | | |
|--|-------------|----------------|--------------|--------------|
| Item Name | Communality | Factor Loading | | |
| | | 1 | 2 | 3 |
| Sales Staff (Cronbach's $\alpha = 0.724$) | | | | |
| Time available to sales staff for sales conversation | 0.685 | 0.821 | | |
| Overall impression of sales staff | 0.685 | 0.799 | | |
| Friendliness of sales staff | 0.644 | 0.797 | | |
| Quality of sales conversation with sales staff | 0.630 | 0.730 | | |
| Store Layout (Cronbach's $\alpha = 0.719$) | | | | |
| Store layout (in-store) | 0.763 | | 0.859 | |
| Store layout (out-of-store) | 0.703 | | 0.798 | |
| Products & Prices (Cronbach's $\alpha = 0.743$) | | | | |
| Prices | 0.813 | | | 0.886 |
| Merchandise: mobile phones & tariffs | 0.649 | | 0.355 | 0.697 |
| Eigenvalue (post-rotation) | | 2.564 | 1.581 | 1.426 |
| % explained variance | | 32.1% | 19.8% | 17.8% |
| Cumulative explained variance | | 32.1% | 51.9 | 69.7% |
| Sample n = 545 | | | | |

Table 44: Shop visitor measurement model for branches

| Global and Detail Criteria of Shop Visitor Satisfaction Model for Shop Visitors of Branch Outlets | | | |
|---|-----------------------------|----------------|----------------|
| Target Variable / Global Criteria | Factor | Factor Loading | R ² |
| Commitment & Loyalty Index | Sales Staff | 0.778 | 0.605 |
| | | 0.697 | 0.486 |
| | | 0.792 | 0.628 |
| | | 0.649 | 0.486 |
| | Merchandise & Prices | 0.748 | 0.559 |
| | | 0.656 | 0.430 |
| | Store Layout | 0.795 | 0.633 |
| Sales Performance Index | Recommendation | 0.613 | 0.376 |
| | Revisit | 0.882 | 0.778 |
| | Brand | 0.844 | 0.712 |
| | Brand | 0.245 | |
| Sales Performance Index | Number of Sales Staff | 0.379 | |
| | Age of Outlet Existence | 0.244 | |
| | Rent | 0.198 | |
| | Shop Floor (Area) | 0.095 | |
| | Customers | 0.043 | |
| | Customer Visits (Frequency) | 0.211 | |
| | Loyalty | -0,083 | 0.609 |

Furthermore, the critical value of factor reliability (FR) of 0.6 is mostly surpassed for the relevant items with the latent concept for the loyalty and commitment index. Consequently, the measurement model can be used for further analysis.

Key points of the measurement model for branch outlets are as follows:

There is no impact of RM on sales performance that can be measured for branch outlets through the loyalty of shop visitors.

Similarly to the franchise model, the part of the measurement model plays in explaining loyalty is strong because the relevant concepts explain 77.0% of the variance of the calculated “loyalty and commitment” target variable.

The part of the model explaining the SPI is relatively low as it explains only 37.3% of the SPI variance.

The quality of the sales clerks again makes the highest impact with a factor loading ($\beta = 0.75$) on the loyalty of shop visitors.

To gain the loyalty of shop visitors and to enhance it, sales staff plays a far more significant role than do the factors “brand”, “merchandise and prices” and

Table 45: Fit statistics for shop visitor measurement model for branches

| Fit Measures | Recommended Criteria | Conceptual Model |
|---|---|------------------|
| Absolute Fit Measures | | |
| Root Mean Square Error of Approximation (RMSEA) | No absolute threshold, recommended 0.9 or above | 0.072 |
| Likelihood-Ratio Chi-Square Statistic | p-value > 0.05 | 0.000 |
| Incremental Fit Measures | | |
| Tucker Lewis Index (TLI) | No absolute threshold, recommended 0.9 or above | 0.844 |
| Incremental Fit Index (IFI) | No absolute threshold, recommended 0.9 or above | 0.892 |
| Normed Fit Index (NFI) | No absolute threshold, recommended 0.9 or above | 0.852 |
| Relative Fit Index (RFI) | No absolute threshold, recommended 0.9 or above | 0.791 |
| Comparative Fit Index (CFI) | No absolute threshold, recommended 0.9 or above | 0.890 |
| Parsimonious Fit Measures | | |
| Normed Chi-Square (CMIN/df) | Acceptable ratio 2-5, not over 5 | 3.309 |

“store layout”. As is the case for franchise outlets, the quality of the sales clerk makes by far the biggest impact on shop visitor loyalty.

Addressing research questions 1 and 5a) and supporting hypotheses H1 and H5a structural outlet parameters such as “number of employees”, “age of outlet”, “rent” and “shop space” as well as “customer frequency” all make a relevant and direct impact on sales performance.

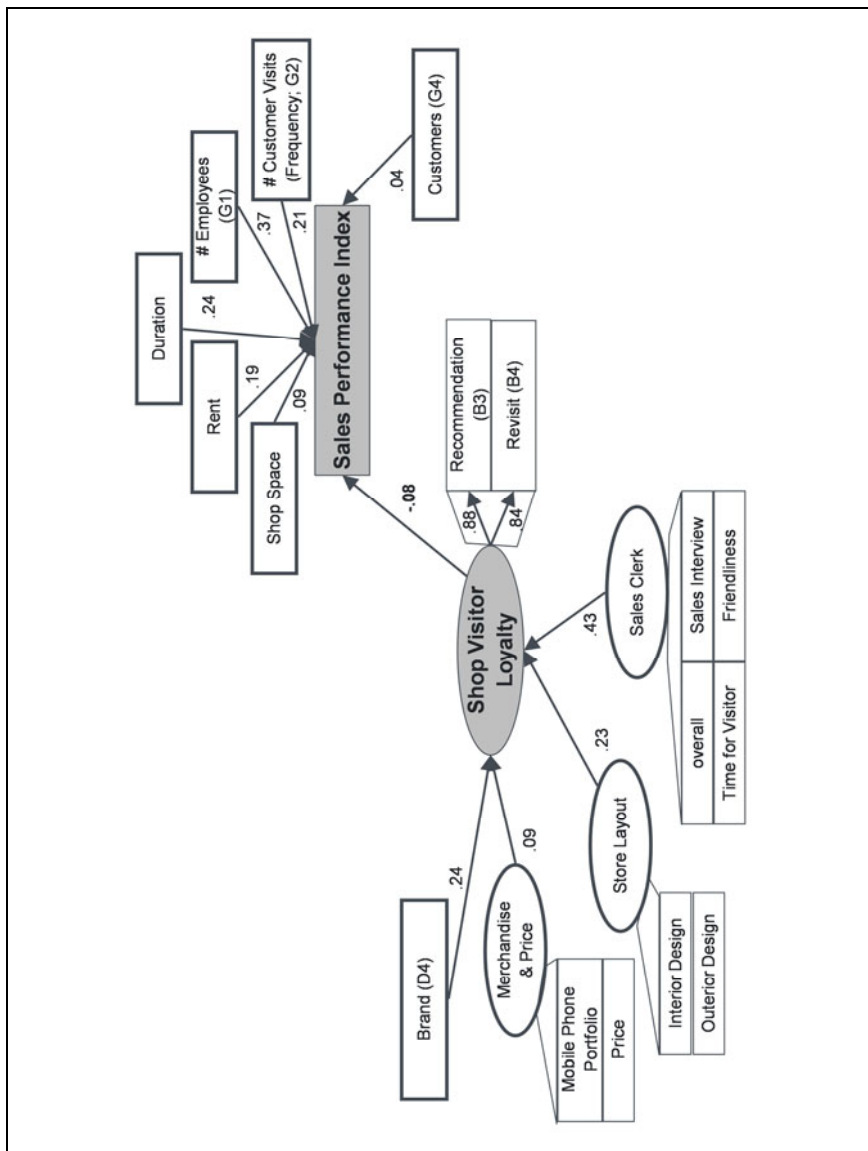


Figure 18: Path diagram – branches (shop visitor model)

4.4.2.3 Comparison of sales format

Based on the results from the shop visitor concepts for franchise and branch outlets research a sales format comparison is carried out in the present chapter. Based on this comparison question 5a) can be answered and hypothesis H1 can be tested.

The measurement models endeavoured to explain the impact of loyalty of shop visitors on sales performance. Both concepts – the franchise and the branch model – aim at presenting a model each explaining sales performance based on sales staff and shop visitor loyalty under consideration of outlet-specific structural elements.

The models presented compare customer satisfaction with customer loyalty versus shop structures. There are two-level models estimated in which the impact of customer loyalty on the SPI is examined. In this case a loyalty factor is used that is calculated within the model based on recommendation and revisit.

Branch managers and franchisees are modelled separately. The essential results are as follows:

The model results for branch managers and franchisees are similar; almost no systematic differences between these two models could be found.

Both models present a reliable explanation of customer loyalty; the impact of the satisfaction dimensions, however, is not clearly separable. “Sales staff” is a significant lever, whereas “merchandise & prices” make a comparably lower impact. Both factors interact strongly. A good seller is able to argue the product quality and the adequacy of prices. The same applies to the store layout. In a positive store environment and interior the sales and customer dialogue is perceived as building trust.

The brand of the retail network makes a significant impact on customer loyalty. It is closely connected to all satisfaction aspects. This means that the shop visit and the performance of sales staff, store layout, merchandise and prices shape the experience of the shop visitor with the brand of the organisation.

It is important to note that both models can only give an impression of the relationships between customer opinion and sales performance. Strictly speaking, they do not represent an explanatory model because it is the customer level and not the outlet with its specific sales performance that represents the level of analysis. In relation to the shop visitors or customer base or the network structure the sample only offers a limited representativeness.

4.4.3 Customers

4.4.3.1 Franchise outlets

All items have a communality value above 0.5 and they form three different factors. As in the shop visitor measurement models the first factor is related to “sales staff”, whereas the second factor relates to the “store layout”. “Prices” and “merchandise” form factor number three. Combined, these factors explain 63.2% of the inherent variance.

Table 46: Latent themes “customer satisfaction dimensions” for franchises

| Latent Themes of "Customer Satisfaction Dimensions" for Franchise Outlets | | | | |
|---|-------------|----------------|--------------|--------------|
| Item Name | Communality | Factor Loading | | |
| | | 1 | 2 | 3 |
| Sales Staff (Cronbach's $\alpha = 0.782$) | | | | |
| Time available to staff for conversation with customers | 0.725 | 0.828 | | |
| Friendliness & Understanding | 0.719 | 0.822 | | |
| Quality of sales conversation | 0.769 | 0.820 | | |
| Overall satisfaction | 0.739 | 0.817 | | |
| Waiting time for first response of sales staff | 0.348 | 0.562 | | |
| Store Layout (Cronbach's $\alpha = 0.715$) | | | | |
| Store layout (in-store) | 0.697 | | 0.811 | |
| Store layout (out-of-store) | 0.680 | | 0.805 | |
| Cleanliness of store | 0.460 | 0.503 | | 0.435 |
| Products & Prices (Cronbach's $\alpha = 0.738$) | | | | |
| Prices of mobile phones | 0.656 | | | 0.798 |
| Prices of mobile phone tariffs | 0.694 | | | 0.783 |
| Variety of mobile phone tariffs | 0.562 | | 0.355 | 0.619 |
| Variety of mobile phones | 0.523 | | 0.583 | 0.374 |
| Eigenvalue (post-rotation) | | 3.502 | 2.130 | 1.953 |
| % explained variance | | 29.2% | 17.7% | 16.3% |
| Cumulative explained variance | | 29.2% | 46.9% | 63.2% |
| Sample n = 350 | | | | |

Table 47: Customer measurement model for franchises

| Global and Detail Criteria of Customer Satisfaction Model for Franchise Outlets | | | |
|---|-----------------------------|----------------|----------------|
| Target Variable / Global Criteria | Factor | Factor Loading | R ² |
| Commitment & Loyalty Index | Sales Staff | 0.857 | 0.734 |
| | | 0.483 | 0.233 |
| | | 0.756 | 0.571 |
| | | 0.893 | 0.798 |
| | Merchandise & Prices | 0.786 | 0.618 |
| | | 0.784 | 0.614 |
| | | 0.636 | 0.404 |
| | | 0.656 | 0.431 |
| | Store Layout | 0.550 | 0.302 |
| | | 0.689 | 0.474 |
| | | 0.687 | 0.472 |
| | Brand | 0.607 | 0.369 |
| | Buying Intention | 0.165 | |
| | Recommendation | 0.001 | |
| Revisit | 0.907 | 0.823 | |
| Regular Customer | 0.899 | 0.808 | |
| Retention Contract | 0.022 | | |
| Sales Performance Index | Customer Visits (Frequency) | 0.028 | |
| | Number of Sales Staff | 0.553 | |
| | Age of Outlet Existence | 0.179 | |
| | Loyalty | 0.144 | |
| | Rent | 0.039 | 0.771 |
| | Shop Floor (Area) | 0.000 | |
| | | -0,009 | |

In line with the analyses of the measurement models for sales staff and shop visitors, the extracted factors of the branch and franchise measurement model for shop visitors are tested via a confirmatory factor analysis. The MLE is also used as algorithm. The results of the multi-structural equation modelling and the fit statistics for branch outlets are illustrated in tables 4.47 and 4.48 and figure 19.

Figure 19 illustrates the path diagram related to the final structural model for franchises for the customer model.

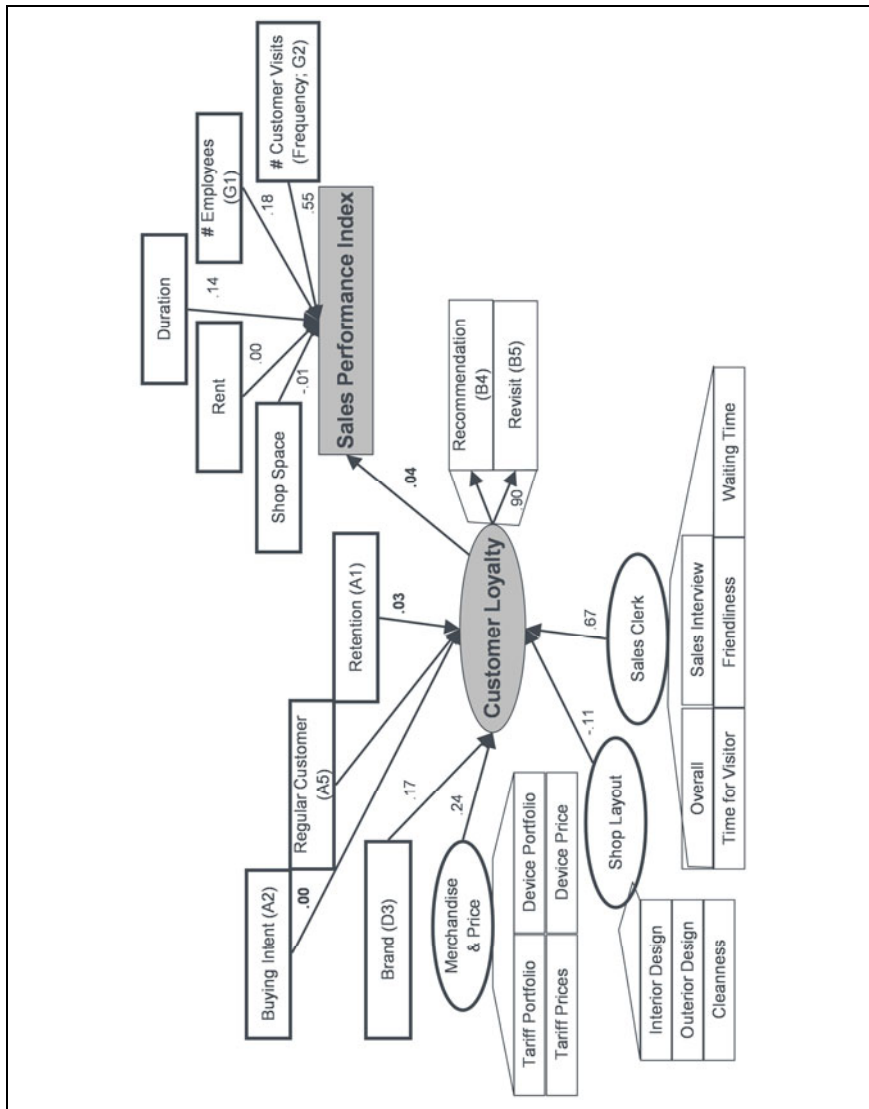


Figure 19: Path diagram – franchises (customer model)

Table 48: Fit statistics for customer measurement model for franchises

| Fit Measures | Recommended Criteria | Conceptual Model |
|---|---|------------------|
| Absolute Fit Measures | | |
| Root Mean Square Error of Approximation (RMSEA) | No absolute threshold, recommended 0.9 or above | 0.048 |
| Likelihood-Ratio Chi-Square Statistic | p-value > 0.05 | 0.000 |
| Incremental Fit Measures | | |
| Tucker Lewis Index (TLI) | No absolute threshold, recommended 0.9 or above | 0.916 |
| Incremental Fit Index (IFI) | No absolute threshold, recommended 0.9 or above | 0.936 |
| Normed Fit Index (NFI) | No absolute threshold, recommended 0.9 or above | 0.887 |
| Relative Fit Index (RFI) | No absolute threshold, recommended 0.9 or above | 0.855 |
| Comparative Fit Index (CFI) | No absolute threshold, recommended 0.9 or above | 0.935 |
| Parsimonious Fit Measures | | |
| Normed Chi-Square (CMIN/df) | Acceptable ratio 2-5, not over 5 | 2.169 |

Tables 4.47 and 4.48 and figure 19 indicate the estimation results for research questions 1 and 5a) and hypotheses 1 and 5a. The present measurement model for franchise outlets is a reliable and valid concept. This is reflected in the absolute and incremental fit measures. RMSEA does not reach the limit value of 0.1; CFI and TLI do reach the necessary values exceeding 0.9.

