

CHAPTER I

INTRODUCTION

Historically, many researchers have endeavored to study retail evolution in the United States and in Europe, based on an assumption that a pattern would exist in all retail evolution and that the pattern would provide insight into past and future changes in retail. Three theories are commonly recognized as the primary retail evolution theories: (a) Environmental theory, (b) Cyclical theory, and (c) Conflict theory (Brown, 1987; Oren, 1989). The basic premise of these theories is that a force (e.g., environment, conflict) causes a retail institution type to change and evolve into a new institution type or a new institution type will emerge as a result of need, conflict or other forces.

With the growing number of retail businesses and the “overstoring” of countries, the competitive advantage of one retail institution type over another is an important consideration in the evaluation of any retail changes. Competitive advantage is defined as “the distinctive competences of a firm and the factors critical for success within the industry that permits the firm to outperform its competitors. Advantages can be gained by having the lowest delivered costs and/or differentiation in terms of providing superior or unique performance on attributes that are important to customers” (Bennett, 1995, p. 52). Gist (1968) mentioned that the major attributes for achieving competitive advantage are price, location, merchandise assortments, promotion, services, layout, and organization. Retail institutions need to have a competitive advantage, one that their competitors cannot easily imitate. To achieve competitive advantage, retailers modify their operations and retailing mix based on their target segment’s value schema. This modification process, used to acquire competitive advantage, very often results in the evolution process of retail institutions.

Statement of the Problem

A new retail institution type has emerged in South Korea that is unique in comparison to any previous retail institution type. The study of this emergence and its potential, through the competitive advantage that can be obtained, has implications for the future structure of retail both in South Korea and in other parts of the world. To proceed with this study, an appropriate

theory base and other research findings about past retailing in South Korea are needed; however, a search of literature indicates that South Korean retailing has been the subject of limited and mostly fragmented research. No comprehensive work has covered the evolution of South Korean retailing, and the literature reviewing the present retail structure is limited to trade journals and a few biographical type reviews.

The previous theories on retail evolution are a potential basis for studying the retail evolution in South Korea. Although extensively studied, used in conceptual work, and applied as foundation for empirical work, some limitations exist with these retail evolution theories. First, none of these retail evolution theories has been able to explain the evolution or change patterns for all types of retail institutions (Brown, 1987). For example, several of the theories address specific aspects of retail operation or specific institution types but do not provide a comprehensive overview of all components of retail institution operations. Second, many of the combined theories lack sufficient detail or graphical representation to use in a research application. Third, most of the previous writings about retail evolution theories are without quantification. Many of the most noted articles or sources on retail evolution are conceptual. Finally, lack of geographic universality is a common limitation among retail evolution theories (Brown). Few if any studies, using one or more of these theories, has examined retail samples outside of the United States. Without reliability from quantification and validity from universality, generalizability of these theories is unfounded and limits usability for examining new retail institution types.

To overcome these limitations, succeeding researchers have tried to integrate two of the three theories or all three theories into a combined form. Ultimately, the combination of all three theories is expected by the researcher to provide the most advanced and elaborate theory with the potential to explain more retail evolutions because it includes all aspects of the previous retail evolution theories. However, few researchers have attempted to study the validity of the combination of all three theories. In addition, a clear graphical visualization of this combination theory has not been presented.

Although the three well-known theories or a combination of the three may provide a starting point for study of South Korean retailing, the combined graphical model may prove inadequate or incomplete in this study. Ok and Kim (1997) predicted that evolution of retail institution types in South Korea would be difficult to explain with current retail evolution

theories. Modification of the known theories is expected as an outcome of this study. The historic evolution and current structures of retail institution types in South Korea, on the surface appear to be very different from the evolution and structure of retailing in the Western hemisphere. Several reasons for this difference involve the unique features of South Korea and its culture. First, various types of retail institutions that emerged and evolved in Western countries over an extended period of time, including department stores and discount stores, were imported to South Korea within a very compressed time period (Kim, 1999). Second, the geography including compact land size and concentrated population density of South Korea is different from the geographic size of and population dispersion across the United States and Europe. Studies focusing on the United States and Europe are the basis for most retail evolution studies. Third, the government control and the political insulation of South Korea are different from the more liberalized market environment for the Western cultures that have birthed most of the current retail institution types.

The purpose of this study is to examine the evolution of retail institution types in South Korea and to build a model, which more fully explains retail evolution. The significance of this study is the potential for competitive advantage of current and future retail institutions. This study could predict the direction of evolution in terms of retail offerings to provide information for survival in today's competitive retail environment. Through this study of retail evolution in South Korea, current and future retail institutions can improve predictions of what competitive advantages they must achieve to provide benefits to their customers.

Research Questions

Research questions for this study are as follows:

1. How have South Korean retail institutions evolved, including the emergence of the new retail institution in South Korea?
2. Can the retail evolution process in South Korea be completely explained by the retail evolution theories, based on a new graphical model?

CHAPTER II

REVIEW OF LITERATURE

Retailing is an ancient art that has been practiced from the early years of mankind in the form of barter to the very technologically sophisticated e-tailing that is done in the 21st century. In any format, retailing involves the sale of goods and services to the final consumer (Bennett, 1995). The forms of retailing are bricks-and-mortar stores, non-store bases (i.e., direct retailing), or a combination of a store and a non-store base. The assortment of goods in these businesses is planned, purchased, and presented by the retailer for the convenience of the consumer. The review of literature contains information about the basic retail institution types and the multi-sectioned information about retail evolution, including theories, examples, and problems.

Retail Institution Types

Retail institution types vary based on retail characteristics such as products, scale of operation, and mix of store attributes. The primary retail institution types are as follows: department store, discount store, and specialty store. According to the U.S. Bureau of Census classifications of product developed in 1924, product categories were named based on the retail institution type where they were displayed and sold (McNair & May, 1978). For example, products, which were sold in neighborhood stores, such as grocery stores, drug stores, and hardware stores, have become convenience goods. Products, which were sold in large department stores, have been named as shopping goods. Specialty goods have become products sold in specialty stores, such as shoe stores, men's clothing stores, and jewelry stores.

Other classification methods are used to classify retailing institutions by a variety of operational, organizational, or locational criteria. For example, institution types are characterized by store organization such as the single unit store versus the chain store and store format such as the bricks-and-mortar store versus non-store. In this section, the three major retail institution types are defined based on their retail characteristics, with product assortment as the primary indicator.

Department Stores

Department stores are defined as stores with large operation facilities that sell a variety of merchandise to consumers (Greenwood & Murphy, 1978; Will & Hasty, 1977). Past definitions of the department store from the U.S. Bureau of the Census defined these operations as a retail establishment that has more than 25 employees and a wide product assortment (Jarnow, Guerreiro, & Judelle, 1981). However, the U.S. Bureau of the Census currently states that the number of employees in department stores should be noted as 50 people (Stone, 1999).

