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MARKETING PERFORMANCE MEASUREMENT IN FMCG

SHARE OF WALLET IN ITALIAN RETAIL INDUSTRY

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Introduction

Introduction

"You can't control what you can't measure." (T. De Marco, 1982)

Recent years the analysis and the improvement of the marketing efficiency and effectiveness is one of the most analyzed topics in literature, and one of most interesting for the managerial practice. The alignment strategies and marketing performance metrics with business goals is strategically relevant for the success of the companies. In the retailing business the process of Marketing Performance Measurement (MPM) is particularly important because it permits to better plan the sales, and increase "traffic" both in terms of customers' visits and sell-out. Implementing a system of MPM means to be able to arrange a metrics' set that bears the best measure of these phenomena. The purpose of this thesis is to determine the share of visit (SOV) and the share of purchase (SOP) in consumer goods retail industry. Important is to understand which are the levers that foster the customers traffic in the stores and consequently increase their store purchases. The share of wallet (SOW) of each customer derives from these latter components: SOV and SOP. The analysis is focused on Fast Moving Consumer Goods (FMCG) or Consumer Packaged Goods (CPG). FMCGs constitute a large part of consumers' budget in all countries. Retail trade in these products, that is, their supply to households, has attracted considerable interest from consumers and policy-makers because a well-functioning retail industry is essential for daily provision of these essential products at high quality and low cost. Then, the FMCGs are sold quickly and at relatively low cost. In addition, they have a short shelf life, because these products have a high consumer demand and deteriorate rapidly (e.g. meat, fruits, vegetables, dairy products, and baked goods are highly perishable; other goods such as alcohol, toiletries, pre-packaged foods, soft drinks, and cleaning products have high turnover rates). The FMCGs are interesting to investigate because have a low profit's margin (more for retailers than suppliers), but they are generally sold in large quantities. Therefore, the cumulative profit on these products can be substantial. The present study first delineates the drivers behind the need for marketing metrics. These include corporate demand for accountability; discontent with traditional metrics; and the availability of ICT and the Internet infrastructure. Then, a conceptual framework with several critical dimensions is proposed for systematic examination of measurement efforts. An elaboration of these dimensions should assist scholars in making future contributions to measurement of *marketing productivity*[1]. The model proposed in this thesis aims to interpret these dynamics in a managerial perspective. The first chapter of this work gives an globally summary of the retail industry. There's an analysis of current trends in consumer purchasing behavior and about the factors related to the growth rates of the internationally demand . Then it focuses on marketing metrics and performance marketing management. The second chapter makes a vertical study of the metrics in the retail industry. It reviews both the most used measurements in business practice that the most current and important metrics in the academic context. With the third chapter focuses on the SOW and its antecedentsthat in the literature are the SOP and SOV. For this purpose it makes a theoretical overview on studies of the SOW by early scholars to present times. Within a classification on the different areas of research in the literature it has tried to give a positioning to our work in the global academic context. The fourth and final chapter, after a summary on the Italian retail industry, provides a conceptual model for understanding the dynamics and the processes creation of SOW.

The research methodology was the qualitative in depth interviews at top managers of Italian retail companies: Auchan-Superò and Multiced-Decò group. The work ends with the conclusions preceded by managerial implications and future research suggestions.

[1] Rust, Ambler, Carpenter, Kumar & Srivastava (2004).

Chapter I

Industry dynamics and importance of marketing metrics

1.1 International retail at a glance

Retail comes from the Old French word *tailler*, which means "to cut off, clip, pare, divide" in terms of tailoring (1365). It was first recorded as a noun with the meaning of a "sale in small quantities" in 1433 (from the Middle French retail, "piece cut off, shred, scrap, paring")[2] .Like in French, the word retail in both Dutch and German also refers to the sale of small quantities of items. Retail is the process of selling consumer goods and/or services to customers through multiple channels of distribution to earn a profit. Demand is created through diverse target markets and promotional tactics, satisfying consumers' wants and needs through a lean supply chain. In the 2000s, an increasing amount of retailing is done online using electronic payment and delivery via a courier or postal mail. Retailing includes subordinated services, such as delivery. The term "retailer" is also applied where a service provider services the small orders of a large number of individuals, rather than large orders of a small number of wholesale, corporate or government clientele. Shops may be on residential streets, streets with few or no houses, or in a shopping mall. Shopping streets may be for pedestrians only. Sometimes a shopping street has a partial or full roof to create a more comfortable shopping environment protecting customers from various types of weather conditions such as extreme temperatures, winds or precipitation. Online retailing, a type of electronic commerce used for business-to-consumer (B2C) transactions and mail order, are forms of non-shop retailing. Shopping generally refers to the act of buying products. Sometimes this is done to obtain final goods including necessities such as food and clothing; sometimes it is done as a recreational activity. Recreational shopping often involves window shopping (just looking, not buying) and browsing and does not always result in a purchase. A marketplace is a location where goods and services are exchanged. The traditional market square is a city square where traders set up stalls and buyers browse the stores. This kind of market is very old, and countless such markets are still in operation around the whole world. In some parts of the world, the retail business is still dominated by small family-run stores, but this market is increasingly being taken over by large retail chains. Most of these stores are called high street stores. Gradually high street stores are being re-grouped in condensed geographical areas along specific streets or districts such as the Magnificent Mile[3] in Chicago, Illinois or at single locations called malls. These are more defined and planned spaces for retail stores and brands. Retail is usually classified by type of products as follows:

- Food products typically require cold storage facilities.
- Hard goods or durable goods ("hardline retailers")[4] automobiles, appliances, electronics, furniture, sporting goods, lumber, etc., and parts for them. Goods that do not quickly wear out and provide utility over time.
- Soft goods[5] or consumables clothing[6], other fabrics, footwear, cosmetics, medicines and stationery. Goods that are consumed after one use or have a limited period (typically under three years) in which you may use them.
- Arts Contemporary art galleries, Bookstores, Handicrafts, Musical instruments, Gift shops, and supplies for them.

There are the following types of retailers by marketing strategy:

- Department stores are very large stores offering a huge assortment of "soft" and "hard" goods which often bear a resemblance to a collection of specialty stores. A retailer of such store carries a variety of categories and has a broad assortment of goods at average price. They offer considerable customer service.
- Discount stores tend to offer a wide array of products and services, but they compete mainly on price. They offer extensive assortments of merchandise at affordable and cut-rate prices. In the past, retailers sold less fashion-oriented brands. However, in more recent years companies such as TJX Companies (Own T.J. Maxx and Marshalls) and Ross Stores are discount store operations increasingly offering fashion oriented brands on a larger scale.

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[2] Harper, Douglas. "retail". Online Etymology Dictionary. Retrieved 2008-03-16.

[3] The Magnificent Mile, sometimes referred to as The Mag Mile, is an upscale section of Chicago's Michigan Avenue, The district is located adjacent to downtown, and one block east of Rush Street. The Magnificent Mile serves as the main thoroughfare between Chicago's Loop business district and its Gold Coast. It is generally the western boundary of the Streeterville neighborhood, to its east and River North to the west. Real estate developer Arthur Rubloff of Rubloff Company gave the district its nickname in the 1940s. Currently Chicago's largest shopping district, various mid-range and high-end shops line this section of the street; approximately 3,100,000 square feet (290,000 m2) are occupied by retail, restaurants, museums and hotels.

[4] "Hard goods" Investor Words. Retrieved 22 May 2014.

[5] Time, Forest. "What Is Soft Merchandising?". Houston Chronicle. Retrieved 22 May 2014.

[6] Ferrara, J. Susan. "The World of Retail: Hardlines vs. Softlines". Value Line. Retrieved 22 May 2014.

- Warehouses store that offer low-cost, often high-quantity goods piled on pallets or steel shelves; warehouse clubs charge a membership fee.
- Variety stores offer extremely low-cost goods, with limited selection.
- Demographic store, retailers that aim at one particular segment (e.g., high-end retailers focusing on wealthy individuals).
- Mom-And-Pop, a small retail outlet owned and operated by an individual or family. Focuses on a relatively limited and selective set of products.
- Specialty store has a narrow marketing focus either specializing on specific merchandise, such as toys, shoes, or clothing, or on a target audience, such as children, tourists, or plus-size women. Size of store varies — some specialty stores might be retail giants such as Toys "R" Us, Foot Locker, and The Body Shop, while others might be small, individual shops such as Nutters of Savile Row[7]. Such stores, regardless of size, tend to have a greater depth of the specialist stock than general stores, and generally offer specialist product knowledge valued by the consumer. Pricing is usually not the priority when consumers are deciding upon a specialty store; factors such as branding image, selection choice, and purchasing assistance are seen as important. They differ from department stores and supermarkets which carry a wide range of merchandise[8].
- Boutique or concept stores are similar to specialty stores. Concept stores are very small in size, and only ever stock one brand. They are run by the brand that controls them. An example of brand that distributes largely through their own widely distributed concept stores is L'OCCITANE[9] en Provence. The limited size and offering of L'OCCITANE's stores are too small to be considered a specialty store proper.
- A general store is a rural store that supplies the main needs for the local community.
- A convenience store provides limited amount of merchandise at more than average prices with a speedy checkout. This store is ideal for emergency and immediate purchase consumables as it often works with extended hours, stocking everyday.
- Hypermarkets that provides a variety and huge volumes of exclusive merchandise at low margins. The operating cost is comparatively less than other retail formats.

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[7] Charles Lamb, Joe Hair, Carl McDaniel (14 Jan 2008). Essentials of Marketing. Cengage Learning. p. 363.
[8] William M Pride, Robert James Hughes, Jack R. Kapoor (2011). Business. Cengage Learning. ISBN 978-0538478083.
[9] "L'OCCITANE | Customer Service | Frequently Asked Questions | USA Site". Usa.loccitane.com. Retrieved 15 May 2014.

- A supermarket is a self-service store consisting mainly of grocery and limited products on non food items. They may adopt a Hi-Lo or an EDLP strategy for pricing. The supermarkets can be anywhere between 20,000 and 40,000 square feet (3,700 m2). Example: SPAR supermarket.
- A shopping mall has a range of retail shops at a single outlet. They can include products, food and entertainment under one roof. Malls provide 7% of retail revenue in India, 10% in Vietnam, 25% in China, 28% in Indonesia, 39% in the Philippines, and 45% in Thailand[10].
- "Category killer" or specialist by supplying wide assortment in a single category for lower prices a category killer retailer can "kill" that category for other retailers. For few categories, such as electronics, the products are displayed at the centre of the store and sales person will be available to address customer queries and give suggestions when required. Other retail format stores are forced to reduce the prices if a category specialist retail store is present in the vicinity.
- E-tailer, the customer can shop and order through the internet and the merchandise is dropped at the customer's doorstep or an e-tailer. Here the retailers use drop shipping technique. They accept the payment for the product but the customer receives the product directly from the manufacturer or a wholesaler. This format is ideal for customers who do not want to travel to retail stores and are interested in home shopping.
- Vending machine is an automated piece of equipment wherein customers can drop the money in the machine and acquire the products. Some stores take a no frills approach, while others are "mid-range" or "high end", depending on what income level they target.

  Other types of retail store include:
- Automated Retail stores self-service, robotic kiosks located in airports, malls and grocery stores. The stores accept credit cards and are usually open 24/7. Examples include ZoomShops and Redbox.
- Big-box stores encompass larger department, discount, general merchandise, and warehouse stores.
- Retailers can opt for a format as each provides different retail mix to its customers based on their customer demographics, lifestyle and purchase behaviour. A good

[10] Retail Realty in India: Evolution and Potential (PDF). Jones Lang LaSalle. 2014. p. 6.

format will lend a hand to display products well and entice the target customers to spawn sales.

The global economy appears to be decelerating as several large economies face increasing trouble. Of primary concern are China and the Eurozone, as well as a few key emerging markets like Brazil and Russia. China has experienced decelerating growth as it struggles to balance the need to avoid excessive credit growth with a desire to keep the economy moving. In Europe, weakness in credit markets is preventing economic growth from resuming at a normal pace. On the other hand, the brightest spots in the global panorama are the U.S. and British economies. The United States appears to be on a self-sustaining path of faster growth combined with low inflation. One factor driving that growth is the huge increase in oil production which, in turn, has led to lower energy prices globally. The low energy prices are a problem for oil exporters like Russia and Venezuela, while benefiting oil consumers like India and Japan. Among the big issues having a global impact are:

1 The shift in U.S. monetary policy, the Federal Reserve has ended its program of asset purchases and is now assessing when to raise short-term interest rates for the first time in eight years. This transition, and the expectation of higher rates, is driving up the value of the U.S. dollar and putting downward pressure on other currencies. That, in turn, has forced emerging market central banks to raise interest rates, thus slowing the growth of these economies. That slower growth is evident in such disparate places as Brazil, Turkey, Indonesia, South Africa, Russia and Argentina. Once U.S. monetary policy returns to normal, emerging countries will be better able to shift toward stable interest rates.

2 Energy production in the United States, this has risen precipitously due to the new technology of horizontal hydraulic fracturing of shale rock better known simply as “fracking.” The rise in U.S. energy output has lowered global energy prices, reduced the U.S. trade deficit, boosted U.S. economic growth, improved the competitiveness of energy-intensive U.S. manufacturers and suppressed global inflation especially in developed economies. It has also hurt competing energy producers like Russia, Venezuela and Nigeria. Lower energy prices have added to the purchasing power of consumers in energy consuming countries, thus providing a boost for retailers.

3 The crisis in Ukraine The conflict between Russia and the West over Ukraine, which has resulted in punitive sanctions imposed on Russia by the EU and the United States, is hurting the Russian economy and, by extension, the Eurozone economy. Fear of further

sanctions is having a chilling effect on investment in Russia as well as in Germany. The German economy has slowed significantly, due in part to problems in Russia. About 6,000 German companies have investments in Russia and are dependent on sales of their products and services in Russia. Each time the crisis worsens there is a flight to safety which results in a stronger U.S. dollar and lower U.S. bond yields.

4 A slowdown in Chinese investment, the deceleration of the Chinese economy, which has involved a slowdown in the growth of fixed asset investment, has led to a sharp drop in global commodity prices. This has hurt such countries as Australia, Brazil, Indonesia and Chile. In addition, China's financial system is at risk due to a sharp rise in shadow banking debt, thus boding poorly for growth if a financial crisis emerges. For the world's leading commodity producers, this suggests a need to focus on other sources of growth in the future.

5 Demographics, a slowing of labor force growth and an increase in the retired populations of the United States, Japan, Europe and China are all playing a role in reducing growth prospects. In addition, these demographic trends are putting pressure on governments to spend more on pensions and healthcare. Different countries are approaching the problem in different ways. In China, the government is gradually lifting the restrictions on numbers of children and, in the process, promoting a higher birth rate. In Japan, the government is encouraging greater female participation in the labor force. In Europe and the United States, a debate rages as to the degree to which immigration should be allowed and encouraged. Supporters of immigration see it as a vehicle for boosting the ratio of workers to retirees and, in the process, alleviating pressure on pensions. In addition, immigration is a tool for boosting the rate of economic growth. Meanwhile, those countries with youthful demographics are poised for relatively strong economic growth. These include India and much of Latin America, the Middle East and Africa.

6 The ubiquity of the Internet, this has already significantly altered countless industries like bookselling, music, travel, insurance, banking, entertainment and even tax preparation and consulting. The effect is to put downward pressure on the prices of everything, eliminate countless mid-level jobs, increase demand for highly skilled workers and exacerbate income inequality. The Internet is also leading more people to work and shop from home, thus reducing demand for cars, energy and commercial property.

What follows is a closer look at the world's major economies and the implications for the retailing industry. The U.S. economy has been doing very well. Most indicators now point to the likelihood of strong growth in 2015 and possibly beyond. Industrial output, employment and retail sales have been performing well. Even housing, which had shown signs of trouble early in 2014, has lately staged a modest comeback. The end of aggressive monetary policy (quantitative easing) is being absorbed well by the economy. The only uncertainty concerns when the Federal Reserve will eventually raise short-term interest rates something it hasn't done in eight years. As of late 2014, inflation remains very low and the labor market continues to exhibit slack as evidenced by weak wage growth, thus possibly extending the period of low interest rates. The Federal Reserve is tasked with balancing two goals: low inflation and low unemployment. A decision about the timing of an increase in short-term interest rates will depend on where these indicators stand and, perhaps more importantly, where expectations of inflation stand. Consumers, having substantially paid off debts, are spending at a brisk pace even though wages have been relatively dormant. Businesses have hoarded cash and engaged in a flurry of stock buybacks. Yet there is reason to expect a boost to investment in the coming year given rising demand. Despite weak overseas growth, exports are performing reasonably well due to increased competiveness, especially on the back of low domestic gas prices. Fiscal policy is essentially neutral and is not likely to change much for the remainder of the current presidency. On the other hand, income inequality continues to increase, thus hurting consumer spending because only a small share of consumers are experiencing significant income gains. The failure of the government to enact immigration reform means that the country continues to face a shortage of skilled workers, especially in the realm of information technology. Finally, there is a risk that some members of Congress will, once again, make raising the debt ceiling a contentious issue. If this happens, it could have a temporary negative impact on asset prices, business investment and hiring. The Eurozone is in trouble. After a promising start to 2014, the region's economy has decelerated quickly, led by Germany traditionally the engine of European growth. France is also weak and Italy is back in recession. Among major Eurozone economies, only Spain is experiencing a significant rebound in growth although unemployment remains ruinously high. The region suffers from several problems:

- Credit markets continue to fail. Despite an increasing money supply, bank lending is declining. This reflects the fact that many banks in the region remain laden with bad debts and are attempting to recapitalize by cutting lending and selling risky assets. This is especially problematic in southern Europe where, as a result of perceived banking problems, risk spreads remain high. This discourages borrowing.

Additionally, the fear of deflation is discouraging businesses from borrowing for the purpose of investment.

- Fiscal austerity has had a negative impact on growth. In Germany, where there is now a balanced budget, the government insists on further cuts in spending in order to produce a surplus. Some critics, including the International Monetary Fund, the U.S. government, the European Central Bank and many countries within the Eurozone, have called on Germany to borrow cheaply in order to boost spending on infrastructure. The idea is that such spending would boost domestic demand in both Germany and the rest of Europe, but Germany insists that it will not revert to fiscal stimulus.
- Many countries, such as France and Italy, remain mired in onerous regulations especially as pertains to their labor markets. This depresses productivity, elevates unemployment and hurts exports. While both governments intend to reform their labor laws, the pace of reform has been modest.
- Fourth, the Russian/Ukraine crisis has had a negative impact on Europe's economies, especially those of Germany, Finland, Poland and the Baltics all of which have significant economic relations with Russia.

The only major effort to reverse Europe's dilemma comes from the European Central Bank, which has implemented a more aggressive monetary policy involving low interest rates, direct loans to banks and purchases of securitized assets. Some critics fear that the program will not be sufficient. Moreover, it is not clear that the ECB will be willing to go further and purchase government bonds given substantial German opposition. Initially, the take-up on the lending program was weak given that banks are not confident that there would be sufficient demand for cheap loans. Hence, the outlook for the Eurozone is modest at best. There remains a significant risk of a regional recession.There are a few bright spots in Europe: Britain, Ireland and Spain. The British economy is growing rapidly following an aggressive monetary policy and government subsidies for housing. On the other hand, there is increasing concern that Britain may ultimately exit the EU. In Ireland, growth has resumed at a strong pace as the economy recovers from a very deep recession. The Spanish economy is rebounding nicely following productivity gains and wage restraint, both of which have buttressed export competitiveness. Yet Spain faces very high unemployment as well as a separatist movement in Catalonia. China's economy has slowed and continues to show signs of weakness despite government efforts to reverse the slowdown. Growth is now slightly above 7 percent which, if sustained, would be the slowest pace of growth in nearly two decades. While this seems high in comparison to developed economies, it is low by recent historical standards in China. Moreover, growth below this level would mean an inability to absorb workers migrating from rural to urban areas. The result would be high unemployment and social unrest. And, if the workers don't migrate, China won't grow since there would be zero productivity gains that come from switching workers from farms to factories. Thus, China cannot afford to grow any slower. Why is China decelerating?

- Export markets like Europe have been dormant. Even the U.S. market isn't what it used to be for China. Plus, China's wages and currency have increased, thereby reducing the competitiveness of Chinese exports. The result has been that some manufacturing capacity has moved outside of China. Basic assembly, for instance, is moving from China to Vietnam, Indonesia and elsewhere.
- The government has attempted to limit the growth of the shadow banking system. Lending outside traditional banking channels has resulted in excess investment in property, infrastructure and heavy industry. The result is a growing volume of non-performing assets that threatens the stability of the financial system. Yet efforts to limit this activity have contributed to the slowdown in growth. The government is torn between the desires to limit financial risk and to avoid a sharp slowdown. It has taken measures to limit the growth of shadow banking while, at the same time, attempted to stimulate more traditional forms of credit. Yet it has so far failed to liberalize the financial system.
- A modest fiscal stimulus implemented in 2014 appears to be unwinding, thus removing stimulation for the economy.
- A government crackdown on corruption has had a chilling effect on high-end retail spending as well as on some areas of business investment.

Going forward, China will require significant reforms if it is to retain strong growth. The government has proposed such reforms, but has not acted. These would entail liberalizing financial services, improving management of state-run companies, creating a level playing field for private companies, protecting property rights, boosting the social safety net for consumers in order to stimulate more spending and investing more in education and public health. For now, the outlook for reform is murky as the leadership struggles to choose between short-term and long-term goals. Under Prime Minister Shinzo Abe, Japan has engaged in a very aggressive monetary policy involving massive purchases of assets similar to the quantitative easing undertaken by the U.S. Federal Reserve. In late 2014, the Bank of Japan increased the pace of asset purchases in an effort to boost expectations for higher inflation. The policy boosted inflation, suppressed the value of the yen, increased equity prices and reduced real borrowing costs. Although the policy initially boosted economic activity in early 2013, it has since abated. Moreover, a major tax increase in April 2014 caused a rapid drop in economic activity from which Japan is still reeling. Another scheduled tax increase scheduled for this year threatens to undermine recovery and, as of this writing, it is not clear if the government will go through with it. Wages are not rising in line with inflation, which means that real consumer purchasing power is declining. And businesses are reluctant to invest until it is clear that inflation is here to stay. They fear that a return to deflation will reduce the return on any investment. Thus, the growth outlook is uncertain. Many businesses are hoping that Prime Minister Abe will implement the deregulatory component of “Abenomics.” But Abe has been reluctant to act on issues that are politically difficult. The one issue on which the Prime Minister has been quite aggressive is his effort to boost female participation in the labor force. In Japan, female participation is considerably lower than in other developed economies. Abe believes that, if participation increases, economic growth will accelerate. In addition, increased participation would alleviate pension difficulties. From a retail perspective, increased female participation would probably lead to increased modernization and consolidation of retailing. Brazil’s economy is in recession. This is due to a sharp drop in commodity prices (due to China’s slowdown); a central bank policy of high interest rates to fight inflation and to stabilize the currency; and business lack of confidence due to a government policy of high regulation and protectionism. The election in late 2014 resulted in a second term for President Dilma Rousseff. As of this writing, it is not clear if she will shift toward the center and endorse more market-oriented policies that the business community has urged. Her major platform has been an effort to boost the spending power of the poor through government transfers. The economic outlook is poor as there is likely to be continued downward pressure on the currency due to the impending shift in U.S. monetary policy. Thus, the central bank will likely be compelled to keep interest rates high. In addition, Brazilian domestic demand is likely to be constrained by the high level of consumer debt relative to disposable income. Exports of commodities are likely to be restrained due to the slowdown in China and manufactured exports’ lack of competitiveness. India had a highly significant election in 2014, resulting in the election of Narendra Modi as Prime Minister. For the first time in more than 30 years, a Prime Minister's party has a majority in the Parliament, thus boosting prospects for enacting reform legislation. Yet in his first six months in office, not much reform legislation was proposed, disappointing supporters who were euphoric following Modi's victory. They are hoping he will deregulate industry and labor markets, reduce costly subsidies, boost infrastructure investment, negotiate freer trade and ease restrictions on foreign investment. If he does these things, India's growth outlook will likely improve dramatically. Meanwhile, growth is recovering from its doldrums but remains below potential. The central bank has managed to reduce inflationary expectations, which should have a positive impact on growth. Russia's economy is in bad shape. Following the crisis in Ukraine and the implementation of sanctions, there was massive capital flight from Russia resulting in a sharp drop in the currency. This, in turn, led the central bank to significantly raise interest rates several times. The result has been that investment dried up, including foreign investment. Moreover, the declining global price of oil has contributed to downward pressure on the currency and concerns about the ability of Russian debtors to service their external debts. The sanctions that have been imposed mean that some large Russian companies will have trouble rolling over foreign debts due to limited access to foreign financial markets. Some energy companies will lack access to technologies that are needed to tap into Arctic reserves. This means that oil production is likely to decline absent an end to sanctions. To deal with the deteriorating economic relations between Russia and the West, the Russian government is attempting to pivot toward China as a source of capital and as an export market. This is unlikely to be an adequate replacement for Europe, however. Longer term, Russia faces competition as the United States is likely to export more oil and liquid natural gas to Europe. Thus, the outlook for Russia is uncertain. Mexico's economy is not growing strongly, but that hasn't stopped investors from bursting with enthusiasm. There are two major reasons. First, Mexico's reformist government has liberalized foreign investment in energy, deregulated telecoms and media and attempted to end public corruption. Second, Mexico is experiencing a renaissance in manufacturing due to higher wages in China (and therefore more competitive labor costs in Mexico), lower energy prices in North America and a rebound in U.S. demand. Thus, the outlook for Mexico is quite good. Sub-Saharan Africa is the second-fastest growing economic region of the world after East Asia. This is due to a confluence of positive factors including substantial inbound investment in commodity production, strong commodity exports, better governance in several countries, an end to civil conflict in a number of countries, youthful demographics that have boosted the labor force and increased domestic demand in Africa's largest economies. Although commodity prices have declined, Africa's growth prospects still remain positive. The rising middle class is contributing to the modernization of retailing and greater consumer market opportunities. Moreover, Africa has become a surprising laboratory for experimentation in mobile commerce. As a whole, the 2013 fiscal year was another challenging one for retailers. Europe remained in recession during most of 2013: It began to recover modestly by the end of the year, but growth remained poor. The economy continued to be afflicted by weak credit markets, fiscal austerity and weak export markets. The U.S. economy grew slowly in 2013 largely due to a tightening of fiscal policy. Wages were relatively stagnant except for households at the upper end. In Japan, there were signs of an economic recovery owing mainly to the government's economic stimulus measures, but the economy slowed in the second half of the year. Efforts to create some inflation did not yield wage gains, and real purchasing power for consumers continued to decline. The Chinese economy decelerated sharply in 2013, and similar slow growth continued into 2014. Inflation decelerated and producer prices declined, indicating lots of excess capacity in the economy. The government cracked down on lavish spending by officials and luxury gift giving, creating problems for high-end retailing. On the positive side, a shortage of labor boosted wages. Many emerging countries saw their economies decelerate during this period as capital flowed back to the United States following talks of a change in U.S. monetary policy. Emerging market central banks tightened monetary policy in order to stabilize their currencies. This had a chilling effect on investment and slowed growth. The continued weak global economy left many consumers financially constrained and retail sales under pressure. Revenue growth for the Top 250 Global Powers of Retailing, which began decelerating in 2011, continued to slow in 2013. Sales-weighted, currency-adjusted retail revenue increased 4.1 percent in 2013 for the Top 250, following a 4.9 percent gain in 2012, 5.1 percent growth in 2011 and an increase of 5.3 percent in 2010. Although growth continued to decelerate, nearly 80 percent of the Top 250 (199 companies) posted an increase in retail revenue in 2013. Despite softer growth, profitability for the Top 250 improved. Net income/loss figures were available for 195 of the Top 250 companies in 2013: Of those, more than 90 percent (179) were profitable, a slight increase over 2012 results. The composite net profit margin advanced to 3.4 percent from 3.1 percent the year before. A higher profit margin boosted composite return on assets to 5.3 percent from 5 percent in 2012. (Note: Comparisons with prior year Top 250 results should be interpreted with caution due to changes in the composition of the Top 250 over time.) The Top 250 Global Powers of Retailing[11] generated retail revenue approaching $4.4 trillion in

[11] "Global Powers of Retailing 2014" (PDF). Deloitte. Retrieved March 2014.