Furthermore, the critical value of factor reliability (FR) of 0.6 is mostly surpassed for the latent concept for the loyalty and commitment index with the

only exception of two items. Consequently, the measurement model can be used for further analysis.

Key points of the measurement model for branch outlets are as follows:

There is only a weak, insignificant mediating effect of RM factors on sales performance through the loyalty of customers.

Comparable to the sales staff and shop visitor model, the part of the measurement model that explains loyalty is strong as the relevant concepts explain 77.1% of the variance of the calculated loyalty and commitment target variable.

The part of the model explaining the SPI is significant, although it is lower than the explained variance of loyalty. 48.6% of the variance of the SPI is explained.

The “quality of the sales personnel” has again the highest impact ($\beta=0.67$) on the loyalty of shop visitors, followed by “merchandise and prices” and “brand”.

Like in the sales staff and shop visitor models, structural outlet parameters such as number of shop visitors (frequency), number of employees and duration of outlet existence make a relevant and direct impact on sales performance. This finding addressing research questions 1 and 5a) supports hypotheses H1 and H5a.

4.4.3.2 Branch outlets

With the exception of “prices of mobile phones” and “merchandise and portfolio of mobile phones”, all items have a communality value above 0.5. Together they create three different factors. As with the shop visitor measurement models the first factor relates to “sales staff”, whereas the second factor relates to the “store layout”. “Prices” and “merchandise” form factor three. Combined, these factors explain 61.0% of the inherent variance.

The measurement models for customers are also closely examined via a confirmatory factor analysis. The results of the multi-structural equation modelling and the absolute and incremental fit measures for branch outlets are illustrated in tables 4.50 and 4.51 and figure 20.

Figure 20 presents the path diagram related to the branches for the customer model.

Table 49: Latent themes “customer satisfaction dimensions” for branches

| Latent Themes of "Customer Satisfaction Dimensions" for Branches | | | | |
|---|-------------|----------------|--------------|--------------|
| Item Name | Communality | Factor Loading | | |
| | | 1 | 2 | 3 |
| Sales Staff (Cronbach's α = 0.794) | | | | |
| Friendliness & Understanding | 0.666 | 0.806 | | |
| Overall satisfaction | 0.692 | 0.800 | | |
| Quality of sales conversation | 0.725 | 0.789 | 0.319 | |
| Time available to staff for conversation with customers | 0.654 | 0.776 | | |
| Waiting time for first response of sales staff | 0.517 | 0.687 | | |
| Products & Prices (Cronbach's α = 0.722) | | | | |
| Prices of mobile phone tariffs | 0.600 | | 0.760 | |
| Variety of mobile phone tariffs | 0.604 | | 0.730 | |
| Merchandise & portfolio of mobile phones | 0.518 | | 0.657 | |
| Cleanliness of store | 0.562 | 0.369 | 0.651 | |
| Prices of mobile phones | 0.400 | | 0.565 | |
| Store Layout (Cronbach's α = 0.791) | | | | |
| Store layout (out-of-store) | 0.697 | | | 0.806 |
| Store layout (in-store) | 0.678 | | | 0.768 |
| Eigenvalue (post-rotation) | | 3.249 | 2.191 | 1.873 |
| % explained variance | | 27.1% | 18.3% | 15.6% |
| Cumulative explained variance | | 27.1% | 45.4% | 61.0% |
| Sample n = 650 | | | | |

Tables 4.50 and 4.51 and figure 20 present the estimation results for research questions 1 and 5a) and hypotheses H1 and H5a. As demonstrated in table 4.45, the present measurement model for branch outlets is a reliable and valid concept. The RMSEA does not reach the limit value of 0.1; CFI and TLI do reach the necessary values of over 0.9.

Table 50: Customer measurement model for branches

| Global and Detail Criteria of Customer Satisfaction Model for Branch Outlets | | | | |
|--|------------------------------|------------------|----------------|-------|
| Target Variable / Global Criteria | Factor | Factor Loading | R ² | |
| Commitment & Loyalty Index | Sales Staff | 0.825 | 0.680 | |
| | | 0.578 | 0.334 | |
| | | 0.700 | 0.491 | |
| | | 0.869 | 0.755 | |
| | | 0.720 | 0.518 | |
| | Merchandise & Prices | 0.725 | 0.526 | |
| | | 0.659 | 0.434 | |
| | | 0.635 | 0.403 | |
| | | 0.536 | 0.287 | |
| | Store Layout | 0.773 | 0.598 | |
| | | 0.701 | 0.491 | |
| | | 0.560 | 0.314 | |
| | | Brand | 0.158 | |
| | | Buying Intention | -0,045 | |
| | | Recommendation | 0.905 | 0.819 |
| | Revisit | 0.855 | 0.731 | |
| | Regular Customer | -0,047 | | |
| | Retention Contract | 0.085 | | |
| Sales Performance Index | Duration of Outlet Existence | 0.327 | | |
| | Rent | 0.273 | | |
| | Shop Floor (Area) | 0.044 | | |
| | Number of Sales Staff | 0.328 | | |
| | Customer Visits (Frequency) | 0.031 | | |
| | Loyalty | 0.001 | 0.770 | |

Key points of the measurement model for branch outlets are as follows:

There is no mediating effect of RM factors on sales performance through the loyalty of customers.

Similarly to the customer model for franchise outlets, the equivalent model for franchise outlets gives a sound explanation of the customer' loyalty (R² 77.0%).

Although it is lower than the explained variance of loyalty, the part of the model explaining the SPI is still significant. 48.6% of the variance of the SPI is explained.

The quality of the sales personnel again makes the highest impact ($\beta=0.67$) on the loyalty of shop visitors, followed by brand, merchandise and prices and store layout.

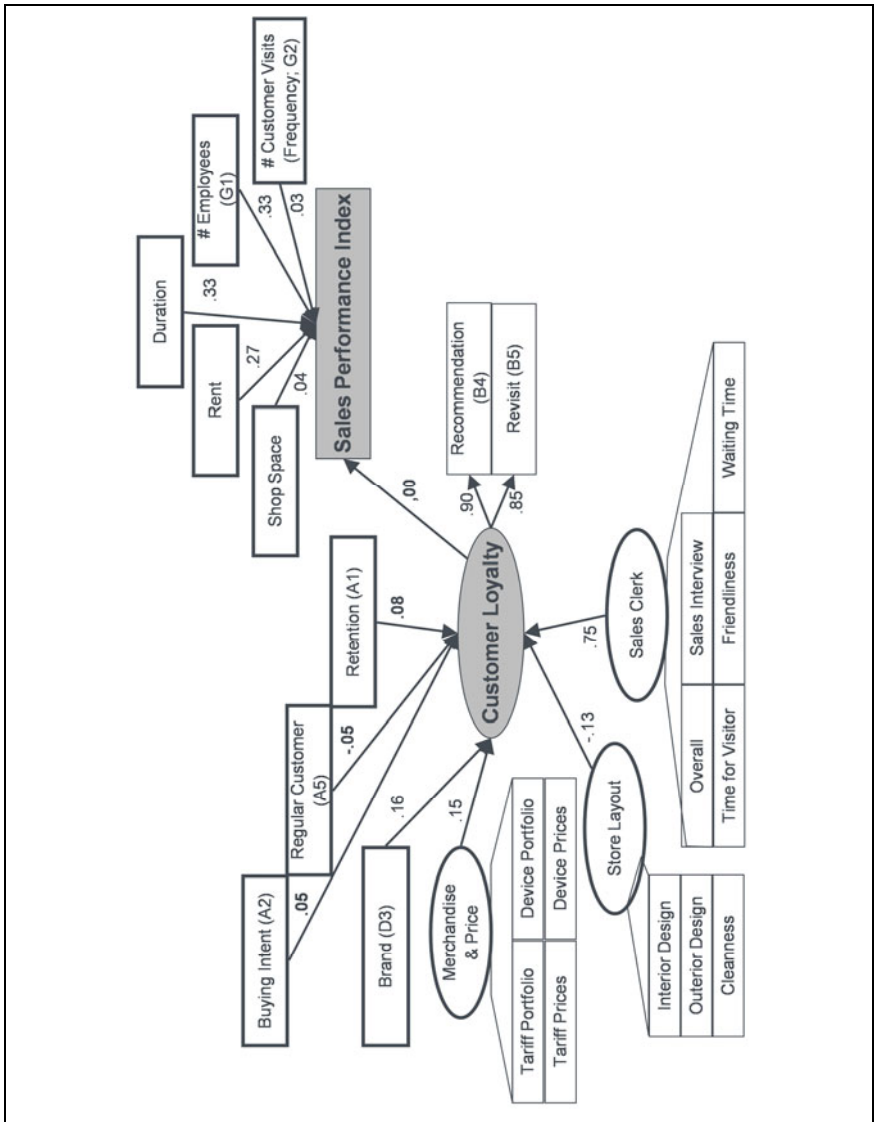


Figure 20: Path diagram – branches (customer model)

Table 51: Fit statistics for customer measurement model for branches

| Fit Measures | Recommended Criteria | Conceptual Model |
|---|---|------------------|
| Absolute Fit Measures | | |
| Root Mean Square Error of Approximation (RMSEA) | No absolute threshold, recommended 0.9 or above | 0.042 |
| Likelihood-Ratio Chi-Square Statistic | p-value > 0.05 | 0.000 |
| Incremental Fit Measures | | |
| Tucker Lewis Index (TLI) | No absolute threshold, recommended 0.9 or above | 0.931 |
| Incremental Fit Index (IFI) | No absolute threshold, recommended 0.9 or above | 0.947 |
| Normed Fit Index (NFI) | No absolute threshold, recommended 0.9 or above | 0.891 |
| Relative Fit Index (RFI) | No absolute threshold, recommended 0.9 or above | 0.861 |
| Comparative Fit Index (CFI) | No absolute threshold, recommended 0.9 or above | 0.946 |
| Parsimonious Fit Measures | | |
| Normed Chi-Square (CMIN/df) | Acceptable ratio 2-5, not over 5 | 1.840 |

As with the SPI in the sales staff and shop visitor models and the customer model for franchise outlets, the SPI in the customer model for branch outlets is strongly determined by structural outlet parameters such as number of employees, age of outlet existence and rent. This result helps to answer research questions 1 and 5a) and confirms hypotheses H1 and H5a.

4.4.3.3 Comparison of sales formats

Based on the results from the customer concepts for franchise and branch outlets research a sales format comparison is again carried out. Based on this comparison question 5a) can be answered and hypothesis H4 can be further validated.

The customer measurement models aim at explaining sales performance based on the loyalty of customers who have recently concluded a new contract or renewed their existing one. The actual objective, therefore, would be to develop a model that explains sales performance on the basis of the loyalty and commitment of sales staff and customers under a particular consideration of structural outlet parameters. Because the data for a significant number of outlets with their sales staff- and customer information do not exist, the models presented compare customer satisfaction and – loyalty with shop structures.

Therefore, two-level models are estimated in which the impact of customer loyalty on the SPI is examined. In this instance, a loyalty factor is made use of that is calculated within the measurement model, which consists of recommendation and a willingness to revisit the outlet.

Branch managers and franchisees are examined in two separate measurement models. The key results are as follows:

The results for both branch and franchise shops are similar. Systematic differences hardly exist. There is an impact of customer loyalty on sales performance measurable for customers of franchises. This effect cannot be confirmed for customers of branches.

Both models give a solid explanation for customer loyalty. The impact of the different satisfaction dimensions cannot be clearly separated. As is the case with in the shop visitor models, within the customer models also the strong driver “sales staff” is accompanied by a relatively low impact of “merchandise & prices”. These two items interact with each other. A good sales clerk can convince customers of product quality and the adequacy of product prices. “Shop layout” has a negative impact in both models despite the positive inter-correlations with other drivers of customer satisfaction. The factors “shop” and “merchandise & prices“ are no homogeneous factors; they have a high interdependency. These parts of the models would have to be modelled formatively in a further examination, which is not feasible in AMOS-models.

The brand of the retail network makes a relevant impact on customer loyalty. It is closely connected to all satisfaction dimensions. This implies that the concluding of contracts together with the “performance of the sales clerks”, “shop

layout”, “merchandise and prices” create the experience of customers with the “brand”.

The variables of “buying intent”, “registered customer”, “customer retention” versus “new customer business” do not offer a significant explanation. These variables are so-called “dummy variables” that do not come with a significant variance because of their missing scales.

The part of the model related to shop structures couldn’t be modelled as precisely as is the case with the models for shop visitors. As expected the “number of employees” and “customer base” makes a great impact on sales performance. No effect of rent and shop floor (shop space) can be confirmed, as has been the case for the shop visitor models. This can be partly attributed to the fact of higher inter-correlations in the previous shop visitor models.

As is the case with the shop visitor models, for the customer models it is also important to note that both models can only give an impression of the relationships between customer opinion and sales performance. They do not represent an explanatory model of sales performance in a strict sense, because the customer level, and not the outlet with its specific sales performance, represents the level of analysis. The sample offers only a limited representativeness related to the customer base or the network structure.

4.4.4 Overview of relationship results

The following section summarises the key results of the relationships analysed in the three causal models based on structural equation modelling.

The **sales staff** models explain RM’s effectiveness on sales performance in branches and franchises. Two-level models are estimated in which the impact of employee loyalty on the SPI is examined. Hereby, the calculated loyalty index (see sections 2.3.2 and 4.3.1.3) is applied. The RM factors (latent constructs or latent variables) as perceived and appreciated by the franchisees and branch managers are now directly linked to the loyalty index. Additionally, the variables “number of sales representatives’ visits (regional and district level)”, “trainings and coaching” and the activities of the “sales support” team are integrated.