The wide product assortment for department stores means that they generally carry dry goods and housewares. These merchandise categories could be described as hardgoods, softgoods, and home furnishings and include the following classifications of products: accessories, apparel (e.g., men's, women's, and children's apparel), appliances, electronics, garden supplies, home furnishings, and household linens and fabrics (Greenwood & Murphy, 1978; Jarnow, Guerreiro, & Judelle, 1981; Will & Hasty, 1977). Most retailers direct their retailing activities to targeted segments of consumers. For the department store, the target segment is consumers, who are in the middle to upper class, with the associated demographics of moderate income, above high school education, and white-collar occupations. To satisfy this target group, department stores design their retail mix or service offerings to provide fashion items in national and designer name brands in addition to their own house brand (Jarnow, Guerreiro, & Judelle; Will & Hasty). Merchandise buyers in department stores purchase products for product classifications within a department or for all products in an entire department depending on the volume of products and the number of merchandise lines within the department (Kincade, Gibson, & Woodard, 2004; Stone, 1999; Will & Hasty).

As department stores matured, their profit margins decrease because more service offerings in the retail mix result in high operation costs, which in turn require increased retail prices. To counteract this profit erosion, managers and owners removed some merchandise lines or entire departments to maintain the desired profit margins. Often times the products were ones that were not successfully appealing to customers, such as toys, games, furniture, and consumer electronics, which resulted in low volume of sales or high overheads. Department stores also built branch stores in the shopping centers to attract or retain customers in an effort to recover the eroding profit (Levy & Weitz, 2001; Will & Hasty, 1977). To be competitive, department

stores have also developed exclusive private-label merchandise that consumers can buy only at their stores. As noted in the definitions of department stores, the products and operations of retail institution types are consistently changing.

Department stores started in the United States in the mid-1800s. At that time, small specialty stores were the major retail institution in the United States. The department store was the first large-scale retail institution, which brought a number of different stores or merchandise classifications together under one roof (Dalrymple, 1969). An additional unique feature of the department store was that the price in the stores was fixed with no bargaining as had been common in previous retail operations (McNair & May, 1978; Will & Hasty, 1977). McNair and May considered the emergence of the department store as the first major change in retailing.

Discount Stores

Discount stores are noted for their low prices, wide assortment and high volume of products. Discount stores offer a variety of merchandise at 20 to 30 percent lower prices than prices on comparable products in the department or specialty retail institution types. To provide merchandise at lower prices, discount stores must reduce operational costs through the following processes: eliminating customer services, providing inexpensive decoration and facilities, and operating self-service selling (Greenwood & Murphy, 1978; Jarnow, Guerreiro, & Judelle, 1981; Stone, 1999; Will & Hasty, 1977). Also, low rent locations and cash-and-carry terms can be instituted to reduce the operational costs. Discount stores are also volume merchandisers or mass merchandisers. With some variation, such as carrying damaged merchandise, off-season merchandise or limited lines of merchandise, discounters may be termed as Off-Pricers or Big Boxes.

For discount stores, target consumers are price-conscious and generally categorized in the lower to middle classes. However, recent studies indicate that discount stores may be attracting customers from a variety of demographics and backgrounds. Discount stores provide nationally recognized brand name and quality products, but items tend to be less fashion-oriented with limited selections or shallow assortments to offer lower prices (Jarnow, Guerreiro, & Judelle, 1981; McNair & May, 1978; Kim & Chen-Yu, 2003; Stone, 1999). To attract more consumers and to improve the store's image, discount stores currently are developing their own private

brand products and are redecorating their shopping environments, in order to provide more fashionable apparel items and an improved store image (Kim & Chen-Yu, 2003; Levy & Weitz, 2001; Stone).

Discount stores emerged in 1930s following the format of the food or supermarket operations (Jarnow, Guerreiro, & Judelle, 1981). Early discounters operated in very “bare bones” operations with limited variety and poor quality products. The largest retail operation in the United States and in the world is Wal-Mart, which can be classified as the discount institution type. This discounter, through high volume and other operation processes, maintains low prices with a wide assortment of branded products (Kim & Chen-Yu, 2003).

Specialty Stores

According to the U.S. Bureau of the Census, specialty stores are defined as a retail establishment that sells single category and/or related categories; for example, clothing and accessories for men, women, or children (Jarnow, Guerreiro, & Judelle, 1981). According to Levy and Weitz, (2001), specialty stores focus on a limited number of complementary product categories and provide a high level of service in a store sized under 8,000 square feet area. Personal contacts and other customer services are an important aspect of the retail mix and must be unique to characterize the individuality of the specialty store (Greenwood & Murphy, 1978). Merchandise sold at specialty stores is limited to specialty goods, which may be as diverse from store to store as appliances, automobiles, apparel, jewelry, or shoes. A store in this institution type focuses on a narrow but deep assortment of merchandise and, for this reason, is often called a limited line store. Specialty stores target consumers who are looking for products that are fashion-forward and have high quality. These consumers are willing to pay more for the products that meet their criteria. Specialty stores serve a narrow and well-defined target segment.

Sizes and ownership of specialty stores are varied. Mom-and-Pop stores and boutiques are representatives of the small size of specialty store (Jarnow, Guerreiro, & Judelle, 1981). These stores are independently owned and operated by fewer than two managers and three employees and offer high levels of individualized services and specialized merchandise. Single unit, specialty stores are often owner-operated, and the owner has all responsibilities in managing, buying, and merchandising the store (Kincade, Gibson, & Woodard, 2004;

Greenwood & Murphy, 1978; Stone, 1999). Data from the U.S. Bureau of the Census showed that small specialty stores are one of the major retail institution types in apparel retailing in terms of sales volume. Some specialty stores are multi-store operations, such as The Gap and Limited, which specialize in basic and fashion forward women's apparel. These large firms have a central corporate office that provides functions of buying, promotion planning, and other retail operations. The individual retail stores associated with the firm are small specialty stores that provide a narrow line of products that are similar across all stores, with some geographic variation, but are targeted for the unique preferences of the target customer.

Retail Evolution Theories

Historically, many researchers have endeavored to study retail evolution, based on an assumption that a pattern would exist in all retail evolution. Three well-known theories have been proposed as the primary retail evolution theories: (a) Cyclical theory, (b) Conflict theory, and (c) Environmental theory. Based on these three retail evolution theories, multiple retail evolution theories have been developed. In this chapter, the three primary retail evolution theories and other related theories are explained with examples of retail institution evolution in the United States.

Cyclical Theory

The common concept of all Cyclical theories is that retail institutions evolve in a rhythmical pattern or cycle (e.g., low-high-low cycle or general-specific-general cycle) by adjusting their retail attributes, such as price or assortment. Two of the most well-known Cyclical theories are the Wheel of Retailing theory and the Retail Accordion theory. The Wheel of Retailing theory is an example of retail evolution determined through the price aspect, and the Retail Accordion theory is an example of retail institutions' evolution in terms of product assortment.