2013, with an average size of more than $17.4 billion. To earn a spot on the list required fiscal 2013 retail revenue of $3.7 billion, down from 2012's $3.8 billion. The lower threshold is the result of a decision to exclude convenience store companies from consideration if the majority of their retail revenue is derived from the sale of motor fuel. This resulted in the elimination of seven former Top 250 companies. Competition to be among the Top 250 is keen at the bottom of the list as most retailers are not mega-sized companies. More than one quarter of the Top 250 (68 companies) had retail revenue of less than $5 billion in 2013. Only 46 companies, or less than 20 percent, had retail sales of $20 billion or greater. Knocking on the door were 39 companies between $3 billion and $3.7 billion in 2013 retail revenue.

Table 1. Top ten retailers worldwide

Top 250 rank	Name of company	Country of origin	2013 Retail revenue (US$mil)	2013 Retail revenue growth	2013 Net profit margin	2013 Return on assets	CAGR* Retail revenue 2008-2013	# countries of operation	% retail revenue from foreign operations
1	Wal-Mart Stores, Inc.	U.S.	476,294	1.5%	3.5%	8.2%	3.3%	28	28.9%
2	Costco Wholesale Corporation	U.S.	105,156	6.1%	2.0%	6.8%	7.7%	9	28.2%
3	Carrefour S.A.	France	98,688	-2.4%	1.8%	3.1%	-3.0%	33	52.7%
4	Schwarz Unternehmens Treuhand KG	Germany	98,662e	9.5%	n/a	n/a	6.5%	26	58.2%
5	Tesco PLC	U.K.	98,631	-2.0%	1.5%	1.9%	2.9%	13	32.3%
6	The Kroger Co.	U.S.	98,375	1.7%	1.6%	5.2%	5.3%	1	0.0%
7	Metro Ag[1]	Germany	86,393e	-2.5%	0.7%	1.4%	-0.9%	32	62.3%
8	Aldi Einkauf GmbH & Co. oHG	Germany	81,090e	4.7%	n/a	n/a	5.5%	17	59.2%
9	The Home Depot, Inc.	U.S.	78,812	5.4%	6.8%	13.3%	2.0%	4	10.8%
10	Target Corporation	U.S.	72,596	0.9%	2.7%	4.4%	2.9%	2	1.8%
Top 10[2]			**$1,294,698**	**2.0%**	**2.8%**	**6.0%**	**3.0%**	**16.5[3]**	**32.5%**
Top 250[2]			**$4,354,562**	**4.1%**	**3.4%**	**5.3%**	**4.2%**	**10.2[3]**	**24.2%**
Top 10 share of Top 250 retail revenue			29.7%						

*Compound annual growth rate
[1] Metro changed its fiscal year from end of December to end of September. Fiscal 2013 results reported here include the 9 months ended 30 September 2013 plus the quarter ended 31 December 2013 to create a 12-month period equilvalent to prior years.
[2] Sales-weighted, currency-adjusted composites
[3] Average
e = estimate
n/a = not available

Source: "2013 Top 250 Global Retailers". Retrieved March 2014. Published company data and Planet Retail.

Costco's steady sales growth boosted the company into second place in 2013 from third in 2012. Carrefour, Schwarz Group, Tesco and Kroger ranked in marginal descending order all achieved 2013 retail revenue of more than $98 billion. Despite lower sales in 2013, Carrefour, which ranked fourth in 2012, assumed third place, while Schwarz Group moved up two spots into fourth place. Tesco dropped from second place in 2012 to fifth in 2013 as a result of both declining sales and a weaker British pound against the U.S. dollar. Sixth-ranked Kroger may overtake all three of these companies in the future as a result of its January 2014 acquisition of Harris Teeter Supermarkets, which had revenues of $4.7 billion in fiscal year 2013. Despite a 2.5 percent sales decline, Metro maintained its ranking as the world's seventh-largest retailer based on 2013 annualized sales. (Metro changed its fiscal year from the end of December to the end of September. The company's 2013 results reported here include the nine months ended September 30 its shortened fiscal year plus the three months ended December 31 to create a 12-month period equivalent to prior years.) Aldi overtook The Home Depot on the back of a stronger euro, moving into eighth place. Tenth-ranked Target, which joined the top 10 for the first time in 2012, retained its position, but will likely be surpassed in 2014 by 11th-ranked Walgreen Co., which acquired the remaining 55 percent of Alliance Boots in August 2014. Compared with the Top 250 overall, the 10 largest retailers have a much bigger global footprint. On average, the top 10 had retail operations in 16.5 countries compared with 10.2 countries for the Top 250. Nearly one-third of the top 10's total retail revenue came from foreign operations, while the entire group derived about one-quarter of its collective business outside the retailers' home country. Four of the world's largest retailers Carrefour, Schwarz, Metro and Aldi depended on foreign markets for the majority of their sales. Target's expansion into Canada in 2013 left Kroger as the lone single-country operator among the world's 10 largest retailers.

1.2 Global powers of retailing

The European region, with 90 companies, accounted for the largest share of the world's Top 250 retailers in 2013. However, North America, with 88 companies averaging nearly $22 billion in retail sales, maintained the largest share of Top 250 revenue. Despite their number and size, the European (2.6 percent) and North American (3.1 percent) retailers posted the lowest composite growth rates in 2013. For both regions, top-line revenue grew at the slowest pace since 2009. Nearly one-quarter of the Top 250's European retailers (22 of 90) and North American retailers (20 of 88) experienced declining retail revenue in 2013. Many of these companies continue to rationalize their portfolios and disengage from difficult markets with the effect of reducing the overall size of their businesses. Tesco's operations in China, the United States and Japan were all treated as discontinued in 2013. Tesco has teamed up with China Resources Enterprise to combine its 134 Chinese stores with CRE's Vanguard unit, which operates almost 3,000 hypermarkets and supermarkets across China and Hong Kong. Tesco will be a minority partner in the joint venture. This move follows decisions to abandon the United States and Japan and focus on investing in its home market. In line with

Carrefour's turnaround plan that includes reducing its presence in Asia and refocusing on core activities, the French retailer sold its 60 percent stake in Carrefour Indonesia to its local partner CT Corp in January 2013. This came shortly after the sale of its Malaysian business to Aeon. Carrefour also reorganized its partnership in Turkey, with its Turkish partner becoming the majority shareholder of the joint venture. Metro, Dixons, Delhaize, Makro, Darty and Dia also disposed of non-core operations in 2013.

Table 2. Region/country profiles, 2013

	# companies	Average retail revenue (US$mil)	Share of Top 250 Companies	Share of Top 250 Revenue
Top 250	250	$17,418	100.0%	100.0%
Africa/Middle East	7	$6,384	2.8%	1.0%
Asia/Pacific	55	$11,121	22.0%	14.0%
Japan	31	$9,835	12.4%	7.0%
Other Asia/Pacific	24	$12,782	9.6%	7.0%
Europe	90	$18,840	36.0%	38.9%
France	14	$29,279	5.6%	9.4%
Germany	17	$27,060	6.8%	10.6%
U.K.	14	$19,391	5.6%	6.2%
Other Europe	45	$12,316	18.0%	12.7%
Latin America	10	$7,757	4.0%	1.8%
North America	88	$21,875	35.2%	44.2%
U.S.	79	$23,108	31.6%	41.9%
Canada	9	$11,052	3.6%	2.3%

Results reflect Top 250 retailers headquartered in each region/country

Source: "2013 Top 250 Global Retailers". Retrieved March 2014. Published company data and Planet Retail.

Table 3. Level of globalization by region/country, 2013

	% retail revenue from foreign operations	Average # of countries	% single-country operators
Top 250	24.2%	10.2	34.8%
Africa/Middle East	25.1%	12.1	0.0%
Asia/Pacific	14.0%	5.4	43.6%
Japan	9.4%	3.9	45.2%
Other Asia/Pacific	18.9%	7.4	41.7%
Europe	38.6%	16.2	22.2%
France	43.6%	28.6	7.1%
Germany	45.4%	15.4	5.9%
U.K.	21.5%	16.1	21.4%
Latin America	22.9%	2.3	40.0%
North America	14.7%	7.8	44.3%
U.S.	15.4%	8.5	40.5%

Results reflect Top 250 retailers headquartered in each region/country

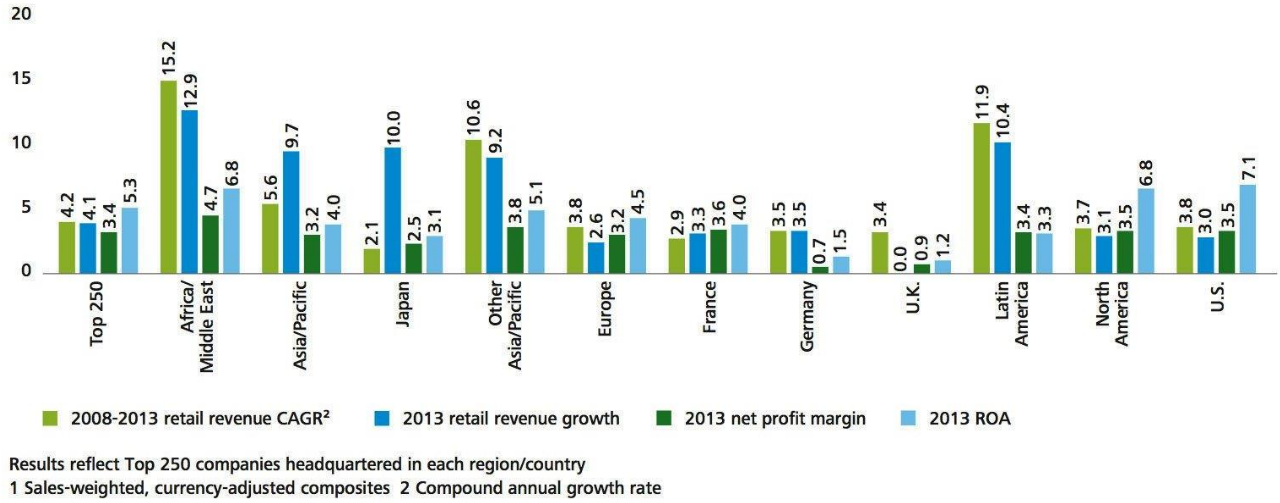
Source: "2013 Top 250 Global Retailers". Retrieved March 2014. Published company data and Planet Retail.

In North America, Safeway completed the sale of Canada Safeway to Sobeys, a wholly owned subsidiary of Empire Company, in November 2013. With Canada Safeway considered a discontinued operation, the company's revenue dropped 19.2 percent[12]. Best Buy divested its Best Buy Europe joint venture in June 2013, resulting in a 14.5 percent revenue reduction. While growth moderated, profitability improved in both regions in 2013. North American retailers reported a 3.5 percent composite net profit margin; for the European region, the composite net profit margin was 3.2 percent. North American retailers made more profitable use of their resources compared with European retailers, generating a 6.8 percent return on assets versus Europe's 4.5 percent. Among the big three European economies, German retailers saw the strongest top-line growth, albeit a modest 3.5 percent. This compares with 3.3 percent for the French retailers and no growth for the U.K.-based companies on a composite basis. More than one-third (five of 14) of U.K. companies witnessed declining sales in 2013. On the bottom line, French retailers were the most profitable, posting a

[12] In March 2014, Safeway announced it had entered into a definitive merger agreement with Albertsons.

composite net profit margin of 3.6 percent. European retailers are, by far, the most globally active especially those based in Germany and France, where revenue from foreign operations exceeds 40 percent. On average, Europe's Top 250 retailers operated in 16.2 countries in 2013 compared with 10.2 for the Top 250 as a whole and 7.8 for those based in North America. While the share of Top 250 retailers that operate outside their home country continues to grow, the North American region maintained the highest percentage of single-country operators (44.3 percent in 2013).

Table 4. Sales growth and profitability by region/country[1] %, 2013



Source: "2013 Top 250 Global Retailers". Retrieved March 2014. Published company data and Planet Retail.

In the Asia/Pacific region, retail revenue grew a robust 9.7 percent in 2013, fueled by Japanese retailers' 10 percent increase in sales. Nearly one-third of Japan's Top 250 retailers (10 companies) enjoyed double-digit sales growth in 2013. Part of the increase especially late in the fiscal year was the result of a consumer spending spree that occurred prior to the national sales tax hike that took effect on April 1, 2014. Acquisitions also played a significant role. Japan's leading electronics and appliance specialty retailer Yamada Denki increased its shareholding to a majority stake in Best Denki in December 2012, making it a consolidated subsidiary and boosting the company's revenue 11.3 percent in 2013. Aeon undertook a series of acquisitions that helped grow the retail giant's 2013 retail revenue by 11.9 percent. Revenue for Bic Camera soared 56.2 percent in 2013 following the acquisition of a controlling stake in its smaller rival Kojima, creating the second-biggest group in Japan's electronics retail industry. Japanese drug store retailers Tsuruha Holdings and Welcia Holdings also made acquisitions during the fiscal year, driving further consolidation in that industry. It should be noted that the continued depreciation of the Japanese yen in 2013 eliminated a number of Japanese retailers who, except for the currency headwinds, would have remained among the Top 250. In 2013, there were 31 Japanese retailers in the Top 250, down from 39 in 2012. All but one of the 10 Latin American retailers in the Top 250 saw their top-line sales increase in 2013 seven at a double-digit pace. As a result, composite revenue growth was up 10.4 percent, second only to the Africa/Middle East region. Nevertheless, both sales growth and profitability for the region declined from their 2012 levels, dragged down by Chilean retailer SMU's results as the company implemented a plan to strengthen its financing, including the sale of assets. Strong growth continued to yield above-average profitability in the Africa/Middle East region in 2013. All seven of the region's Top 250 retailers posted revenue increases, which ranged from 6.5 percent (Pick n Pay Stores) to 21.6 percent (Steinhoff International) and resulted in composite retail revenue growth of 12.9 percent the highest of any region. The group's composite net profit margin of 4.7 percent also led the industry. The region's six publicly held retailers all operated profitably during the year.

Table 5. Top 10 retailers by region, 2013

Region rank	Top 250 rank	Company	Country of origin	2013 retail revenue (US$ mil)	2013 retail revenue growth
Top 10 European retailers, 2013					
1	3	Carrefour S.A.	France	$98,688	-2.4%
2	4	Schwarz Unternehmens Treuhand KG	Germany	$98,662e	9.5%
3	5	Tesco PLC	U.K.	$98,631	-2.0%
4	7	Metro Ag[1]	Germany	$86,393e	-2.5%
5	8	Aldi Einkauf GmbH & Co. oHG	Germany	$81,090e	4.7%
6	13	Casino Guichard-Perrachon S.A.	France	$63,468**	15.1%
7	14	Groupe Auchan SA	France	$62,444	2.4%
8	16	Edeka Zentrale AG & Co. KG	Germany	$59,704**	3.3%
9	21	Rewe Combine	Germany	$51,109**	1.0%
10	23	Centres Distributeurs E. Leclerc	France	$47,671e**	4.1%

Region rank	Top 250 rank	Company	Country of origin	2013 retail revenue (US$ mil)	2013 retail revenue growth
Top 10 North American retailers, 2013					
1	1	Wal-Mart Stores, Inc.	U.S.	$476,294	1.5%
2	2	Costco Wholesale Corporation	U.S.	$105,156	6.1%
3	6	The Kroger Co.	U.S.	$98,375	1.7%
4	9	The Home Depot, Inc.	U.S.	$78,812	5.4%
5	10	Target Corporation	U.S.	$72,596	0.9%
6	11	Walgreen Co.	U.S.	$72,217	0.8%
7	12	CVS Caremark Corporation	U.S.	$65,618	3.1%
8	15	Amazon.com, Inc.	U.S.	$60,903	17.7%
9	20	Lowe's Companies, Inc.	U.S.	$53,417	5.7%
10	25	Best Buy Co., Inc.	U.S.	$42,410	-14.5%

Region rank	Top 250 rank	Company	Country of origin	2013 retail revenue (US$ mil)	2013 retail revenue growth
Top Africa/Middle East retailers, 2013					
1	107	Shoprite Holdings Ltd.	S. Africa	$9,869**	10.2%
2	128	Steinhoff International Holdings Ltd.	S. Africa	$8,217	21.6%
3	148	Pick n Pay Stores Limited	S. Africa	$6,351	6.5%
4	151	BİM Birleşik Mağazalar A.Ş.	Turkey	$6,242	19.6%
5	174	The SPAR Group Limited	S. Africa	$5,175**	9.7%
6	183	Emke Group/Lulu Group International	UAE	$5,000e	9.6%
7	239	Woolworths Holdings Limited	S. Africa	$3,834	12.7%

Region rank	Top 250 rank	Company	Country of origin	2013 retail revenue (US$ mil)	2013 retail revenue growth
Top 10 Asia/Pacific retailers, 2013					
1	17	Aeon Co., Ltd.	Japan	$57,986**	11.9%
2	18	Woolworths Limited	Australia	$54,457	3.9%
3	19	Seven & i Holdings Co., Ltd.	Japan	$54,258**	13.3%
4	22	Wesfarmers Limited	Australia	$50,711	4.6%
5	40	Lotte Shopping Co., Ltd.	S. Korea	$24,601	13.4%
6	51	A.S. Watson Group	Hong Kong SAR	$19,230**	0.4%
7	53	Yamada Denki Co., Ltd.	Japan	$18,921**	11.3%
8	59	Suning Commerce Group Co., Ltd.	China	$16,616	4.6%
9	69	Gome Home Appliance Group	China	$13,441e	9.6%
10	74	Isetan Mitsukoshi Holdings Ltd.	Japan	$12,856	6.7%

Region rank	Top 250 rank	Company	Country of origin	2013 retail revenue (US$ mil)	2013 retail revenue growth
Top 10 Latin American retailers, 2013					
1	47	Cencosud S.A.	Chile	$19,855	13.1%
2	88	S.A.C.I. Falabella	Chile	$11,377	13.0%
3	127	Organización Soriana, S.A.B. de C.V.	Mexico	$8,240**	0.4%
4	134	FEMSA Comercio, S.A. de C.V.	Mexico	$7,655	12.9%
5	149	Coppel S.A. de C.V.	Mexico	$6,304	17.0%
6	150	Lojas Americanas S.A.	Brazil	$6,247	18.2%
7	176	Grupo Comercial Chedraui, S.A.B. de C.V.	Mexico	$5,157	3.8%
8	177	El Puerto de Liverpool, S.A.B. de C.V.	Mexico	$5,156	11.8%
9	241	SMU S.A.	Chile	$3,823**	-9.2%
10	247	Magazine Luiza SA	Brazil	$3,758	14.5%

[1] Metro changed its fiscal year from end of December to end of September. Fiscal 2013 revenue reported here includes the 9 months ended 30 September plus the 3 months ended 31 December.

e = estimate
** Revenue includes wholesale and retail sales

Source: "2013 Top 250 Global Retailers". Retrieved March 2014. Published company data and Planet Retail.

1.3 Fast-moving consumer goods

Fast-moving consumer goods (FMCG) or consumer packaged goods (CPG) are products that are sold quickly and at relatively low cost. Examples include non-durable goods such as soft drinks, toiletries, over-the-counter drugs, processed foods[13] and many other consumables[14]. In contrast, durable goods or major appliances such as kitchen appliances are generally replaced over a period of several years. The term was coined by Neil H. Borden in The Concept of the Marketing Mix in 1965 (1996, Prentice-Hall, Inc.). FMCG have a short shelf life, either as a result of high consumer demand or because the product deteriorates rapidly. Some FMCGs, such as meat, fruits and vegetables, dairy products, and baked goods, are highly perishable. Other goods, such as alcohol, toiletries, pre-packaged foods, soft drinks, chocolate, candies, and cleaning products, have high turnover rates. The sales are sometimes influenced by some holidays and season. Though the profit margin made on FMCG products is relatively small (more so for retailers than the producers/suppliers), they are generally sold in large quantities; thus, the cumulative profit on such products can be substantial. FMCG is probably the most classic case of low margin and high volume business. The following are the main characteristics of FMCGs[15]:

From the consumers' perspective

- Frequent purchase
- Low involvement (little or no effort to choose the item)
- Low price
- Short shelf life
- Must use for daily consumption

From the marketers' angle

- High volumes
- Low contribution margins
- Extensive distribution networks
- High stock turnover

[13] Ramanuj Majumdar (2004). Product Management in India. PHI Learning. pp. 26–27. ISBN 978-81-203-1252-4. Retrieved 2010-06-19.
[14] Sean Brierley (2002). The advertising handbook By Sean Brierley (2, illustrated ed.). Routledge. p. 14. ISBN 978-0-415-24391-9.
[15] Aydın Çelen; Tarkan Erdoğan; Erol Taymaz (June 2005). "Fast Moving Consumer Goods Competitive Conditions and Policies" (PDF). Economic Research Center, Middle East Technical University. Retrieved 2007-07-09., p.2-4

The retail market for FMCGs includes businesses in the following International Standard Industrial Classification[16] (Revision 3, ISIC) categories:

- ISIC 5211 retail sales in non-specialized stores
- ISIC 5219 other retail sales in non-specialized stores
- ISIC 5220 retail sales of food, beverages and tobacco in specialized stores
- ISIC 5231 retail sales of pharmaceutical and medical goods, cosmetic and toilet articles
- ISIC 5251 retail sales via mail order houses
- ISIC 5252 retail sales via stalls and markets
- ISIC 5259 wholesale goods
- ISIC 5269 wholesale medical prescriptions

Supplier industries for FMCGs include:

- 1512 fish and fish products
- 1513 fruit and vegetables
- 1514 vegetable and animal oils and fats
- 1520 dairy products
- 1531 grain mill products
- 1532 starches and starch products
- 1533 animal feeds
- 1541 bakery products
- 1542 sugar
- 1543 cocoa, chocolate and sugar confectionery
- 1544 macaroni, noodles, couscous
- 1549 other food products
- 1551 spirits, ethyl alcohol
- 1552 wines
- 1553 malt liquors and malt
- 1554 soft drinks, mineral waters

[16] The International Standard Industrial Classification of all Economic Activities is a United Nations industry classification system.