The models for franchises and branches are modelled separately. The main differences exist in the following aspects:

For branch managers – in contrast to franchisees – a positive impact of RM via the attitude on sales performance is measurable.

There are significant differences of the model structures on the sales performance index (SPI) level. For branches “rent” as a strong indicator for a good

store location in densely populated areas (big cities) together with “duration” (age of shop existence) are the dominating SPI drivers. For franchises the structural parameters affecting the SPI are more equally balanced. In the franchise model the factors “shop space” and “number of employees” have a significant impact.

The part of the model explaining attitude (loyalty & commitment) is – similar to the modelling of the RM satisfaction dimensions – stronger for franchises than branches: clearly separable factors with significant effects. In the case of branch managers “retention offers & campaigns” which are strongly determined by the outlet specific customer base and visits by and exchange with the sales representatives (district level) are key in developing branch managers’ loyalty & commitment. For them visits by sales representatives are equally important as their compensation. For franchisees the impact of the “marketing programme”, their “compensation” and easy-to-use “activation & information systems” are pivotal factors for influencing their attitude.

The **shop visitor** models explain sales performance based on the loyalty of shop visitors. The developed causal models for branches and franchises represent customer satisfaction and loyalty and structural shop parameters.

As is the case with the sales staff models here also two-level models are estimated which examine the impact of customer loyalty on sales performance. Hereby a loyalty factor is applied that has been calculated inside the model and is determined by “recommendation” and “revisit”.

Branches and franchises are modelled separately. The key results are as follows:

The results of the causal models are similar for franchises and branches. There are hardly any systematic differences between the two models. For shop visitors of branch outlets, a significant impact of customer loyalty on sales performance could be proven. This effect is found to a much lesser extent for visitors of franchise outlets. A store with loyal shop visitors and customers has a better SPI than an outlet that has only a higher share of shop visitors or a higher visitor frequency or walkout.

In both models customer loyalty is clearly represented. The impact of the satisfaction dimensions, however, is not clearly separable. “Sales staff” is a significant lever for customer loyalty. At the same time “merchandise & prices” make a lower impact. Both factors interact strongly. It is arguable that a good salesman is able to convince the shop visitor of the product quality and the competitiveness of prices. The same degree of interaction applies to the relationship

between “sales staff” and store layout. A positive store environment and shop interior the sales and customer interaction is appreciated as building trust.

The brand “mobilcom-debitel” of the retail network makes a significant impact on the loyalty of shop visitors as it is strongly connected to all relevant satisfaction factors. Consequently, the performance of sales staff, store layout, merchandise and prices are key factors for the experience of the shop visitor with the brand.

Both causal models – franchise and branch manager model – can only allow a glance on the relationships between customer opinion and sales performance. They do not represent an explanatory model in a strict sense, as it is the customer level and not the outlet with its specific sales performance representing the level of analysis.

The **customer** models are explaining sales performance based on the loyalty of customers who have recently concluded a new contract or renewed their existing one. The models presented compare customer satisfaction and loyalty with structural shop parameters.

Two-level models are estimated and the effect of customer loyalty on the SPI is examined. Loyalty – as is the case with the shop visitor models – is examined based on a factor that is calculated within the measurement models. It represents customers’ recommendation and willingness to revisit the outlet.

Branch managers and franchisees are examined in two separate measurement models. The key results are as follows:

The model results for branches and franchises are similar. Again, systematic differences hardly exist. For customers of franchises there is – in contrast to customers of branches – an impact of customer loyalty on sales performance measurable.

Both models give a significant explanation of customer loyalty. However, the effect of the different satisfaction dimensions on customer loyalty cannot be clearly separated. Within both customer models also the strong driver “sales staff” is accompanied by a relatively low effect of “merchandise & prices”. These two items interact significantly. A clever sales man can argue product quality and the adequacy of product prices. The factor “shop layout” negatively affects loyalty in both models despite the positive inter-correlations with other drivers of customer satisfaction.

The brand of the retail network makes a relevant impact on customer loyalty. It is closely connected to all satisfaction dimensions. In parallel to the shop visitor model this implies that the concluding of contracts together with the “per-

formance of the sales clerks”, “shop layout”, “merchandise and prices” create the experience of customers with the “brand”.

As is the case with the models for shop visitors the part of the customer models related to structural shop parameter couldn't be modelled as precisely. The “number of employees” and “customer base” makes a great impact on sales performance. No effect of “rent” and “shop floor” (shop space) can be confirmed, as has been the case for the shop visitor models.

4.5 Research objective 2: testing of hypotheses of retail marketing and sales performance

The hypotheses addressing one or more research questions being tested are based on the different measurement models for sales staff, shop visitors and customers.

4.5.1 The direct and mediating effects of retail marketing on sales performance

The test of the first four hypotheses referring to the direct and mediating impact of RM activities is conducted primarily on the basis of the results from the estimated two-level models for sales staff and supplemented by the measurement concepts for shop visitors and customers. The following table gives an overview of the relationship between the tested hypotheses and the relevant measurement concepts. Moreover, it shows the effect that has been estimated for the cause-and-effect relationship in the relevant hypothesis (see table 52).

From the perspective of branch managers and employees RM is significant for both internal target groups. A positive RM impact on sales performance was also confirmed for the perspective of shop visitors and customers. In all three measurement models for both sales formats, structural RM parameters such as: location, rent, age of outlet and merchandise make a significant impact on the SPI. H1 is established as confirmed.

Moreover, RM has a significant impact on the loyalty and commitment of branch managers and franchisees. However, its mediated or indirect impact via loyalty and commitment on the SPI can only be measured for branch managers. This finding confirms H2. However for franchisees, a positive, significant effect of RM via attitude on sales performance cannot be measured. It is only in the

Table 52: Overview of hypotheses and measurement models

| Hypotheses | Description | Measurement Model | Effect |
|---|--|--|--------|
| Direct and Mediating Effects of RM | | | |
| H1 | RM has a significant, positive impact on the outlet's specific sales performance. In both formats location is the main driver for sales performance. The second most relevant driver is the age of the outlet. | Sales Staff, Shop Visitor and Customer | + |
| H2 | RM is a significant driver for attitude. | Sales Staff | (+) |
| H3 | Attitude is a significant driver for sales performance. | Sales Staff | (+) |
| H4 | After controlling the impact of RM on attitude there is a significant impact of RM on sales performance. There is also a direct impact of attitude on sales performance. – RM's direct effect on sales performance is stronger than its indirect effect. | Sales Staff | + |

case of branch managers that loyalty and commitment act as a mediator of RM on the SPI. In the case of the franchisees attitude does not affect sales performance. Therefore H2 and H3 can only partly be confirmed.

4.5.2 *The moderating impact of the sales format on attitude and sales performance*

The direct and mediating effects were tested and in large measure found to be confirmed for the two internal target groups. The next step is to examine the hypotheses relating to the moderating impact of the sales format and structural outlet parameters such as location. These results are illustrated by table 53.

The test of the hypotheses H5a, b and c refers to the moderating impact of structurally related framework conditions. It is conducted in the same way as the procedure for the direct and mediating effects. Based on the characteristics of the moderator variables, the measurement model is examined with respect to the

Table 53: Overview of moderating effects

| Hypotheses | Description | Measurement Model | Coefficient |
|---|---|--|-------------|
| Moderating Effects of Sales Format | | | |
| H5a | The strength of relationship between RM and sales performance is greater for branch outlets than for franchise-led outlets. | Sales Staff, Shop Visitor and Customer | + |
| H5b | The strength of relationship between RM and attitude is greater for branch managers than it is for franchisees. | Sales Staff | + |
| H5c | The strength of relationship between attitude and sales performance is greater for franchise outlets than it is for branches. | Sales Staff | - |

assumed cause-and-effect relationships and separately tested for branch and franchise outlets.

All in all, it can be ascertained that for branch staff RM is particularly relevant.

H5a, b and c refer to the sales format as being the moderator for the relationship between RM, attitude and the SPI. The analyses demonstrate that RM via loyalty and commitment has a relatively low impact on the overall sales performance in all three measurement models.

RM makes a positive impact on the attitude of branch staff and franchisees. Only in the case of the branch managers is there a positive, mediated impact of RM through loyalty and commitment on the SPI.

For branch managers the direct impact of RM on the SPI is greater than for franchisees. H5a confirms this. In the same way, the indirect or mediated impact of the RM factors via loyalty and commitment is stronger for branch managers than for franchisees. This is a confirmation of H5b.

It is against the background of these results that the strength of relationship between attitude and sales performance is to be interpreted. As a result of the hypotheses testing it must be ascertained that RM makes a significant, positive impact on the satisfaction, loyalty and commitment of both internal and external target groups. In light of the extended service value chain framework presented in chapter 2 this is an especially relevant finding. Furthermore, both measure-

ment models directed towards the external target group show that the quality of the sales conversation through the sales staff make the highest impact on the loyalty of shop visitors and customers. For shop visitors' and customers' attitude the quality of sales staff is even more important than brand or merchandise.

Furthermore, H5c is related to the moderating effect of sales staff and store environment. For franchisees a mediated effect of RM on the SPI via loyalty and commitment could not be proven. H5c must, therefore, be rejected.

All three measurement models (sales staff, shop visitors and customers) clearly support the hypothesis that location and age of the shop are the most relevant factors for the performance of that shop. This finding clearly supports H1.

To sum up, all four hypotheses relating to the direct and mediating impacts of the sales format on the relationship between RM, attitude and sales performance can be ascertained. Moreover, franchisees tend to perceive the RM impact on the SPI more indirectly than is the case for branch managers. For franchisees other drivers are more relevant, e.g. "monetary incentive schemes" and "merchandise" and "product prices".

4.5.3 Summary of hypotheses testing and research results

The research hypotheses derived from RM literature and theories based on behavioural-science regarding the impact of RM and IM on internal target groups could be largely confirmed. A more comprehensive picture results from considering the relationships between the internal and external target groups.

All in all, four of the seven hypotheses tested could be fully confirmed. Two hypotheses could be partially accepted and one had to be rejected. In the case of partial acceptance individual cause-and-effect relationships could be confirmed empirically only for the branch format, but not for the franchise format. Table 54 presents an overview of the research results.

Table 54: Overview of hypotheses and research results

| Hypotheses | Description | Research question addressed | Result |
|---|--|---|--------|
| Direct and mediating effects of RM | | | |
| H1 | RM has a significant, positive impact on the outlet's specific sales performance. In both formats location is the main driver for sales performance. The second most relevant driver is the age of the outlet. | To what extent do RM and its factors such as location, merchandising, prices and commissions, store layout and corporate image make an impact on sales performance in a branch and franchise outlet? Which RM input factors – on a central headquarters and decentralized outlet level – determine the outlet specific sales performance? | ✓ |
| H2 | RM is a significant driver for attitude. | What is the relationship between RM and the attitude of sales personnel in a branch and franchise outlet? | (✓) |
| H3 | Attitude is a significant driver for sales performance. | What is the nature of the relationship between staff attitude and sales performance both in a branch and franchise outlet? | (✓) |
| H4 | After controlling the impact of RM on attitude there is a significant impact of RM on sales performance. There is also a direct impact of attitude on sales performance. - RM's direct effect on sales performance is stronger than its indirect effect. | What are the direct and indirect impacts of RM on the attitude of sales personnel? – Which impact of the RM-Mix on sales performance is stronger, its direct or its indirect effect through the attitude of sales personnel? | ✓ |
| Moderating effects of sales format | | | |
| H5a | What is the impact of the sales format on the relationships of a) RM and sales performance? | H5a: The strength of relationship between RM and sales performance is greater for branch outlets than for franchise-led outlets. | ✓ |
| H5b | What is the impact of the sales format on the relationships of b) RM and attitude? | H5b: The strength of relationship between RM and attitude is greater for branch managers than it is for franchisees. | ✓ |

| Hypotheses | Description | Research question addressed | Result |
|------------|--|--|--------|
| H5c | What is the impact of the sales format on the relationships of c) attitude and sales performance? | H5c: The strength of relationship between attitude and sales performance is greater for franchise outlets than it is for branches. | - |

4.6 Overview of results

To address the second research objective concerning the hypotheses of RM's direct and indirect effects on sales performance, exploratory and confirmatory factor analyses were made. This identified the latent themes of RM and sales performance relationships. The study employed common factor analysis with Varimax rotation.

The study tested factor reliability by using Cronbach's Alpha. Only one factor fell below the proposed level of 0.7, although it was still within acceptable limits and its high factor loading justified its inclusion.

In contrast to the group of franchisees, RM makes a positive impact on sales performance via the loyalty and commitment of branch managers. These effects are made transparent in the sales staff measurement models. They are illustrated in a higher regression coefficient of the loyalty and commitment index for branch managers than is the case with franchisees.

The developed measurement models for the cause-and-effect relationships of RM within the developed service value chain concept give a clear explanation of the loyalty and commitment of sales staff, shop visitors and customers. In line with the results for sales staff, RM makes a positive impact on the loyalty of shop visitors and customers. The analyses make clear the similarities and differences between the two internal target groups, branch and franchise shops, and the external target groups of shop visitors and customers. All three measurement models have in common that the SPI is determined by structural parameters such as location, age of shop, customer frequency, rent, shop size and layout. In contrast to the attitude of franchisees, the attitude of branch managers has a positive impact on sales performance. Franchisees are more motivated by direct monetary or indirect marketing support schemes than are branch managers. For both internal target groups the support through the sales representatives is important for their attitude. Whereas branch managers attach particular importance to the

direct contact to the sales representatives on a district level, for their business franchisees tend to think that the sales management and sales representatives on the area level are more relevant.

In the context of external target groups RM is pivotal for a high service quality perceived and valued by the consumer at the point of sale. The sales clerk and his friendliness together with his competence demonstrated in the sales conversation and the time he takes for the shop visitor or customer has a significant impact on the loyalty of shop visitors ($\beta_{\text{franchise}}=0.65$; $\beta_{\text{branch}}=0.75$) and customers ($\beta_{\text{franchise}}=0.67$; $\beta_{\text{branch}}=0.75$). Moreover, the exterior and interior shop design is a relevant driver for service quality and customer loyalty. In all three relevant measurement models the RM factors explain almost 80% of the variance of the calculated loyalty and commitment index. Consequently, those hypotheses referring to the positive impact of RM on the attitude of the internal and external target groups could not be rejected. In the implications for corporate practice these results must be taken into consideration.

4.7 Summary

In line with the research objectives this chapter has presented the results of the primary research. The data gained from the three surveys were analysed in a comprehensive exploratory factor analysis. Out of these explorative factors different latent concepts were derived that represent the basis for the three developed measurement models. In this case a bottom-up approach was chosen. As a first step this modelled individual factors. As a second step the factors were assigned step-by-step in a measurement model and combined in a structural model.

Research questions and objectives. This chapter was dedicated to two research objectives. Firstly, the development of RM measurement concepts to analyse the relationship between RM and sales performance; secondly, the empirical test of the research model to check the developed hypotheses. This test follows a three-step procedure parallel to the process of hypotheses formulation.

Firstly, there is an examination of the impact of RM on the attitude of both internal target groups and the sales performance. Based on EFA and CFA the proposed relationships are tested in the context of the extended service value chain, separately for the group of branch managers and franchisees.

Secondly, the loyalty of customers and shop visitors and its impact on the SPI are examined.

Thirdly, a deeper analysis of personnel-related and structural framework conditions is conducted to demonstrate the moderating role of the sales format on attitude and sales performance for internal and external target groups.

This research examines the commitment and loyalty of branch managers and franchisees through RM activities. Both sales formats were scrutinized independently of each other. They were examined to see to what extent they differ in relation to their loyalty and commitment. Which RM factors are relevant for the loyalty and commitment of franchisees and branch managers? And, do loyalty and commitment make an impact on an outlet's sales performance?