Wheel of Retailing Theory

McNair (1958) proposed the Wheel of Retailing theory to explain a retail evolution pattern, which he had observed in European and U.S. retail operations. He was a pioneer in retail evolution theory, and was one of the first authors who issued and outlined the retail evolution concept with a model. The Wheel of Retailing is the most frequently cited theory of subsequent researchers. The Wheel of Retailing theory states that the evolution process consists of three phases: entry phase, trade-up phase, and vulnerable phase. This theory is diagrammed as a large wheel with three spokes dividing the wheel into three segments or phases. The first or entry phase of the Wheel of Retailing starts with the opening of innovative retail institutions, which initially offer limited products with low prices and minimum services. Retail institutions at this phase strategically accept low margins due to lack of services and facilities offered and low market penetration, but these low margins can reduce product prices and help retailers to increase penetration of the market. When these retail institutions are successful, other rival retail institutions rapidly imitate and adapt those characteristics (Berens, 1980; Edwards, 1958). At the end of the entry phase, the number of the same type of retail institutions has increased. As time passes, the innovative retail institutions become traditional retail institutions that offer more services and better store characteristics at higher prices. For example, the maturing or more traditional retail institutions provide facilities, such as rest rooms, carts, wide aisles, food courts and resting areas, and promise services, such as more variety in products, advertisements, delivery, and provision of credit. These retail institutions are simultaneously increasing their margins and prices and appeal to more middle and upper income consumers rather than bargain hunting and lower income consumers.

These upgrading practices continue to be practiced by the aging retail institution type into the trade-up or second phase; however, the forces that make retail institutions move to the trade-up phase were not clarified by McNair (1958). Information from other theories resulting in combination theories is needed to analyze these changes. At the peak of the trade-up phase, retail institutions achieve increases in sales, volume, profitability, and market share due to improvement of their store retail mix.

As time passes and the wheel turns, retail institution types mature additionally and move into the third and final phase, the vulnerable phase (McNair, 1958). These firms are mature retail institutions that should have a strong cash flow and high profits (Bennett & Cooper, 1984);

however, as retailers add higher levels of operational practices, operation costs increase, product prices rise, and profit margins tend to erode. As a result, some mature retailers focus only on product quality and services rather than on prices. On the other hand, some mature retailers abandon high quality and high services in order to reduce operation costs and product prices to survive price competition. These changing operational practices make the third phase retailers vulnerable to easy replacement by other retailers (McNair). In this vulnerable phase, retail institutions lose market share and profitability. All these conditions allow for the emergence of a new innovative retailer in the next cycle of the Wheel of Retailing. The innovative retailer will enter the wheel with low costs, low margins and low price products. A new innovative retailer in the next Wheel of Retailing cycle often initially coexists, with mature retail institutions, which are at the highest popularity position in the previous wheel of retailing cycle. For a mature institution to remain successful, Bennett and Cooper (1984) suggested continuous self-development to create new innovations for the mature retailer and, at the same time, sound management of current operation practices. The mature retailer must gain improvement through non-product marketing strategies, such as market segmentation, product positioning, advertisements, promotions, pricing, packaging, and personal selling. Changes in all aspects of the retail mix will create initial increases in operation costs and decreases in profit margins.

Gist (1968) explained the Wheel of Retailing theory with changes of operating margins over time. As the operating margin increased, retailers were assumed to have matured. When a new retail institution can lower margins due to a more advanced marketing or retail mix than that presented by a retailer during a previous Wheel of Retailing cycle, a new Wheel of Retailing cycle was said to begin. Gist's definition is illustrated with the following example, using Retail Institutions A, B and C as they evolve through a cycle. At the beginning of a cycle, Retail Institution A starts with low prices and low margins. As time passes, Retail Institution A experiences increasing prices and margins, and becomes vulnerable to competition. At this point, a new institution, Retail Institution B, emerges with lower prices created by operations strategies such as economies of scale from central buying (i.e., implementation of an advanced marketing mix). These two retail institutions are now competing institutions, and Retail Institution A is viewed as a mature or more traditional retailer with higher prices. As Retail Institution B matures, another new retail institution, Retail Institution C, emerges with operational innovations that rival or exceed the operations of Retail Institution B. Retail Institution C has become innovative

in operations and has lowered prices by economies of scale from central buying and economies of selling through mass media communication (i.e., implementation of an advanced marketing mix).

Examples of new retail institutions in consecutive Wheel of Retailing cycles are department stores, mail order companies, discount stores, supermarkets, off-price stores, and shopping centers, respectively; however, across retail institution types, each institution's rate of life cycle may vary. Some researchers have estimated the time from emergence to maturity for various retail institutions and found that the time from emergence to maturity has been constantly decreasing since the introduction of the department store as an innovative retailer (Brown, 1987; Davidson, 1970; Davidson, Bates & Bass, 1976) (see Table 2.1). With this variation in cycle length, Gist's (1968) model can be modified as shown in Figure 2.1, where the length between "B" and "C" in the Figure 2.1 is shorter than that between "A" and "B", and the length between "C" and "D" is shorter than "B" and "C." The only institutional exception to this explanation would be "conglomerchants", which simultaneously operate many types of stores, such as discount stores, department stores, and specialty stores, and target multiple retail segments. This conglomerchant's life cycle becomes longer than one for a single focus retail institution type because of mutual help among the various retail institutions within their organizations in terms of resources. Such interdependency can assist this retail institution into a longer life cycle.

In addition to changes in cycle spans, the development of technology and improvement of management and marketing skills can possibly lower the margin requirements lower than what was needed to be innovative in the previous Wheel of Retailing cycle. In other words, the required margin for a new retail institution becomes lower (e.g., a' , b' , c' as noted in Figure 2.1), because expected profits can be achieved with lower margins by a new retail institution through advanced operational strategies (Gist, 1968). Before reaching the margin point marked as innovative in the previous wheel (e.g., b'), a new retail institution can reduce its required margins to c' in the Figure 2.1. Gist's Wheel of Retailing model was modified by synthesizing the findings from previous research.

Table 2.1. Lifecycle of Retail Institutions

Retail institution	Lifecycle (from emergence to maturity)	Approximate year of emergence
Department store	80 years	1860
Variety store	45 years	1910
Supermarket	35 years	1930
Discount department store	20 years	1950
Home improvement & Hypermarket	10 to 15 years	1965

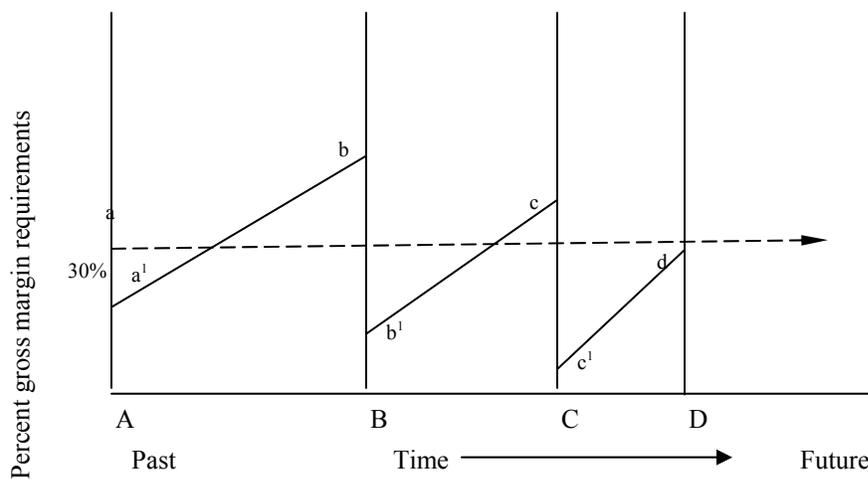


Figure 2.1. Modified Wheel of Retailing theory (Adapted from Gist 1968)

Measurement. Several researchers, including McNair (1958), have attempted to provide quantitative or empirical support for the Wheel of Retailing theory. McNair tried to provide some quantitative evidence of the Wheel of Retailing theory with an examination and comparison of department stores' average expenses, average hourly wages, and gross margins by service additions. For example, hourly wage in department stores was \$1.09 in 1949 and increased to \$1.32 in 1955, and the addition of sophisticated customer services increased operating margins. In this period, the expense rate in department stores increased from 31.1% in 1948 to 33.5% in 1955. As the amount of each variable increased, retailers were assumed to have matured. McNair explained retail evolution with historical trends of retail changes by a qualitative research method.