- 1600 tobacco products
- 2101 pulp, paper and paperboard
- 2102 corrugated paper, containers
- 2109 other articles of paper and paperboard
- 2424 soap and detergents, cleaning preparations, perfumes
- 2430 men's and women's inner garments, shaving gels, deodorants

In the retail business, companies generally sell goods that span a range of product types, prices and profit margins. Fast moving consumer goods, also known as consumer packaged goods, are items that usually sell quickly and for a relatively low price. While FMCGs/CPGs are easy to dismiss, they still play vital roles in how retail businesses operate[17]. For a retailer's bottom line, the key benefit of CPGs/FMCGs is the cumulative profit they provide. CPGs/FMCGs have low profit margins, which means that a small percentage of each each unit sale represents profit. However, CPGs/FMCGs also sell in very high quantities. This means that those small profits add up and can form a significant portion of a retailer's total profits for a fiscal period. This profit serve any number of financial purposes in the business. Retailers thrive when customers buy multiple items on each visit. CPGs/FMCGs provide opportunities for cross merchandising, which occurs when a business places two products from different categories close to one another in a strategic arrangement. For example, an electronics retailer may sell remote controls that have high profit margins but don't fall into the CPG/FMCG category. A shelf of batteries (which are CPGs/FMCGs) next to those remotes provides a chance to boost sales and earn profit on two items when customers choose to buy the batteries they will need to operate their new remotes at the same time. When a retailer offers CPGs/FMCGs, it can rely on the brand appeal that they generate to drive sales. Most CPGs/FMCGs come from brands that advertise heavily. This means that when customers see CPGs/FMCGs on store shelves they have pre-existing emotional relationships with those brands, which may not be true of the other items that the retailer sells. Seeing recognizable brands may build trust between the customer and retailer or lead to an additional purchase based on brand awareness, with no special effort from the retailer. Selling CPGs/FMCGs spreads a retailer's revenue sources over a broader spectrum of goods. The profits can help offset slow sales for other products during seasonal dips in demand or periods

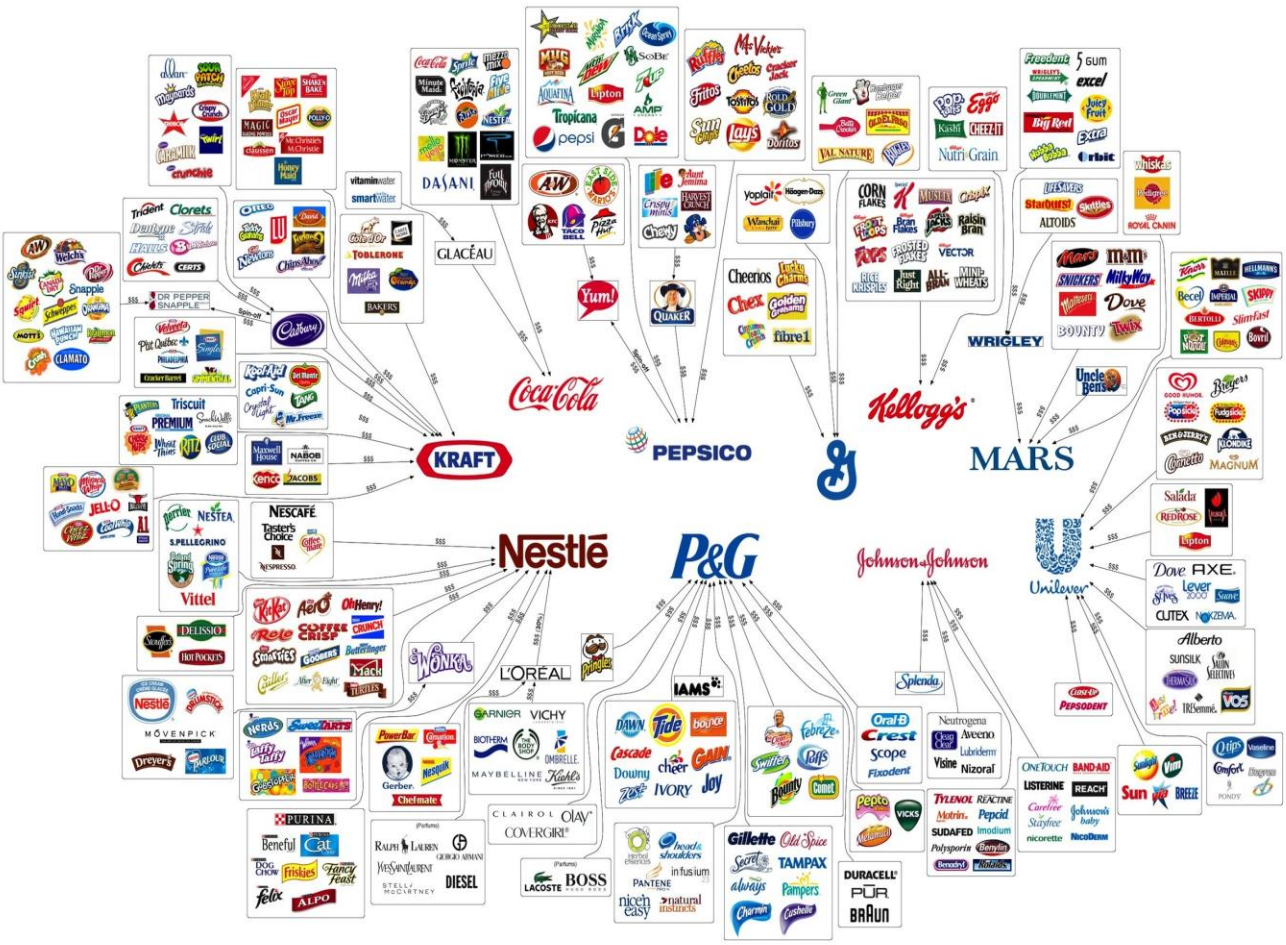
[17] The Advantages of Fast Moving Consumer Goods or Consumer Packaged Goods by Dennis Hartman, Demand Media, Small Business Sitemap.

of reduced consumer confidence. In the category of CPGs/FMCGs, retailers can choose from among an almost unlimited range of product types including pharmaceuticals, food items, beverages, household products and disposable items. The range is so broad that some retailers, such as grocery stores and convenience markets, stay in business selling them exclusively.

1.4 The convergence in the food industry

A handful of companies control the food industry. The hundreds of brands that we find on the shelves of supermarkets give us the impression that our money goes to so many different companies. But that's not truth: a large majority of these brands belong to a handful of companies. The following graphic provides an overview of where our money really goes.

Figure 1. Ten Companies control enormous number of consumer brands



Source: French blog convergencealimentaire.info, 2012.

These companies are so big that they have a dangerous political power. This reason is that, somehow, encompasses all the others. Profits from these companies are gargantuan: alone, Nestlé has generated more than $ 37 billion profit in 2010. But that money is rapidly converted into political power. Indeed, in our political system, pressure groups are constantly making efforts to pass or block legislation. In general, most lobbyists are well funded and organized, the more they can afford to have a great influence on the decisions taken at the end. The food industry conducts lobbying activities at all levels: international, national and local. In addition, large amounts are invested by these companies in the referendum campaigns of several political candidates from all parties. It would be naive to believe that these companies invest all that money (in 2010, Kraft has spent half a million dollars in contributions to U.S. political candidates; Nestlé, alone, donated nearly $ 300,000 to Schwarzenegger's campaign California) without expecting anything in return: they wish to have their say on legislation that will or will not be adopted. When asked for and against which projects they will pressure the only criterion that seems to apply in their choice is that of profit. This makes sense and seems reasonable, since these are companies which, after all, have the task of making a profit. However, political pressure for profit is often in conflict with the interests of the population, for which politicians should be able to work without countervailing pressures. It is bad for all the interest of companies comes before that of the population, especially when it comes to important areas such as public health. The record of the labeling of products containing genetically modified organisms (GMOs) is a good example to date, it is impossible to know if GMOs have a dangerous effect on health or not. Despite this, a majority of products on supermarket shelves already contain GMOs. The U.S. state of Oregon attempted in 2002 to introduce legislation to require companies to disclose which of their products contain GMOs. We do not mean to ban GMOs, or even reduce their use, but only to inform consumers of their presence in the products purchased, and giving them a choice to buy or not. A huge lobby representing the food giants was then formed, with each company contributing to dozens of blows thousands of dollars (PepsiCo has invested $ 127,000, Procter & Gamble, $ 80,000). Finally, the bill is not passed. Elected officials, who would normally protect the population, are fast becoming powerless, especially if their election depends on funds advanced by these same companies. This becomes an indirect form and legal corruption, and it is easy to believe that if it were possible, these multinationals would use more direct means. Unilever has admitted to the New York Times for giving bribes, kickbacks, or "ease of payments" against members of governments in some developing countries. Unilever said they did not encourage such practices, but tolerate it when a "local custom". Our health is largely by the food we buy it is from them that eventually constitute our bodies. To the extent that a vast majority of foods we buy are provided by a very small number of companies, each of them has a huge part to play on our health, which is partly in their hands. Contrary to what they can say well through various advertisements, our health is not part of their genuine concern, quite the contrary. In 2005, almost all the multinational food companies have come together to put pressure on the French government, which was preparing to pass a law banning vending sodas and snacks like "junk food" in schools, and to alter the kind of publicity surrounding the food unhealthy. Much of the project had to be abandoned due to pressure from the food industry. Worse, despite studies of the World Health Organization and UNICEF show that the use of a substitute for breast milk to feed babies contributes to the deaths of 1.5 million children annually in developing countries underdeveloped. Nestlé, the largest manufacturer of breast milk substitutes in the world, openly promotes the choice of using substitutes even if the mother is able to breastfeed. They even fund medical clinics in underdeveloped countries who agree to promote their subsituts breast milk. These practices are directly responsible for the death or poor health of millions of children, an international boycott of Nestle has also been ongoing since the 80's because of this controversy. Economically, the limited number of companies in the food market puts us in an oligopoly. Two major consequences follow from this: a) First, a market controlled by a small number of companies provides "entry barriers", that is to say that any new company that tries to enter this market will life difficult if not impossible. For example, if a new producer is lucky enough that her local supermarket has agreed to sell its product, it is often on almost inaccessible shelves that its product will be placed, which encourages very few people buy it because of Indeed, in conspicuous places are reserved for multinationals, who pay dearly for the privilege. A small producer simply does not have the budget to compete with them. Moreover, people are used to mark the big companies, and have the reflex to immediately buy these brands (who also receive support massive advertising), which makes the competition much more difficult with them. And if a producer was able to finally break into the market with a product that interests people, it is highly likely to be quickly acquired by a multinational and its brand will become another of the hundreds that 'they already have. All this prevents healthy competition in the market. b) Second, an oligopoly often leads to a cartel, ie a small group of companies fixed prices at a higher amount than the market, to increase their profits at the expense of consumers. This practice is generally illegal and falls under the collusion, but that does not prevent companies from entering prostitution. In April

2011, Procter & Gamble had to pay 211 million euro fine after being convicted of a cartel to fix prices in Europe with Unilever and Henkel. Henkel, the smallest company of the three (and one that took advantage of the least), was not penalized, for it is she who has denounced the cartel authorities. Companies that control the food industry have, in general, not an environmental issue rosy. In 2001, Kraft decided to invest heavily in the business of lobbying the Bush administration to campaign against the Kyoto Protocol. In China, PepsiCo and Nestle have been convicted for pollution of waterways. Unilever, meanwhile, 7.4 tons of illegally dumped waste contaminated with mercury at the entrance to the forest Pambar Shola in India, right next to a city with high population density. Unilever was forced to close this plant mercury for this reason. It's also no surprise that Procter & Gamble has lobbied to weaken environmental laws european projects in the area of chemicals. Because of pressure from P&G, the final legislation passed in 2003 by the European Parliament protects only very few citizens and the environment of toxic substances in household products. This "militant" anti-environmentalist whose proofs are these companies has one goal: to ensure that production is the cheapest possible in the short term. Damage in the longer term to the overall population of our planet, including that of animals, has no weight, but he look good. But the most significant impact that these companies have on the environment may be connected to the massive use of palm oil in their food. Indeed, the devastating impacts (large-scale deforestation, relocation of local communities leading to violent situations, extinction of animal species, emission of greenhouse gases) industry of palm oil have been revealed in recent years, but palm oil is still used extensively in a variety of processed products, mainly because of its cheapness and the fact that it represents an alternative (equally unhealthy) to trans fats. The reputation of several multinationals about the working conditions they impose abroad is well established. Over the years, companies operating in various fields have been in the spotlight, the center of several scandals. The fact that the food industry also behaves in this way will therefore probably not surprising. Despite this, the severity of the actions of some of these companies may surprise many. In 2005, Nestlé has been pursued by the ILRF (International Labor Right Fund) for child trafficking. These children are brought into Ivory Coast from surrounding countries to work on cocoa plantations used by the company. Despite several warnings at the point of Nestlé to inform them of these practices, Nestlé has never really reacted on the issue before continuing. Another lawsuit was launched in the U.S., where Nestlé is accused of complicity in slavery, abduction and torture of children in several countries in West Africa. Not to mention the murder of a union leader in Colombia. He had publicly denounced a sneaky strategy that allowed Nestlé to change the labeling of imported milk powder to it seems to be a local product. The powder, often past due, was imported from neighboring countries at a discount. The complaint led to a police investigation which confirmed the facts and reflects Nestlé to court to have undermined public health. Several other murders have mysteriously struck workers who filed complaints against Nestle. But this kind of practice is not the monopoly of Nestlé: the case of Coca-Cola is not any better. Hard not to feel powerless against these multinationals have budgets too immense, a great political influence and who can consistently afford the best lawyers to counter prosecution. But the exorbitant incomes of these companies, which maintain these practices do not grow on trees ... they come from our pockets! It is we who are giving them when every week we buy hundreds of products they offer us in the supermarket. Food represents a huge market: each of us must eat to stay alive, and at rehearsal! Our visits to the supermarket are fair and represent the sum, much of our budgets. It would therefore be wrong to believe that the impact that each of us has on this industry is minimal. Do the exercise, and calculate how much money you spend on groceries per year. Better yet, try out, at your next visit, what percentage of the products you buy are sold by these few multinationals: so you can calculate approximately how much money you give them. The result may be surprisingly high. So even if only one of us cut its contribution, the impact will be several thousand dollars. Two obstacles arise, however: 1) It is difficult to avoid products sold by the handful of companies. They are everywhere, and sometimes it may seem to offer no alternative: if we do not buy the product from Nestlé, then buys the Kraft or Pepsico. But alternatives exist, just look for them. They sometimes require extra effort, particularly the effort to do a little research on the origin of the products we choose to buy (and the company that manufactures them). This effort is seen at the individual level, however, rewarded by the consciousness of making a good choice, and at the collective level by money invested elsewhere in this oligopolistic system. 2) The brands owned by these companies are part of our lives for a long time, they are everywhere. We are used sometimes attached. Advertising encourages us always to buy them. Very often it is very difficult to imagine banish all of our lives, suddenly and completely change our habits in a jiffy; it just is not realistic. But these obstacles should not stop us. First, it may be convenient to print our large graphic and drag him to the store to make the diagnosis of our habits, but also to look at the products available that do not belong to these companies: one becomes aware possible alternatives. Then it is possible to try the products that are offered to us as an alternative, perhaps more than we will appeal, and that our habits will be easier to change as well. It can also be beneficial to try to change our habits one by one: over time, our impact will grow more and more, and we will not be too destabilized. This approach is at least more realistic than sudden and inflexible boycott, although it is ideally desirable.

1.5 The relevance of the marketing metrics

"Nothing exists until it is measured" (Niels Bohr)

In recent years the issue of *marketing metrics* has assumed increasing importance in both empirical and theoretical terms[18]: the changing of external environment[19], but also the internal factors of the company, have in fact put firmly at the center of scholars and prectioner the topic of measurement of *marketing activities*[20]. The markets are now characterized, especially in the retail industry (Moatti, et al. 2015), by high global competition, technological change and increasing wealth generated by new data sources (CRM database, loyalty and fidelity card). This new scenario leads to greater drive for innovation both in the assortment of products and in the store designing. This requires companies to refine the methods and tools of knowledge of the market and customer behavior, and learn about new ways to relate to the environment, in a situation characterized by the progressive integration of different mass media. The goal is to continue to build and maintain stable relations and mutual trust, in order to create value for both. In this economic environment, characterized by rapid changes, but also by uncertainty and unpredictability, especially in some areas of the world such as Europe and the USA, it requires companies continuing changes in the decisions and the greatest attention in the allocation of resources including those intended marketing. Recent studies (Alonso-Almeida, Bremser, 2013) show that the increase in marketing investments, sometimes considered (wrongly) the costs, mitigate the impact of the crisis in the retail business. So in a continuous dialogue between scientific research and socio-economic reality, reveals some evidence on the issue of metrics. The market and customers' knowledge, if it's analyzed and critically managed, allows companies to innovate and thus to overcome the

[18] A list of the main works includes: Ambler (2000); MSI (2008.2010); Gupta, Lehmann (2006); Farris et al. (2008.2010); Kumar (2008); Valdani, Ancarani (2011); Mintz, Currim (2013).

[19] According to Ambler et al. (2004), performance measures have become common language among the market players, and adopted in a uniform way to measure global actions.

[20] In this regard, the *Chief Marketing Officer (CMO) Council*, a body that brings together more than 50,000 global *marketer*, in its 2011 annual report reiterates, at four years from the previous distance, as a priority measurement of *marketing performance* , and more generally,the monitoring of market actions, with the adoption of a *marketing metric system*.

short-term vision. From the academic side, we can summarize the reasons for a renewed interest in marketing metrics in the following points:

a) *the encounter between marketing and finance*[21], the goal is to allow the approach of these two functions, which are unable to communicate due to the lack of a common language (Stewart, 2009);

b) *the need for a rigorous activity of measurement process*[22], the management asked to the marketer to adopt the accountability and demonstrate the economic and financial impacts of their actions and decisions (Mattiacci and Pastore, 2013);

c) *the priority assigned to business management*[23], the importance of these tools is underlined by the Marketing Science Institute[24] which included "*accountability and ROI of Marketing Expenditures*", in the "first tier" of marketing priorities in 2008-2010[25];

d) to *exceed the traditional management practices*[26], management decisions are often based on ex-post measurements. This approach does not allow the systematic detection of the market antecedents and the effects of marketing actions, which are necessary supporting data in decision-making (Farris et al., 2008).

e) *the centrality role of the customer value*[27], scholars suggest to dedicate greater attention to indicators that measuring the value of customers in the long run term, such as *customer lifetime value (CLV) and customer equity (CE).*

f) *the connection between measurement and results*[28], the literature finds that the regular use of maeekting metrics helps to highlight the critical role of marketing in the company, proving

[21] Guilding, McManus (2002); Lehmann,Reibstein (2006); Luo (2008); Lambin (2008); Farris et al. (2010).

[22] Gustafsson et al. (2005); Brondoni (2007); Gao (2010); Cristini (2010); Valdani, Ancarani (2011).

[23] Bolton (2004); Cherubini, Iasevoli (2005); O'Sullivan, Abela (2007); Leeflang et al. (2009); Bick (2009); Busacca,Bertoli (2009).

[24] Founded in 1961, the Marketing Science Institute (MSI) is a corporate-membership-based organization dedicated to bridging the gap between marketing theory and business practice. Leading researchers from universities worldwide participate in MSI research programs. As a nonprofit institution, MSI financially supports academic research for the development and practical translation of marketing knowledge on topics of importance to business performance. MSI headquarters are located in Cambridge, Massachusetts.

[25] In 2014-2016 the Research Priorities of MSI are: Understanding Customers and the Customer Experience and Developing Marketing Analytics for a Data-Rich Environment (tier 1); Measuring and Communicating the Value of Marketing Activities and Investments, Developing and Organizing for Marketing Excellence, Leveraging Digital/Social/Mobile Technology, Creating and Communicating Enduring Customer Value, Developing and Delivering Fully Integrated Marketing Programs (tier 2); Innovating Products, Services, and Markets, Operating in Global Markets, Recognizing Differences in Consumers and Customers, Establishing Optimal Social Contracts with Customers (tier 3).

[26] Gottfredson et al. (2008); Rust et al. (2010)

[27] On the topic of *customer value*, refer to: Kumar (2008); Busacca, Bertoli (2009); Farris et al. (2010); Rust et al. (2010).

[28] On the *positive relationship* between the *use of metrics and marketing performance*, refer to Mintz and Currim (2013).

the positive impact on performance[29]. The knowledge of the *market antecedents*, expands the heritage of the company knowledge, contributing to building a defensible competitive advantage (Molteni and Troilo, 2007). Now it is appropriate to understand what means the expression "*marketing metrics*". Significant definitions (as described in table 6), are the expression of our literature review, in the retail industry. *The measurement of marketing performance*, aimed to support and orientate marketing decisions, represents the common element of the mentioned definitions. Trying to synthesize a personal definition of marketing metrics, we can argue as follows: "*The set of key performance indicators, defined a priori, direct to measure regularly the marketing activities and support the management in decision making"*. This definition is based on the following pillars:

- *focusing of indicators*, or KPI[30] (*Key Performance Indicators*) relevant for the management in order of the established goals;
- *a priori definition*, the parameters to be monitored are selected first, based on the priorities of the company (not *ex post*, occasionally);
- *multidimensionality*, the performances are evaluated with the coexistence of *complementary* metrics, *on-line and off-line*, in relation to different analysis objects.
- *interdependence, or interconnected measures* that facilitate the understanding of what happens in the market and allow to obtain an overview most accurate of results.
- *continuity*, or *indicators that measure regularly* trends, results and antecedents of marketing activities;
- *decision making*, or tools that help to improve management decisions through a process of *comparison and interpretation* of information;
- *dynamicity*, all the key performance indicators (KPI) are defined according to the new management priorities arising from the changing conditions of the external and internal firm's context[31].

[29] Instead on the existing *positive link* between *market orientation, marketing strategies and financial results*, refer to: Stahl et al. (2007); Lehman, Reibstein (2006); Gustafsson et al. (2005); Anderson et al. (2004); Gupta et al. (2004); Zeithaml et al. (2001).
[30] Austin, R. D. (2013). Measuring and managing performance in organizations. Addison-Wesley.
[31] According to Drucker (1999), one of the biggest challenges for companies is the adaptation of the measurement systems to the changed framework conditions.

Table 6. The definitions of Marketing Metrics

Author / Source	***Year***	***Title***	***Definition***	***Keywords***
Ambler T.	2000	*"Marketing Metrics",* in Business Strategy Review, vol.11,n.2, pp.59-66, p.61.	"A 'metric' is a performance measure that top management should review. It is a measure that matters to the whole business. The term comes from music and implies regularity: the reviews should typically take place yearly or halfyearly. A metric is not just another word for measure – while all metrics are measures, not all measures are metrics. Metrics should be necessary, precise, consistent and sufficient (i.e. comprehensive) for review purposes. Metrics may be financial (usually from the profit and loss account), from the marketplace, or from non-financial internal sources (innovation and employee)."	*-Performance measure* *-top management* *-whole business* *-regularity* *-measure: necessary,precise,concistent,sufficient, comprehemnsive* *-metric financial e non-financial.*
Marketing Science Institute	2004	*"Does Marketing Measure UP?Performance Metrics:Practices and Impacts",*London Business School,London,England.	"The performance indicators that top management use (or should use) to track and assess the progress - specifically the marketing performance - of a business or business unit."	*-Performance indicators* *-top managemrt use* *-track and assess progress* *-marketing performance*
Go4estrategy	2007	*"e-metrcis definition",* www.go4estrategy.nl.glossary.htm.	"E-metrics are performace criteria wich measure what the success of internet sites (internal and external) and e-business and e-commerce in pratical sense is. There are marketing, financial and technical criteria or variables. These three can be interconnected".	*-Performace criteria* *-measure: 1.success of internet sites; 2. e-business; 3. e-commerce* *-variables interconnected*
Scott W.G.	2008	"Prefazione all'edizione italiana",in Farris,Bendle,Pfeifer,Reibstein, *Marketing Metrcis. Misurare e valutare le attività di Marketing,* Pearson.	Marketing metrics are "The definition of which companies and measuring systems must have in order to enhance the effectiveness and efficiency of its decision-making processes".	*-Measure* *-Increase the effectiveness and efficiency* *-decision making*
Vianello S.	2009	*"Le performance metrics on-line",* in E. Valdani, F. Ancarani, *Marketing strategico. I risultati delle strategie di marketing,* Pearson.	*Web metrics and analytics* are defined as a "*customer-centered* method of assessing the effectiveness of marketing campaigns, Internet-based, with the aim of improving the overall	*-Method of assessment* *-customer-centered* *-effectiveness of marketing campaigns*

			contribution to the business firm that the web channel can provide the entire organization".	*-contribution to the company business*
Giacomazzi F.	2010	"Le metriche che rendono il marketing più affidabile", *HBR Italia*, n.9, 100-107, p.103.	"Measure of marketing performance".	-Measure *-marketing performance*
Solcansky M. et al	2011	*"Marketing Effectiveness By Way of Metrics"*, Economics and Management,16,1323-1328, p1325.	"Marketing metrcis are tools wich help companies quantify, compare and interpret own performance from marketing activities"	*-Tools for: quantify,compare and interpret marketing performance.*
Kotler P. et al.	2012	*Marketing Management*, Pearson Italia, p.182.	"Marketing metrics are a number of measures, indicators and benchmarks that help to quantify, compare, and interpret marketing performance".	*-Measures -indicators -benchmarks -marketing performance.*

Source: Bruni A. *:"Metriche di marketing e management turistico. Teoria ed esperienze d'impresa",* Cedam, 2015.