This research was supplemented by feedback-data of customers and shop visitors.

Results of sales staff models. In general branch managers are more satisfied with RM than are franchisees. For both groups, support through the sales representatives (district and regional), compensation and commission schemes are relevant. In the loyalty and commitment towards the headquarters there are systematic differences. Franchisees tend to feel less bound to the headquarters than branch managers.

Loyalty and commitment index for sales staff. For the measurement of loyalty and commitment an index is applied combining the sales personnel attitude: "Would you recommend your employer / franchisor today?", "Do you regret your becoming an employee / a franchisee with this retailer?", "Are you planning to extend your contract?"

In a direct comparison, branch managers are more committed and bound to the organisation than franchisees. 35% of them possess high or very high commitment values. In the case of the franchisees this applies to only 20%.

Cause-and-effect models for RM satisfaction, loyalty and sales performance of sales staff. For the examination of cause-and-effect relationships, linear structural-equation models (causal models) are applied. These facilitate the analysis of different drivers and interdependencies at the same time. By doing so, a plausible overview of the relationships is gained. The models explain overall satisfaction of sales staff with RM, their loyalty and commitment as well as the outlet's sales performance.

Cause-and-effect relationships for the satisfaction of sales staff. The reasons why branch managers and franchisees are satisfied with RM differ. On the one hand, for branch managers, merchandise and prices are more relevant. On the other hand, franchisees focus more on compensation and commission schemes than branch managers. For both groups communication with management is equally relevant.

Relationship model for the commitment and loyalty of sales staff. For the commitment and loyalty of franchisees, satisfaction with the marketing support program, compensation, information and activation IT systems, product portfolio and prices are the dominating driver. For branch managers the relevance of RM factors is more balanced. Most relevant for them are the customer retention offers, central campaigns, support through the sales representatives on a district level and compensation.

Explaining sales performance. The target variable is the sales performance index. In the two-level causal model, in order to explain the SPI, the overall conception of the loyalty drivers is applied. This concept is complemented by structural parameters such as location, shop space and number of customer visits. The impact of these structural parameters is highly significant. An impact of loyalty and commitment can hardly be proven.

The loyalty and commitment index is based on survey data. Therefore, its distribution is significantly different from the distribution of the SPI. For branch managers a positive effect of RM on the SPI can be proven. However, for franchisees there was no confirmation of this relationship.

Loyalty and satisfaction of customers and shop visitors. Customer and shop visitor satisfaction are examined separately. The high impact of the driver "customer service" is surprising. For the telephone interviewees the encounter with sales staff was some time ago. A few weeks after they had bought a product at the retailer they were telephoned at home. From their perspective, there is a close connection between "products", "prices", "shop layout" and "sales service". In the concepts that were developed all these interdependencies were taken into account.

For customers and shop visitors a relevant impact of customer loyalty on the SPI could not be proven. One reason is the structure of the data. The results of the survey data are assigned to an outlet's structural data. Sales and structural parameters refer to the outlet and not to the buying behaviour of customers. Consequently, the distribution of the SPI and structural data are more similar to each other. It is for this reason, too, that the causal models, which include data of sales staff, customers and shop visitors, are less effective. Surveys of customers and shop visitors have only been conducted for a selection of outlets participating in the online survey. Consequently, the results must be aggregated on an outlet level. They have a lower range, thus possessing a lower explanation potential.

Table 55 gives an overview of the very key results related to each research question and hypothesis.

Table 55: Overview of key results

| Research question addressed | Hypotheses | Key result (Research Objective 1) | Result (Research Objective 2) |
|--|---|--|-------------------------------|
| Direct and mediating effects of RM | | | |
| <p>To what extent do RM and its factors such as location, merchandising, prices and commissions, store layout and corporate image make an impact on sales performance in a branch and franchise outlet?</p> <p>Which RM input factors – on a central headquarters and decentralized outlet level – determine the outlet specific sales performance?</p> | <p>H1: RM has a significant, positive impact on the outlet's specific sales performance. In both formats location is the main driver for sales performance. The second most relevant driver is the age of the outlet.</p> | <p>All three measurement models ascertain that the SPI is determined by structural parameters (location, age of shop, customer frequency, rent, shop size and layout).</p> | <p>✓</p> |
| <p>What is the relationship between RM and the attitude of sales personnel in a branch and franchise outlet?</p> | <p>H2: RM is a significant driver for attitude.</p> | <p>RM makes a positive impact on the loyalty of sales staff, shop visitors and customers.</p> <p>For both internal target groups the sales representatives are important for their attitude.</p> <p>Whereas branch managers attach particular importance to the direct contact to the sales representatives on a district level, franchisees consider the sales management and sales representatives on the area level to be more relevant.</p> | <p>(✓)</p> |

| Research question addressed | Hypotheses | Key result (Research Objective 1) | Result (Research Objective 2) |
|---|---|--|-------------------------------|
| What is the nature of the relationship between staff attitude and sales performance both in a branch and franchise outlet? | H3: Attitude is a significant driver for sales performance. | RM via attitude (loyalty and commitment) has a relatively low impact on the overall sales performance in all three measurement models. | (✓) |
| What are the direct and indirect impacts of RM on the attitude of sales personnel? – Which impact of the RM-Mix on sales performance is stronger, its direct or its indirect effect through the attitude of sales personnel? | H4: After controlling the impact of RM on attitude there is a significant impact of RM on sales performance. There is also a direct impact of attitude on sales performance. -RM's direct effect on sales performance is stronger than its indirect effect. | For branch managers the direct impact of RM on the SPI is greater than for franchisees. RM makes a positive impact on the attitude of branch staff and franchisees. Only in the case of the branch managers is there a positive, mediated impact of RM through loyalty and commitment on the SPI . | ✓ |
| Moderating effects of sales format | | | |
| What is the impact of the sales format on the relationships of a) RM and sales performance? | H5a: The strength of relationship between RM and sales performance is greater for branch outlets than for franchise-led outlets. | In both sales formats structural outlet parameters (rent acting as a strong indicator for the quality of a location, customer base and duration of shop existence together with floor space and number of employees) seem to have an equally important and direct impact on the SPI . | ✓ |

| Research question addressed | Hypotheses | Key result (Research Objective 1) | Result (Research Objective 2) |
|--|--|--|-------------------------------|
| What is the impact of the sales format on the relationships of b) RM and attitude? | H5b: The strength of relationship between RM and attitude is greater for branch managers than it is for franchisees. | <p>Franchisees feel less bound to the headquarters than branch managers.</p> <p>For the commitment and loyalty of franchisees, satisfaction with the marketing support program, compensation, information and activation IT systems, product portfolio and prices are the dominating driver.</p> <p>For branch managers the relevance of RM factors is more balanced. Most relevant for them are the customer retention offers, central campaigns, support through the sales representatives on a district level and compensation.</p> | ✓ |
| What is the impact of the sales format on the relationships of c) attitude and sales performance? | H5c: The strength of relationship between attitude and sales performance is greater for franchise outlets than it is for branches. | For franchisees a mediated effect of RM on the SPI via loyalty and commitment could not be proven. For branch managers there is a mediating effect of RM on the SPI. | – |

5 Discussion of results

5.1 Introduction

This final chapter aims at evaluating the results of the research project in the context of the research questions and hypotheses. Chapter 4 presented the results. This chapter evaluates these results with a special consideration of their relevance for managerial practice. This evaluation allows the research project to be positioned in terms of its contribution towards management practice and theory.

Chapter 5 begins by reviewing the research results. To ascertain the scientific insight that the present study contributes and to derive potential for future research, the same measures for examining the empirical studies of retail and internal marketing must be applied. While focussing on a management practice perspective this study is also evaluated from both a theoretical-conceptual and a methodical-operational perspective. The hypotheses are evaluated in light of their implications to management practice and theory. The study concludes by identifying limitations of research and recommendations for future research.

The specific objectives of this chapter are:

- to evaluate the results in line with the existing literature on RM and sales performance
- to present the conceptual framework and in addition discuss the measurement models of RM, loyalty and sales performance
- to evaluate the results in line with the formulated research questions and hypotheses
- to discuss the contribution towards management practice
- to discuss the contribution towards the existing literature
- to identify limitations of research
- to recommend future areas related to RM, attitude and sales performance.

5.2 Research objective 1: relationship between retail marketing and sales performance

5.2.1 Sales staff

Table 56 shows the weighted average impact of direct and indirect RM factors on the SPI for franchisees.

Table 56: Relevance of drivers in the SPI-model for franchisees – sales staff model

| Target Variable | Ranking | Factor | Relevance (%) | |
|-------------------------|--|---------------------------------------|------------------------|------|
| Sales Performance Index | 1. | Shop structure | 69.5% | |
| | | # Customer visits | 20.9% | |
| | | # Employees | 18.9% | |
| | | Rent | 12.4% | |
| | | Shop space | 10.5% | |
| | | | Age of shop | 6.8% |
| | 2. | Personality | 20.2% | |
| | | Work experience | 17.3% | |
| | | | Age of sales personnel | 2.9% |
| | 3. | Support | 7.4% | |
| | | Offline trainings (CAMP) | 0.7% | |
| | | | Coachings | 0.7% |
| | 4. | Index Loyalty & Commitment | 0.8% | |
| 5. | Communication | 0.6% | | |
| | Sales representatives (district level) | 0.2% | | |
| | Visits by sales representatives (district level) | 0.2% | | |
| | Shop support (hotline) | 0.1% | | |
| 6. | Merchandise & prices | 0.5% | | |
| | Price & variety | 0.2% | | |
| | Supply availability | 0.2% | | |
| | Retention offers & campaigns | 0.1% | | |
| 7. | Compensation & commissions | 0.4% | | |
| | Compensation | 0.2% | | |
| | | Marketing programme | 0.2% | |
| 8. | Activation- & information system | 0.2% | | |
| 9. | List price prepaid | 0.1% | | |
| 10. | Flyer | 0.1% | | |
| 11. | Online portal | 0.1% | | |
| 12. | Shop layout | 0.1% | | |
| 13. | Trainings | 0.1% | | |
| | Total | 100% | | |

The SPI in the sales staff measurement model for franchisees is largely determined by structural parameters. The most relevant factors for the SPI are the number of **customer visits (frequency; 20.9%)** and the number of **employees (18.9%)** which is a resulting factor of the number of shop visitors and customer transactions. This also increases the relevance of frequency as a critical success factor of sales performance. It goes without saying that frequency is once again the result of the quality of the **store location**. The third relevant single factor is **work experience (17.3%)**. Sales experience is a key attribute of the personality of sales staff and it acts as strong driver for the SPI and is also a relevant factor for the loyalty of shop visitors and customers. These three factors make up 57% of the impact of all SPI factors considered.

The following findings are of particular interest. First, a counter-intuitive finding is the fact that **loyalty and commitment of franchisees** in contrast to their work experience and personality make **scarcely any impact on the SPI**.

Second, whereas the individual skill-set and experiences gained in the sales business are crucial for the SPI, other **RM factors clearly overshadow loyalty and commitment**.

Third, a further interesting aspect is the way the franchisees perceive and evaluate the relevance of RM factors. The loyalty and commitment of franchisees is determined by the following four factors: compensation, quality and availability of IT information and activation systems, sales representatives' role on a district level and trainings. However, these four factors make no significant impact on the SPI. Thus it can be concluded that the **franchisees overestimate the relevance of these RM factors** – compensation, IT systems, sales representatives and trainings – while **underestimating the effect of structural parameters** and the impact made by their **own behaviour** towards shop visitors and customers.

As with the franchise model, the central role of structural outlet parameters is confirmed by the branch manager model. Location is the most relevant SPI driver. This is confirmed in the branch measurement model because **rent**, which is a strong indicator of an outlet location's quality, is the key factor (28.3%). In the case of the branch manager model, **customer frequency (14.0%)** is also highly relevant. The **age of an outlet's existence** is the third most relevant factor in this model (13.2%). This means that the longer an outlet exists, the more established it is vis-a-vis the customer. The effect of this is to increase the number of customer visits and transactions.

Table 57: Relevance of drivers in the SPI-model for branch managers – sales staff model

| Target Variable | Ranking | Factor | Relevance (%) |
|--------------------------------|---------------------|---------------------------------------|---------------|
| Sales Performance Index | 1. | Shop structure | 65.6% |
| | | Rent | 28.3% |
| | | # Customer visits | 14.0% |
| | | Age of shop | 13.2% |
| | | Shop space | 7.0% |
| | | # Employees | 3.1% |
| | 2. | Support | 11.1% |
| | | Coachings | 7.7% |
| | | Offline trainings (CAMP) | 2.7% |
| | 3. | Personality | 7.8% |
| | | Age of sales personnel | 6.3% |
| | 4. | Work experience | 1.5% |
| | | Loyalty & Commitment Index | 5.6% |
| | 5. | Merchandise & prices | 3.9% |
| | | Retention offers & campaigns | 2.1% |
| | | Prices | 0.7% |
| Variety | | 0.6% | |
| 6. | Supply availability | 0.5% | |
| | Compensation | 1.3% | |
| 7. | Promotion | 0.6% | |
| 8. | Trainings | 0.5% | |
| 9. | Flyer | 0.5% | |
| | Total | 100% | |

In the present retail network the branch outlet deals with a large number of service and customer retention transactions. This makes it possible to infer that the longer an outlet exists, the greater its chances for customers to come back

and to make recommendations. In the last analysis frequency and sales performance are improved.

In line with the findings for the franchise model, **compensation** plays a crucial role in **loyalty and commitment**, but it has **little impact on the SPI**. For branch managers, in contrast to franchisees, central support parameters related to retaining customers and doing new business and also cultivating closer partnership with sales representatives are relevant for influencing their loyalty and commitment. However, these factors make no significant SPI impact.

5.2.2 Shop visitors

The findings related to the structural parameters are supported by the results of shop visitor surveys. Tables 58 and 59 show the relevant drivers of the sales performance index for shop visitors (franchises and branches).

Once again the main driver of the SPI is **shop structure**. Although the loyalty of shop visitors is the second most important area, it has little overall impact on the SPI.

An interesting finding lies in the fact that **branding (0.4%)** together with merchandise and prices (0.1%) has scarcely any impact on the SPI.

A retailer's brand equity is reflected in consumers reacting more favourably to its marketing activities than they do to competitors (Keller 2003). A proactive

Table 58: Relevance of drivers in the SPI-model for franchise outlets – shop visitor model

| Target Variable | Ranking | Factor | Relevance (%) |
|-------------------------|---------------------------------|---------------------------------------|---------------|
| Sales Performance Index | 1. | Shop structure | 95.2% |
| | | # Customer visits | 41.5% |
| | | # Employees | 31.1% |
| | | Age of shop | 16.6% |
| | | Rent | 4.9% |
| | | Shop space | 1.1% |
| | 2. | Loyalty & Commitment Index | 2.2% |
| | 3. | Sales Clerk | 1.4% |
| 4. | # Customers | 0.5% | |
| 5. | Brand | 0.4% | |
| 6. | Merchandise & prices | 0.1% | |
| | Total | 100% | |

Table 59: Relevance of drivers in the SPI-model for branch outlets – shop visitor model

| Target Variable | Ranking | Factor | Relevance (%) |
|-------------------------|---------------------------------|---------------------------------------|---------------|
| Sales Performance Index | 1. | Shop structure | 84.6% |
| | | # Employees | 28.7% |
| | | Age of shop | 18.5% |
| | | # Customer visits | 16.1% |
| | | Rent | 14.4% |
| | | Shop space | 6.9% |
| | 2. | Loyalty & Commitment Index | 6.4% |
| | 3. | Sales clerk | 2.8% |
| | 4. | # Customers | 2.8% |
| 5. | Brand | 1.5% | |
| 6. | Store layout | 1.5% | |
| 7. | Merchandise & prices | 0.5% | |
| | Total | 100% | |

retailer thus seeks differentiation and develops a competitive advantage based on this differentiation; branding is a potentially cost-effective instrument to use (Miller, 2008: 42). With the increasing awareness that the image of the retailer in the minds of the consumers is the most valuable intangible asset, the low relevance of the branding factor in the consumer decision making for the present retailer seems dramatic. Given the high general relevance of retail branding as a key lever in consumer decision making this finding is crucial for the present retailer trying to build its retail brand. It could be argued, therefore, that the present retailer does not adequately develop its price image and does not fully utilize the impact of its price promotions on its brand.