Gist (1968) also explained the Wheel of Retailing theory with an examination of changes of operating margins. Gist set the dollar volumes and percentages of operating margins as hypothetical amounts in a mathematical model, not exact data from industry or government reports, to explain his theory. Although the mathematical models lend support to the theory, lack of empirical quantification still exists, and he did not exemplify any specific retail institution type as a sample of analysis for his retail evolution model. He explained changes of operational margins in general.

Changes in operating margins have also been measured by more specific retail mix indicators, than an overview of margins. In the research of retail competition by Ingene (1983) and Ingene and Lush (1981) and the conceptual study of retailing by Gist (1968), retail operations were measured by the following variables: competition (e.g., number of newly open stores), store operation practices (e.g., mass communication for promotion, electronic checkout system), employee costs (e.g., hourly wage, employee turnover, number of employees), and improvement of store appearance (e.g., merchandise quality, store fixtures, displays, promotional efforts, rest rooms, cart, wide aisles, food court, resting area, delivery, credit). Although the works of McNair (1958), Gist, and others are detailed and extensive in data, the methods of measurement and reliability of these measurements have not been generally accepted by other researchers (Brown, 1987; Gist; Kaynak, 1979).

Examples using retail institution types. The evolution of or changes in department stores can be explained by the Wheel of Retailing theory. According to Hollander (1960) and McNair and May (1978) in their conceptual articles, department stores, in the United States, originally emerged as a small-scale retail institution. At the entry phase into the Wheel, department stores provided low priced products, which were financially possible through cost reductions from fixed prices and other operational strategies. Department stores integrated with wholesalers and purchased an assortment of products with volume discount. High turnover also contributed to the cost reduction. As department stores matured and entered the second phase of the Wheel, they offered more elaborate facilities and higher services. With this change, more luxury products were offered at department stores; therefore, the cost for these upgraded products and related operations significantly increased. At the same time, the expense for maintaining the downtown location for department stores increased. Accordingly, product prices were again increased.

Increased car ownership and improved transportation systems encouraged consumers to go to shopping centers located outside of downtown areas, which had less parking problems than downtown areas had. Department stores became vulnerable to competitors. From the late 1920s until the mid 1950s, department stores tried to remodel their buildings and renovate inside the store, and to change from counter-service to self-service to compete with their innovative competitors. In the mid 1970s, many department stores moved outside of downtown areas and located within shopping centers.

Limitations. Several researchers have noted some limitations with the Wheel of Retailing theory. The most common limitation noted among the critiques regarding the Wheel of Retailing theory is that not all retail institutions start with low margins and low prices. Boutiques, vending machines, and convenience stores are operated with a high margin basis from the entry phase (Gist, 1968). Oren (1989) mentioned that retail evolution according to the Wheel of Retailing theory only focused on margins and prices, while many other variables could affect retail evolution, such as environmental changes and competitors.

A further criticism is that not all retail institutions have evolved with the same pattern in all countries (i.e., lack of universality of the theory) (Gist, 1968; Kaynak, 1979). Kaynak mentioned that “there is fairly conclusive evidence that the Wheel of Retailing concept, in broad terms, does apply to retail development in economically developed and growing countries” (p. 239). For instance, in Turkey, supermarkets were imported and positioned as a retailer providing high price and high margin products at the entry phase. The target segment was also middle and upper income groups; therefore, the retail institution did not follow the steps that the Wheel of Retailing proposed. In addition, the universality of this theory is doubtful because the retail environment and its history are uniquely different between the developed countries and developing countries. The study for universality requires an analysis of the cultural, economic, and legal environment of retailing within each country. Little interest in the theory application in developing countries has previously existed.

The consecutive cycles as described by the Wheel of Retailing (Gist, 1968) support the evolution of department stores, mail order companies, discount stores, supermarkets, off-price stores, and shopping centers, in that specific order. This order becomes a limitation of the theory.

According to Brown (1987) and Kaynak (1979), this order of appearances of new retail institution types is not universally applicable.

Researchers have tried to solve the limitations of the Wheel of Retailing theory. To complete McNair's (1958) retail evolution concept, succeeding researchers have continued to modify the Wheel of Retailing theory by adding other influences (i.e., conflict, environmental changes) or combining the theory with other retail evolution theories (i.e., Conflict theory, Environmental theory). The development of this aspect of the Wheel of Retailing theory will be explained in the section of Combination of Theories.

Retail Accordion Theory

Hollander (1966) proposed the Retail Accordion theory, which explained retail evolution as a cyclical trend in terms of the number of merchandise categories (i.e., product assortment). In this theory, at the beginning of operation, a retail institution carries a broad assortment of merchandise (i.e., various types of products or product classifications) but does not carry a deep assortment (i.e., various styles within one product classification). At this early stage, the retail institution is a general store. As time passes, the retail institution becomes specialized by carrying a limited line of merchandise with a deep assortment. At this point, the retail institution is a specialty store. At some point, every retail institution returns to the inventory profile of the old operation with a broad assortment of many lines of merchandise. The number of lines (i.e., broad vs. narrow) and the depth of inventory (i.e., shallow vs. deep) expand and contract over time. Hollander used general stores, drug stores, supermarkets, department stores, and discount stores in the United States as samples of analysis for the theory. He explained historical changes of a merchandise assortment in these retail institution types, and noted that each evolved by following the steps of the Retail Accordion theory. Stern and El-Ansary (1977) proposed a graphic model of Retail Accordion theory with breadth of merchandise line assortment changing across time. In the model, general stores, department stores and shopping centers, as examples of institution types with broad merchandise lines, have alternated over time with specialty stores and boutiques, which represent institution types with narrow merchandise lines.

Measurements. For the Retail Accordion theory, none of the authors clearly presented how they measured product assortment over time. They used historical conceptual studies to

identify general changes of product assortment in each retail institution type. The exact data used for changes in product assortment in each retail institution type over time are not available in their publications.

Examples using retail institution types. Some researchers have attempted to explain retail institution type evolutions using the accordion theory (Brown, 1987; Hollander, 1966; Hollander, 1981). Hollander mentioned that the general store, the most common retail institution type in the 1800s, exemplified a retail institution that followed the Retail Accordion pattern. These retail institutions became merchandise specialists (i.e., department stores) in the early 1900s and, then, returned to the profile of a general line retail institution (i.e., mass merchandisers) in the early post-WWII era. As U.S. department stores became more successful, they expanded their product lines to hardware lines, such as automobile products and electronic home appliances. At the end of the 1900s, these stores, burdened with increased operating costs for extensive product lines, started removing non-profitable products, such as hardware lines from their merchandise assortments. Many of these stores eventually returned to a merchandise specialist offering only specific soft product lines such as household textiles and clothing. Davidson (1970) further supported this scenario of the Retail Accordion theory with the example of the retail trend in the 1970s, when broad and shallow (i.e., mass or general line of merchants) retail institutions became narrow and deep (i.e., specialized merchants) retail institutions.