The *field of existence* of marketing metrics can be represented as a subset of performance indicators of firms. The *key performance indicators* (KPI) are able to guide the decision-making process, within a *scorecard marketing*[32] model. A logical approach built on an *input-output* model that rises through a *cause-effect* relation, from the *consequences* (e.g. net contribution marketing, sales, market share) the *antecedents* (e.g. brand awareness, customer satisfaction, number of visitors to the site, repurchase intentions). A method that measures the performance marketing both in term of *process metrics* (antecedents, intermediate and perspective), that is anticipatory, that on final results. The process metrics act as a *"warning signal"* for the firm. Allow to detect in advance *(leading indicator)* a phenomenon in order to plan business decisions and take the correct actions, before the effects have an impact on economic and financial results *(lagging indicators).* These latter summarizes the intentions of customers to maintain the relationship with the brand (Valdani, Ancarani, 2011; Kotler et al., 2012). For example, the measurement of *customer satisfation*[33] level *(leading)* allows us to diagnose in time the effects on *customer loyalty*, and consequently on sales and relative *profitability*.

[32] Kim, J., Suh, E., & Hwang, H. (2003).
[33] Hallowell, R. (1996) ,this author analyzes the relationships between *customer satisfaction, customer loyalty and profitability.*

1.6 The measurement of the performance

The measurement of marketing performance is not applicable to all types of markets. I refer to industries with limited competition, where there are few companies (oligopolies) or in cases of monopoly on resources (patents or legal barriers). In these market conditions, the manager does not care to understand customer needs and effectively communicate the positioning to be taken to reach the different targets. The management focuses resources on improving the efficiency of production processes to increase the volumes, minimize costs and increase profit margins. In this context, the marketing metrics have no *raison d'etre*, and the marketing is not perceived as a *management philosophy* which regards the company as a whole (Cozzi, Ferrero, 1996). This latter is intended as *company functions* that deals sales with the goal of placing products on the market while maximizing the *value of the exchange* for the firm. The scenery changes completely in a competitive market, characterized by a strong dynamism, especially for retail businesses[34], the use of the metrics becomes crucial for the success on the market. Indeed, companies have to face new challenges for which they are indispensable knowledge constantly updated. In this sense, metrics help companies to take *learning opportunities* for expand their *knowledge base.* The competitive environment is open to new competitors who present with an innovative offer system *(product offerring[35]),* similar *(follower)* or imitative *(me too)* than companies already existing on the market. Competition with other player in the industry puts the *customer* and not the product at the center of the *decision-making process*. In competitive markets, with a offer excess, decision making of companies is based on a logic of management supported by measurement and analysis models. These measures are designed to improve the knowledge of the external environment (*competitive*, PEST[36]) and internal company view (*resources / know-how*). The perspective changes from *transactional to relational*, along with the management system of the company's exchange processes (*marketing management[37]*). A management planning that is realized with the adoption of a *market oriented[38]* approach. The company define as the main goal of its activities *customer satisfaction*. Market oriented means to imagine before the other, through a process of *continuous innovation*, better products that consumers might appreciate even if he still needs. The customer becomes a key asset of the company and the aim is to

[34] Gaskill, Van Auken, & Kim (2015).
[35] Offer system in terms of value propostion. Kaplan and Norton say "Strategy is based on a differentiated customer value proposition. Satisfying customers is the source of sustainable value creation."
[36] Yuan, (2015, July).
[37] Kotler, Philip, et al. *Marketing management*. Pearson, 2016.
[38] On the topic of *market oriented*, refer to: Kohli et al. (1990); Narver, Slater (1990); Lambin (2008,2012); Kotler et al. (2012); Molteni,Troilo (2103).

trigger a strong *long-term relationship* through continuous differentiation and innovation of the offer. The important thing in these competitive markets is not the innovation itself but the *innovation perceived* by the consumer, in a logic of discontinuity with the previous products (Mattiacci and Pastore, 2013). In the management approach the company try to retention and develop the customer portfolio and in the same way involves the customer in implementing of products (or offer system) in a logic of co-creation. The aim is to build a trust relationship with mutual benefit (win-win) over time. The approach is identified in the *lifetime value* ,in which, the first sale becomes the beginning of a process of mutual listening and continuous communication. Selling the products means to finding a solution to a customer problem and don't allocate only the products on the market (Lambin, 2012). In this logic *the metrics* assist marketers to interpret the frequent changes in the market; and also to analyze the behavior of consumers ,that in the age of the internet[39], have become difficult to acquire and maintain over time. For example, today's consumers have changed their habits in making purchases but have also changed their consumption habits. The customer of supermarket have *multiple sources of information* (*Infomediary*, comparative sites, *User Generated Content*[40] and various promotional leaflets) so he can compare prices and choose the best offer. The retailer's company aim to maintain a continuous relationship with consumers (loyalty card, social media, text messaging and loyalty card) to provide quality products with wide assortment. In this context, the *relevant metrics* (KPI) support and facilitate the relationship with consumers: detect important *insight* in consumer trends and customer behavior. Ultimately, in a competitive market the marketing metrics are an essential toolbox for marketers to make more informed decisions in the different distribution channels in which the company operates.

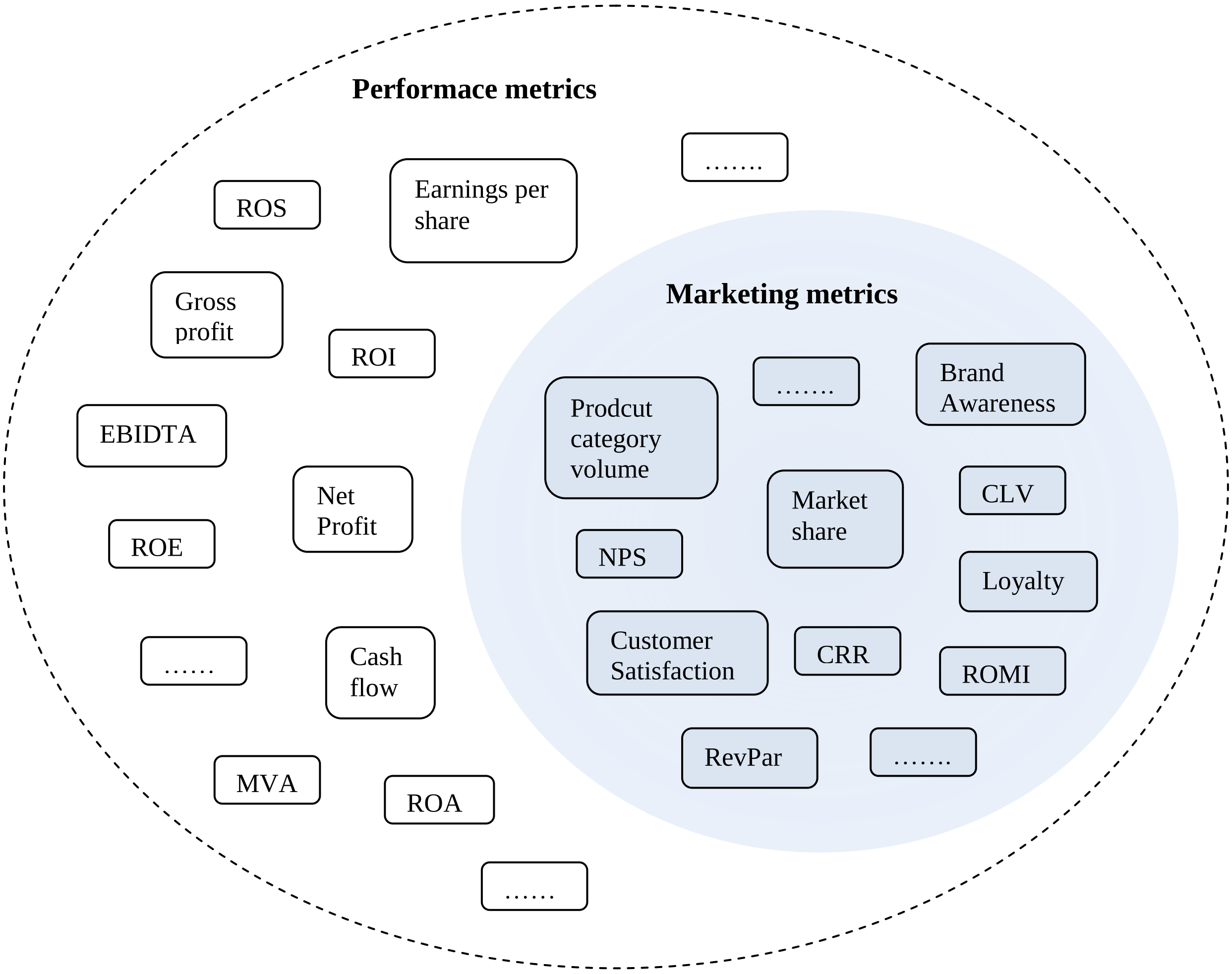
1.7 Marketing Performance Measurement (MPM)

The *marketing metrics* are a part of a wider area of measurements that concerns the global *company performance*[41]: both from an economic point of view that financial (Figure 2).

[39] Li, Zhao et al. , (2015).

[40]User-Generated Content (UGC) is defined as *"any form of content such as blogs, wikis, discussion forums, posts, chats, tweets, podcasts, digital images, video, audio files, advertisements and other forms of media that was created by users of an online system or service, often made available via social media websites"* , Moens, et al. (2014 p.7).

Figure 2. The heterogeneity of company's metrics



Marketing professionals are under ever-increasing pressure to justify their firms' expenditure on marketing. Researchers in marketing have cautioned that the inability of marketing to demonstrate its contribution to *firm performance* has weakened its standing within firms (O'Sullivan & Abela 2007; Ambler & Roberts 2008; Stewart 2008). In order to save marketing from this crisis of confidence, there have been a number of significant calls for more research into the measurement of marketing performance (e.g., Bolton 2004; Lehmann 2004). Such research has been continuously ranked as a top priority by the Marketing Science Institute (2002, 2004, 2006). Rust et al. (Rust, Ambler, Carpenter, Kumar, & Srivastava 2004, p.76) stated powerfully that: *"The effective dissemination of new methods of assessing marketing productivity to the business community will be a major step toward raising*

[41] Daft, Sormunen & Parks (1988).

marketing's vitality in the firm and, more important, toward raising the performance of the firm itself". Therefore, a better understanding of the assessment of marketing performance (Homburg, Artz & Wieseke, 2012) could help marketing practitioners to quantify their contribution to the financial performance of firms. Marketing scholars have responded in three ways. First, a menu of *marketing metrics*, which are defined as metrics that are based on a customer or marketing mindset such as awareness, satisfaction, and market share, have been proposed for different marketing mix activities such as advertising, price promotion, pricing, product management, etc. (Ambler 2003; Farris et al. 2010; Lehmann and Reibstein 2006). Second, marketing mix efforts have been linked to financial metrics, which are defined as metrics that are either monetary based, based on financial ratios, or readily converted to monetary outcomes such as net profit, ROI, and target volume (see Srinivasan and Hanssens 2009 for a review). Third, metric-based information is found to influence firm profits (Abramson, Currim, and Sarin 2005) and shareholder value (Schulze, Skiera, and Wiesel 2012), and the effect of comprehensiveness of metric-based *Marketing Performance Measurement* (MPM) systems on firm performance is found to be mediated by market alignment and knowledge (Homburg, Artz, and Wieseke 2012). So it's important to understand now what is now meant for MPM: "…*is the systematic management of marketing resources and processes to achieve measurable gain in return on investment and efficiency, while maintaining quality in customer experience*[42]*". Marketing performance measurement and management (MPM)* is a central facet of the marketing operations function within marketing departments. MPM relies on a set of measurable performance standards, a pointed focus on outcomes, and clear lines of accountability (i.e. roles and consequences). MPM is based on six success factors: 1) alignment, 2) accountability, 3) analytics, 4) automation, 5) alliances and 6) assessment.

1. *Alignment* of marketing activities and investments to business outcomes occurs when a marketing organization establishes a direct line of sight between marketing activities, investments and business outcomes. Alignment begins with customer insights, to ensure that the marketing performance management approach will be rewarded by the marketplace. Secondly, alignment with enterprise objectives ensures that marketing efforts are in sync with what the company is striving to achieve. Enterprise goals can be cascaded to the business unit level and then to the department level to maintain consistency and drive synergy both horizontally and vertically. Marketing objectives

[42] Edited from American Marketing Association, 2005.

that are developed this way can be cascaded to all of the marketing sub-functions for alignment[43].

2. *Accountability* is the monitoring and measurement of the commitment a person, group, or organization makes to deliver specific, defined results relating to the enterprise's financial and strategic objectives. Selecting the right metrics, integrating performance targets, and producing actionable dashboards are all integral to accountability. Accountability encompasses making a commitment to a particular action, accepting responsibility for completing that action, and then disclosing how well you performed against your commitment. Accountability requires commitments, metrics, and consequences (positive and negative). Measurable performance standards are called metrics, which are the cornerstone of accountability. Marketing metrics encompass Activity, Output, Operational, and Outcome categories: "Activity metrics" relate to the number of things done in a process, such as the number of new blog posts or the number of events."Output metrics" relate to the result of a process, such as website traffic, media mentions, or event participants. "Operational metrics" relate to the efficiency and effectiveness of a process, such as cost per lead, revenue per customer, revenue per sales representative, cost per customer, or leads per sales representative. "Outcome metrics" relate to the consequences of a process' outcomes, such as revenue, profit, win rate, pipeline contribution, share of preference, share of wallet, or share of market. To manage causes and effects, managers identify Leading Indicators and Lagging Indicators: "Leading indicators" are metrics that a manager can monitor before stakeholders see results. They are in-process metrics and process-input metrics that serve as warning signals of output, operational, and outcome metrics. Within a workflow diagram, the questions represented by a diamond are typical sources of leading indicators. They indicate whether there will be re-work, scrap, waste, or delays in what the process is meant to achieve. They are actionable and predictive. By monitoring leading indicators, managers can intervene to attain higher performance. "Lagging indicators" are metrics that a manager's stakeholders see. They are post-process metrics (i.e. output, operational, or outcome metrics). Lagging indicators are important for seeing the big picture, but they are not actionable in and of themselves. Marketing performance can be reported in a wide variety of formats (verbal, pictorial, graphic, tabular, text, dashboard), which are used for accountability and decision-

[43] Marketing Science Institute, 2005.

making. Ideally, reports revisit past commitments or forecasts, to enable learning and refinements for future performance. Dashboards are particularly important in marketing performance management, visually displaying multiple metrics on a single screen or page. This allows managers to monitor performance at a glance, and to be alerted when performance varies significantly above or below expected levels. Ideally, dashboards show the relationships between leading and lagging indicators. This can empower people at every managerial level[44].

3. *Analytics* seeks to identify patterns in data by organizing it and applying mathematics, statistics, or algorithms to it. Analytics foster fact-based, data-driven customer, product, market and performance decisions and develop models to support scenario analysis and predict potential outcomes. Marketing analytics can be used to create models to help understand, monitor, and predict customer behavior, such as likelihood to defect or predisposition to purchase. It can help managers quantify performance, make and optimize channel and mix decisions, understand the impact of a campaign on a sales list, and create many other types of insights. Data availability is accelerating at an unprecedented pace, and analytics technologies can help marketers quickly synthesize data from various sources. Analytics can harness the power of data by converting it to actionable information and models that guide strategic investments and decisions that drive marketing performance[45].

4. *Automation* of marketing processes reduces manual labor, errors, and inconsistency. It enables timely, personalized messaging to customers, prospects, and other stakeholders. Automation provides infrastructure for marketing performance management. It spans marketing resource management, campaign automation, business intelligence, data management, reporting platforms, and scenario analysis tools[46].

5. *Alliances* are arrangements between companies to create additional value together. Distributors, resellers, marketing agencies, and other companies may co-develop, co-promote, and/or co-deliver various parts of the marketing mix (product, price, promotion, placement). Marketing performance management requires information

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[44] Marketing Accountability Standards Board.
[45] How CMOs Can Get CFOs on Their Side, Harvard Business Review, 2013.
[46] Marketing Technology Landscape, Chiefmartec, 2015.

transparency, clear roles, and smooth handoffs between alliance members, both externally and internally. A spirit of alliance among the work groups across the marketing organization, and with other support functions and business units shapes the ecosystem that nurtures or hinders marketing performance. Collaboration cross-functionally is essential to marketing efficiency and effectiveness[47].

6. *Assessment* is the evaluation of strengths, weaknesses, and opportunities in marketing performance management. Assessment is typically conducted by benchmarking other organizations or comparing performance to a standard. Ideally, assessment is supported by a culture of genuine concern, dedication, and willingness among management and employees to continually improve performance[48].

[47] Top Challenges that Face Marketers, MarCom Central, 2014.
[48] Open Standards Benchmarking for Sales and Marketing, APQC.

Chapter II
Metrics and KPIs in retail industry

2.1 An overview

Over the years the interest and propensity of firms to measure managerial phenomena has grown. With increasing complexity of markets, *marketing metrics in use* in companies have evolved and increased (Clark, 1999; O'Sullivan et al., 2009):

1. from an *economic and financial one-dimensional measures* (eg profit, income, costs, cash -Flow) to measure non-financial (eg customer satisfaction, brand equity, custoemr loyalty, market share, quality of service);
2. from *measures focused on output* (eg sales, ROI.) *to metrics input oriented* (eg marketing audit, marketing implementation,market orientation);
3. from *one-dimensional to multidimensional measures* (efficiency, effectiveness, multivariate analysis).

The first studies on metrics have focused mainly on economic and financial measures. These traditional metrics are the basis of the system for measuring results (Brondoni, 2003) but in competitive markets are "inadequate to represent partial and overall results in the globalization processes" (Meyer, 2002). Often are short-period indicators that are based on *ex post performance measurements*. Non-financial measures, however. used in a multiple indicator system, allow to monitor *the intangibles*, which frequently represent the main determinant of the competitive companies advantage (Sancetta, 2003).

Table 7. Evolution of attention in marketing metrics

Period	Measure	Author
pre-80s	multidimensional financial measures based on output (eg net profit, revenue, Gross Margin)	Clark (1951); Boschan (1953); Feder (1965); Sevin (1965); William (1953); Gaslene (1996); Bonoma, Clark (1988); Gronholt,Martensen (2006)
80s	monodimensional non-financial measures based on output (eg market share)	Buzzell, Gale (1987); Helsen, Schmittlein (1993); Clark (1999); Barwise, Farley (2004)
90's	non-financial measures based on input (eg customer satisfaction). Financial measures based on output (eg short and long term ROMI*)	Lilien et al. (1992); Helsen, Schmittlein (1993); Clark (1999); Kokkinaki,Ambler (1999); Vakratsas, Ambler (1999); Powell (2002)
00-10 years	-measures performance of the marketing and *relationship* with the company and shareholder value; -from *product metrics* (eg product profitability, current sales) to *customer oriented metrics* (eg customer life-time value metrics, customer profitability)	Ambler, Xiucun (2003), Rust et al. (2002); Barwise, Farley (2004); Gupta, Lehmann (2006); Petersen et al. (2009); Busacca, Betrtoli (2009); Rust et al. (2010)
years 2010-	toward an *integrated dashboard* of marketing metrics	Pauwels et al. (2009); Farris et al. (2008,2010); La Pointe (2008); Valdani, Ancarani (2011); Kotler et al. (2012)

* The purpose of *Return on Marketing Investment* is to measure the degree to which spending on marketing contributes to profits. ROMI = Incremental Revenue Attributable to Marketing ($) * Contribution Margin (%) - Marketing Spending ($)] /Marketing Spending ($) Short-term ROMI, is also used as a simple index measuring the dollars of revenue (or market share, contribution margin or other desired outputs) for every dollar of marketing spend. Long-term ROMI can be used to determine other less tangible aspects of marketing effectiveness
Source: our elaboration based on contributions examined in the literature.

2.2 Metrics useful for any marketing activities: Market Share , Potential Market

Some marketing metrics, widely discussed in the literature can be linked to the distribution activities. They are transversal to several types of measurements on business performance. I refer in particular to thr *market share decomposition*, with the *penetration and coverage* *indicators* (and consequently the *average weight of the distributor*, *numerical and dispersion degree*) and the *definition of the potential market* with the *analysis and decomposition of gaps*. So the market share can be decomposed and expressed as the product of two index: 1) *market penetration rate* and 2) *coverage rate.*

1. It expresses the percentage of sales of a brand compared to the total amount of product ,in the same genre, purchased by customers of the company, being analyzed;
2. It is the ratio of total purchases in terms of particular type of product made by firm's customers and the total sales of the product in the target market.

$$\mathbf{MSi = Qi / Pcsi \times Pcsi / Q}$$

MSi = Market Share of the i-th company

Qi = the Quantity sold by the i-th company

Q = the Quantity of total market sales

Pcsi = total Purchases (product type) carried out by Customer Served

The *served market definition* is useful to enable the quantitative evaluation and measurement process of its current and potential demand. This process is proposed to detect the number of customers and the unit of product or service that the market consumes or may consume in a certain period of time and in a defined environmental situation. This measurement is useful not only to assess the opportunity of an investment decision but also to detect the potential market, its prospective life cycle, the level of primary demand, secondary and *potential gaps* (Valdani & Ancarani, 2011). The first phase of the market demand measurement process calls for the qualification of its potential. The potential market define the level of development of the sales of a product (or service) that is theoretically achievable in a defined market. The formula of *potential market* (for consumer products) is given by:

Potential Market at time "t"

=

Numerosity of the total population

x

% potentially affected population

x

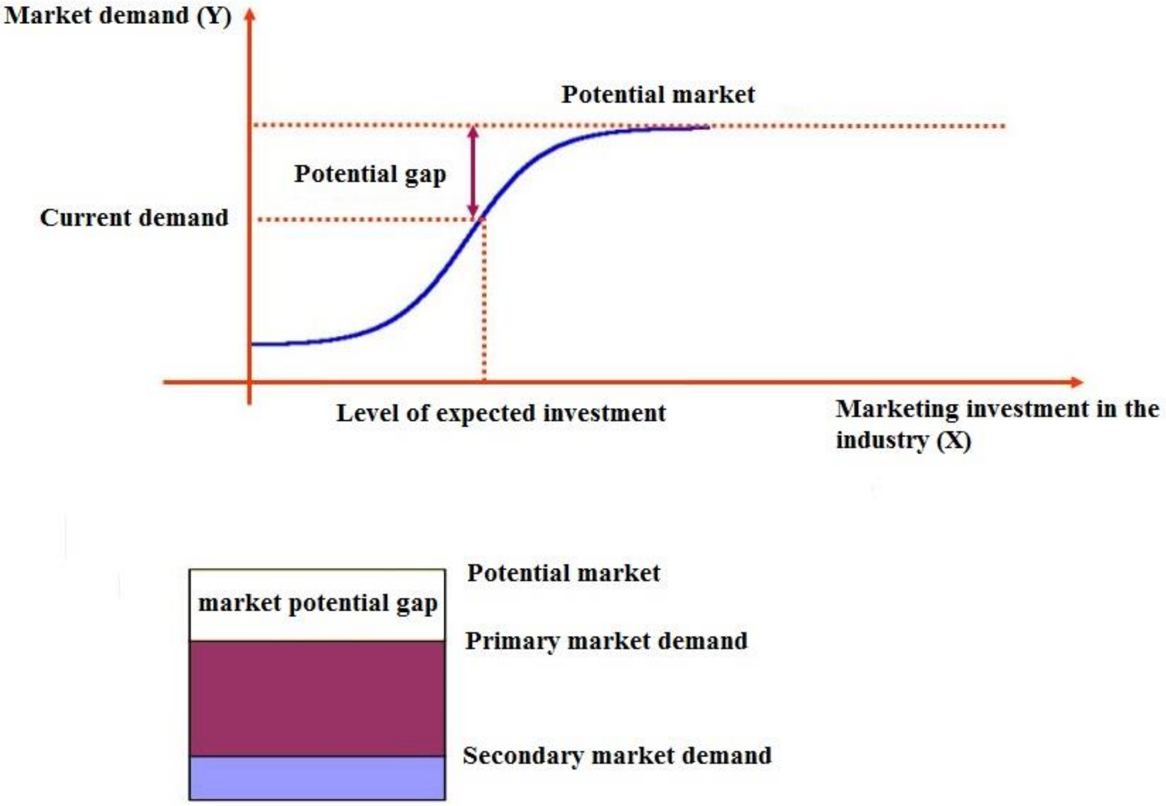
the number of occasions to use the product

x

minimum dose of the product for all occasions

In addition, the detection of the potential gap (Figure 3) has an important strategic significance because it urges the company to understand the reasons that justify the existence of this gap, and to identify, with accurate analysis, the causes that prevent the development of demand. The searching for the causes that generate the potential gap and the deepening on the nature of the different differential has a strategic importance. The company, at the time of the definition of its market conduct[49], can find creative answers to the development of sales. Development strategies can be defined when it identified the existence of a specific potential gaps, and defined the most effective ways to reduce it.