The shop visitor model for branch outlets also shows the impact of **structural outlet parameters**. Shop visitor loyalty plays a much greater role with the SPI in the branch model than is the case in the franchise model. Again **merchandise and prices (0.5%) and brand (1.5%) have scarcely any impact on the SPI**. The dramatically low impact of these factors on consumer attitude and buying behaviour, therefore, is not specific to one sales format, but applies to both franchises and branches. **Product assortment and pricing crystallize as a major challenge** from a consumer perspective.

All in all, the shop visitor model confirms the key findings of the sales staff models. In the shop visitor case the impact of structural parameters is even more significant than in the sales staff models.

5.2.3 Customers

Table 60: Relevance of drivers in the SPI-model for franchise outlets – customer model

| Target Variable | Ranking | Factor | Relevance (%) |
|-------------------------|---------------------------------|---------------------------------------|---------------|
| Sales Performance Index | 1. | Shop structure | 91.1% |
| | | # Customer visits | 57.0% |
| | | # Employees | 18.4% |
| | | Age of shop | 14.8% |
| | | Shop space | 0.9% |
| | | Rent | 0.0% |
| | 2. | Loyalty & Commitment Index | 4.0% |
| | 3. | Sales clerk | 2.7% |
| 4. | Merchandise & prices | 0.9% | |
| 5. | Brand | 0.6% | |
| 6. | Store layout | 0.4% | |
| 7. | Customer type | 0.2% | |
| | Total | 100% | |

An even greater impact of **structural parameters** is to be found in the customer model for franchise outlets than is the case for the equivalent sales staff and shop visitor models. The effects of structural parameters such as number of customer visits (57.0%), number of employees (18.4%) and age of shop (14.8%) overshadow all other factors. In this instance customer loyalty (4.0%) makes a measurable impact on the SPI.

In line with the findings of the shop visitor concepts merchandise and prices (0.9%) as well as brand (0.6%) have no significant impact on the SPI. This clearly indicates that customers were not pulled into the store by the retailer brand. According to Perrey and Spillecke (2011) the impact of a **retail brand** on consumer decision making is significant. It is based on three key dimensions. The first dimension is related to **image**. A retail brand helps customers express themselves and make their brand choice a lifestyle statement. The second dimension relates to **orientation**. Retail brands make it easier for the consumer to process information and help them save time. **Risk reduction** represents the third dimension. Retail brands lower the risk ascribed to a specific purchase transaction by providing a filtered and safe choice (Perrey and Spillecke, 2011: 4). These dimensions clarify the value a retail brand can or cannot bring to a retail organisation. In general consumers use the retail brand as a signpost in their decision making and buying behaviour. It is evident that in the present case

Table 61: Relevance of drivers in the SPI-model for branch outlets – customer model

| Target Variable | Ranking | Factor | Relevance (%) |
|-------------------------|----------------------|---------------------------------------|---------------|
| Sales Performance Index | 1. | Shop structure | 99.8% |
| | | # Employees | 32.6% |
| | | Age of shop | 32.5% |
| | | Rent | 27.2% |
| | | Shop space | 4.4% |
| | | # Customer visits | 3.1% |
| | 2. | Loyalty & Commitment Index | 0.1% |
| | 3. | Sales clerk | 0.1% |
| | 4. | Merchandise & prices | 0.9% |
| 5. | Brand | 0.6% | |
| 6. | Store layout | 0.4% | |
| 7. | Customer type | 0.2% | |
| | Total | 100% | |

the low relevance of the retail brand and its associated factors merchandise and prices is reflected by the low impact of customer loyalty (4.0%) on the SPI. Successful brand management offers a great value and loyalty lever for the present retail organisation.

For branch outlets the structural impact of the customer model is even greater than in the equivalent franchise model. In contrast to the franchise model customer loyalty makes no influence on the SPI in the branch model.

The analyses demonstrate the **differences of RM management for both internal and external target groups**. Related to the two internal target groups the findings are that the attitude of branch managers makes a positive impact on the SPI. This is not the case regarding the loyalty and commitment of franchisees.

From an **internal perspective**, these models highlight the relevance of structural outlet parameters and they show that loyalty and commitment of sales staff directly influence the SPI as far as branch managers are concerned. For franchisees there are other aspects that make a greater impact on the SPI.

From an **external perspective**, the shop visitor and customer models indicate that the SPI is determined by structural outlet parameters, these being location and age of the outlet. In three models the loyalty of shop visitors and customers makes an impact on the SPI; the customer model for branch outlets is the exception.

All four externally oriented measurement models demonstrate the **relevance of the quality of sales staff for customer and shop visitor loyalty**. Loyalty is

the result of a sustainable, long-term satisfactory quality of service as the shop visitors and customers perceived it to be. In all four external measurement models the sales clerk is the most important factor for customer and shop visitor loyalty. For external target groups the quality of sales conversation, information and advice is even more important than the actual article or brand. This represents a very important finding given the insignificant impact of customer and shop visitor loyalty and retail brand on the SPI in the present retail network. The general saying that the **human factor either makes or breaks the consumer experience** in a shop applies in particular to the examined telecommunications retailer. Sales staff, therefore, represents the retailer's most important brand ambassadors.

5.3 Research objective 2: testing of hypotheses on retail marketing and sales performance

5.3.1 *The direct and mediating effects of retail marketing on sales performance*

To deal with the research questions which were formulated in chapter 2.3.5 these causal analyses were made. Based on the results of these analyses the following statements can be made:

H1: RM has a significant, positive impact on the outlet's specific sales performance. In both formats location is the main driver for sales performance. The second most relevant driver is the age of the outlet.

Structural RM parameters make a great impact on sales performance. The appropriate store location is a key driver for customer frequency and sales performance. Moreover, it takes time to establish a retail outlet in a specific location as well as to build a customer base.

In both models structural data of the outlet determine sales performance for both internal target groups. Location is the most important driver. The old adage of the three most important factors in retailing which are "location, location, location" is confirmed. In both models customer base is the second most relevant factor followed by age of outlet.

A counter-intuitive aspect lies in the finding that merchandise and prices together with campaign offers for new business and customer retentions have no

significant impact on the SPI. However, as regards the loyalty and commitment of the branch managers this is a key factor. The low impact of product assortment and pricing on the SPI is associated to the equally insignificant impact of the retail brand.

H2: RM is a significant driver for attitude.

RM makes an impact on the attitude of both internal target groups. The attitude of sales staff as a mediator of RM makes an impact on the SPI in the branch and franchise model. Consequently, the analysis shows that RM makes a **positive impact on the attitude** of sales staff in **both internal target groups**. However, for franchisees there are RM factors other than attitude which play an important role.

Considering the cause-and-effect relationships between RM and the attitude of the internal target groups it is clear that a **positive evaluation of RM** has an **indirect impact on sales performance via the attitude of sales staff**. In this way hypothesis H2 is confirmed.

The hypotheses about the interaction-relationships between the target groups were not only formulated to generate insights about the efficient conduct of RM activities; they also aimed at finding out whether these interaction-relationships result in significant sales via the attitude factor.

H3: Attitude is a significant driver for sales performance.

The mediating effect of RM through the loyalty and commitment of sales staff is only significant for branch managers. For franchisees there are other RM factors such as marketing support program, compensation and incentive schemes and an efficient online portal more important than attitude.

H4: After controlling the impact of RM on attitude there is a significant impact of RM on sales performance. There is also a direct impact of attitude on sales performance. – RM's direct effect on sales performance is stronger than its indirect effect.

The direct effect of structural retail marketing parameters on sales performance clearly outweighs RM's mediating impact via sales staff attitude. However, the relevance of the attitude of sales staff cannot be overrated. This is illustrated by the high factor loadings within the loyalty and commitment themes supporting the idea that these findings lead to a stronger customer orientation and better

service. RM can thus **bring about a higher loyalty and commitment** for branch managers and franchisees. This results in a better quality of **customer service and greater loyalty of customers and shop visitors**. The end result is **higher sales**.

5.3.2 *The moderating effect of the sales format on attitude and sales performance*

The sales format has a significant impact on the SPI (10.7%). This applies even more so for branches than franchises. Consequently, hypotheses 5a and 5b are found confirmed.

H5a: The strength of relationship between RM and sales performance is greater for branch outlets than for franchise-led outlets.

H5b: The strength of relationship between RM and attitude is greater for branch managers than it is for franchisees.

Table 62: Moderating effect of sales format (weighted mean average in %)

| Target Variable | Ranking | Factor | Relevance (%) |
|-------------------------|---------------------------------------|-----------------------|---------------|
| Sales Performance Index | 1. | Shop structure | 61.0% |
| | | Rent | 25.0% |
| | | Customer base | 14.2% |
| | | Age of shop | 10.8% |
| | | Shop space | 5.7% |
| | | # Employees | 3.3% |
| | | Location | 1.2% |
| | # Inhabitants | 0.8% | |
| | 2. | Support | 12.3% |
| | | Coachings | 8.2% |
| | | Headquarter trainings | 2.8% |
| | 3. | Sales format | 10.7% |
| 4. | Personality | 10.3% | |
| | Job experience | 5.4% | |
| | Age | 4.6% | |
| 5. | Index Loyalty & Commitment | 6.0% | |
| | Total | 100% | |

Retail marketing is perceived as relevant for business success from branch managers and franchisees. A high satisfaction of sales staff with RM is, therefore, important for both internal target groups. To increase the level of satisfaction with RM it is necessary to consider the different relevance of RM factors related to the target group. Franchisees apparently consider themselves to be more autonomous from headquarters as regards retail and internal marketing. Therefore, the relationship between attitude and the SPI is greater for branches than franchises. H5c must be rejected.

H5c: The strength of relationship between attitude and sales performance is greater for franchise outlets than it is for branches.

All in all, with the exception of one hypothesized cause-and-effect relationship of the mediating RM effect for franchisees, all hypotheses are confirmed. RM has a significant impact on the loyalty and commitment of branch managers and franchisees. The loyalty and commitment of branch managers is most important as regards their behaviour towards customers and shop visitors. To gain the loyalty of customers the quality of the sales clerk is of the utmost importance.

5.4 Contributions

5.4.1 *Contribution to the practice of management*

For internal and external target groups different RM factors are relevant. Service quality is determined by the quality of sales staff. For corporate practice the following findings are of interest:

- In line with existing scientific findings a significant relationship between RM and the attitude of sales staff and the SPI has been confirmed.
- Structural RM parameters such as location, age of outlet and customer base make the greatest impact on an outlet's sales performance.
- For the development of customer and shop visitor loyalty the main factor is sales staff. Frontline employees are the most important brand ambassadors.
- For the development of loyalty and commitment of franchisees and branch managers different RM factors are the main thing.
- Franchisees and branch managers should be addressed as two different target groups from headquarters.

According to Ahlert et al. (2006) many a retail network distinguishes between franchisees and branch managers. There are only a few organisations conducting systematic employee surveys (Ahlert et al., 2006: 76).

Apart from the impact of structural RM parameters, **RM is also important for developing the attitude of sales staff**. The sales staff's attitude and behaviour is most important for **customer-sales staff-interaction** in any service context. Their attitude is not so much **critical** directly for the sales performance as it is indirectly for the development of customer loyalty. This loyalty is expressed by repurchase and recommendation. Chapter 4 shows the relevance of the latent concepts of "sales staff" for customer loyalty.

On the basis of these considerations a retail network analyses and repositions its network structure and **makes conclusions for optimizing its RM mix**. Figure 21 provides an overview of such an optimization.

In this case the first step is an integrated management of internal and external target groups. This implies addressing both relevant internal target groups according to their specific RM needs. For this purpose **target groups must first be segmented**. After that concrete **operative and strategic RM activities** can be chosen and specified. For branch managers and franchisees the following explanations are presented separately. This does not go against the concept of the integrated target group management; it takes into account the differing needs of each target group. These needs result from the context of the retail network. It was possible to identify structural and personnel related framework conditions that are relevant for the impact of RM activities on the attitude of branch managers and franchisees. In this instance it was demonstrated that location is especially relevant to RM effectiveness. On the basis of these two criteria, "location" and "SPI", outlets could be segmented.

From the point of view of headquarters **franchisees should be addressed as a separate target group** in addition to the branch manager group. The empirical analyses showed that the loyalty and commitment of both internal target groups, franchisees and branch managers, impacts the behaviour of sales staff. This behaviour is also crucial for developing customer loyalty and to a significantly lesser extent for improving sales performance.

A key result of this project is that RM which is mediated through the attitude of sales staff as a key factor for the SPI is inadequate. The empirical analyses made clear that although RM is a driver for sales staff loyalty and commitment, structural parameters such as quality of outlet location and age of shop are even more relevant. The loyalty and commitment of sales staff, however, is of

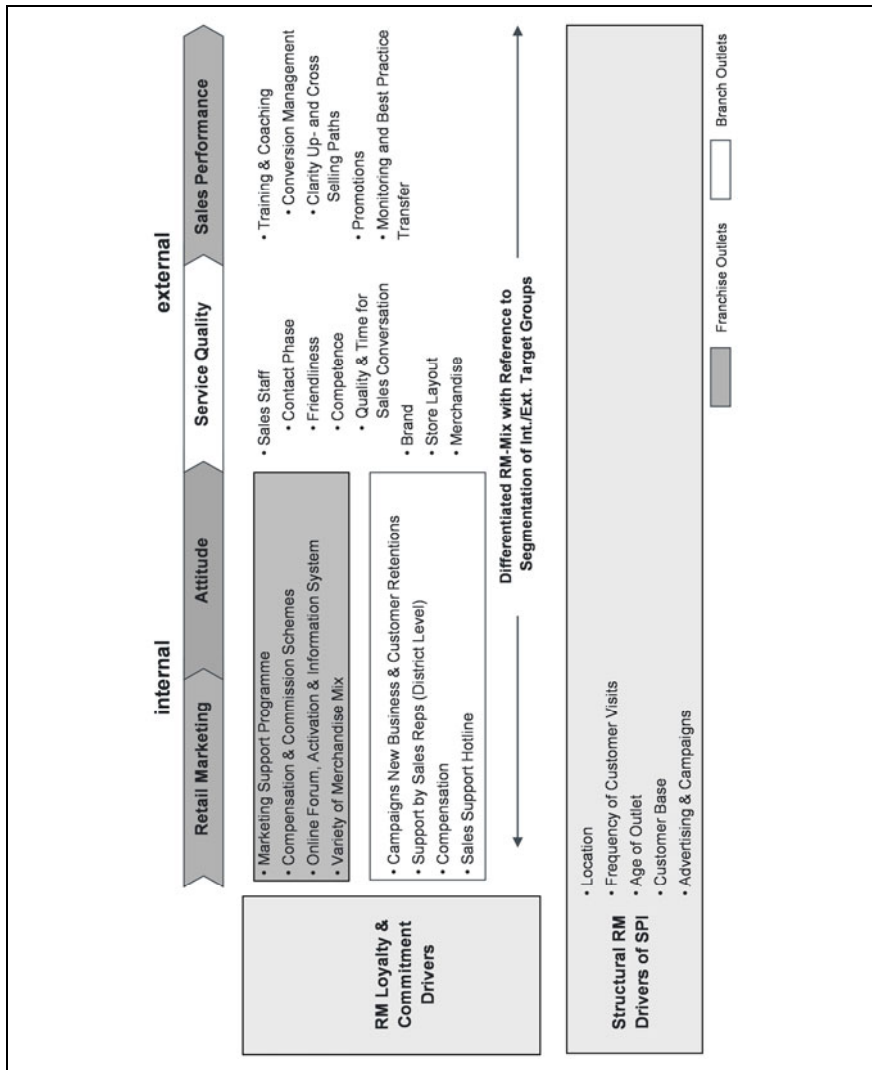


Figure 21: Operative and strategic key themes for the extended service profit chain

particular **relevance for service quality**. From a customer and shop visitor perspective this service quality is experienced and valued in the **sales conversation with staff** at the outlet level. Figure 22 represents the SPI and the service quality as a result of the loyalty and commitment of sales staff.