Limitations. Hollander (1966) mentioned restraints that obstruct or negatively influence evolution by the retail accordion theory so that the theory is not applicable to all retail institution type. First, during the process of change from specialized retail institutions to mass or general line retail institutions in the Retail Accordion theory, Hollander noted that small specialty retail institutions tend to resist expansion of their merchandise lines because specialty stores specialize in a particular merchandise line and their customers do not expect broad merchandise assortment at a small specialty store. For this reason, managers of this retail institution type do not feel the need for expansion of merchandise lines. Competitors can stimulate a retailer's evolutions, but competitors can also cause retailers to go out of business (Nason, 1968). When retail institutions expand their lines, they need to add the costs for inventory purchase, display space, and labor (McCammon, 1964). Retailers, that have enough financial support to expand their product lines

and enough power to compete with competitors' threats, follow the Retail Accordion evolution pattern; however, small retailers have difficulties when they evolve. Small retailers often do not have enough financial resources to support the cost of merchandise line expansion. For reasons of competitors and finance, not all retail institutions evolve following the Retail Accordion theory.

The second limitation involves legal and other environmental limitations. When a retailer has business partners and is bound to them with contracts and regulations, retail evolution is limited (Hollander, 1966), and the Retail Accordion theory may not be applicable. For example, suppliers and franchisers, who have more power in the relationship, try to prevent a retailer's expansion so that the retailer will be more dependent and more easily controlled. A retailer, who is in the inferior position in the relationship, has restraints preventing evolution.

A third limitation of the Retail Accordion theory is that the theory focuses on merchandise assortment, which is only one aspect of retail evolution (Oren, 1989). Many other retail attributes evolve together in addition to the merchandise assortment. The breadth of product assortment cannot explain solely all retail institutions' evolutions. Changes in the market (e.g., consumers) may force a retailer to evolve even when the retailer is not willing or able to change. Rising consumer incomes, expanding consumer demands, and developing technology for direct communication with consumers illustrate environmental effects that may challenge a retailer's evolution according to the Retail Accordion theory. In addition, Kaynak (1979) and Davidson (1970) noted the possibility of simultaneous existence of both specialization and mass merchandising at any one moment, in contrast to a consecutive result of one from the other as the Retail Accordion theory proposed. In the situation of simultaneous tracks, general merchandisers, on one track of development, became specialized merchandisers. Along another development track, other general merchandisers became large mass merchandisers with broad and deep assortment. For example, Sears and JC Penney (i.e., mass merchandisers) merged many kinds of retail institution types (i.e., horizontal integration) under one management system. Sears and JC Penney offered merchandise lines from apparel merchandise to automobile accessories and supplies. Hollander (1966) named this mixed merchandising strategy as scrambling merchandising. This strategy was successful for the mass merchandise when introduced in the 1970s. At the same time that the mass merchandisers were expanding, specialty shops were also thriving. Failure of the Retail Accordion theory to account for the successful co-existence of

retail institution types as a limitation of the theory is discounted by Doody and Davidson (1964). They mentioned that scrambling merchandising could result when retailers lose distinctiveness and differentiation and not when they evolve following the Retail Accordion theory.

A fourth limitation is the lack of experimental or causal research to support the theory. No statistical effort to measure the changes in merchandise assortment has been made by researchers, who studied the Retail Accordion theory. Only qualitative research exists in this theory.

Conflict Theory

Many researchers have proposed some form of a Conflict theory to explain retail evolution (e.g., Berens, 1980; Bliss, 1967; Cauwe, 1979; Gist, 1968; Oxenfeldt, 1960; Schumpeter, 1947; Thomas, 1970). Research in this area, as with the cyclical theories, has been done primarily in Europe and the United States based on observations of retail operations. Among these researchers, Gist (1968) proposed the Dialectic theory, a well-known Conflict theory that has been the basis for the common concepts of many conflict theories. The Dialectic theory is based on Karl Marx's Theory of Evolution. Blake (1939) briefly summarized the Theory of Evolution:

The progress of change means that everything must decline to make way for new things, that nothing in nature or society is "fixed" or "sacred" since it must share the process of transformation. Dialectics means, specifically, that the phases of each development repeat former phases, but on a different plane. That is, each step is the negation of the previous step, and the next step must be a negation of that negation: it does not restore the original situation, but invariably creates a third situation, which is different because of the double process of negation. (p. 639 - 640).

Gist (1968) replaced the "situation" from the Theory of Evolution with a "retail institution" in the Dialectic theory. He proposed that an existing retail institution (i.e., thesis₁) is challenged by its competitor (i.e., antithesis₁) because it has competitive advantages over the existing retail institution (i.e., thesis₁). As time passes, the first retail institution imitates the characteristics of competitor to upgrade its existing characteristics and finally creates a new retail institution (i.e., synthesis₁). In an alternative explanation of the process, while two retail institutions are in conflict, a new retail institution (i.e., synthesis₁) is created, offering better

characteristics than the existing retailer and its competitor. A new retail institution will become a traditional retail institution (i.e., thesis₂) in the next evolution (Oren, 1989). The phases of thesis₁ vs. antithesis₁ and synthesis₁/thesis₂ vs. antithesis₂ alternate in a stair step pattern over time. As a retail institution type moves along a step into the next step, the institution type passes through the stages of problem recognition, implementation of solutions, and emergence of a new retail institution type. Brown (1987) supported the Dialectic theory or Conflict theory of retail evolution. By explanation, he indicated that when a competitor or a new retail institution appeared, a traditional retail institution's first reaction was to resist change and to fight against the new competition. However, in time, a retail institution realized a need for change and started imitating or differentiating from the competitors' characteristics.

Measurement

Oren (1989) explained the dialectic retail evolution process by analyzing and comparing operations in each retail institution type, such as fulfillment process, price, trading area, product variety, inventory required, communication medium, delivery time, marketing concept, type of relationship with other channel members, segmentation efficiency, segmentation size, and value of customer. Oren distinguished traditional in-store retailing from direct marketing with these operations and explained electronic direct marketing as a synthesis of traditional retailing and direct marketing. Retail institutions were analyzed by whether fulfillment process was sequential or direct, and price was fixed or flexible. Trading area was measured by the boundary, which consumers "live within a reasonable traveling distance from the store" (Oren, p19). Communication medium included all types of mass media, such as newspapers, magazines, outdoor or in-store promotions, TV, and PC. Required inventory was measured as the amount needed by the retailer to "provide immediate delivery by buying in anticipation of retail purchases" (Oren, p.19). The marketing concept was measured as a continuum from mass marketing to one-on-one marketing, and each retail institution was identified as existing at some point of this continuum. Type of relationship was defined by whether a supplier, a retailer, or consumers controlled the advertising content and timing. To this list of measurements, Gist (1968) and Levy and Weitz (2001) added services (e.g., personal shopping, credit, in-store baby sitting, delivery), organizational structure (e.g., number of staff and administrative positions, a

structure or steps of administrative/supervisory), and location (e.g., center business district, out of urban area) to compare retail institutions.