Figure 3. Analysis of the potential gap in the market demand



Source: readaptation from Ancarani & Valdani, 2011.

2.3 Customer satisfaction: Benchmark^{SM} and Diagnostic^{SM} ACSI

In literature antecedents of satisfaction are studied from different aspects. The considerations extend from psychological to physical and from normative to positive aspects. However, in most of the cases the consideration is focused on two basic constructs as customers expectations prior to purchase or use of a product and his relative perception of the performance of that product after using it. Expectations of a customer on a product tell us his anticipated performance for that product. As it is suggested in the literature, consumers may have various "types" of expectations when forming opinions about a product's anticipated

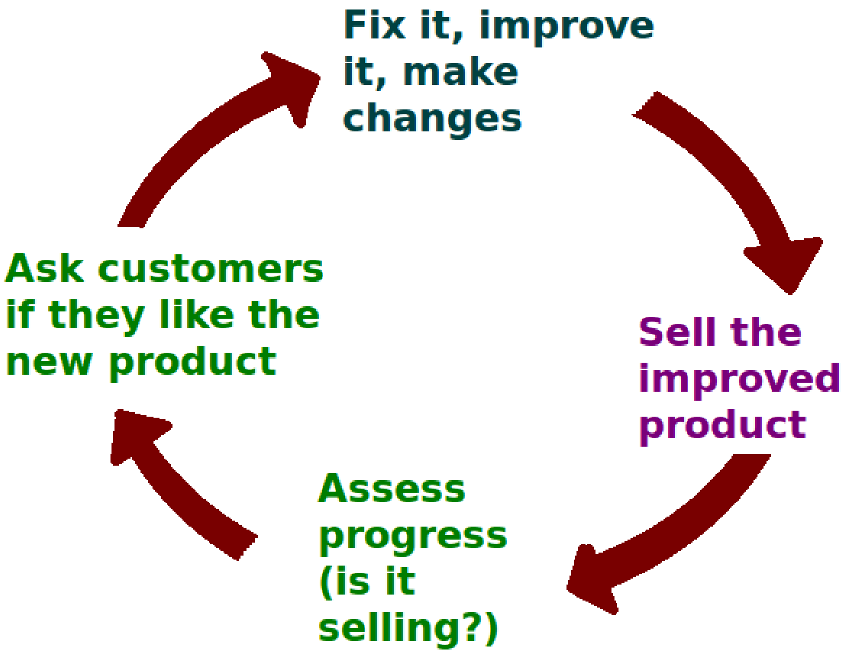
[49] Rothaermel, F. T. , (2015).

performance[50]. For example, four types of expectations are identified by Miller (1977): ideal, expected, minimum tolerable, and desirable. While, Day (1977) indicated among expectations, the ones that are about the costs, the product nature, the efforts in obtaining benefits and lastly expectations of social values. Perceived product performance is considered as an important construct due to its ability to allow making comparisons with the expectations. It is considered that customers judge products on a limited set of norms and attributes. Olshavsky and Miller (1972) and Olson and Dover (1976) designed their researches as to manipulate actual product performance, and their aim was to find out how perceived performance ratings were influenced by expectations. These studies took out the discussions about explaining the differences between expectations and perceived performance." In some research studies, scholars have been able to establish that customer satisfaction has a strong emotional (i.e., affective component[51]). Still others show that the cognitive and affective components of customer satisfaction reciprocally influence each other over time to determine overall satisfaction (Homburg et al. 2006). Especially for durable goods that are consumed over time, there is value to taking a dynamic perspective on customer satisfaction. Within a dynamic perspective, customer satisfaction can evolve over time as customers repeatedly use a product or interact with a service. The satisfaction experienced with each interaction (transactional satisfaction) can influence the overall, cumulative satisfaction. Scholars showed that it is not just overall customer satisfaction, but also customer loyalty that evolves over time (Johnson et al. , 2006). *Customer satisfaction* is a term frequently used in marketing. While it's often abbreviated as CSAT, it is more correct to abbreviate it as CSat. It is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as *"the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals."* [52] In a survey of nearly 200 senior marketing managers, 71 percent responded that they found a customer satisfaction metric very useful in managing and monitoring their businesses[53]. It is seen as a key performance indicator (KPI) within business and is often part of a Balanced Scorecard. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and

[50] Kucukosmanoglu, Ahmet Nuri; Sensoy Ertan , (2010).
[51] Westbrook, Robert A., and Richard L. Oliver. "The dimensionality of consumption emotion patterns and consumer satisfaction." Journal of consumer research (1991): 84-91.
[52] The Marketing Accountability Standards Board (MASB) endorses the definitions, purposes, and constructs of classes of measures that appear in Marketing Metrics as part of its ongoing Common Language in Marketing Project.
[53] Farris, Paul W.; Neil T. Bendle; Phillip E. Pfeifer; David J. Reibstein (2010).

increasingly has become a key element of business strategy (Gitman, et al. ,2005). *"Within organizations, customer satisfaction ratings can have powerful effects. They focus employees on the importance of fulfilling customers' expectations. Furthermore, when these ratings dip, they warn of problems that can affect sales and profitability.... These metrics quantify an important dynamic. When a brand has loyal customers, it gains positive word-of-mouth marketing, which is both free and highly effective"* (Farris et al., 2010).

Figure 4. The virtuous circle to create customer satisfaction



Source: From Wikipedia the free encyclopedia.

Therefore, it is essential for businesses to effectively manage customer satisfaction. To be able do this, firms need reliable and representative measures of satisfaction. In researching satisfaction, firms generally ask customers whether their product or service has met or exceeded expectations. Customer satisfaction provides a leading indicator of consumer purchase intentions and loyalty. Customer satisfaction data are among the most frequently collected indicators of market perceptions. Their principal use is twofold:

1. Within organizations, the collection, analysis and dissemination of these data send a message about the importance of tending to customers and ensuring that they have a positive experience with the company's goods and services.
2. Although sales or market share can indicate how well a firm is performing currently, satisfaction is perhaps the best indicator of how likely it is that the firm's customers will make further purchases in the future. Much research has focused on the relationship between customer satisfaction and retention. Studies indicate that the ramifications of satisfaction are most strongly realized at the extremes.

On a five-point scale, individuals who rate their satisfaction level as '5' are likely to become return customers and might even evangelize for the firm. (A second important metric related to satisfaction is willingness to recommend. This metric is defined as "The percentage of surveyed customers who indicate that they would recommend a brand to friends." When a customer is satisfied with a product, he or she might recommend it to friends, relatives and colleagues. This can be a powerful marketing advantage.) Individuals who rate their satisfaction level as '1,' by contrast, are unlikely to return. Further, they can hurt the firm by making negative comments about it to prospective customers. Willingness to recommend is a key metric relating to customer satisfaction. American Customer Satisfaction Index (ACSI) is a scientific standard of customer satisfaction. Academic research has shown that the national ACSI score is a strong predictor of Gross Domestic Product (GDP) growth, and an even stronger predictor of Personal Consumption Expenditure (PCE) growth[54]. On the microeconomic level, academic studies have shown that ACSI data is related to a firm's financial performance in terms of return on investment (ROI), sales, long-term firm value (Tobin's q), cash flow, cash flow volatility, human capital performance, portfolio returns, debt financing, risk , and consumer spending[55]. Increasing ACSI scores has been shown to predict loyalty, word-of-mouth recommendations, and purchase behavior. The ACSI measures customer satisfaction annually for more than 200 companies in 43 industries and 10 economic sectors. In addition to quarterly reports, the ACSI methodology can be applied to private sector companies and government agencies in order to improve loyalty and purchase intent[56]. ASCI scores have also been calculated by independent researchers, for example, for the mobile phones sector[57], higher education (Serenko and Alexander, 2010) and electronic mail

[54] Fornell, C., R.T. Rust and M.G. Dekimpe (2010).
[55] Anderson, E.W., C. Fornell & S.K. Mazvancheryl , (2004) . Fornell, C., S. Mithas, F.V. Morgeson III, and M.S. Krishnan (2006).
[56] Morgeson, F. V., & Petrescu, C. (2011).
[57] Turel, Ofir; Alexander Serenko, (2006).

(Dow et al., 2006). The Kano model is a theory of product development and customer satisfaction developed in the 1980s by Professor Noriaki Kano that classifies customer preferences into five categories: Attractive, One-Dimensional, Must-Be, Indifferent, Reverse. The Kano model offers some insight into the product attributes which are perceived to be important to customers. SERVQUAL or RATER is a service-quality framework that has been incorporated into customer-satisfaction surveys (e.g., the revised Norwegian Customer Satisfaction Barometer[58]) to indicate the gap between customer expectations and experience. J.D. Power and Associates provides another measure of customer satisfaction, known for its top-box approach and automotive industry rankings. J.D. Power and Associates' marketing research consists primarily of consumer surveys and is publicly known for the value of its product awards. Other research and consulting firms have customer satisfaction solutions as well. These include A.T. Kearney's Customer Satisfaction Audit process (Bluestein et al. 2003) which incorporates the Stages of Excellence framework and which helps define a company's status against eight critically identified dimensions. For B2B customer satisfaction surveys, where there is a small customer base, a high response rate to the survey is desirable[59]. The American Customer Satisfaction Index (2012) found that response rates for paper-based surveys were around 10% and the response rates for e-surveys (web, wap and e-mail) were averaging between 5% and 15% - which can only provide a straw poll of the customers' opinions. In the European Union member states, many methods for measuring impact and satisfaction of e-government services are in use, which the eGovMoNet project sought to compare and harmonize[60]. These customer satisfaction methodologies have not been independently audited by the Marketing Accountability Standards Board (MASB) according to MMAP (Marketing Metric Audit Protocol). Customer satisfaction is a driving force that impacts the financial outlook of individual firms and the health of the economy at large. The ACSI Retail Report 2015 examining the implications of new customer satisfaction benchmarks for top retailers, both traditional and online, including some of the most popular department or discount store chains, dollar stores, and wholesale warehouse clubs. Other specialty retailers are office suppliers; home improvement chains; and clothing, electronics, and book sellers. The report also covers supermarkets, drug stores, and Web retailers. The ACSI Benchmark[SM] gives clients valuable insights for all aspects of their organization's

[58] Johnson, Michael D.; Anders Gustafssonb; Tor Wallin Andreassenc; Line Lervikc; Jaesung Cha (2001).
[59] Customer Relationship Management, Emerging Concepts, Tools and Application, Edited by Jagsish N Sheth, Atul Parvatiyar and G Shainesh, published by Tata McGraw-Hill Education - see Chapter 21, pages 193 to 199.
[60] European Commission: eGovMoNet: eGovernment Monitor Network.

customer experience, along with the ability to compare results with industry peers and competitors and to perform cross-industry benchmarking with companies they deem "best-in-class" in other industries. Based on ACSI's proprietary technology[61], clients gain access to in-depth perspectives that quantify customer satisfaction and its relationship with key drivers and outcomes all standard across every industry in the Index. Critical benchmark variables are:

- Customer Satisfaction (ACSI)
- Customers Expectations
- Perceived Quality
- Perceived Value
- Customer Complaints
- Customer Loyalty

The ACSI Benchmark product enables clients to gain a deeper understanding of the total customer experience. For select industry categories, the ACSI offers industry-specific benchmarks that cover key elements of the customer experience. Produced using ACSI's proven methodology, these benchmarks give clients an enhanced view of up to 10 elements relating directly to their industry's customer experience. Clients use the ACSI Benchmark to zero in on how satisfied customers are with the quality of their organization's website, call centers, and an array of customer experience metrics relevant to their industry's products and services. ACSI Benchmark clients work with their industry's standard variables and customer experience data via secure access to ACSI's Client Portal. This dynamic web-reporting portal provides clients with user-friendly tools for accessing and analyzing data across all variables and time periods within ACSI's extensive database for their industry. In addition, clients obtain detailed results for "best-in-class" companies in other industries for cross-industry benchmarking. The ACSI has over a decade of experience analyzing customer satisfaction with specialty retail chains serving the U.S. consumer market. Each year, the ACSI interviews hundreds of customers about their recent experiences shopping at home improvement or office supply chains, clothing outlets, warehouse clubs, and other specialty retail stores. The customer survey data serve as inputs to ACSI's proprietary model, which embeds customer satisfaction within a series of cause-and-effect relationships. For specialty retailers, the ACSI captures customer opinions about critical elements of the shopping experience, including:

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[61] 2016 American Customer Satisfaction Index, ACSI Benchmark[SM] (service mark).

- Store layout and cleanliness
- Checkout speed
- Staff courtesy
- Store locations and hours
- Sale and promotion frequency
- Merchandise variety and selection
- Ability to provide brand names
- Merchandise availability
- Website

The ACSI Diagnostic^{SM} is a powerful tool set that enables clients to leverage the respected, predictive capabilities of the American Customer Satisfaction Index and obtain detailed, actionable insights for improving the customer experience.In conjunction with industry-specific customer experience benchmarks, clients are able to:

- Determine which aspects of the customer experience are most critical for driving the satisfaction of their customers.
- Obtain strategic insights about the drivers of satisfaction from the perspective of their relationship to customer loyalty.
- Develop data-driven action plans to improve the customer experience and increase their customers' likelihood to purchase again, use services again, or recommend to others.

ACSI Diagnostic gives clients an understanding of the broader picture of customer satisfaction based on benchmark comparisons with industry peers and competitors across standard model variables and industry-specific customer experience elements. Further, ACSI's unique, cross-industry benchmarking capability means that clients can look outside the box of their industry to benchmark with "best-in-class" companies that they select from other ACSI industries.

2.4 *Customer Lifetime Value (CLV) and Predictive Customer Lifetime Value*

Customer lifetime value (CLV) or life-time value (LTV) is a prediction of the net profit attributed to the entire future relationship with a customer. The prediction model can have varying levels of sophistication and accuracy, ranging from a crude heuristic to the use of complex predictive analytics techniques. Customer lifetime value can also be defined as the dollar value of a customer relationship, based on the present value of the projected future cash flows from the customer relationship[62]. Customer lifetime value is an important concept in that it encourages firms to shift their focus from quarterly profits to the long-term health of their customer relationships. Customer lifetime value is an important number because it represents an upper limit on spending to acquire new customers[63]. For this reason it is an important element in calculating payback of advertising spent in marketing mix modeling. One of the first accounts of the term Customer Lifetime Value is in the 1988 *book Database Marketing*, which includes detailed worked examples (Shaw et al, 1988). Early adopters of Customer Lifetime Value models in the 1990s include Edge Consulting and BrandScience. The purpose of the customer lifetime value metric is to assess the financial value of each customer. Don Peppers and Martha Rogers are quoted as saying, *"some customers are more equal than others"* (Peppers and Rogers ,1997). Customer lifetime value differs from customer profitability or CP (the difference between the revenues and the costs associated with the customer relationship during a specified period) in that CP measures the past and CLV looks forward. As such, CLV can be more useful in shaping managers' decisions but is much more difficult to quantify. While quantifying CP is a matter of carefully reporting and

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[62] Fripp, (2014)

[63] The Marketing Accountability Standards Board (MASB) endorses the definitions, purposes, and constructs of classes of measures that appear in Marketing Metrics as part of its ongoing Common Language: Marketing Activities and Metrics Project.

summarizing the results of last activity, quantifying CLV involves forecasting future activity (Farris et al. ,2010). So the definition of CLV should be in these terms: *"The present value of the future cash flows attributed to the customer during his/her entire relationship with the company*[64] *"*. Present value is the discounted sum of future cash flows: each future cash flow is multiplied by a carefully selected number less than one, before being added together. The multiplication factor accounts for the way the value of money is discounted over time. The time-based value of money captures the intuition that everyone would prefer to get paid sooner rather than later but would prefer to pay later rather than sooner. The multiplication factors depend on the discount rate chosen (10% per year as an example) and the length of time before each cash flow occurs. For example, money received ten years from now must be discounted more than dollars received five years in the future. CLV applies the concept of present value to cash flows attributed to the customer relationship. Because the present value of any stream of future cash flows is designed to measure the single lump sum value today of the future stream of cash flows, CLV will represent the single lump sum value today of the customer relationship. Even more simply, CLV is the dollar value of the customer relationship to the firm. It is an upper limit on what the firm would be willing to pay to acquire the customer relationship as well as an upper limit on the amount the firm would be willing to pay to avoid losing the customer relationship. If we view a customer relationship as an asset of the firm, CLV would present the dollar value of that asset. One of the major uses of CLV is customer segmentation, which starts with the understanding that not all customers are equally important. CLV-based segmentation model allows the company to predict the most profitable group of customers, understand those customers' common characteristics, and focus more on them rather than on less profitable customers. CLV-based segmentation can be combined with a Share of Wallet (SOW) model to identify "high CLV but low SOW"

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[64] Farris, Paul W.; Neil T. Bendle; Phillip E. Pfeifer; David J. Reibstein (2010). Marketing Metrics: The Definitive Guide to Measuring Marketing Performance.

customers with the assumption that the company's profit could be maximized by investing marketing resources in those customers. Customer Lifetime Value metrics are used mainly in relationship-focused businesses, especially those with customer contracts. Examples include banking and insurance services, telecommunications and most of the business-to-business sector. However, the CLV principles may be extended to transactions-focused categories such as consumer packaged goods by incorporating stochastic purchase models of individual or aggregate behavior.[65] When margins and retention rates are constant, the following formula can be used to calculate the lifetime value of a customer relationship:

Customer lifetime value ($)

=

Margin ($) * (**Retention Rate** (%) ÷ [1 + **Discount Rate** (%)]) * **Retention Rate** (%))[66]

The CLV model has only three parameters: (1) constant margin (contribution after deducting variable costs including retention spending) per period, (2) constant retention probability per period, and (3) discount rate. Furthermore, the model assumes that in the event that the customer is not retained, they are lost for good. Finally, the model assumes that the first margin will be received (with probability equal to the retention rate) at the end of the first period. Customer Lifetime Value (CLV) describes the amount of revenue or profit a customer generates over his or her entire lifetime. Many retailers optimize their customer acquisition strategies by trying to minimize how much they spend to acquire each customer (“cost per acquisition” or CAC”). When you understand the lifetime value of different customers, however, you can optimize more effectively for the long run. Rather than simply optimizing for CAC, you can look at the difference between CAC and CLV. After all, if one customer is 10x more valuable than another, it’s certainly worth spending a little more to acquire him. Retailers often refer to two forms of lifetime value analysis:

- Historical lifetime value simply sums up revenue or profit per customer.

[65] Hanssens, D., and D. Parcheta (forthcoming). “Application of Customer Lifetime Value (CLV) to Fast-Moving Consumer Goods."
[66] Farris et al. 2010.

- Predictive lifetime value[67] projects what new customers will spend over their entire lifetime.

If you're interested in using CLV to help optimize your advertising campaigns, you likely are more interested in predictive CLV analysis. For example, imagine you're interested in optimizing your adwords spending by looking at both the cost per conversion along with the CLV of customers from a given campaign. With historical CLV analysis, you'll need to wait a couple years to know the CLV of those customers. With predictive CLV analysis, you'll know the long-term value of those new customers right away. Of course, predictive CLV is only useful in so far as the projections are accurate. *"Companies are focused on rewarding the best customers, because they think they'll continue to be the best customers[68]"* If you have been a great customer, catalog companies may send you more mailings, airlines may give you priority for upgrades, credit card companies may waive late fees, and hotels may leave a bottle of cabernet in your suite. These are discretionary marketing investments, bestowed upon unsuspecting customers and intended to cultivate continued, profitable business among the best customers. At the heart of this practice lies the belief that a good customer yesterday will be a good customer tomorrow. But is it possible to predict which customers will be best over the long haul, and to do so reliably enough to justify giving them the white glove, five-star treatment? Malthouse and Blattberg set out to answer these questions. Marketers attempt to pinpoint the best customers with the help of tools such as RFM analysis. This technique measures how recently customers made purchases (R, recency), how often they made purchases (F, frequency), and how much they spent (M, monetary value). If the axiom stating that "80 percent of your business comes from 20 percent of your customers" is true, then RFM analysis can help identify who the best 20 percent of customers have been. But does it allow companies to predict whether the top 20 percent from the past will bring long-term advantage in the future?

"The literature on customer databases focused on RFM analysis looks at customers' propensity to make their very next purchase. But it doesn't automatically follow that they'll continue as best customers over the long term." (Blattberg et al. 2009).

[67] Custora Watch latest webinar, 2015 Holiday Recap + 2016 Outlook From Marketing Leaders.

2.5 The industry specific metrics: Out of stock % , Shelf availability

A stockout, or out-of-stock (OOS) event is an event that causes inventory to be exhausted. While out-of-stocks can occur along the entire supply chain, the most visible kind are retail out-of-stocks in the fast-moving consumer goods industry (e.g., sweets, diapers, fruits). Stockouts are the opposite of overstocks, where too much inventory is retained. The global average of retail out-of-stocks is 8.3%[69]. This means that shoppers will have a 42% chance of fulfilling a ten-item shopping list without encountering a stockout. Despite the initiatives designed to improve the collaboration of retailers and their suppliers, such as Efficient Consumer Response (ECR), and despite the increasing use of new technologies such as radio-frequency identification (RFID) and point-of-sales data analytics, this situation has improved little over the past decades[70]. Recent surveys on retail out-of-stocks suggests that in store operations are fundamental to reducing retail out-of-stocks[71]. Around 70-90% of stockouts are caused by defective shelf replenishment practices, as opposed to the 10-30% resulting from the upstream supply chain, such as a shortage of supply from a supplier. This broad knowledge offers retailers the opportunity to improve on-shelf availability through internal measures. However, it requires a detailed understanding of the causes for out-of-stocks. A shortage of working capital may limit the value of orders that can be placed each month. This could be caused by poor cash flow management or other inventory issues such as too much cash tied up in high levels of excess Failure to Keep Track Some organizations don't use computerized inventory tracking methods which hinders their ego to take necessary steps to manage inventory levels. Walking the aisles each morning to perform a visual inspection, keeping track of items sold by using tick sheets or saving portions of price tags can be

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[68] Blattberg, Malthouse & Neslin, (2009).
[69] Gruen, Thomas W. and Daniel Corsten (2008).
[70] Aastrup, J. and Kotzab, H. (2010).
[71] McKinnon, A.C., Mendes, D. and Nabateh, M. (2007).

effective inventory tracking methods, but these actions must be done by all employees on a consistent basis to be of any real benefit. Buying Too Much of the less important materials. A small business may be tempted to take advantage of a special price on an item that is less important by purchasing it in bulk. However, if there is limited storage space or the item doesn't sell rapidly, any cost savings can be more than offset by the additional costs of carrying the excess inventory. When purchasing in bulk, the business owner needs to be sure she can display the item that is so important for maximum sales appeal as well as offer special pricing. Stockouts frustrate shoppers and force them to take a number of corrective actions that are beyond the retailer's control. Understanding how consumers respond to stockouts is therefore the starting point for retailers who wish to improve *on-shelf availability*[72]. When shoppers are unable to find an item that they had intended to purchase, they might switch stores, purchase substitute items (brand switch, size switch, category switch), postpone their purchase or decide not to buy the item at all (Campo, K., Gijsbrechts, E. and Nisol, P., 2003). Although these responses differ in severity, each entails negative consequences for retailers. Stockouts cause lost sales, dissatisfy shoppers, diminish store loyalty, jeopardize marketing efforts, and obstruct sales planning, because substitution disguises true demand. Moreover, shopper surveys reveal stockouts to currently be the most prevalent annoyance to shoppers. Shoppers spend a considerable amount of time looking for and asking for out-of-stock items[73]. Shopper response to stockouts has been investigated by researchers with respect to cognitive response (e.g. perceived availability), affective response (e.g. store satisfaction), behavioural response (e.g. brand switching) and aggregated response in terms of category sales effects[74]. Studies find shopper response to out-of stocks depends on brand-related antecedents (e.g. brand equity), product and category-related antecedents (hedonic level), store-related antecedents (e.g. service or price-oriented), shopper-related antecedents (e.g.

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[72] Rajaram, K. and Tang, C.S. (2001), "*The impact of product substitution on retail merchandising*", European Journal of Operational Research, Vol. 135 No. 3, pp. 582-601.
[73] EMFI (2008), Consumer Trends, Leusden, The Netherlands.

shopper age) and situational antecedents (e.g. purchase urgency)[75]. Identification of stock levels can reduce out-of-stocks[76]. The traditional method is to perform a manual audit of the store and manually look for “gaps” on the shelves. Due to differing sales velocities and replenishment schedules, the effectiveness of manual stockout audits depends heavily on their frequency and timing, and on avoiding human counting errors (Gruen et al. ,2002). A second method makes use of point-of-sale data or, more specifically, scanner data. Based upon historical sales data, the latency period between sales is taken as a gauge of whether an item is on the shelf. It is a preferred method for investigating fast-selling retail items, such as soda cans[77]. Out-of-stocks may also be identified by using inventory data, depending on its accuracy[78]. Finally, various types of technology, such as radio-frequency identification, shelf stoppers and weight or light sensors, can be used. However, these technologies are so far not equipped to monitor the condition of the retail items (e.g. undamaged labels).