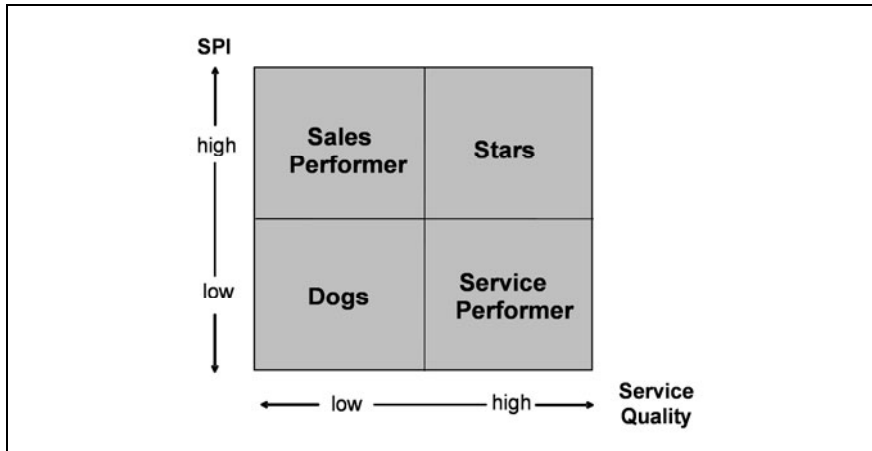


Figure 22: Quality of service- and SPI-matrix

Based on this matrix franchise and branch outlets can be segmented according to their specific potential and needs. The following **procedures** are recommended for the individual clusters within this portfolio:

Stars: These outlets generate high sales and their implementation of RM resulting in customer loyalty is also very high. These outlets should be used for best-practice transfer. Branch managers and franchisees from these shops should be encouraged to show their sales techniques to their less skilled peers.

Sales performer: This group of outlets also generates high sales. Their implementation of RM activities, however, seems to be inefficient as customer loyalty is much lower than in the star cluster. Sales staff from these outlets should be trained and a service quality initiative implemented.

Service performer: With respect to their service quality these outlets are efficient. However, they do not generate significant sales. As a first step, further analyses should be carried out relating to the SPI drivers such as structural parameter of the outlet, e.g. quality of location and frequency to be closely analysed. As a second step, frequency must be measured against sales so as to derive a conversion quotient and optimize the sales skills or to use the strong service personnel only to give sales advice and to have a different person doing the “hard sales”.

Dogs: With this group an acute need for action exists because branch managers and franchisees are highly inefficient in their implementing RM in contrast to the performance of the other three clusters. They deliver a poor ser-

vice while at the same time underperforming in sales. These outlets generate inefficiencies that cannot be justified. The headquarters should consider charging or increasing prices for specific RM activities in the case of franchisees. This could help to increase the motivation of franchisees to implement RM initiatives more effectively. Branch managers and franchisees should understand that in person they represent the essential contact to the customer. They bring home the brand. In the range of the diverse market for telecommunication solutions it is their performance that creates awareness and differentiation in the way the sales personnel interact with the customer. In the brand building of the entire retail network theirs is a direct contribution. Therefore, it is all the more important for the RM activities directed at the service quality improvement to be effectively implemented.

Based on the suggested portfolio approach, shops should be clustered and an RM activity plan tailored to the requirements of branch managers and franchisees. Overall, this portfolio provides a sound basis for addressing the operative and strategic RM issues regarding the sales and service performance of different outlets.

As the measurement concepts of shop visitors and customers confirmed a high relevance of the sales staff for service quality RM must address this important personnel factor. Consequently, training and development of personnel are most important.

Based on the developed portfolio approach and referring to the results from chapter 4 the following concrete **operative and strategic activities** are of particular relevance for corporate practice to enhance the productivity (SPI) and service in the present retail network:

Communications and sales support (operative)

- Design the right applications: the sales person should have an easy and comfortable access to the online-forum and information and activations systems; this applies in particular to the franchisees
- Stimulate usage of online-forum, particularly for branch managers
- Implement dedicated sales support and hotline system for franchisees and branch managers to address effectively needs of each target group
- Developing sales skills and service quality through transfer of best practice
- Lively exchange of success stories ideally via online-forum because of the high relevance of this medium for both internal target groups

- Guarantee effective email communication to branch outlets through a structured communication process, e.g. according to relevance and urgency of information

Training & development of personnel (operative)

- Sales representatives (district level) should address franchisees' and branch managers' interests referring to merchandise and commissions
- Sales staff should be trained comprehensively as regards service quality
- Each and every sales staff person should clearly understand his or her relevance for keeping the customers loyal
- Make branch managers and franchisees feel personally accountable for desired sales and service results
- Make sales staff understand the business: to be able to add value, the sales staff must understand customers' needs and requirements
- Being on the customer side: sales personnel must make the customer feel that he or she is his or her advocate and operates through the conversation to find out what's best for the customers
- Be easily accessible: customers expect sales personnel to greet them and be easily accessible
- Solve customers' problems: most shop visitors are no longer simply interested in buying products or services; this applies in particular to a category specialist in the telecommunications sector. They are interested in buying solutions to their specific needs. Consequently, personnel must be trained to diagnose, prescribe and resolve customers' issues, and not just to sell them a product
- Be creative in responding to customers' needs: consumers expect sales staff to be creative. They want the staff to demonstrate them new areas of application of an existing or new solution

Merchandising (operative)

- Make transparent product range and its unique selling propositions and commissions for individual articles, particularly for franchisees
- Clearly communicate selling propositions of customer retention and new business campaigns to branch managers

- Pricing, reward and recognition systems (operative)
- Develop reward and recognition systems appropriate to the objectives of sales and customer service
- Strong focus on enhancing the marketing program and commission schemes based on mutual, corporate and franchisees' needs
- Adjust commission schemes for branch managers to key campaigns for customer acquisition and retention

Headquarters (strategic)

- The company and its mission must be “sold” to the internal target groups
- Headquarters must carefully cultivate service quality and a high-care mentality at the outlet level
- Management of sales force and particularly target-setting process must integrate the structural outlet parameters (location, frequency, age of shop)
- Realign sales processes to reflect brand (experience) and customer relationship priorities rather than simple sales transactions and adjust rules for sales force evaluation (reward and development plans)
- Gain the support and buy-in of managers and sales staff to deliver the value service offer effectively to the customer
- Further analyse effectiveness of current retail branding approach and consider adjustment of strategic brand positioning to increase relevance of brand in consumer buying decision and customer loyalty

Location and store environment (strategic)

Manage the structure of the retail network based on a particular consideration of location, age of shop existence, customer frequency at the outlet, footfall and rent.

Table 63 summarizes the key aspects of the operative and strategic RM activities to improve the effectiveness and service quality for branch and franchise outlets.

Table 63: Operative and strategic activities for RM performance improvement

| RM-Factor | Branch Outlets | Franchise Outlets |
|---|--|---|
| Operative | | |
| Communications and Sales Support | <ul style="list-style-type: none"> ■ Stimulate usage of online forum for knowledge and best practice transfer ■ Implement dedicated hotline ■ Communicate effectively in a categorized email structure | <ul style="list-style-type: none"> ■ Guarantee effective online exchange between franchisees via own online portal ■ Implement dedicated hotlines |
| Training and Development of Personnel | <ul style="list-style-type: none"> ■ Sales staff should be trained comprehensively as regards service quality ■ Explain individual relevance for keeping the customers loyal via sales reps | <ul style="list-style-type: none"> ■ Explain individual relevance for keeping the customers loyal via sales reps |
| Merchandising | <ul style="list-style-type: none"> ■ Communicate selling propositions of campaigns (new and retention business) | <ul style="list-style-type: none"> ■ Via sales reps explain in depth product range and unique selling propositions as well as commissions schemes |
| Pricing, Reward and Recognition Systems | <ul style="list-style-type: none"> ■ Manage commission schemes in accordance to offers of campaigns for customer acquisition and retention | <ul style="list-style-type: none"> ■ Enhance marketing program to corporate and franchisees' needs to create a mutual benefit basis |
| Strategic | | |
| Headquarters | <ul style="list-style-type: none"> ■ “Sell” the company to internal target groups ■ Cultivate service quality and high-care mentality at the outlet level ■ Integrate structural parameters into target-setting process | |
| Location and Store Environment | <ul style="list-style-type: none"> ■ Integrate key parameters as age of shop existence, customer frequency at the outlet, footfall and rent for managing the retail network structure. | |

5.4.2 *Contribution to conceptual development*

The overall aim of this research was to determine the critical success factors contributing to the relationship between retail marketing and sales performance. This aim has been achieved through the two research objectives. A conceptual model has been developed to represent the relationships between RM, attitude and sales performance. Based on this model the research hypotheses were tested to operationalise the associated research questions.

The present project makes a substantial **conceptual contribution** by transferring key aspects of the **IM concept to retail marketing** as outlined in 2.3.3. This procedure is not only relevant for practice, but also for scientific theory. This is all the more so as regards the similarities between these two disciplines (see chapter 2). The **integration of internal marketing factors** – internal communications, incentives and training – into the present RM definition helped examine mediating RM effects on sales performance via attitude. It is particularly in a retail network context that RM is relevant as an approach towards influencing target groups. Whereas branch managers are obliged to act in a certain manner defined in a working contract, the franchisees are more autonomous in their business behaviour towards headquarters and consumers. At the same time they depend economically on the performance of their outlet much more than this is the case with branch managers.

Furthermore, based on research into HRM, organisational climate, IM and RM and the service value chain a comprehensive **frame of reference for analysing the dependencies of RM factors** is developed. According to Morshett et al. (2005) and Athanassopoulos (1998) and Donthu and Yoo (1998) existent research has been directed to the examination of external marketing activities (see also section 2.3.3). The present research project is applied to **two internal target groups within one retail network**. Such an interdisciplinary approach is necessary in the present project and it is required by current RM and IM research (Varey, 1995). In contrast to existing research projects, however, this frame of reference derives from **behavioural-science based theories to address the identified theoretical-conceptual deficits**. According to Varey (1995) most IM research misses the relevance for corporate practice. This research considers IM and RM from both, a conceptual and practice perspective, reflecting the increased interest in the literature related to the practice dimension of IM and RM research (see section 2.3.3).

Based on this theoretical-conceptual principle it was possible to confirm certain cause-and-effect relationships between internal target group orientated

activities, attitudes and sales performance. The present study thus underlines the need to take a closer look into the scientific “black box” required by IM and RM research. In this case, an insight is acquired by **integrating mediating and moderating effects** into this study hitherto overlooked; an exception is represented by the research of Ahmed et al. (2003) who considered the mediating effect of IM on business performance via employees’ competencies (see section 2.3.3).

It was especially by analysing the factor “**sales format**“ as a **moderator** that produced research results contradicting previous scientific insights. For branch managers and franchisees different instruments are relevant. New knowledge for the management of retail networks combining both sales formats in one network was generated.

5.4.3 *Contribution to research methods*

From a **methodic-operational** perspective there are two reasons why this study makes a contribution to scientific research. Firstly, the impact of **RM on the attitude of sales staff and sales performance** is assessed from the **point of view of two internal target groups and supplemented by the perspective of the external target groups: customers and non-customers**. Secondly, the assignment of primary survey and observation data combined with objective, secondary data minimize the problem of **common-method-bias** described in section 3.4.9 (Wright and Boswell, 2002). The target variable sales performance is not measured by survey or observation data; it is based on secondary data from the controlling unit of the headquarters. It is therefore an objective measure of success.

Exploratory and confirmatory factor analyses are complex procedures, further complicated by the imperfections of “real world” data. Varimax rotation and the Kaiser criterion are a standard norm and applied in the present research context. They are not optimal, particularly when data do not correspond to assumptions; this is often the case in the social sciences.

Because of the empirically observable positive relationships, a validation of existing research is reached by confirming a relationship between the attitude of internal target groups and the target variable in this research project. At the same time, the present analysis again shows that the prognosis potential of survey data has its limitations. This is the case when one considers the relative importance or explanatory contribution of the variance of the objective success criteria.

RM has a high relevance in retail networks in particular in the context of network coordination. RM is, as demonstrated, a central approach to influence the attitude and finally the behaviour of the internal target groups. In this context Sydow and Windeler (2000) refer to the management of networks (Sydow and Windeler, 2000: 3).

In the context of retail network management the **relevance** of RM is demonstrated by the impact of its positive evaluation on the loyalty and commitment of sales staff in general. This RM relevance is supported by the mediated impact of RM on the SPI for branch managers. This loyalty and commitment component is crucial for the behaviour towards shop visitors and customers. This behaviour is reflected in **three central coordination factors: loyalty and commitment of sales staff, service quality and customer and shop visitor loyalty, sales performance.**

Firstly, loyalty and commitment of sales staff: this research project demonstrated that RM accounts for 65.3% of the variance of loyalty and commitment of franchisees and 52.9% of this factor for branch managers. This project thus delivers a substantial contribution towards explaining the loyalty and commitment of the internal target groups.

RM makes an impact on safeguarding the investments made on the sales staff. At the same time RM helps to prevent and reduce the loss of valuable know-how. This is a central point because the external measurement models for shop visitors and customers show that from a customer perspective the human factor is all important, i.e. quality of the sales staff.

In retailing local market and customer know-how are essential. From the point of view of headquarters or the organisation RM is a valuable instrument for influencing the loyalty and commitment of internal target groups and **increasing customer service quality, customer satisfaction and loyalty.**

Secondly, service quality and the loyalty of customers and shop visitors: parallel to the development of the internal loyalty and commitment factor through headquarters, the advancement of service quality which is delivered by decentralized sales staff is a further important RM lever. In this instance RM is a determining factor for the **loyalty of external target groups and service quality.** Every retail network which focuses on service quality must therefore learn **how to manage franchisees and branch managers as two separate, internal target groups.** Consequently, this analysis requires a closer focus from headquarters on these two internal target groups with their specific profiles.

Thirdly, sales performance: both of the foregoing coordination factors – loyalty and commitment of sales staff on the one hand and service quality and

customer loyalty on the other hand – are drivers of an outlet’s sales performance and success. Based on the service profit chain concept this project confirms the relevance of sales staff for service quality, customer loyalty and sales performance. The franchisees and branch managers make a significant impact on customer loyalty and outlet performance in their specific local environment. As a result of this the internal target groups must be addressed first so as to guarantee a high service quality towards shop visitors and customers. It is therefore possible to argue that branch managers and franchisees take first place as internal customers, and the customers and shop visitors come second. These explanations emphasize the sales performance- and service quality orientated relevance of RM. In the context of an efficient use of limited corporate resources it is all important for the strategic management of a retail network to identify and develop the **structural framework conditions**.