Examples Using Retail Institution Types

Brown (1987) explained the Dialectic theory with an example. According to him, the discount store is a synthesis of department stores and wholesale stores. Discount stores offer a variety of products in one place by dividing the store into many departments and selling directly to the final consumer (i.e., characteristics of department stores). At the same time, discount stores have reduced prices and limited services (i.e., characteristics of wholesalers). According to the theory, when introduced into retailing in the 1950s, discount stores were considered a new institution type created by blending these two retail institution types.

Another example of an evolution of a retail institution by the Dialectic theory is the discount department store. Gist (1968) explained discount department stores as a synthesis of department stores and discount stores. In the 1960s, department stores were mostly located in a center business district, which offered many services (e.g., educated sales people, personal credit, delivery). To cover the high operating costs for these services and location, high margin was necessary. Discount stores were mostly located outside of a center business district with limited services (e.g., self-service policy) to remove unnecessary operating costs to achieve the lowest prices. In addition, the increased rate of inventory turnover was used to allow for further margin reduction. When department stores were relocated to the suburbs and when discount stores started to improve services, the department store and the discount store began to compete for the same customer. Discount department stores synthesized the characteristics of department stores and discount stores. Discount department stores were located both inside and outside of the center business district. The level of services and margins were between department and discount stores. According to the Dialectic theory, the competition between department and discount stores created the emergence of discount department stores, which offered to customers the favorable characteristics from both department and discount stores.

According to Oren (1989), an electronic retail institution type is a result of the conflict between traditional in-store retail institutions and traditional direct retail institutions, such as mail orders and catalogs. The traditional retail institution typically exists in brick-and-mortar stores, obtains products through mass production, and uses mass promotion regardless of

individual needs of customers. The traditional retail institution mainly focuses on push marketing through mass media advertising. This retail institution had higher operational costs for buildings, labor, and in-store offerings. The traditional direct retail institution was non-store based and used mass marketing with traditional forms of communication. With this retailer, customers used telephone, mail and fax to search for product information. Direct retail institutions can provide specific information to satisfy those customers' needs through two-way communication; however, the quality of the media (e.g., pictures, copies) was limited by low level of technology, and response rate of mailings and catalogs was low. According to the Conflict theory, a need was created, and electronic retailing, a new retail institution type, emerged to meet the need. To meet the need, an electronic retail institution type combined the characteristics of both the traditional in-store institution and the traditional direct retail institution (i.e., Conflict theory). Some electronic retail institutions recently provided high quality pictures and sound for advertising of products, and some even provided a sense of touch and smell using new electronic devices. Because electronic retail institution type were able to do two-way communication with customers, products and information could be highly personalized, which was not possible with traditional retail institutions (i.e., brick-and-mortar retail institutions, direct retail institutions). Some electronic retail institutions continued to provide brick-and-mortar stores for customers' sensory satisfaction and for more service options. Pull marketing was possible in an electronic retail institution type because consumers become highly involved through searching information by themselves than in existing retail intuition types, so sales were created by consumers. In addition, electronic retail institutions were mass, push promotion, sites. Operating costs were lower than traditional retail institutions due to no need for investment in real estate and improved inventory management, which former traditional brick-and-mortar retail institutions were struggling due to limited capacity of assortment within a space. Electronic retail institutions only needed web maintenance cost and/or one center distribution center.

Limitations

Maronick and Walker (1975) indicated limitations with the Conflict theory. First, researchers have noted that original retail institution types (i.e., thesis) may not change. Some retail institution types do not react to a new retail institution type and keep serving their customers. Retail evolution relies on retail institution types' intentions to change when faced

with a conflict from a new institution type. Second, the blending process is not distinguishable. What retail operations and how these operations interact between two retail institutions and how a new operation is finally created are difficult to explain in a discrete step-by-step process.

Environmental Theory

Many previous researchers have supported the Environmental theory of retail evaluation. The common concept among previous research of the Environmental theory is that the retail environment is the key influence to retail changes, and to survive change and competition, retail institutions need to evolve by adapting or adjusting to the environmental changes (Blizzard, 1976; Brown, 1987; Gist, 1968; Oren, 1989). Researchers noted that if a retail institution cannot react quickly to environmental changes, the retail institution would become extinct. The original idea of the Environmental theory came from Darwin's Natural Selection theory. The Natural Selection theory proposes that a species can survive only when it best adapts to environmental changes (Brown). Gist replaced the "natural species" in the Natural Selection theory with a "retail institution", and he proposed that only a retail institution, which is most effectively adapted to environmental changes, could survive (i.e., Adjustment theory of evolution). The Environmental theory explains how variables in the environment affect retail evolution; however, it does not explain patterns of change or changes over extended time, as do the two previous primary theories.

The variables, which constitute the retail environment, vary depending on researchers who studied the Environmental theory (see Table 2.2). In the study by Gist (1968), the retail environment was comprised of competitors, technologies, and customers. In the conceptual study of retail evolution in the United States and Australia, Blizzard (1976) selected the following variables: political system, legal system, economic system, competition, social structure, technology, and value system. When Oren (1989) explained retail evolution by competitive pressures, he also included consumer tastes, economic disturbances, and social and cultural trends in his retail evolution study. From a qualitative analysis of retail evolution theories, Brown (1987) selected social, cultural, legal, and technological conditions and consumers' demographics as the variables for the retail environment. Even though researchers chose different environmental variables, several variables are common across researchers. The most

commonly occurring variables in previous works are consumers, economy, technology, and competitors and social, cultural, and legal conditions (see Table 2.2).

Table 2.2. Environmental Variables

	Consumers	Economy	Technology	Social	Cultural	Legal	Competitors
Gist (1968)	V		V				V
Blizzard (1976)		V	V	V	V	V	V
Oren (1989)	V	V		V	V		V
Brown (1987)	V	V	V	V	V	V	

Note. V = a variable included in the study

Gist (1968) predicted that retail evolution could occur only when environmental variables positively affected retail institutions. Having an environment favorable to a retail institution highly enhanced the retail institution’s ability to adapt to the environment. Brown (1987), Oren (1989), and Stevens (1975) mentioned that a retailer’s ability for adaptation to the environment was highly dependent on environmental conditions, especially those of technology and economy, and this ability would significantly affect the success of the institution types’ retail evolution. Through change in reaction to the environment, a retail institution could eventually survive.

Across countries, environmental conditions for business differ based on development at levels of economic, social, political, cultural, legal, and historical variables (Gist, 1968). Even geographic regions within a country vary in level of development for these environmental variables (Kaynak, 1979). The evolution of a retail institution can be limited or enhanced by the level of environmental development, in which the retail institution is located. For instance, Cundiff (1965) suggested in a conceptual study of comparative retailing that retail institutions in an area, which was economically and socially advanced, adapted with more advanced retail operational methods (e.g., self-service, low margins, decentralized locations, automated retailing) than retailers in areas of low economic and social development. This study supported the concept that retail changes were affected by level of an environmental condition.