2.6 Strength of channel relationship

The strength of channel relationship is one of key competence to improve the effectiveness of marketing metrics and link those results to financial performance (Mintz & Currim, 2013). If you have various distribution channels for your products, then your success is largely dependent upon the strength of those channels. The right channel metrics can monitor your progress at shaping, influencing, and managing your business to ensure the end customer is getting the best brand experience and you are getting the best return on your channel investments. Here are a few potential determinants of the channel strength:

- Channel Coverage

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[74] Zinn, W. and Liu, P.C. (2008)
[75] Sloot, L.M., Verhoef, P.C. and Franses, P.H. (2005).
[76] Ehrenthal, J.C.F., & Stölzle, W. (2011).
[77] Papakiriakopoulos, D., Pramatari, K. and Doukidis, G. (2009).
[78] Raman, A., DeHoratius, N. and Ton, Z. (2001).

If you're selling wireless phones through independent retailers, you'll want to make sure you're covering all the places where people are buying those phones. Companies that manage their distribution chains contractually through independent agents, sales representatives, or other partners that help them get business done can get clarity on prospect reach and market penetration from a dashboard metric on this issue. It can be even more forward-looking if coverage incorporates prospective channel partners in various stages of finalizing agreements and building out facilities.

- Channel Relationship Mix

With the level of decentralization and outsourcing in business today, companies may not have full control over the players who staff their distribution channels downstream. Major oil companies like Shell and ExxonMobil don't manage every stop on their distribution chains anymore, but they still have to keep track of how their products are selling at the consumer level. Monitoring the evolving mix of channel relationship types helps to keep the focus on the strategic importance of channel leverage strategies.

- Relative Channel Performance

When you have multiple types of channels, you can often structure ways to look at marketing returns by channel which gives you a view toward opportunities to optimize investments across channels. You might, for example, find that the cost-per-sale in one channel is significantly lower than the others. This raises the question of how much more money could be spent in selling through that channel before the returns begin to diminish (an optimization challenge). Monitoring these relative channel performance measures can provoke key questions about how resources are being allocated and help forecast the need for revitalizing efforts or planning capital investments.

- Channel Stock Positions

Stock-outs can be a critically limiting factor to growth. Customers get annoyed when they go out of their way to come in only to find you're out of something they think you should have. The loss can be permanent. If monitoring and forecasting in- and out-of-stock ratios is crucial to your business, then it's relevant for your dashboard. The forward-looking component of this measurement relies on good sales forecasting to help you spot problems with your inventory before they happen. It can also help you better manage the range of merchandise you carry and watch your inventory turns more closely.

- Channel Perceptions of Marketing

There's been very little dashboard activity in this area to date, but this is a measurement category worthy of careful consideration. Many of the same companies that spend millions on research to understand customer and employee views spend nothing on capturing channel perspectives. This is not only crucial to businesses like fast food franchisors and automobile manufacturers who must coordinate local marketing activity with regional co-ops of franchisees, but can be equally important to manufacturers of all types selling through Lowe's, Target, or other retailers for which the opinions of the category buyers and the sales floor associates can make or break marketing effectiveness. It's also important to industries that distribute through agent networks, wholesalers, or independent sales organizations.

- Channel Power Measures

There are a number of different ways you can measure channel power, but the most compelling is how much margin you're keeping vs. your channel partners. If the markup to the final consumer is greater than the wholesale markup, it stands to reason that you have ceded some significant power to the channel. Reclaiming some of that margin is a worthy pursuit for marketing and monitoring and forecasting channel power gives you some sense of how effective you are at changing bottom-line performance through brand building or product innovation.

2.7 Product category volume (PCV) , Category performance ratio

Product category volume (PCV) is the weighted measure of distribution based on store sales within the product category. Product category volume is a refinement of all commodity volume (ACV[79]). ACV is a better measure of the total traffic that goes through the stores that stock your product or brand than numeric distribution. However, it does not say anything directly about how well those stores merchandise and compete in the relevant product category. It examines the share of the relevant product category sold by stores in which a given product has gained distribution[80]. Distribution metrics quantify the availability of products sold through retailers, usually as a percentage of all potential outlets. Often, outlets are weighted by their share of category sales or "all commodity" sales. For marketers who sell through resellers, distribution metrics reveal a brand's percentage of market access. Balancing a firm's efforts in "push" (building and maintaining reseller and distribution support) and "pull" (generating customer demand) is an ongoing strategic concern for marketers[81]. Product category volume measures a firm's ability to convey a product to its customers in terms of total category sales among outlets carrying the brand. It helps marketers understand whether a given product is gaining distribution in outlets where customers look for its category, as opposed to simply high-traffic stores where the product may get lost in the aisles. When detailed sales data are available, PCV can provide a strong indication of the market share within a category to which a given brand has access (Farris et al., 1989). If sales data are not available, marketers can calculate an approximate PCV by using square footage devoted to the relevant category as an indication of the importance of that category to a particular outlet or store type. Product category volume (PCV) is the percentage share (or dollar value) of category sales made by stores that stock at least one SKU[82] of the brand in question, in comparison with all stores in their universe.

Product Category Volume (PCV) Distribution (%)

=

100 x Total Category Sales of Outlets Carrying Brand ($)

÷

Total Category Sales of All Outlets ($)

When PCV is available, it is a better indicator of where consumers look to buy a particular category of product or service. Often marketers use ACV as a rough surrogate for PCV, but

[79] All Commodity Volume (ACV): a percentage measure of the total dollar volume of retail sales of stores stocking an SKU or brand versus total dollar volume sales in all categories. ACV (%) = (total sales of stores carrying a brand) / (total sales all stores)
[80] Farris, Paul W.; Neil T. Bendle; Phillip E. Pfeifer; David J. Reibstein (2010).
[81] The Marketing Accountability Standards Board (MASB) endorses the definitions, purposes, and constructs of classes of measures that appear in Marketing Metrics as part of its ongoing Common Language in Marketing Project.

the risk of using ACV alone is over-emphasizing high traffic stores where a product category may be available, but not purchased at a rate indicative of the store's overall volume. These metrics can also be applied to particular chains. For example, numeric distribution of a chain would equal the number of stores in a particular chain divided by the total number of stores in the market. Marketers often refer to a grocery chain's ACV. This may be either a dollar number (the chain's total sales of all categories in the relevant geographic market) or a percentage (their share of those dollar sales). Finally, marketers sometimes refer to a chain's share of a specific category's sales in a market. This is equivalent to the chain's % PCV, as defined earlier. Comparing the ratio of a specific chain's % PCV with its % ACV provides insight into whether the chain is performing above or below average in selling a particular category as compared to other stores or chains in the relevant market. Category performance ratio refers to the relative performance of a retailer in a given product category, compared with its performance in all product categories. Distribution metrics quantify the availability of products sold through retailers, usually as a percentage of all potential outlets. Often, outlets are weighted by their share of category sales or "all commodity" sales. For marketers who sell through resellers, distribution metrics reveal a brand's percentage of market access. Balancing a firm's efforts in "push" (building and maintaining reseller and distribution support) and "pull" (generating customer demand) is an ongoing strategic concern for marketers (Farris et al., 2010). Category performance ratio provides insight into whether a brand's distribution network is more or less effective in selling the category of which that brand is a part, compared with its average effectiveness in selling all categories in which members of that network compete.

Category Performance Ratio = PCV (%) ÷ ACV (%)

If the ratio of (PCV / ACV) > 1 that means that chain is performing comparatively better in the particular product category in question than the other chains. If a distribution network's category performance ratio is greater than 1, then the outlets comprising that network perform comparatively better in selling the category in question than in selling other categories, relative to the market as a whole.

[82] Stock Keeping Unit (SKU) is a unique identifier for each distinct product or service that can be purchased.

2.8 Transaction per customer (TPC) , Transaction per hour (TPH)

A transaction per customer (TPC) measures the percentage of potential customers who actually buy products/services. It is a measure of a retailer's success in converting potential customers into actual buyers. This chapter discusses that usually, the higher the percentage, the more effective the retailer is at converting those who are merely browsing into paying customers. In case the figure is low, the retailer may need to review promotions, point-of-purchase materials, merchandising and/or general marketing activities[83]. The biggest challenge is to measure customer traffic since it is hard to measure each individual potential customer unless some person or research firm is retained to conduct a customer count survey. The formula is:

TPC = transactions per customer

$$TPC = \frac{T_{transt}}{T_{trafft}} \times 100$$

where

Ttranst = total number of transactions in time period t (usually one day)

Ttrafft = total customer traffic in time period t

TPC is a measure of a retailer's success in converting potential customers into actual buyers. Alternative terms are the percentage yield rate and/or the walk-to-buy ratio, but each measures the same thing. Generally, the higher the percentage, the more effective the retailer is at converting those who are merely browsing into paying customers. If the figure is low, then the retailer may need to review its marketing activities, including:

- Promotions: The discounts are not attractive enough or the wrong products are being promoted.
- Point-of-purchase materials: Stocking may be low, the display may be poorly placed, or the design may be unappealing.

Retailers juggle multiple responsibilities, including setting employee work schedules, buying the product mix, setting retail prices, product placement and merchandising, and scheduling hours of operation. Retailers need to know the transactions pattern to determine the best

[83] Davis, 2012.

possible combination of these activities. Transactions per hour (or any chosen period of time) calculates the number of transactions that occur during that time, and is represented by:

TPH = transactions per hour

$$TPH = \frac{T_{transt}}{T_{ht}}$$

where
Ttranst = total transactions in time period t
Tht = total hours in time period t

TPH provides retailers with the flow of business, helping them understand peak times when customer demand is highest. For example, retailers can review transactions in each actual hour to determine which times of day are busiest. This information will enable the retailer to schedule the best employee turnover. In the same way the retailers seek to measure total customer traffic during a specific period of time. This is frequently done on an hourly basis, hence hourly customer traffic (HCT).

HCT = hourly customer traffic

$$HCT = \frac{T_{trafft}}{T_{ht}}$$

where
HCT = hourly customer traffic
Ttrafft = total customer traffic in time period t
Tht = total hours in time period t

Similar to TPH, retailers use HCT information to determine employee scheduling, store hours, and even price promotions. The busiest hours warrant the highest staffing levels and may be opportune times to run a promotion to maximize sales. HCT is different from transactions per hour in one key respect: HCT measures all customer traffic, not just paying customers. Retailers will need more staff during higher customer traffic (Dextraze & Marin, 1996) periods to answer customer questions and handle point-of-sales cash transactions. Peak customer traffic times are a great opportunity for retailers to focus on improved service since many of those who are merely browsing may return in the future to purchase if their initial service experience was positive.

2.9 *Average transaction size (Ta) and Average items per transaction (Savg)*

Retail management wants to measure the average value of each transaction. This measures the average financial value, in dollars (or whichever currency being used), of each transaction/sale.

Ta = average transaction size

$$T_a = \frac{S_t}{T_t}$$

where
St = total dollar value of sales in time t
Tt = total number of transactions in time t

Ta[84] is an important metric because it can help retailers measure their success in making increasingly larger sales from each customer. An important concept to understand in the preceding sentence is that of increasingly larger sales. Ideally, the average transaction size should always be increasing since it strongly suggests that the retailer is having not just continued, but increasing success in selling products to its customers. Retail managers and marketers want to know how much the average customer spends per transaction so that they can develop strategies and programs to cost effectively improve the per-transaction sales amount. With the same logic the retailers need to know the typical transactions profile, including the number and types of items purchased, the average transactions value, and even the time of day. Knowing the average number of items per transaction reveals to the retailer part of the customer's preferences, even if the customer's expanded profile (e.g., age, income, behavior) is unknown. Average items per transaction is a simple formula, represented by:

[84] Davis, 2013.

Savg = average number of items sold per transaction

$$S_{avg} = \frac{S}{T}$$

where
S = total number of items sold
T = total number of transactions

In absolute terms, the metric merely measures the average quantity of items purchased. But this data can also provide insight into the basic purchase patterns of their average customer. Depending on the number of items purchased and any increases over time, this metric may suggest to a traditional retailer's management some insight related to the performance of the store and on corrective marketing strategies.

2.10 Competitive performance metrics: Sales / Profit per employee (SPPE) , Inventory turnover

Productivity is important in every business. Retailers have high fixed costs in property, plant, and equipment, plus additional investments in inventory and marketing. Retail stores with slow or no business must still pay employees to keep the business running during operating hours. Therefore, evaluating the financial contribution generated by each employee using a sales/profits per employee (SPPE) metric is an important productivity measure. This is a measure of financial performance on an individual employee basis.

SPPE = sales/profit per employee

$$SPPE = \frac{S \text{ or } P}{E}$$

S = total sales

P = total profits

E = total number of full-time employees

Sales/profits per employee is an important measure of productivity. It helps a retailer gauge, in effect, the amount generated (either revenues or profits) per employee. In consumer products and retail companies, the marketing effort often includes planning product **inventory levels** based on forecasts from field sales teams, buyers, and internal projections derived from past experience and current conditions. Unless a company is facing rapidly escalating supply prices, the business' leaders will want to sell through their inventory quickly (incite high turnover) to keep their storage, tracking, personnel, and warehouse costs down. High inventory levels do occur when prices are rising quickly because companies want to stock up on the supplies before the prices rise further. Marketing management wants to know how quickly the inventory is being sold as it is one indicator of the popularity of the product. **Turnover** measures how quickly total inventory is sold and refilled, usually over the course of a year. It is calculated as follows:

$$Turnover = \frac{S}{I_a}$$

where

S = sales

Ia = average inventory

A low turnover is usually a bad sign because products tend to deteriorate as they sit in a warehouse. Companies selling perishable items have very high turnover.

2.11 *Sales per unit area and sales per square foot (SPSF)*

Sales per unit area is a standard and usually the primary measurement of store success. The unit of area is usually square metres in the metric system or square feet in U.S. customary units. Square feet are also widely used in retailing in the United Kingdom, but there are signs of a trend towards use of square metres. Sales per Square Foot (SSF) s an indicator of sales efficiency. The formula for it is:

Sales Per Square Foot = Sales / Square Feet of Selling Space

SPSF is an indicator of how efficiently a company uses its assets to make sales. For this reason, the higher the sales per square foot, the better (Curhan, 1972). The measure is particularly popular in the retail and grocery industries, where analysts study which locations and layouts are most profitable. The measure also allows analysts to compare competitors and even entire industries to determine which are make the most and least productive use of their assets. In some cases, landlords set rent for retail tenants based on their sales per square foot[85]. This a popular retail sales KPI because it clearly demonstrates how effective your store layout and retail personnel are at selling product. As such, this KPI is important when redesigning or modernizing retail outlets, and will be the ultimate indicator of whether that redesign was successful or not. Many of the largest retailers will use a similar design concept for all of their stores, and will go to great lengths to ensure uniformity in each location. Therefore, the sales per square foot KPI can also be used to identify when cultural differences are impacting sales and warrant further investigation (Lam et al. ,1998). The average sales per square foot for your chosen type of retail store are often needed to write a business plan. This data not only measures retail sales performance within a business, it also allows retailers to benchmark their sales against a competing retail business. However, average sales per square foot data can prove difficult to locate. Many trade associations compile industry data and make reports or other publications available to its members. Annual surveys generally feature statistics on member retailers by sales volume, square footage, trade area size, and store type. The

[85] Information about sales per square foot is often available from industry trade associations such as the International Council of Shopping Centers.

Monthly Mall Merchandise Index, maintained by the International Council of Shopping Centers (ICSC)[86], reported sales per square foot in sporting goods stores.

2.12 Economic and financial performance metrics: Markdown goods percentage (MGP), Gross margin return on inventory investment (GMROII)

Retailers sell products at both full retail and markdown prices. Markdowns refer to the amount reduced from the original selling price. The markdown goods percentage (MGP) describes the percentage of total net sales attributed to products sold at markdown prices. MGP also helps retailers determine their effectiveness at selling products at full price since the difference between total net sales and sales from markdown prices is full price sales. Markdown goods percentage is represented as follows:

MGP = markdown goods percentage

$$MGP = \frac{S_{nmt}}{S_{nt}} \times 100$$

where

Snmt = net sales at markdown during time period t

Snt = total net sales during time period t

The MGP offers a retailer insight about how its products are selling by showing the percentage of sales attributable to both full retail prices and markdowns. If the markdown percentage is high, then it may signal to the retailer that problems exist in its operation that need to be addressed if the retailer is to improve the ratio of products sold at full price. A key source of profits is the investment in inventory. Retail managers want to invest in those products that yield the highest potential return on the amount invested. Retail marketers are

[86] ICSC is the global trade association of the shopping center industry. Its more than 60,000 members in over 90 countries include shopping center owners, developers, managers, marketing specialists, investors, retailers and

interested in this as well since the characteristics of the products in inventory have a direct influence on price, merchandising, and, ultimately, marketability. If a retailer's merchandise is more favorably received by customers and can earn a higher profit as well, then their decisions will also favor the products offering the highest investment return potential. Gross margin return on inventory investment (GMROII) measures how successfully a retailer has invested its money used for inventory. More simply, it is a measure of an item's gross profitability. It is calculated using this formula:

GMROII = gross margin return on inventory investment

$$GMROII = \frac{M}{C_{ai}}$$

where

M = gross margin dollars

Cai = average inventory costs in dollars

GMROII is particularly important in the retail industry where stock turn (i.e. sales units divided by average inventory units) and Gross Margin Percent can vary heavily by item, market segment, location, and period. GMROII can act as the main driver for retailers to analyze their product and store offering. This metric does not suffer from the major disadvantages some of the other main performance metrics do.

For example:

- Products or stores with high sales often have lower margin or excessive inventory
- Products with a high stock turns often have a low margin
- High margin items are often slow sellers and thus produce low profits
- High profit products often have low margin, high volume sales but also high inventory levels that prevent other products from being displayed and sold

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brokers, as well as academics and public officials.

Retailers usually drive their business based on sales or margin. In a retailer where budgets and bonuses are based on sales, employees often achieve that by lowering the margin or putting too much stock in their stores. A high GMROII indicates a good balance of sales, margin, and inventory cost.

2.13 *Retailer's margin percentage*

Retailing is a high-cost business yielding low margins. High capital investment in equipment, plus facilities costs, whether leased or owned, put pressure on the retailer to generate profitable sales. Additional costs include labor and inventory. Each of these costs reduces the retailer's profits, so it is imperative that retail management has a clear understanding of their margin objectives. he retailer's margin percentage is the profit margin that retailers realize after purchasing from the wholesaler and then selling to the consumer. It is a measure of how much money the retailer makes. The following formula summarizes the calculation:

RMP = retailer's margin in percentage terms

$$RMP = \frac{(S_p - P_p)}{S_p}$$

where
Sp = selling price to consumers
Pp = purchase price from wholesalers

A retailer's margin percentage objectives have an important impact on product and category profitability, positioning, and even image. It reflects the retailer's strategy in attracting the target audience and it is also influenced by the manufacturer's own recommendations.

Table 8. Summary of the metrics on the distribution activities

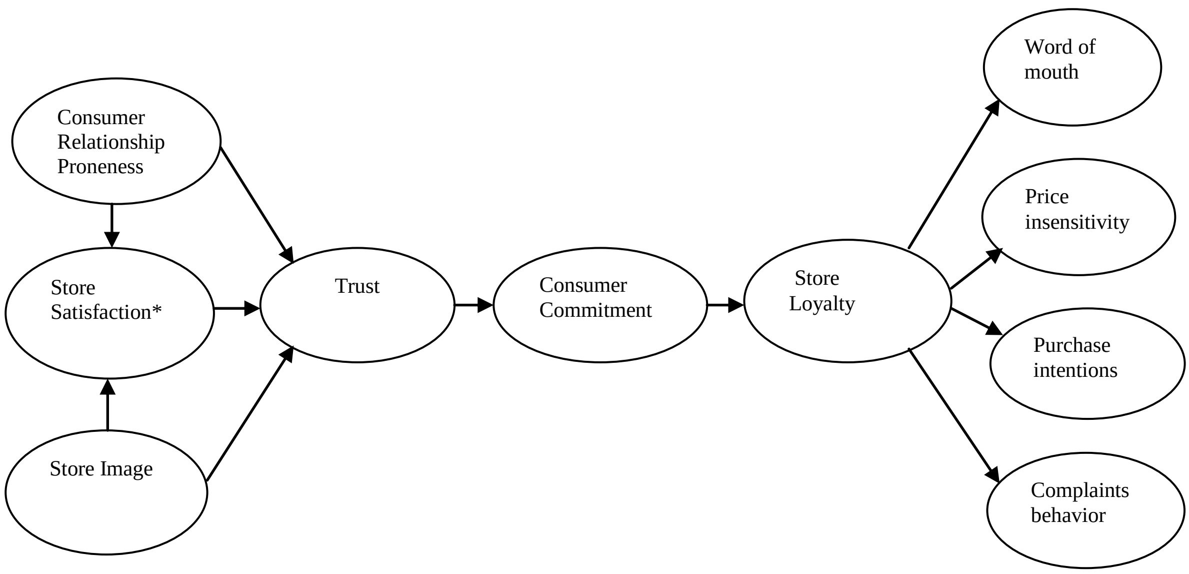
Metrics	Formula
Transaction per Customer	$TPC = (T_{transt} / T_{traff}) \times 100$
Average transaction size	$T_a = S_t / T_t$
Average items per transaction	$S_{avg} = S / T$
Transaction per hour	$TPH = T_{transt} / T_{ht}$
Hourly customer traffic	$HCT = T_{traff} / T_{ht}$
Sales/Profits per employee	SPPE = S or P / E
Inventory turnover	$Turnover = S / I_a$
Sales per square foot	$SPSF = S/S_a$
Markdown goods percentage	$MGP = S_{nmt} / S_{nt} \times 100$
Gross Margin Return on Inventory Investment	$GMROII = M / C_{ai}$
Retailer's margin percentage	$RMP = (S_p - P_p) / S_p$

Chapter III
The share of wallet (SOW)

3.1 Theoretical background

In order to demonstrate the contribution to the firm's performance, there is an increasing interest in the academic literature on SOV (Mägi, 2003), SOP (Brian, 2014) and SOW (Keiningham, Perkins-Munn & Evans, 2003; Cooil, Keiningham, Aksoy & Hsu, 2007). Several authors (Immink, Wierenga, Bremmers, Omta, Trienekens & Wubben 2004; Rao, 2009; Huang, Fildes & Soopramanien 2014), have proposed a model for understanding sales dynamics in FMCGs. In this context, the construction of MPM's set is fundamental to improve the business performance measurement. The MPM "…*is the systematic management of marketing resources and processes to achieve measurable gain in return on investment and efficiency, while maintaining quality in customer experience"* (American Marketing Association, 2005). The MPM assumes a central facet because is based on a set of measurable performance standards that puts the focus on outcome of marketing's actions. This paper connects two different research streams in marketing: the store satisfaction (SS) and the store loyalty (SL).

Figure 5. Positive effect of store satisfaction on purchase intentions



Source: adaptation from Bloerner & Odekerken-Schriider, 2002 (* as assumptions in the model, Store Satisfaction has positive effect)

The interconnections between these two components have a positive effect on purchase intentions (Bloemer & De Ruyter, 1998). Purchase intentions are crucial for the formation of SOW and this latter element is related to percentage ("share") of a customer's expenditures ("of wallet") for a product that goes to the firm selling the product. The firms fight over the share they have of a customer's wallet, trying to get of it as much as possible. For extending this share, they can sell even ancillary or complementary products.

3.2 The determinants of share of wallet (SOW): share of purchase (SOP) and share of visit (SOV)

Our whole analysis can be characterized by the following research question (RQ [1)] : *Which are the determinants of "share of wallet" (SOW) antecedents?* In the existing literature the antecedents of SOW are: "share of purchase" (SOP) and "share of visit" (SOV). In retailing industry there are two aspects of customer share (namely SOW): SOP and SOV, which, although being highly correlated, are not necessarily interchangeable. Purchase amounts vary between shopping trips and a particular store might, for example, only be used for frequent, but small, purchases. Thus, factors that determine where consumers make most of their purchases in volume need not always be the same as the factors that determine what store they visit most frequently. Although SOP would be the dimension of ultimate interest from a managerial perspective, the possibility that some factors affect SOV to a greater extent than SOP warrants an examination of both dimensions. For example, a consumer who is highly satisfied with his or her primary store might use it for almost all shopping trips resulting in a very high SOV, whereas occasional visits to an out-of-town superstore might drive down the SOP made in the primary store (Mägi, 2003).

3.3 Segmentation of existing literature

Table 8 (below), provides an overview of recent studies about the topics of customer satisfaction, purchase behavior and customer loyalty, which have strong impact on SOV, SOP and SOW.