5.5 Research limitations and future research

This project suggests a re-orientation of the role of retailers away from the prevailing focus on distribution towards an emphasis on an integrated RM and target group management within the context of the extended service profit chain. Aside from structural parameters, RM should be considered as a relevant driver for the attitude of sales staff and branch managers. This applies to a lesser extent to the SPI. In the present project research on many aspects of retailing in a branch and franchise format is discussed in terms of this re-orientation.

Sales personnel must be made clear about their relevance for customer loyalty. Moreover, they have a definite assignment towards local and overall brand building when interacting with customers. They must be convinced of the RM concept so as to implement RM effectively and to deliver a high service quality and sales performance.

Although the present project addresses the identified deficits of related studies in the RM and IM fields, this research also has its limitations from which further research requirements result.

A research limitation is based on the fact that the present research project does not take initiatives such as central above-the-line marketing campaigns into consideration. Central results of empirical studies demonstrating the relevance of IM for sales staff loyalty and commitment could be confirmed (see e.g. Michaelis, 2009; Wunderlich, 2005; Ahmed and Rafiq, 2002).

Future research projects based on larger sample-sizes and surveys from different sectors (service and non-service) should address **the question as to what extent the loyalty of customers arising from RM leads to an increase of the SPI based on customer recommendation and repurchase intent.**

Moreover, the effect **of other central marketing activities on loyalty and commitment and on the SPI** should be analysed. This analysis applies especially to the context of retail networks combining a branch and franchise format. This would help to optimize the central and decentralized marketing expenditure. Owing to the core activities of the current retail network this project is limited to analysing structural and tactical RM factors. Future research should more closely examine the effects of central marketing communication and branding campaigns on the attitude of franchisees and branch managers. In this context mostly promotions were taken into account.

Further research requirements arise from the **partially contra-intuitive research results.** From the perspective of internal and external target groups, different RM factors are considered as relevant for the SPI. From the point of view of the customer the quality of interaction and competence level of the sales staff are essential; this is even more important than the merchandise and prices. Franchisees and branch managers alike consider other factors to be significant. In other words, they play down their own role in this context. This dilemma should be dealt with by future research work.

Moreover, future research should not only address the interdependencies between RM, loyalty and commitment and the SPI through RM for branch managers and franchisees as is the case in the project. It should focus on the **interdependencies between RM and sales staff and the employees of franchisees.** Although this relationship was not the object being investigated, it would be well worthwhile analysing the RM cause-and-effects for the employees of branch managers and those of franchisees. For an even more integrated RM approach these findings could be relevant for the coordination of RM from the headquarters to the outlet level.

With reference to the **methodical-operational approach**, the examination of only one retail network justifies **limited generalizable statements** only. This limitation is related to the complexity of the research design. The application of objective success criteria and the assignment of these criteria with observation data from many survey participants require close corporation ties and contacts. Because of their rules and regulations the willingness of the corporations to provide sensitive data for scientific purposes is often restricted (Backhaus, 2009). Consequently, further analyses with different retail organisations from different

sectors should be carried out. The **restricted external validity** is, however, compensated for by a **higher internal validity** through the tighter control and management of contextual effects, e.g. sector impacts (Bell, Mengüç and Stefani, 2004). Literature refers to the point that a high internal validity improves the empirically supported explanatory power of theoretically deduced cause-and-effect relationships (Bettencourt and Brown, 1997: 45; Pritchard and Silvestro, 2005: 340). Likewise with reference to the applied sample size, future examinations should **use a larger sample**. This applies in particular to the shop visitor (PDA) and customer (CATI) interviews. Larger sample sizes of the PDA and CATI interview would enable a **higher integration** of the empirical conduct; it would allow the analysis of one highly integrated cause-and-effect model instead of examining three different models independently.

The surveys should be conducted consecutively, one after another. The conduct of the customers and shop visitors survey after the one carried out with sales staff would guarantee e.g. that external surveys are undertaken only with customers from those outlets that have participated in the sales staff survey. This would allow for a high overlap of the internal and external target group surveys. At the same time it would imply working with two different survey periods. This would be a sensible compromise providing that the survey periods followed directly after one another and no different external factors influenced these periods. Although a non-response bias could be excluded through the test of Armstrong and Overton (1977), a larger sample size might have led to different results (Hair et al., 2006: 10-12).

Although the direction of actions of the analysed effects is derived from theory, it is necessary to conduct **empirical studies** in order to make statements about **causalities** between the independent and dependent variables. In the same way **time series analyses** can make an important contribution towards the effect measurement of RM activities because it is through these analyses that mutual cause-and-effect relationships can be tested (Schneider et al., 2003). Moreover, changes in attitude can be analysed after concrete RM activities have been made. This would enable the researcher to identify so-called “lag-effects” and thus to make more differentiated statements about the long-term impact of such activities.

From a **personal standpoint** a number of interesting insights into the drivers of loyalty and commitment emerged from the measurement concepts in general and from the sales staff models in particular. The analysis of these drivers shed more light on the cause-and-effect mechanisms of RM in a retail network. **Contrary to the beliefs of management the RM impact on sales via the attitude**

of sales staff is surprisingly low. This counterintuitive finding is partially compensated by the high structural relevance of RM. Another surprising aspect lies in the perception of service quality from customers and shop visitors. From their perspective the **quality of sales staff is more important than any other RM factor.** Given the high distribution level of telecommunication outlets, sales staff becomes a pivotal differentiating factor. Furthermore, the multivariate analyses for three measurement concepts based on a primary data collection process from three comprehensive surveys were by far more complex than expected.

All in all, this study offers definite stimuli for further RM and IM research. At the same time it provides a solid theoretical-conceptual basis for further empirical research. Through the dialogue with corporate practice, RM and organisation research is encouraged to work on finding answers to the open questions that have been formulated.

5.6 Conclusions

The starting point of this research project was to ascertain whether the IM concept has or has not already been transferred to RM and to examine the relationships between **RM and sales performance.** The project also enquired whether there has been a lack of research of RM in a retail network consisting of a franchise and branch format relating to the impact of RM on sales performance. Moreover, the shortcomings in research have been made transparent. The research aim of conceptually transferring IM to the RM context arose from a particular focus on a comprehensive conduct of the cause-and-effect analysis between RM and the attitude of internal and external target groups and sales performance. To this end research questions were formulated that are once again summarized and dealt with as follows.

Firstly, to what extent does RM and its factors such as location, merchandising, prices and commissions, store layout and corporate image make an impact on sales performance in a branch and franchise outlet? Which RM input factors – both on a central headquarters and decentralized outlet level – determine the outlet-specific sales performance?

Secondly, what is the relationship between RM and the attitude of sales personnel in a branch and franchise outlet?

Thirdly, what is the nature of the relationship between staff attitude and sales performance both in a branch and franchise outlet?

Fourthly, what are the direct and indirect impacts of RM on the attitude of sales personnel? – Which impact of the RM-Mix on sales performance is stronger, its direct effect or mediated impact through the attitude of sales personnel?

Fifthly, what is the impact of the sales format on the relationships of a) RM and sales performance, b) RM and attitude and c) attitude and sales performance?

Figure 23 shows the identified positive and non-existent relationships between the relevant factors; it illustrates the outcomes of the research questions and hypotheses.

The first question and hypothesis relating to the impact of **RM on the SPI** was dealt with by demonstrating that in all three measurement models for both sales formats **structural RM parameters** such as location, rent and age of shop made a significant impact on the SPI. Also from a shop visitor and customer perspective the positive impact of RM on sales performance was confirmed.

Relating to the relationship between RM and attitude and addressing the second research question and hypothesis **RM has a significant impact on the loyalty and commitment** of branch managers, franchisees, shop visitors and customers.

Addressing the third question and hypothesis, which relate to the attitude and sales performance, it must be ascertained that **RM via attitude (loyalty and commitment) has, however, a relatively low impact on the overall sales performance** from an internal and external target group perspective.

Question and hypothesis four relate to RM's direct and indirect effects and compare these effects in both internal target groups: branches and franchises. **An indirect impact via loyalty and commitment on the SPI is only measurable for branch managers.** However, a positive effect of RM via the attitude on sales performance is not measurable for franchisees. For franchisees marketing support, financial incentives and an efficient online and systems support are most relevant.

Questions and hypotheses 5a, 5b and 5c integrate the role of the sales format and make the previous question related to the impact of the sales format even more concrete.

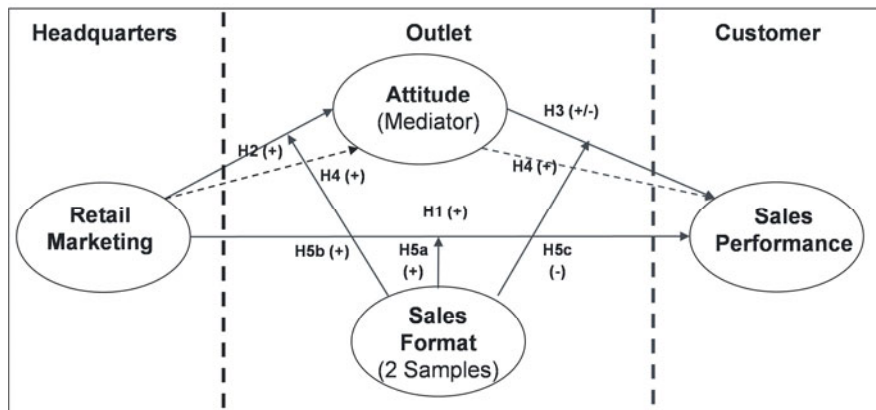


Figure 23: Relationships between retail marketing, attitude and sales performance

In both sales formats structural outlet parameters have a very important and direct impact on the SPI (5a).

Franchisees feel less bound to the headquarters than branch managers. To win their satisfaction and loyalty the franchisor must focus on the marketing support program, compensation, information and activation IT systems and product portfolio in particular.

For branch managers the relevance of RM factors is more balanced (5b).

It is only in the case of branch managers that loyalty and commitment act as a mediator of RM on the SPI. In the case of the franchisees an attitude impact on sales performance does not exist (5c).

The level of enthusiasm and satisfaction and commitment of sales staff is reflected in their behaviour towards external customers. Customers highly value the service quality level of sales staff in a telecoms retail store. Customer satisfaction and loyalty may not directly lead to sales but they pay off well in the mid and long term. In this sense Zig Ziglar is therefore right when he says, "for every sale you miss because you're too enthusiastic, you will miss a hundred because you're not enthusiastic enough."

To summarize, all research questions, which were formulated in the second chapter, could be answered. In this instance, the overall research aim, namely the

transfer of key elements of the IM concept to RM and the conduct of an empirical analysis of RM activities, could be achieved. It was possible to show that in the context of a retail network the developed RM concept is especially relevant. By integrating related disciplines such as **IM and HRM research** a contribution for interdisciplinary research was provided. A special contribution lies in the **assignment of objective input and output parameters with survey data** for the different empirical analyses. In the same way with the **exploratory and confirmatory factor analyses** procedures are applied that are not only used traditionally in social sciences but nowadays more and more often in corporate practice.

The present work, thus, supplies an important research contribution from a practice and theoretical-conceptual as well as methodical-operational perspective. It forms a solid basis for further RM research to be conducted.

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Appendix

Appendix 1

Questionnaire for the Online Survey

| A. Overall Satisfaction – Loyalty |
|---|
| 1. In the following we would like to know your general satisfaction . How satisfied are you as a franchisee / branch manager overall? (1 = very satisfied; 5 = totally dissatisfied). |
| 2. Filter A1 = 1-2: You have mentioned the fact that you are satisfied. Please give your reasons (open question). Filter A1 = 3-4: You have mentioned that you are dissatisfied. Please give your reasons (open question). |
| 3. In the following we would like to know more about the individual aspects of your loyalty . To what extent can agree or disagree with the following statements? (1 = fully agree; 5 = totally disagree). |
| Franchisees: |
| I took the right decision to become a franchisee. |
| If I had the choice again, I would again decide for this partnership model. |
| I am planning to extend my contract. |
| I have often thought about leaving this franchise system. |
| If friends asked me, I would recommend this franchise system without hesitation. |
| In comparison to other systems, this one is the best choice. |
| Branch Managers: |
| I took the right decision to become a branch manager with this organisation. |
| If I had the choice again, I would again decide for this organisation. |
| I have often thought about leaving this company. |
| If friends asked me, I would recommend my present employer (headquarters). |
| In comparison to other systems, this employer is the best. |

| B. Sales Support |
|---|
| 1. Overall Evaluation. To what extent do you feel supported in the following areas? (1 = very good; 5 = very poor). |
| Regional sales representatives |
| Sales representatives (district level) |
| Shop support hotline |
| Online portal |
| PoS-system |
| Training |
| Promotions |
| Customer service (headquarters) |
| Sales documents |
| 2. Marketing Support. How satisfied are you with the documents illustrated below? (1 = very satisfied; 5 = dissatisfied). |
| Tarif brochure (voice) |
| Tarif brochure (data) |
| List price credit |
| List price debit |
| Flyer |
| Distributed flyer |
| Customer magazine |
| Campaign packages |
| Customer retention portfolio |
| Are there any documents that you miss in your daily operations (open question)? |
| 3. Sales Representatives. How satisfied are you with the following aspects of the regional sales representatives (1 = very satisfied; 5 = dissatisfied). |
| Regional management |
| Frequency of Visits by Sales Representatives |
| Competence |
| Problem-solving Skills |
| Friendliness |
| How satisfied are you with the following aspects of the district sales representatives? |
| Frequency of Visits by Sales Representatives |

| |
|---|
| Competence |
| Problem-solving Skills |
| Friendliness |
| Do you have any concrete advice regarding the sales representatives (open)? |
| 4. Shop Support Hotline. How satisfied are you with the support hotline (1 = very satisfied; 5 = dissatisfied). |
| Availability |
| Competence |
| Problem-solving Skills |
| Friendliness |
| Do you have any concrete advice regarding the support hotline (open)? |
| 5. Shop Mail. How satisfied are you with the electronic information support (1 = very satisfied; 5 = dissatisfied). |
| Relevance of information |
| Up-to-dateness of information |
| Quality of information |
| Scope of information |
| Frequency of information |
| Are there any kinds of information that you miss? |
| 6. Online Portal. How satisfied are you with the online portal (1 = very satisfied; 5 = dissatisfied). |
| Relevance of information |
| Up-to-dateness of information |
| Scope of covered information |
| Transparency of campaign benefits |
| Possibility of online portal usage |
| Ease-of-use |
| Transaction processing of credit contracts |
| Customer transactions |
| Price queries (device and tariff bundles) |
| Do you have any concrete ideas about developing the online portal (open)? |
| 7. PoS-System. Programd only for branch managers. How satisfied are you with the online portal (1 = very satisfied; 5 = dissatisfied). |
| Ease-of-use network operator contracts |

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| Price queries (bundle prices) |
| Do you have any concrete ideas about developing the PoS-system (open)? |
| 8. Trainings & Coachings. How satisfied are you with the trainings and coachings offered (1 = very satisfied; 5 = dissatisfied)? |
| Quality of trainings... |
| Locally at the PoS |
| Online |
| Training Center |
| Relevance of training |
| Locally at the PoS |
| Online |
| Training Center |
| Do you miss any concrete training support (open)? |
| 9. Promotions. How satisfied are you with the promotion support (1 = very satisfied; 5 = dissatisfied)? |
| Frequency of promotions |
| Sales effectiveness of promotions |
| Quality of promotion teams |
| Competence of individual promotors |
| Do you have any concrete ideas for improving the promotions (open)? |
| C. Terms & Commissions |
| 1. Overall Evaluation. Taken all aspects together, how do you evaluate your monthly compensation (1 = very good; 5 = very poor). |
| 2a) Commission Model (franchisees only). How satisfied are you with the following aspects of the commission model (1 = very satisfied; 5 = dissatisfied)? |
| Transparency of the existing commission model |
| Completeness of transactions considered |
| Validity period of the existing model |
| To what extent are you satisfied with the gross margin per unit for... |
| Credit contracts |
| Customer retentions |
| Broadband contracts |
| Debit contracts |
| No-frills |