Measurement

Researchers have attempted to quantify the variables in Table 2.2 in order to verify their relationships within retail evolution. To measure the environmental variable of the consumer,

consumers' product preference change, culture, and demographics (e.g., population, income, household size, age) have been included in several historical comparison studies (Brown, 1990; Gist, 1968) and a quantitative analytical study of U.S. retailing (Ingene, 1983). Socio-economic conditions were measured by per capita income, inflation, employment, consumer expenditure, urban form and population size, density, and rate of growth (Brown; Ingene). According to Ingene, competition was measured by per capita income, the growth rate of population, and population density. Technology was measured by transportation (e.g., availability of cars, mass transit), mass communication (e.g., telephones), and the availability of computers and refrigerators (Brown; Gist; Ingene; Stevens, 1975). The legal variable was measured by planning regulations and shop hours (Brown, 1987). All these variables were considered to compose the retail environment and were found to have a significant effect on retail operations and changes. According to Environmental theory, changes in these environmental variables were proposed to affect the evolution of retail institutions.

After finding significant relationships among environmental variables and retail change, researchers have interpreted the meaning of changes in environmental variables with its application or influence to retail evolution. For example, Ingene and Lush (1981) and Gist (1968) concluded that the increase in income was a friendly environmental factor for retail evolution. The increase in income positively influenced consumers' demand for more expensive and greater quantities of products; therefore, stores could achieve higher sales, which ultimately resulted in store evolution. According to Gist, Ingene (1983), and Ingene and Lush, an increase in population is another friendly environmental factor. These works are based on a mix of conceptual and quantitative analyses. High rate of population growth and density generated higher sales and profits. They mentioned that new residents in an area purchased a greater quantity of products than established residents did. With population growth, small and old stores tended to close, and larger and newer styled stores were opened, which had modern decorations, more technologically advanced operation systems, and better and easier store environment in which to shop. On the other hand, household size negatively affected retail evolution. As household size increased, more stores opened; however, because the income for large families frequently is fixed even with increased family size, less disposable income per household member was allocated (Ingene). In addition, large sized households needed more necessity goods rather than luxury goods (Ingene & Lush). Therefore, average store sales and margins declined.

As household income increased, especially due to the increase of dual incomes per household, auto ownership accordingly increased (Bucklin, 1972; Gist, 1968). According to Ingene (1983), affluent consumers were assumed to do cross-shopping easily over a broader market area to compare prices to save money. Because of increased mobility, consumers were able to find products and services, which better fit to their needs and wants. Accordingly, stores started offering more product variety to satisfy these consumers. According to Gist, high mobility due to the increase in auto ownership positively influenced suburban retail institutions, but for downtown retail institutions, the high mobility resulted in the loss of customers to the suburban retail institutions. Ingene also mentioned that because consumers visited more number of stores, their store patronage was spread over more stores so, average sales per store declined. Ingene and Gist predicted that to attract more consumers, specialized stores, which are conveniently located to consumers, would eventually survive. Takeuchi and Bucklin (1977) also agreed with this prediction and said that for customers, who have higher than average income and mobility, more efficient and specialized stores would be successful.

In an examination of the technological environment, Gist (1968) mentioned that advanced mass communications helped consumers to conduct information searches by themselves, which resulted in the decrease in importance of salesperson. Retail institutions responded or adapted to the environment by reducing the number of salesperson. Due to advanced technology, a new retail institution could emerge by lowering operating margins, as Gist explained in his Wheel of Retailing theory.

Examples Using Retail Institution Types

Some researchers have applied the Environmental theory to explain an evolution of a specific retail institution type. According to Martenson (1981), department stores appeared in the mid1800s in Europe and the United States, and their evolution can be explained by the Environmental theory. Before department stores, mostly specialized and small customized craft stores were the main retail institution. Department stores started to provide various and standardized-quality products to satisfy the growing demand of the middle class. Environmental influences, which contributed to the emergence of the department store, were advanced mass transportation systems, growth of automobile and refrigerator ownerships, advanced packaging

technology, invention of the elevator, and, most of all, consumers' willingness to accept fixed prices.

As time passed, department stores matured and had high market saturation. New environmental conditions started affecting operations of department stores, such as a sluggish economic condition and strong competitors. The unhealthy economic condition resulted in reduced consumer spending; therefore, discount stores emerged as a strong competitor (Martenson, 1981). In addition, consumers, especially those that had moved to the suburbs, demonstrated that they preferred shopping at a shopping mall, which was located outside of the downtown area and provided a number of shops under one roof. Consumers saved time and effort in mall-shopping, and shopping malls became another strong competitor to downtown department stores. The complicated operational structure of department stores made the responses of stores to these environmental changes slow and made survival of these environmental changes difficult. Based on an empirical study on retail pricing, Hollander (1960) concluded that department stores were successful when environmental changes favored the characteristics of department stores; however, when department stores could not appropriately adapt to unfavorable environmental changes, department stores became vulnerable to their competitors. In response to this vulnerability, department stores attempted to renovate their characteristics to be appropriate to current environments and consumers. For example, middle-size department stores became discount department stores through reassortment of their merchandise and reduction of prices to adjust to sluggish economy and decreased consumer spending (Gist, 1968; McNair & May, 1978). Some department stores moved their location from downtown to shopping mall sites, and other department stores became specialty department stores.

Another example of the Evolution theory in retail institution type is the growth of chain stores. Chain stores appeared in the United States during the depression in the 1930s. This institution type increased their number of stores by acquisition of other retail institutions, and offered products with lower prices, because of discounts from mass buying to supply the many stores within a chain. The growth of the suburban area and the increase of automobile ownership were important environmental influences for the chain store's emergence because stores for a chain were geographically spread over suburban areas. With this change, consumers were able to shop frequently even in remote areas because of automobiles and highways (McNair & May,

1978; Martenson, 1981). In addition, economic conditions (e.g., depression) influenced the success of this new retail institution because consumers become sensitive to prices when their incomes are reduced.

Mail order retailing, another retail institution type, emerged in the 1900s and became popular because its retail characteristics appropriately responded to environmental changes (McNair & May, 1978). During this time, consumers in the United States grew in their concern about time for shopping because of the increased number of working women and working parents. With the increased number of working women, who were concerned about more leisure time than shopping time, direct retailing was highly accepted by these consumers. As another influence, the number of single and unmarried households increased, which increased the consumers who did not have to visit stores often and who did not have to buy large volume of products for their family. In addition, the growth of the railway system and expansion of the U.S. Post Office supported the mail order, delivery system. This variable enhanced the acceptance of mail order retailing because catalogs could geographically reach anywhere in the United States. Increased rate of literacy in the United States enabled consumers to read catalogs and to purchase products from mail order retailing. Prior to this time, consumers had also learned to purchase packaged goods and routine consumer goods without sales people's help in self-service stores (Davidson, 1970; McNair & May); therefore, consumers developed confidence in product selection by reading packages. They were able to read product information and did not fear or resist purchasing products in mail order catalogs as much as previous consumers. The most influential variable was the growing demand by consumers, especially rural residents, for product variety. Researchers, through observation of historical data, noted that these environmental changes were the major cause of the direct retailing emergence (Davidson; McNair & May).