Table 8. SOP, SOW and SOV a reference frame in literature

Author	**Topics**	**Field of application**	**Methodology**	**Findings**
Clerfeuille and Poubanne 2002	consumers' share of purchase	veterinarian industry	qualitative/ survey and quantitative/ statistical	the categorization of satisfaction impact on the SOP *"tetraclass model"*
Mägi 2003	share of wallet in retailing	grocery stores	quantitative/ statistical	satisfaction and loyalty card impacts strong on SOP/SOV
Keiningham, Perkins-Munn and Evans 2003	impact of customer satisfaction on share of wallet	b2b environment	quantitative/ statistical	according to a statistical model is a positive relationship between customer satisfaction and SOW
Leenheer, Bijmolt,Van Heerde and Smidts 2004	loyalty programs and behavioral loyalty influence on share of wallet	grocery retailing, Netherlands	qualitative/ survey and quantitative/ statistical	the SOW of a company's customer base is positively related to the presence of a loyalty program and SOW depends on its relative attraction to a consumer
Cooil, Keiningham, Aksoy & Hsu 2007	customer Satisfaction and share of wallet	Canadian banking industry	qualitative/ survey and quantitative/ statistical	positive relationship between changes in satisfaction and SOW
Meyer-Waarden 2007	the effects of loyalty programs on share of wallet	grocery retailing in the French region	qualitative/ survey and quantitative/ statistical	positive relationship between SOW and lifetime duration
Babakus and Yavas 2008	perceived quality and share of wallet	national retailer of automobile accessories and replacement parts	qualitative/ survey and quantitative/ statistical	sex influence the relationship between interaction quality/ merchandise quality and impact on SOW
Carpenter 2008	satisfaction, loyalty and share of purchase	discount retail shoppers	quantitative/ statistical	attitudinal loyalty influences word of mouth and SOP
Kim, Ok and Canter 2010	customer share of visits (CSOV)	full-service restaurant	qualitative/ survey and quantitative/ statistical	procedural and social switching cost influencing directly SOV

Cheng,Han and Cao 2011	factors influencing share of wallet	B2B market	qualitative/ survey and quantitative/ statistical	there is a certain reference value to predict SOW in customer lifetime value (CLV) measurement
Lourenço and Gijsbrechts 2013	national brands (NBs), hard discounters (HDs) and share of wallet	hard-discounters in Belgian market	qualitative/ survey and quantitative/ statistical	the introduction of NBs impacts on HD image and HD assortment image and consequently on his SOW
Anaza & Rutherford 2014	satisfaction, loyalty, SOP and word-of-mouth communication (WOMC)	b-t-b context	quantitative/ statistical	satisfaction, loyalty and WOMC of salesperson directly impacts even on those of selling firm and consequently on SOP
Hunneman, Verhoef and Sloot 2015	share of wallet formation	grocery chains in the Netherlands	qualitative/ survey and quantitative/ statistical	store attributes impact on SOW through store satisfaction (SS) and is influenced by consumer confidence and store image

In accordance with Macintosh & Lockshin (1997) and Reynolds & Beatty (1999), SOP is defined as the percentage of customers' purchases in a specific period of time. Literature research suggests that satisfaction (Zeithaml et al., 1996; Reynolds and Beatty, 1999) and attitudinal loyalty influences the SOP (Berry and Parasuraman, 1991; Fornell, 1992; Zeithaml et al., 1996; Macintosh and Lockshin, 1997; Reynolds and Arnold, 2000). Some Authors suggest links between consumer satisfaction and SOP and underline the presence of a linear process between the concepts of satisfaction and product repurchase (Ngobo, 2000). The links between consumer satisfaction, consumer commitment and purchase behavior in the retailing industry are identified in the service elements evaluated by the consumer (Clerfeuille and Poubanne 2002). In the perspective of retailer, SOW has a great significance and underlines an important question: "*How the customers divide their purchases across competing stores and how retail managers can increase their share of purchase?*" The customer satisfaction is a way for affecting the consumer behavior and its store's choice (Weir, 2001). The factors that determine where consumers make most of their purchases not always are that ones that determine which store they visit most frequently. Although SOP would be the dimension of ultimate interest from a managerial perspective, the possibility that some factors affect SOV to a greater extent than SOP, warrants an examination of both dimensions. For example, a consumer who is highly satisfied of a store could spend all its budget for weekly purchases at this store, and consequently increase the visits to the store. The SOV is not capable, alone, to increasing the SOW of retailers. In fact, the customers that visit the shop could be not satisfied of store' service and then they buy only products with low margins. Another factor that has a positive effect on the SOW are the loyalty programs and consequently also impacts on the customer lifetime duration[87] (Meyer-Waarden 2007). Therefore, the use of loyalty programs within the same stores chain can create a positive effect on SOP and SOV but it is neutralized when the consumer compares several loyalty cards (Mägi, 2003). In this case must come into play effects such as satisfaction and loyalty for create a lasting relationship with the store and these factors have a positive effect on SOW (Keiningham, Perkins-Munn and Evans, 2003). There is a positive relationship between SOW and lifetime duration, which indicates that more the customers buys proportionally in a specific store, longer they will remain with that retailer. Furthermore, the impact of SOW on lifetime duration increases over time. However, results are in accordance with East et al. (1997, 2000) but they contrast with Reinartz (1999). Different explanations are possible due to consumer heterogeneity. For example, SOW and lifetime may not be related when shoppers lack interest in stores and have a lifestyle that emphasizes activities unrelated to shopping. In these circumstances, people try to simplify their shopping problems by limiting the range of stores they use and continuing to use the same store for long period of time. Increased SOW also occurs when people ignore deals and simplify their shopping by consistently using the same stores (East et al., 1997). The percentage of SOW in terms of monthly expenditure that a household gives to a store chain

[87] In the same way, the *Customer Lifetime Value* (CLV) is a prediction of the net profit attributed to the entire future relationship with a customer. The present value of the future cash flows attributed to the customer during his/her entire relationship with the company. When margins and retention rates are constant, the following formula can be used to calculate the lifetime value of a customer relationship: *Customer lifetime value ($) = Margin ($) * (Retention Rate (%) ÷ [1 + Discount Rate (%)]) * Retention Rate (%)*

also depends on its attraction to product-service system[88] (PSS) of a particular retailer compared to the attraction of the competitors. In order to analyze the effects of loyalty programs on SOW, we need to understand what drives customers to become loyalty program members. The basic idea is that the SOW of a store depends on its relative attraction for a consumer (Leenheer, Bijmolt,Van Heerde and Smidts 2004)[89]. Empirical studies (Wirtz, Mattila & Lwin, 2007) show that the SOW of a firm customer base is positively related to presence of a loyalty program. For all supermarket chains, the customer's average predicted SOW is higher when a loyalty program is available. Several studies (Cooil, Keiningham, Aksoy & Hsu 2007) indicate that changes in satisfaction are positively but not linearly, related to the SOW that a customer allocate to a particular product-service category over time. The relationship between satisfaction and SOW is moderated by both demographic and situational customer's characteristics (Anderson, Pearo, & Widener 2008). In particular, income and length of relationship are significant predictors. This two latters, negatively moderate the same relationship between satisfaction and SOW changes (Cooil, Keiningham, Aksoy & Hsu 2007). Similar findings regard the relationships between satisfaction and

[88] Product Service Systems, are when a firm offers a mix of both products and services, in comparison to the traditional focus on products. As defined by van Halen, te Riele, Goedkoop (1999) a marketable set of products and services capable of jointly fulfilling a user's needs.

[89] $SOW_{ist} = \frac{A_{ist}}{\sum_{s=1}^{S} A_{ist}}$ The attraction of a store (*Aist*) is a function of loyalty program membership and store characteristics. We specify the attraction function as a Multi Nominal Logit Model, so that it becomes:

$$A_{ist} = \exp(\beta_1 + \beta_{2s} LP_{ist} + \beta_{3it} DENS_{ist} + \beta_{4it} PH_{st} + \beta_{5it} PL_{st} + \beta_6 SOWI_{is} + \nu_{ist})$$

with:

$$\beta_{mit} = \gamma_{m1} + \gamma_{m2} HHSIZE_{it} + \gamma_{m3} HHINC_{it}, \quad m = 3,4,5$$

In sum, below the set of store characteristics:
DENSist = Number of outlets of supermarket chain *s* as a fraction of the total number of supermarket outlets, in the province of residence of household *i* in year *t*;
PHst = 1 if supermarket chain *s* is high-priced during year *t*; 0 otherwise;
PLst = 1 if supermarket chain *s* is low-priced during year *t*; 0 otherwise.
And variables on household heterogeneity:
HHSIZEit = Number of persons in household *i* in year *t* minus average number of persons in a household;
HHINCit = Monthly net income in 1,000 Euros of household *i* in year *t*, minus average monthly household income;
SOWIis = Share-of-wallet of household *i* in store *s* during the initialization period.

repurchase intention, and between satisfaction and retention (Mittal and Kamakura 2001). Recent studies (Babakus & Yavas, 2008) suggest other variables, as the quality of interaction and quality of goods, that exert significant influences on SOW. The strengths of these effects vary according to gender. For male customers, the total effect of good's quality on SOW is stronger than the total effect of interaction quality. In accordance with Iacobucci and Ostrom (1993), male customers give more importance to core service (or goods) respect to the relational quality. According to Mittal and Kamakura's (2001), female customers give the same importance to interaction and goods quality. Finally, the customer's gender influence the SOW (Babakus and Yavas, 2008). The purchases' characteristics of consumers have been deeply debated in the literature. A significant factor is related to purchases' motivations of customers in retail industry. The purchase assumes a hedonistic and utilitarian value, the consumers choice between hedonic and utilitarian goods (Dhar and Wertenbroch, 2000) and they are influenced by the nature of the decision task. Greater is the utilitarian and hedonic shopping value, higher is satisfaction and this latter, also affects positively the attitudinal loyalty (Chaudhuri, and Holbrook, 2001). The attitudinal loyalty demonstrates positive relationships with consumers' behavioral outcomes, such as word of mouth communication and SOP (Carpenter 2008). Kim, Ok and Canter (2010) give an important contribution to the definition of SOV in the restaurant industry, where there is a high level of service. The authors assume there are three types of switching costs in the choice of the restaurant:

- social switching costs,
- lost benefits costs,
- procedural cost.

Also, there are two intrinsic variables on customers:

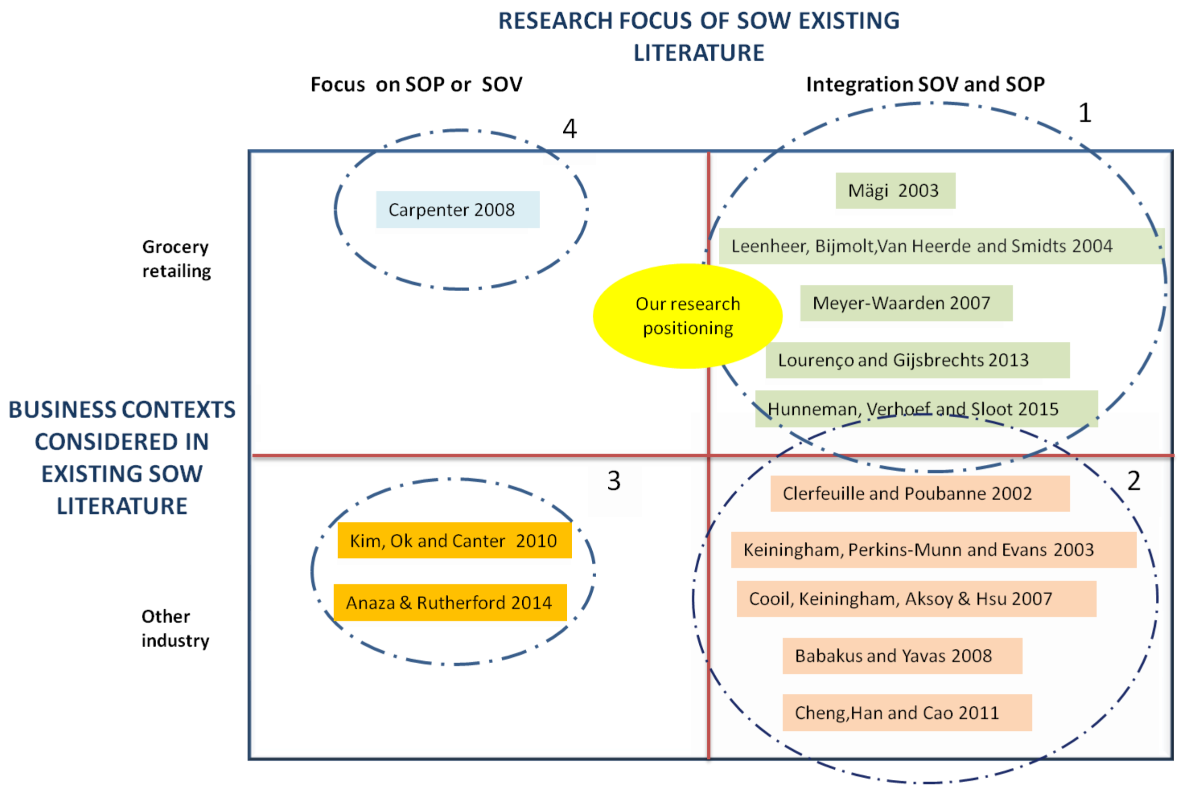
- intrinsic inertia,
- intrinsic variety seeking.

The latter factors directly impact on customer SOV (namely CSOV) and influence the consumer involvement and perceived brand heterogeneity in retail industry. According to the Table 1, there are other scholars that examine the key factors influencing SOW in a B2B markets. Customer satisfaction is the most important factor that influencing SOW in B2B market. In the B2B crucial is to know the customer's needs, develop new products and optimize the services to firms. All of these aspects are the foundation to increase SOW. Giving the real and full information to customers, maintain integrity and honesty in all dealings with customers, and striving to increase the rate of customer's retention are also important measures to increase SOW. These conclusions provides suggestions to develop an effectively CRM's system, and have positive impact on upgrading the CLV (Cheng, Han and Cao 2011). Other areas of interest, discussed in literature in the last ten years, regard the sales in hard discount stores. The turnovers of the top 10 discounters over the world are expected to grow by 50% from 2010 to 2015. The characteristics of the store (service, price and convenience) have a direct impact on store satisfaction (SS) which is in turn influenced by the consumer confidence (CC), such as by socio-demographic variables (age, income and family size) and the service's quality in store chain. Therefore, the store's SOW (SSOW) is determined directly by the SS and indirectly by the CC (Hunneman, Verhoef and Sloot, 2015).

3.4 Our research positioning

Based on the theoretical segmentation was done before we can divide all academic contributions on the SOW in a matrix with four dials. This type of classification is important to understand the strands of successful existing studies in the literature and our research where it's positioned in relation to them. Following the pattern in Figure 6, we can distinguish 4 study areas bounded by two axes: 1) the focus of research and 2) the reference context. From this division is possible to understand where is placed our research. With this approach is possible to understand both the determinants of share of wallet (SOV and SOP) as well as the SOW itself, in a process of focusing and integration of the two analysis perspectives. As regards the reference context, our analysis has aimed to investigate the retail industry, in particular on mass consumption products called FMCGs.

Figure 6. The theoretical positioning of our research



The next step was to collect the studies done on the SOW in 4 research areas characterized by:

1. academic contributions on SOW in the retail industry;
2. academic contributions on SOW in other industry;
3. academic contributions on SOP or SOV in the retail industry;
4. academic contributions on SOP or SOV in other industry.

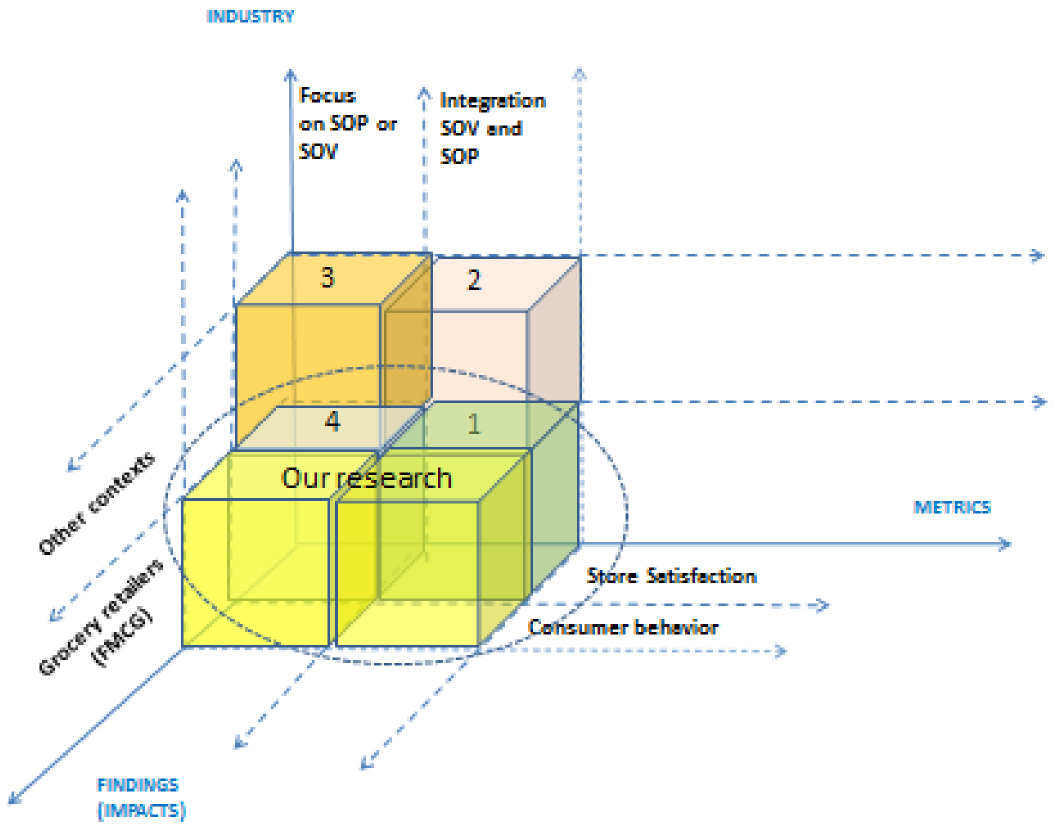
In Figure 7 have been reported, the four areas analyzed before, adding a third dimension of analysis. Previously they analyzed studies comparing the type of metric investigated and its application context. With this subsequent analysis will relate also findings resulting from the literature. These latter, have been unified into two large main categories:

a) **store satisfaction (SS)**

2) **consumer bahaviour (CB)**

The integrated study of the SOP and SOP namely the antecedents of the SOW, has an equal impact on the two macro-categories. In fact, to give a better explanation to the phenomena that drive customers to visit a particular shop and where buys most of its products (we refer to FMCGs), the our research project considers both the store characteristics (also in terms of brand image) that the consumer behavior.

Figure 7. The theoretical positioning of our research



Chapter IV

The results of a field research

4.1 Marketing Performance Measurement in Fast Moving Consumer Goods

Bearing in mind the changeable and complicated needs of business environment, in this analysis we examine the necessity of evolution in the traditional decision support techniques. Our aim is to intensify the need for integrated performance measurement and management, as a way to ameliorate the existing tools for decision making, which are currently based on historical data. Because of the nature of challenges and trends in the retail industry, it is considered to be an appropriate application scenario. In addition to that, a framework is proposed and a case study is described as a proof of our claim. Recent years, the Marketing Science Institute considered marketing performance measurement (MPM) a priority in marketing research and managerial practice. Several contributions on the same topic have been proposed in literature. The ability to measure the marketing performance is considered, a cognitive gap that determined a decrease of marketing relevance within firm and organizations. On the basis of relevant literature on retailing and an explorative case study, it will be proposed a conceptual and pragmatic model to investigate MPM for a consumer goods retailer. The model is aimed to identify antecedents of “share of purchase”, “share of wallet” and “share of visit”.

4.2 Executive summary on Italian retail industry

To get an idea of the complexity of the Italian context, we could circumscribe the events that happened in recent years in these main effects:

- Government stimulus continues to increase the cash supply

The Italian economy showed signs of slowly rebounding from the tough recession of the review period, which had resulted in declines in consumer spending and lower levels of confidence. The government began to see the results of the stimulus given to some employees which came into effect in June 2014, with €80 added to salaries with the aim of boosting the economy, as well as the ability to offset some expenses for furniture and large appliances against tax. During the second half of 2015, however, growth was still considered to be too slow, to the point that the government began to work on additional stimuli for retailing and other consumer markets.

- Major retailers refocus on profit

After years of heavy promotional activity, aimed at bringing consumers back to stores and driving sales, all major retailers were forced to relook at their margins and pricing strategies. Therefore, instead of focusing promotions on discounted prices, major grocery retailers began to introduce everyday low prices for their private label ranges. Promotions became more focused on value, enabling consumers to purchase discounted items or larger convenience packs. While Coop Italia lowered the price of more than a thousand items, CONAD - Consorzio Nationale Dettaglianti introduced its so-called “Bassi e Fissi” campaign.

- Non-grocery specialists shows signs of recovery, but still has a long road ahead

Grocery products were expected to be the first to recover, given that food is a primary need, and overall the overall decline in sales was lower than in non-grocery in 2015. Given that during the recession Italians aimed to lower their spending on everything that they considered unnecessary, non-grocery items, such as apparel and footwear or homeware and home furnishings were hit hard over the review period. In order to continue to grow sales and differentiate themselves, some players focused on store expansion through franchising. In 2015, all these retailers had to rationalise their store base, and closed non-contributing stores in order to focus on driving sales in outlets with higher profit margins.

- Discounters focus on retaining customers after the recession

During the recession, discounters witnessed an increase in store traffic as Italians looked to lower their spending. With wide store expansion and aggressive pricing strategies, major brands, such as Eurospin and Lidl, were able to increase their appeal. Supermarkets and hypermarkets countered this with heavy promotional activities which lowered the price gap between the two channels. As the economy improved, discounters worked at improving their product offer with a larger presence of fresh food, including fresh bakery and produce.

- The brick and mortar experience remains key for Italian consumers

Although online sales continued to improve and expand across all product categories in 2015, major retailers in Italy remained focused on the shopping experience in their brick and mortar stores. Although Italians embraced internet and mobile, the shopping experience in physical stores remained important, and integration between online and offline will be necessary in the years to come. Visiting stores, touching and visually examining product freshness when buying food, as well as enjoying the shopping environment in the case of non-food products, is important for Italians, more than just buying and receiving goods at home[90].

4.3 Overview on the firms analyzed: Superò-Auchan and Decò-Multicedi

An early test of the model has been carried out on two Italian leading chains: Superò, a master franchisee of SMA Spa (owned of 27 small supermarkets under control of the French Auchan Group) and Decò-Multicedi (the Group is a multi-channel company based on network of 5 Ad Hoc cash & carry centers, 253 Decò outlets and 3 Ayoka pet shops) located in Campania Region. Superò was founded by Antonio Cristiano, and grew over time with the commitment and passion of three generations. Since late 1940 the Christian family has always worked in the wholesale food industry, until 10 June 1994 when opened the first retail store in

[90] Country Report January 2016 Euromonitor International Ltd.

Via Arenaccia. One of the first supermarket opened in Naples that sells a wide range of branded products with the quality of fresh produce, typical of the grocery. In 1996 he born the sign "overcame" which is presented as the main competitor of the national chains. In 2004 he inaugurated the Central Distribution (Distribution Center) of Pastorano,Caserta. In 2007 the group of the Cristiano family enters in the large-scale retail trade (LRT) as Master Franchising of Auchan Group, for the Campania Region. In 2010 the label Superò joins the new brand "Simply", used by the Auchan Group at European level for the stores under 2,500 square meters. Today, more than 30 direct sales points serve daily more than 50,000 customers. In November 2015 he is affiliated with Megamark, Puglia group of LRT associated with Selex and leader in southern Italy with a market share of 10%; counting 400 stores labeled Dok, Famila, A & O, Sole 365 and Sunrise. In 2016 it reached turnover of nearly one billion euro. On the initiative of a group of entrepreneurs from Campania, in 1993, it was born Multicedi: a company that within a few years has established itself as a leading enterprise of organized distribution in Campania. Today it can count a network of over 300 POS (over 150,000 sq m of retail space). The local presence is very strong in the region of birth, Campania. However, the expansion into neighboring regions (Lazio, Puglia, Abruzzo, Molise, Basilicata) is accelerating, especially in recent years. The topics of networking, collaboration and enhancement of local peculiarities are the foundations on which to build a growing reality. In line with this strategy, recently, Multicedi has further strengthened its presence by closing an 'important partnership with the Arena Group. An operation that

projects the expansion of the brand DECO 'even in Sicily. In 2012, Multicedi has exceeded 750 million euro turnover, employing over 6,000 families and reaching a market share of over 14% in Campania. The mission of the cash & carry centres is summed up in the sign itself: *“the cash & carry customized for you”.* When we reviewed the channel in 2004, we "renovated" layouts and assortments to begin meeting the needs of the Ho.Re.Ca world, implementing fresh food departments in addition to expanding the depth of others, such as wine departments. It is the other way round for the Decò channel where values and positioning focus primarily on bonds with the local area, from assortments to co-packers of the Decò private label. How has Multicedi tackled the current crisis? Given its multi-channel operations, Multicedi differentiates actions and policies in relation to the reference channel. The long channel, over and above the price lever, differs in terms of formats, depths and breadth of choice; the short channel involves high-end actions encouraging alternative approaches to consumption.