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| To what extent are you satisfied with the amount or validity period of the quantity bonus... |
| Credit contracts |
| Broadband contracts |
| Validity period |
| Are there any aspects in this context you find in need of improvement (open)? |
| 2b) Commission Model (branch managers only). How satisfied are you with the following aspects of the commission model (1 = very satisfied; 5 = dissatisfied)? |
| The factors below relate to the core component |
| Amount of commissions for credit contracts |
| Amount of commissions for customer retentions |
| Amount of commissions for broadband contracts |
| Amount of commissions for sales of devices and sets |
| Amount of commissions for accessories |
| Amount of commissions for device insurance options |
| Transparency of core component |
| Relevance of core component |
| Validity period |
| The following factors relate to the campaign component |
| Amount of commissions |
| Transparency |
| Relevance |
| Validity period |
| Are there any aspects you miss in the current commission model (open)? |
| 3a) New Commission Model (franchisees only). What is your impression of the new commission model (1 = very satisfied; 5 = dissatisfied)? |
| 3b) Detailed Evaluation (branch managers only). Programd with filter on C2 (1-2 = satisfied) . You have indicated that you are satisfied with the validity period of the core component. Please give reasons for your judgement. (open) |
| 3c) Detailed Evaluation (franchisees only). Programd with filter on C2 (4-5 = dissatisfied) . You have indicated that you are dissatisfied with the validity period of the core component. Please give reasons for your judgement.(open) |
| 4. Marketing Support Program (franchisees only). To what extent are you satisfied with the marketing support program and the marketing incentive schemes (1 = very satisfied; 5 = dissatisfied)? |
| Criteria within the Program |

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| Marketing advertising support (financially) |
| Transparency of the Program |
| Sales ralleys |
| Events and incentives |
| Financial support from the Program |
| Amount of rental support |
| Do you have any concrete ideas as to how to improve the marketing support Program? |
| D. Merchandise |
| 1. Handsets. How do you evaluate the following aspects relating to your sales performance (1 = very good; 5 = very poor). |
| Mobile Phone Portfolio |
| Variety of handsets |
| Variety of debit bundles |
| Variety of netbook portfolio |
| Prices of non-subsidized handsets |
| Prices of handsets for credit bundles (new business) |
| Prices of handsets in combination with a customer retention contract |
| Prices of debit bundles |
| Prices of netbook bundles |
| Programd for franchisees only: Special campaign packages (decentralized special offers) |
| Availability of handsets (device only) |
| Availability of credit bundles |
| Availability of debit bundles |
| Availability of netbooks |
| 2. Tariffs. How do you evaluate the following aspects relating to your sales performance (1 = very good; 5 = very poor). |
| Mobile Phone Tariffs... |
| Variety of network operator tariffs |
| Variety of own tariff portfolio |
| Competitiveness of tariff portfolio... |
| Voice flat portfolio |
| Own tariffs |
| Student tariffs |

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| No-frills tariffs |
| Data flat tariffs |
| Data options |
| 3. Broadband Contracts. How do you evaluate the following aspects related to your sales performance (1 = very good; 5 = very poor). |
| Variety of broadband portfolio |
| Prices of broadband contracts |
| 4. Customer Retentions. How do you evaluate the following aspects relating to your sales performance (1 = very good; 5 = very poor). |
| Variety of devices |
| Competitiveness of retention offers |
| E. Store Environment |
| 1. Overall Evaluation. How do you evaluate the store equipment and the personnel relating to your sales performance (1 = very good; 5 = very poor). |
| Shop interior |
| Shop exterior |
| Location |
| Space of outlet |
| Colour Code |
| Number of display posters |
| 2. Sales Staff (branch managers only). How do you evaluate the employee situation relating to your sales performance (1 = very good; 5 = very poor). |
| Number of sales personnel being in the store at the same time |
| Qualification of sales staff |
| Team spirit |
| F. Attitude |
| 1. Commitment. To what extent do you agree with the following statements (1 = fully agree; 5 = totally disagree). |
| My ideals are similar to those of my employer. |
| The future of my organisation is a matter of heart for me. |
| Franchisees only: I am proud to say that I am a franchisee with this organisation. |
| Branch managers only: I am proud to say that I am an employee with this organisation. |
| 2. Autonomy. To what extent do you agree with the following statements (1 = fully agree; 5 = totally disagree). |
| Franchisees only |

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| My company offers me an adequate amount of freedom of action to be a successful franchisee. |
| Good ideas are appreciated by headquarters. |
| Prior to my current franchise activity, I gained experience in other franchise systems. |
| The compensation of my sales staff is directly linked to their sales performance. |
| Branch Managers only |
| My company offers me an adequate amount of freedom of action to be a successful employee. |
| Good ideas are appreciated by headquarters. |
| Prior to my current branch manager position, I gained experience with other telecommunications resellers. |
| G. Shop Visitor Frequency |
| <p>1. Outlet Size. With how many staff, including you yourself, do you operate this outlet under regular conditions? Monday-Friday: _____ Saturday: _____</p> <p>2. Visitor Frequency. How many customers visit your outlet during a typical business day? Less than 50 50-99 100-149 More than 150</p> <p>3. Working Experience in this Position. Franchisees: How long have you been working as a franchisee? In years: _____ Branch Managers: How long have you been working in your current position as branch manager? In years: _____</p> |
| <p>4. Gender. Are you male or female? 1 male 2 female</p> <p>5. Age. How old are you? In years: _____</p> <p>6. Education. Which education do you have? 1 Secondary School (no post-school training) 2 Secondary School (with post-school training) 3 High School (no diploma) 4 High School Diploma 5 College / University degree</p> |

Appendix 2

Invitation to the Online Survey

Invitation:

Dear franchisee / branch manager,

You are invited to participate in our survey to improve the quality and service of our offerings. Please take this chance of an open and constructive feedback! The survey will be conducted anonymously by a third party marketing research institute. You will receive a separate invitation from this institute in a separate email which includes a link to the survey. Of course your input will be analysed anonymously.

We shall conduct his survey on-line so as to save time and effort. Please allow yourself some time (30-45 minutes) to answer the questions.

Thank you very much in advance for your cooperation!

Sincerely,
Christoph Preuss
Managing Director

Appendix 3

Questionnaire for the PDA Interview

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| Invitation |
| <p>Hello, my name is...from a marketing research institute located in Hamburg.</p> <p>We are conducting a customer survey relating to the customer satisfaction in order to address your wishes and requirements even better in future.</p> <p>Please take a little time to answer the following questions – the interview will take about five minutes.</p> |
| A. Shop Visit. |
| <p>1. You have just visited this outlet. Which products found your interest? (Instruction: Alternatives are spoken aloud in front of the shop visitor; multiple answers are accepted)</p> <ul style="list-style-type: none"> 1 handsets or tariffs 2 broadband contracts 3 accessories (if yes, continue with A3) 4 nothing particular in mind, just looking around (if yes, continue with A3) |
| <p>2. What precisely was your interest in the product area before you entered the shop? (Information: programd in accordance to selection under A1; in the case of multiple answers please ask the same question twice or more times; instruction: speak alternatives out aloud)</p> |
| Filter: handsets or tariffs (A1=1) |
| 1 Information on most recent mobile phone offers |
| 2 Information about handsets |
| 3 To buy a new credit contract |
| 4 To extend my credit contract |
| 5 To change my current contract or to enhance the contract through options |
| 6 Questions relating to my existing contract |
| 7 Complaints about the invoice of my existing contract |
| 8 Complaints about the repair of my handset |
| 9 To buy a debit contract or re-charge my debit phone |
| 10 To buy a handset without a contract |
| 11 Others (Instruction: do not read) |
| Filter: broadband contract |
| 12 Information about current broadband offers |

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| 13 To conclude a contract |
| 14 Questions on the existing contract or invoice |
| 15 Complaints about the hardware |
| 16 Others (Instruction: do not read) |
| 3. And was your shop visit successful? What was the result of your shop visit? Did you...? (Instruction: speak alternatives out aloud; multiple answers are accepted) |
| Filter: handsets or tariffs (A1=1) |
| 1 Got information on most recent mobile phone offers and handsets |
| 2 Bought a new credit contract or extended the existing one |
| 3 Changed the current contract or enhanced the contract through further options |
| 4 Received information about your existing contract |
| 5 Complaints could be settled to your satisfaction (Programd: only in the case of A2 = 6 or 7) |
| 6 Closed a debit contract or re-charged your cash-card |
| 7 bought a handset (without a contract) |
| 8 none of these (Instruction: do not read out aloud) |
| Filter: broadband (A1=2) |
| 8 Received information on current broadband offers |
| 9 Concluded a contract |
| 10 Received information on the existing contract or invoice |
| 11 Successfully took back hardware or complained about invoice |
| 12 none of these (Instruction: do not read out loud) |
| 4. Have you been in this store before or did you visit this store for the first time? 1 for the first time 2 second or third time 3 more often |
| 5. Did you get good advice from a staff member? (Instruction: not the conversation at the cash register is meant here, but the sales conversation from the very beginning) 1 yes 2 no |
| Filter: A2=3,4,10 or 13 |
| 6. Did you get a concrete offer from a staff member? 1 yes 2 no |
| Filter: A2=3 or 4 and A3 unequal 2; or A2=10 and A3 unequal 7; or A2=13 and A3 unequal 9. |
| 7. Why did you not make the intended buying transaction? (open) |

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| B. Overall Satisfaction – Loyalty |
| 1. To what extent are you satisfied overall with the shop visit? Please indicate your level of satisfaction on a scale from 1-5 (1=very satisfied; 5=totally dissatisfied). |
| 2. Reasons for your evaluation |
| Filter: B1=3, 4 or 5 |
| You have stated that you are not satisfied. Please tell us why (open). |
| 3. Based on your experience would you recommend this shop to a friend? Please answer on a scale from 1-5 (1=fully agree; 5=totally disagree). |
| 4. Based on your experience would you re-visit this shop? Please answer on a scale from 1-5 (1=fully agree; 5=totally disagree). |
| C. Satisfaction with Individual Performance Levels |
| Filter: Questions relating to sales staff are asked only in the case of customers who have been in a sales conversation with staff (A3=1). |
| 1. To what extent are you satisfied with the following aspects of your shop visit? Please answer on a scale from 1-5 (1=fully agree; 5=totally disagree). How satisfied are you with... |
| Shop interior |
| Shop exterior |
| Mobile phone portfolio |
| Prices |
| Sales staff overall |
| Availability of sales staff |
| Sales conversation with staff |
| Friendliness of sales staff |
| D. Customer / Brand |
| 1. On which network operator is the contract for the mobile phone which you mainly use based? 1 e-plus 2 mobilcom 3 debitel 4 mobilcom-debitel 5 O2 6 T-Mobile 7 Vodafone 8 do not have a contract |

Filter D1= 1, 3,4 or 5

2. Have you concluded this contract in one of these retail stores?
1 yes
2 no
3. Is this contract a debit or credit contract?
1 credit contract
2 debit contract
3 do not know
4. How do you like the brand?
Please answer on a scale from 1-5 (1=very good; 5=very bad).

E. Socio-Demographics

...at the end some personal questions.

1. Instruction: mark gender with a cross.
1 male
2 female
2. May I ask how old you are?
_____ Years
3. Which professional status do you have?
1 Working full-time
2 Working part-time
3 Unemployed
4 Jobless
5 Pensioner
6 Student
7 Pupil

Appendix 4

Questionnaire for the Computer Aided Telephone Interview

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|---|---|
| Invitation | |
| <p>Hello, my name is...from a marketing research institute located in Hamburg.</p> <p>We are conducting a customer survey about the level of customer satisfaction in order to address your wishes and requirements even better in future.</p> <p>Do you have a little time to answer some questions – the interview will only take five minutes.</p> | |
| A. Customer / Brand | |
| 1. | <p>Have you concluded a mobile phone contract with this retailer within the last three months?</p> <p>1 yes, just made the contract</p> <p>2 yes, extended my existing contract</p> <p>3 no -> end of interview</p> |
| 2. | <p>How firm was your buying intention before you entered the shop? Instruction: read out aloud the alternatives, multiple answers are accepted.</p> <p>1 I knew exactly what I wanted. I only wanted to make the deal.</p> <p>2 I had a rough idea what I needed, but wanted some advice from sales staff first</p> <p>3 I only knew that I needed a new tariff or new handset and wanted to get comprehensive advice on what to buy</p> <p>4 I went into this store without intending to buy anything</p> |
| 3. | <p>Why did you sign a new contract or extend your existing contract?</p> <p>Instruction: read out aloud the alternatives, multiple answers are accepted.</p> <p>1 I only wanted to get a new handset</p> <p>2 (Programd: only customer retentions) I wanted to leave everything the way it is</p> <p>3 I wanted to obtain a lower tariff</p> <p>4 (Programd: new credit contracts) I did not want to use a debit card any longer</p> <p>5 (Programd: new credit contracts) I did not have a mobile phone and credit contract before</p> <p>6 Others (Instruction: do not read out loud)</p> |
| 4. | <p>Why did you enter this store and not a competitor's outlet? Instruction: read out aloud the alternatives, multiple answers are accepted.</p> <p>1 Because I am a customer with this retailer</p> <p>2 Because I was just passing by</p> <p>3 Because I have seen an advert that I found interesting</p> <p>4 Because I received a flyer in my mail-box that I found interesting</p> <p>5 Because someone recommended me to go to this shop</p> <p>6 Others (Instruction: do not read out aloud)</p> |
| 5. | <p>Have you been in of these stores before or have you been here for the first time when you signed your new contract?</p> <p>1 first time</p> <p>2 first to third time</p> <p>3 more often</p> |
| B. Overall Satisfaction / Loyalty | |
| 1. | <p>How satisfied are you overall with your shop visit? Please indicate your level of</p> |

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| satisfaction on a scale from 1-5 (1=very satisfied; 5=totally dissatisfied). |
| You have stated that you are not satisfied. Please give us reasons (open). |
| 2. Reasons for your Evaluation. Filter: B1 = 3, 4 or 5 You have indicated that you have not been satisfied with your shop visit. Please give reasons (open). |
| 3. Would you recommend this shop to a friend? Please answer on a scale from 1-5 (1=fully agree; 5=totally disagree). |
| 4. Would you re-visit this shop? Please answer on a scale from 1-5 (1=fully agree; 5=totally disagree). |
| C. Satisfaction with Individual Performance Levels |
| 1. To which extent are you satisfied with the following aspects of your shop visit? Please answer on a scale from 1-5 (1=fully agree; 5=totally disagree). How satisfied are you with... |
| Shop interior |
| Shop exterior |
| Cleanliness of shop |
| Range of mobile phone tariffs |
| Range of mobile phone devices |
| Prices of tariffs |
| Prices of mobile phone devices |
| Overall impression of sales staff |
| Waiting time |
| Availability of sales staff |
| Sales conversation with staff |
| Friendliness of sales staff |
| D. Customer / Brand |
| 1. On which network operator is the contract for the mobile phone which you mainly use based? 1 e-plus 2 mobilcom 3 debitel 4 mobilcom-debitel 5 O2 6 T-Mobile 7 Vodafone 8 do not have a contract |
| 2. How do you like this brand? Please answer on a scale from 1-5 (1=very good; 5=very bad). |

E. Socio-Demographics

...at the end some personal questions.

1. Instruction: mark gender with a cross.
1 male
2 female
2. May I ask how old you are?
_____Years
3. Which professional status do you have?
1 Working full-time
2 Working part-time
3 Unemployed
4 Jobless
5 Pensioner
6 Student
7 Pupil

On www.springer.com (follow the link of this book via ISBN) you can download the attachments 5-10.