4.3 Methodology and research design

In order to identify a conceptual model to measure the marketing performance (MP) in retailing industry, our research's design provide the following stage:

a) **qualitative exploratory analysis** (Gummesson, 2005; Spanjaard & Freeman2006; Cantone & Testa, 2011) of key managers (the General Manager and the Marketing Manager of the leading consumer goods retailing chain operating in Campania Region), to identify the variables of an emergent conceptual model on MPM, under a managerial perspective. The technique adopted is key informants (Tremblay, 1957) in depth interviews to some managers of Superò and Decò retailers.

The focus of in depth interview were the determinants of performance metrics, that lead and control the marketing activities or rather to explore the determinants of SOW antecedents.

b) **assessing the emergent conceptual model to measure MPM in FMCGs**;

c) **follow up with some potential contributions to the existing literature**.

In the retailing industry, consumers typically attend multiple stores. Crucial point is understanding how to gain a greater part of consumer's expenditures in the store. Therefore, one way to increase consumer lifetime duration (and consequently SOV and SOP) is leveraging on the quality and variety of products offered, not forgetting the contribution of loyalty program and fidelity cards.

4.4 Proposing a conceptual model

Managing the levers which reinforce the customer retention in the retailing industry, is difficult for many reasons. First of all, for the economic crisis, which has increased the competition and therefore, the consumer gives to the convenience more importance and in a broader sense (not only in economic terms) includes both the *value for money and time saving*. These last two factors directly affect on following three metrics:

- the repurchase (SOP),
- the frequency of visits (SOV) and
- the share of expenditure (SOW) that a household destined to weekly or monthly (it depends by the period, examined in the analysis) purchases.

For example, it's important to save time in making purchases at the store and there are several factors that influence this feature:

- payment at the cashier,
- ease of parking,
- availability of products.

The time has become a crucial factor and consequently, also the store's location increasing the competition among different supermarkets, in the same geographic area. The Superò and Decò strategy is to pull out from price's wars, leveraging, on the service quality of its offering system (for example, to provide multiple opportunities for shopping, Superò plans to open H24 stores[91], all day, offering various purchase's solutions and food's assortments). Superò and Decò ensure a high level of service's quality by the sale of fresh products (for example, short life foods). These approach creates a trust relationship with the consumers. According to the information gathered during the interview consumer's loyalty to Superò is determined by three components of offering system (in the same way for Decò but with some differences related to the type of company):

1) fruit and vegetable corner (refers to the importance of product's exhibition in supermarket and grocery store)

2) deli corner (the product's quality is critical to build over time trust relationships with the consumers)

3) the butcher and fishmonger corner (the trust in sales people is significant)

There are products which are "essentials" to retain the consumers and for create cross-selling In Superò, these products are:

1) fresh milk (essential for retailer's competitiveness is the best price because the customer is very price sensitive)

2) bread[92] (price competitiveness and an efficient supply chain are strategic)

3) mozzarella[93] (the product's quality is guaranteed by an excellence of the supply chain)

[91] The first case of supermarkets, open H24 in Italy, started with the initiative of the French group, Carrefour S.A.

4) ham[94] (quality is related to product's selection)

For Superò and Decò, the 70% of total sales of the supermarket is given by fresh corners, and the remaining 30% derived from other goods[95].

The ***supermarkets characteristics*** **(SC)** influence directly SOP and then SOV, and these are:

- quality of fresh products (refers to supplier' selection);
- re-assortment to ensuring a continue availability;
- low price on primary products (e.g. milk and fresh bread);
- store's proximity (important for choose nearest supermarket)
- employee skills (in particular of the supermarket' sales people) useful for creating a trust relationships with customers.

The ***competitive attraction of stores*** **(CAS)** chain (Superò's network has 27 supermarkets) impact in the same way on SOP and SOV. The key factors of the CAS are:

- price (customer's value for money)
- discounts (the incidence of retail's leaflet is strong)
- innovation (driven mainly by the store' service)
- time saving (in a broadly sense, convenience)
- exposure shelf (in terms of products)

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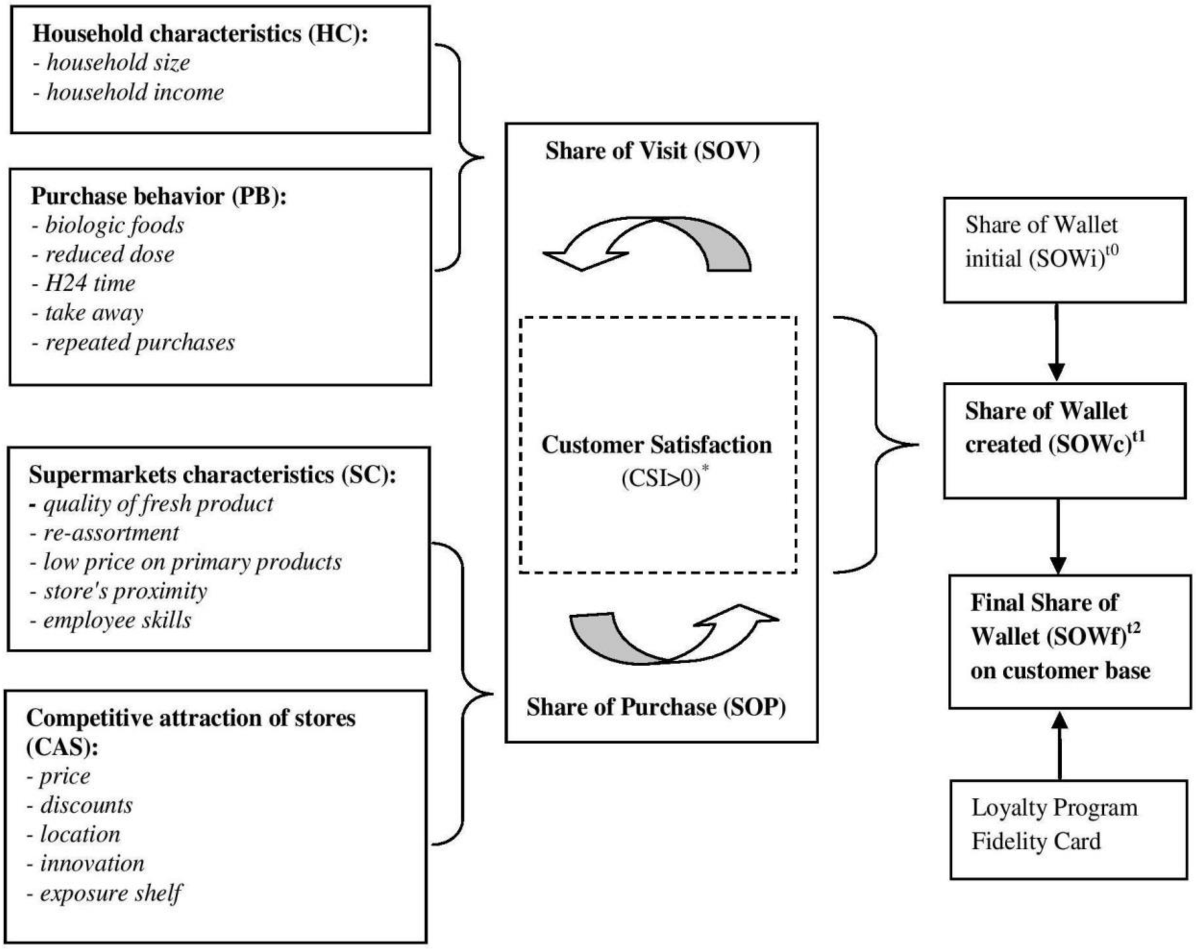
92 Frequently bread's deliveries are repeated in the same day. In some stores the bread's production has transferred inside the supermarket to guarantee the freshness of product.

93 In Campania region "*Mozzarella di Bufala*" has the DOP label (protected denomination of origin) to guarantee product's quality.

94 The *"Consorzio del Prosciutto di Parma"* was set up in 1963, on the initiative of 23 producers with the objectives of safeguarding the genuine product, its tradition and the image represented by the designation Parma. Since 1970, when the first law on Parma Ham was passed, it is the official body in charge for safeguarding, protecting and promoting the Designation of Origin "*Prosciutto di Parma*".

Figure 8: Conceptual model on share of wallet (SOW) determination



* as assumptions in the model, Customer Satisfaction Index has positive effect

Analyzing the conceptual model (Figure 8), we can identify the determinants of SOW. In our empirical case, the retailer SOW corresponds to SOWf t2 (share of wallet final). The positive effect of consumer satisfaction in terms of SOV and SOP creates SOWc t1, adding the residual SOWi t0 (present at the beginning period considered).

[95] Non-food items (NFIs) are products other than food.

The ***household's characteristics*** **(HC)** impact mainly on SOP and is referred both in their spending power and in number of family's members. The SOV's influence on HC is limited and is more related to purchasing's characteristics and by lifestyle's patterns. Typical factor of Campania's retail, are the fractionated purchases (not stocking products) which enhances the frequency of visits (SOV) to the supermarket. Superò has increased the number of sales points to direct in its supermarkets the largest number of consumers. The model analyzes the **purchases behaviors (PB)** that impacting in equal mode on SOV and SOP, and they are:

- *biologic foods* (the consumer is more careful and informed, and buys better products)
- *reduced dose* (the single-dose consumption and in small quantities, takes more importance)
- *H24 times (*new lifestyles and different working shifts, open to new opportunities for consumption)
- *take away (*meals or other food, purchased at supermarket, ready to eat)
- *repeated purchases* (people make more visits in supermarkets for weekly purchases)

Therefore, *supermarkets characteristics, purchases behaviors, competitive attraction of stores and household's characteristics* play an important role to create customers traffic in the store, in terms of visit and more purchases. The Decò's managers preside these factors through a high level of innovation to ensure the best *service quality* [96] for the customers. Loyalty programs and fidelity cards contribute to the creation of SOWf and concerns both old customers (existing in portfolio), that new customers. Moreover the customers have multiple loyalty card, related to different supermarket's chain operating in the same geographical area.

[96] *Service quality(SQ)* is a comparison of expectations (E) with performance (P) (SQ=P-E). From the viewpoint of business administration, service quality is an achievement in customer service. It reflects at each service encounter. Customers form service expectations from past experiences, word of mouth and advertisement. In general, Customers compare perceived service with expected service in which if the former falls short of the latter the customers are disappointed.

Then the consumers can compare the promotions choosing that one, with better value for money (the discounts and special offers usually are suggested by the retail leaflets).

4.5 Findings and discussion

The paper presents the first evidences of an ongoing research project arranged in: phase 1, related to the points sub a) qualitative exploratory analysis of key managers to identify the variables of an emergent conceptual model on MPM and b) assessing the emergent conceptual model to measure MPM in FMCGs; phase 2, in a forthcoming study, related to the point sub c) administer a quantitative survey on key sample of high spending clients of Superò and Decò in order to test the conceptual measurement model. The originality of this work is to explore the MPM in terms of conceptual and measurement model, under a managerial perspectives, in a FMCGs provided of key informants and data useful for such an aim. The contribution of this paper is to explain from the point of view of the retailer the most appropriate decisions to increase the total supermarket's turnover. Even in the choice of the characteristics of the store and the type of products sold, in a second phase we will analyze the perspective of the consumer. Finally we link the two interview to create a holistic tool for measurement these phenomena and support the management. The dynamics of customer loyalty has significant value in relation to the customer's choices and product's assortment. In the retail industry, there are product's category that retain the customers and others not, for example industrial goods not trigger this process as fresh products (discussed earlier). Industrial brands fails to enhance customer loyalty, because the level of pressure that have on retailers chain is very high. Indeed, the frequency of promotional programs for industrial products is very high, so the retailers cannot create loyalty on these products. Finally, the retailers suffering a price positioning on these products, by industry. Then on industrial products also the promotional programs of the supplier is very strong, so the retailer cannot create loyalty through its products, suffering a price by industry. This determines that the only lever to compete, for retailers, is the store's proximity (assuming the same price between different retailers). Among the industrial products, there are some product categories characterized by high traffic (pasta, oil, tomato cans, etc), where the retailer always apply special discounts on his promotional flyer. Now, if we consider a heavy user of these products and therefore very attached to a particular brand (for example, pasta Barilla), the consumer will try to store a high amount of product, where he will find a good store's discounts, this increases the turnover's incidence from promotional flyer, rising from 26% to 33% (in Superò). Consequently, this increases the promotional push by retailer and then the assortment of products on the flyer (lately the retailers include biological or gluten free products). Another factors to consider are the types of consumption, in recent years people consume less and in small doses, and also the households size are smaller. Then, the innovation of retailers in product's assortment, becomes successful for success of retailers' strategies. The new purchasing behavior increase traffic's stores in terms of visits and in terms of purchases (lower value purchases but repeated over time). The innovation in service's quality must be induced by retailers and not passively incorporated by the market. In Superò as in retail industry, the contractual power of suppliers on packaged food products is strong. Some products are pushed in the distribution channels[97] but do not generate a high traffic both in terms of SOP and SOV. Overcame ensures product quality and the high level of loyalty can

[97] The case of *Grand Soleil* (brand of Ferrero Spa), sweet lemon sorbet, produced to be stored out of the chiller cabinet, it is no longer commercialized for about a year. The disappearance from supermarkets, was not perceived by consumers (the product not created a consumption's needs). According to official statements of Ferrero, the product was withdrawn "after staying for more than six years, in the commercial phase of " extended test". The product has been suspended because the results were considered "unreliable". The product has not met the favor of consumers, despite the strong advertising investment. In 2013 it was proposed a line of specialty drink *Grand Soleil*, but not entered in the stores.

generate high margins. Different matter regards the fresh food products (such as those of the butcher corner) because the consumer's behavior are constantly monitored by the retailer. In Superò the product's quality and the high level of loyalty bear a high margins. Marketing strategies for Superò is focused on service's innovation and product's quality. The brand image of Superò store's chain protects consumers, while for industrial products is important the supplier's brand (Unilever and Procter & Gamble have a key role in the retailers' choices).The product's assortment for Superò is essential to ensure product's quality in fresh foods. For butcher corner, the supplier becomes a business partner because there are trust relations and in long-term perspective. Another aspect that emerged from the interviews concerns the fidelity card and how their use impacts on retailers‘ revenues. Loyalty card increased the incidence of turnover from heavy customers, this shows that loyalty customers, remain loyal (they are not affected by discounts). The evidence that emerged ,from data, collected on whole store's chain, shows that there are stores, where the incidence of the fidelity card is greater than 50%, compared to an average incidence company of 42%, with peaks of 60% and relates to those supermarkets typically service in certain areas than others less virtuous in this aspect because they are covered by a high foot traffic (customer of passage), here we will have also a decrease of the share receipt for the customer (SOW) but we have a high number of transactions (SOP). This relates to the behavior's change of consumers that impact both in terms of SOV and in SOP. This is consistent with the decrease of sales in hypermarkets than the supermarkets of proximity (the purchases of households are repeated several times in the same week).The strategy of Superò for the loyalty card is to collect points (gift's catalog) and not products' discounts, according to managers to strengthen the retailer's loyalty. The consumers, usually, use more loyalty cards and in Superò there are particular types of customers defined "heavy users" (for example, 5% of card holders on 50 000 fidelity, active representing 30% of total revenue), with interesting insights. The collection points in Superò is aligned to direct competitors (Carrefour and

Auchan), but the real differentiation consists in the data collect from fidelity card (refers to IT infrastructure) for acquiring information derived from the purchases. The Superò's managers want to enhance the IT infrastructure and make better use of information resulting from loyalty cards. The complexity of the Deco-Multicedi company is in its multi-channel and in the composition of the distribution network. The company structure is composed of three subsets:

1) affiliates,
2) members and
3) direct ownership of the CEDI.

The first measurement of performance is made on VAT taxable purchases (at the aggregate level) and then with other metrics on the results for each business units. For perforamce on affiliates there's an analysis of the income statement and then calculate the royalties received under the services offered by Multicedi. In addition, the full disclosure of the purchase contracts is applied to the three buying groups. An important metric to monitor the affiliates is the percentage of fidelity. Primarily it's measured through incidental indicators (inspections, product notes) and by the annex scheme of customer/supplier where for each year is analyzed the estimated percentage in the three food departments that are not directly managed by Multicedi (this for Regional localism phenomena and for industrial dynamics), such as: 1) meat, 2) bread and 3) dairy products. These analysis, integrated with the revenue registry[98] of customer / supplier, are required to quantify the price margin attributable to the affiliate on the final price on the consumer. The economic results related to the affiliate weighs about 50% of total company turnover. For customer performance are implemented by

[98] Italian lawmakers calls him "*registro dei corrispettivi*" and is an accountant mandatory register in which some categories of taxpayers (retailers and others - art. 22 of Presidential Decree no. 633/1972) must write down the total amount of operations carried out on each day , divided by rate of VAT.

the analysis on sales receipt, (where there are the expenditure trends) and then there is a part of the specific analysis that is carried out by specialized agencies (such as survey commissioned to Nielsen)and eventually, on data from the market as the sectoral growth rates and the amount of consumption in supermarkets. This type of monitoring, with integrated metrics on consumer and company drives the organization in operating decisions. For example on stock management and on the procurements planning from the industries. (*Just in time* is a key factor). Multicedi make transactional measurements on affiliates but adds other metrics at an aggregate level, both on the selling format (Decò supermarkets) that on the product categories. The assortments and the rationalization of the references are fundamental decisions(not so much in amplitude but in depth) that is to expand the offering in terms of products and not of brands. Another category of metrics directly affects the customer such as loyalty cards. The latter means more than being related to awards or gifts should provide information on customers and on its spending dynamics (but this type of measurement is not easy to do in practice). The most important data to know would be to read the receipt line with the types of purchases with the frequency for each reference (basket analysis). The company at the present time is unable to do this type of analysis (either for the amount of data that for an adequate ICT infrastructure). The reading of this information is limited to the receipt line where is indicated the expenditure amount[99]. The Multicedi group also makes a report for each geographical area (Avellino, Caserta, Naples, etc) where there is the analysis of the acquired references and the frequency of visits in different types of retail outlets (superette, hypermarket, maxistore, etc). The expenditure data and the frequencies are crossed between the 5 departments of geo-marketing (also for the contribution of loyalty cards) to investigate what were the migrations of products categories [100]. Or to control the expenditure dynamics in the various sales formats both in terms of assortment that promotional. For Multicedi-Decò

[99] To have an idea about the importance of these topics, consider that in Europe were spent 18 million Euros by the French E.Leclerc of investment on analytical CRM.
[100] Many beef products in recent years they have fallen by 35 points of consumption index.

Group the main strategic dimensions on which to operate in order to increase the SOV are linked to availability and variety of products in the supermarket. For Multicedi-Deco Group the main strategic dimensions on which to operate in order to increase the SOV and then the SOP, are linked to availability by well as the variety of products in the supermarket. The winning retailers today can exclusively convey all purchases in its supermarkets because satisfies all consumer's needs.

4.6 Managerial implications and research limitations

The thesis work contributes to the debate on MPM and its possible evolution. Furthermore, it contributes to the FMCGs marketing literature. The work, finally, provides a tool for managerial use (Seggie et al. 2007), to support the management of the companies operating in the FMCGs business and in the implementation of a dashboard[101] to report *marketing performance* (Frösén et al., 2016). Essentially, a dashboard is a multi-layered performance management[102] tool that enables organizations to measure, monitor and manage business activity by using both financial and non-financial measures. The dashboard provides analysis into the progress of the organization toward achieving each defined objective. The results of this study could help managers to improve their decisions concerning characteristics of the shops and loyalty programs. A firms reconsidering the use of such a program should realize that loyalty programs are generally effective in enhancing SOW, but not for each store chain; then the other variables that must come into play are the ability to attract consumers and impact on SOV and increase the number of purchases, that is SOP. Loyalty programs[103] aim

[101] The dashboard is a tool where all data and metrics are collected and shown as useful information for the organization. Marketing professionals create these dashboards from metrics and KPIs. The firms can use this information to proceed with their marketing activities. For further informations refer to Miller & Cioffi, 2004.
[102] Kotler, Keller, Ancarani & Costabile, 2014.
[103] Sharp & Sharp, 1997.

to enhance consumers' purchasing, but the firm's best customers are the most likely to subscribe as member. This leads to causality problems, which invalidate a simple comparison of purchasing behavior of loyalty program members versus non-members. Valid assessments can be obtained only through studies using market wide data and extensive customer background information. Because individual firms possess mainly company specific data, cooperation with market research companies that hold consumer panels is an option. Further, a firms should pay careful attention to loyalty program design, as this is proven to influence effectiveness. When focusing on the trade-off between direct and delayed rewards, managers are advised to invest rewarding money predominantly in delayed rewards, such as a saving feature. The loyalty program designs studied here are fairly basic and similar, and companies could gain through differentiation of their design. Finally, our analyses show that privacy fears still prevent some customers from loyalty program participation. This implies that part of the customer base is not exposed to loyalty programs that could enhance customer loyalty. Current privacy legislation protects customer privacy to a great extent, and some of their fears might be irrational. In order to reduce customers' privacy fears, a retail company should invest in proper communication to customers about privacy protection guarantees and the constraints on data usage (Phelps, Nowak, and Ferrell 2000). The key implication is that managers should not simply strive to improve reported satisfaction levels without an understanding of the relationship to customers' SOW allocations. Given that both the initial satisfaction level and the conditional percentile of change in satisfaction are significantly associated with changes in SOW, it is critical that managers design their efforts to improve satisfaction so that customers reach the satisfaction levels that correspond to higher SOW levels. This may require a reevaluation of the means with which managers currently measure the potential return on investment from improvement efforts, aimed to changing customer behavior through improved customer satisfaction, particularly if cross-sectional analyses are currently used. Cross-sectional (as opposed to longitudinal) examinations of the relationship between store satisfaction and customer behavior may be unable to identify adequately the roles of both baseline satisfaction levels and change in satisfaction on customers' SOW allocations. The main research limitations are related to a case study approach (Eisenhardt 1989, Feagin et al 2001 and Yin 2013) and qualitative methods during the first explorative step. The studies on loyalty programs remain rare and incomplete, one restriction of our investigation is the difficulty of getting the mixed data on which our analysis is based (store intern scanner data and single-source panel data). Thus, applying our approach to other industry (e.g., airlines, restaurants) is difficult, because single-source panel data usually exist only for FMCGs, as in this work. More replications in other industry are needed to enhance the generalizability of our findings, from retailing to other industry. Our study not integrates financial data, though the success of a loyalty program should be measured by its financial contribution (Kopalle and Neslin 2003). The impact of customer lifetime on retailers' SOW should be expanded in terms of potential value, resulting from customers. *The customers engage in long-term relationships with retailers because their expenses are high, or spend their money in stores because they have high lifetime durations?* The relationships between loyalty programs and behavioral outcomes are probably more complex than has been assumed. How consumer characteristics (e.g., consumer behavior and shopping orientations) moderate the relationship between schemas and repurchase behavior, likely is contingent on the product category. Finally, experimental approaches analyzing how loyalty programs[104] influence purchase behavior are highly recommended (Kivetz and Simonson 2003; Roehm et al. 2002; Yi and Jeon 2003; Keh and Lee 2006; Meyer-Waarden 2006; Meyer-Waarden and Benavent, 2007). These questions are only partially solved, and additional research therefore

[104] In marketing generally and in retailing more specifically, a loyalty card, rewards card, points card, advantage card, or club card.

should contribute to better theoretical and empirical knowledge about the way rewards influence value perceptions of loyalty schemes, because rewards determine program adoption and use.

Conclusions

The current study extends the developing stream of literature on the relationships between shopping value, satisfaction and loyalty in retailing, but several limitations should be acknowledged. The study focuses only on the retail so the conceptual model could be tested on other industries. Additional research is needed to examine these relationships within and across additional industry. For example, research in other industries that produce different results given from higher levels of customer service provided and the differences in the store environments. Future research could investigate additional types of shopping value across retail industry and should include additional outcome variables that may be linked to shopping value. For example, the inclusion of variables such as competitive resistance (e.g., Reynolds and Arnold, 2000) could be useful for understanding the strength of attitudinal and behavioral loyalty in terms of insulating a retailer's SOP. Further examination of interactions between shopping value and satisfaction are also needed. Future research could explore changes in the interactions within and across retail industry. Finally, our analysis identified the presence of a significant relationship between changes in SOW and concomitant changes in satisfaction, along with the other effects of moderating variables (characteristics of the store, household and the influence of loyalty programs). Therefore, to examine better the robustness of these findings, additional research should be conducted regarding both the longitudinal relationship between satisfaction and SOW but also for the moderating influence across several customer's characteristics in various industries and countries. In a next step of our research, we compare with other retailer Group of important national labels (e.g. Carrefour, Coop and Conad). The study will be integrated with a quantitative approach on food retail and FMCGs and will be implemented the customer perspective through the questionnaire on high spending consumers.

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