Other types of direct retailing, including telecommunication and electronic retailing, appeared as a response to problems of brick-and-mortar retail institutions, and present another example of retailing change explained by the Environmental theory. Developing technology and its increasing accessibility solved some problems of brick-and-mortar retail institutions. For example, some manufacturers had to pay high fees for in-store and out of store promotions and had to take responsibility of product packaging and customer servicing (McNair & May, 1978). Manufacturers were burdened due to the increase of operating costs to meet these environmental

demands from retailers. Retailers and manufacturers also had an inventory control problem because they could not forecast accurately the amount of consumer consumption; therefore, they had to carry many products whether or not they would be sold, which resulted in high levels of inventory. Direct retailing with advanced technology could solve many of these problems. Direct retailing could reduce some traditional operating costs of brick-and-mortar stores (e.g., real estate cost for buildings). Inventory could be controlled by one central distribution center and lowered by an expected demand level because sales could be accomplished by direct order from customers (i.e., order-to-make). Additional advanced technology (e.g., electronic billing, point-of-scan, increased availability of home phone and television) also helped the growth of direct retailing. In addition, product standardization was achieved through automation and system uniformity, which increased consumers' trust in product quality and shortened lead time from the point of order to the point of delivery to the door. Increased consumers' accessibility of electronic media replaced the need for high initial costs for installing advanced distribution systems in direct retailing. Based on a conceptual study of direct retailing by Oren (1989), this retail institution type could reach high numbers of consumers, which could result in a high volume of sales for a reduced per unit cost.

Limitations

Although Environmental theory has been supported by many researchers, Brown (1987), Hirschman (1979), and Oren (1989) identified a limitation with this theory. Environmental changes are not synonymous with required retail evolution. Retail institutions are not legally required to be evolved, even when their environments change. In the Environmental theory, retail evolution totally depends on a retail institution's intention whether to adapt to or reject from the environmental changes. In addition, researchers cannot confirm that all retail evolutions followed the pattern that the Environmental theory proposed. Some environmental influences, which significantly influenced on some retail evolutions, could be a non-significant influence to other retail evolutions.

Combination of Theories

To expand the coverage of previous theories and to remove limitations from these theories, researchers have attempted to combine two or more evolution theories to explain retail evolution. Some researchers have tried to combine Cyclical theory with either Environmental or Conflict theory (e.g., Cox, 1958; Deiderick & Dodge, 1983; Gist, 1968; Izraeli, 1973). Several researchers have combined Environmental and Conflict theories (e.g., Alderson, 1957; Oren, 1989). Other researchers have tried to combine all three theories, Environmental, Cyclical, and Conflict (Hunt, 1976; Kaynak, 1979; Shaw, 1978).

Combination of Cyclical and Environmental Theories

Brown (1987) acknowledged that a retail institution's cyclical evolution occurred concurrent to environmental changes. He supported the Wheel of Retailing theory (i.e., Cyclical theory) and noted that environmental changes (e.g., cultural, political, socio-economic, legislative, and business structure changes) were the major influences on cyclical evolution of a retail institution type (i.e., Environmental theory). Brown (1988) also suggested incorporating some perspectives from other retail evolution theories regarding the forces that make retail institutions move from the entry phase to the trade-up phase. These forces were not delineated by McNair (1958). From the perspective of the Environmental theory, retail institutions' trade-up practices are assumed to start due to environmental changes, and they continue to change or evolve so that they can adapt to their changing environments. Hollander (1960) assumed that the environmental changes of growth in consumer expenditure and demand for quality and services were two main forces for trade-up practices by retail institutions.

Deiderick and Dodge (1983), in a conceptual study, suggested that a retail institution type evolves in terms of three categories, (i.e., pricing, breadth of product line, geographical extent), which cyclically evolve (i.e., Cyclical theory), and that changing environments influence these cycles (i.e., Environmental theory). Each category, within the environment, cycles in a space tangent to the other categories. This view is more complex than that from the Cyclical theory, which primarily describes the cycling of price (i.e., Wheel of Retailing theory) or product (i.e., Accordion theory).

Based on a conceptual study, Agergaard, Olsen and Allpass (1970) suggested that, because environments were continually changing (i.e., Environmental theory), the wheel in the Wheel of Retailing theory could not return to the same starting point. In the initial Wheel of Retailing theory (i.e., Cyclical theory), the wheel returned to the same starting point. Agergaard, Olsen and Allpass proposed a spiral wheel, indicating that the retail institution would return not to its original position but to a higher level as the surrounding environments simultaneously evolved along with the retail evolution. For example, convenient stores have evolved from conventional corner shops, discount food stores are an advanced retail institution type of early supermarkets, and shopping centers are a more elaborate retail institution type of early town center shopping complexes.

Combination of Cyclical and Conflict Theories

Some researchers proposed that a retail institution evolved cyclically, while conflicting with a new innovative retailer or other challengers. The view of Conflict theory provided an alternative perspective on trade-up practices from the Wheel of Retailing theory. Brown (1988) assumed based on a conceptual study that inter-institutional conflicts forced retail institutions' trade-up practices; therefore, retail institutions change or evolve to compete with their competitors. Dreesman (1968) and Bartels (1981), from their discussion of retail evolution theories in Europe and the United States, also viewed the trade-up phase as a result of institutional competition or conflict.

Gist (1968) indicated that when a retail institution (i.e., thesis) was at the mature position in the Cyclical theory, a new retail innovation (i.e., antithesis) challenged the mature retail institution. As a result, a synthesis was created by synthesizing characteristics of an original retail institution and a challenger's characteristics (i.e., Conflict theory). From a conceptual study of retail evolution theory, Izraeli (1973) proposed a modified Wheel of Retailing theory, called the Three Wheels of Retailing theory. The model consists of three wheels, which are low-end innovation, high-end innovation, and high and low-end conventional retailers. Each wheel cyclically evolves in each level (i.e., Cyclical theory). As a basis for change, high-end conventional retail institution types conflict with high-end innovations of a retail institution type, and low-end conventional retail institution types conflict with low-end innovations (i.e., Conflict theory). Conflicts between new and traditional retail institution types are occurring at

intersecting points of cycles. The creation of new retail institutions can occur at both ends of the cycle, and the results of these conflicts will be two new high-end and low-end innovators in retail institution types.

Combination of Environmental and Conflict theories

Guiltinan (1974) in a conceptual article about evolutionary changes in distribution channels noted that, although the Wheel of Retailing theory was proposed as an inclusive theory, it was too narrow to explain all retail evolution. He attempted to improve the explanation of retail evolution with an aspect of Environmental theory and included the analysis of competitors (i.e., Conflict theory). Alderson (1957) and Brown (1988) also supported the combination of Environmental and Conflict theories. The researchers noted that environments were evolving as exemplified by developments or changes in the economy, technology, society, consumer demographics, marketing, and managerial methods. These evolving variables, in the environment, influence retail evolution (i.e., Environmental theory). While a new retail institution type is evolving under the environmental developments, additional retailers start competing with this retail institution type. As a result of the conflict, another new retail innovation is created. Jeffreys (1954) and Regan (1964) explained retail evolution with environmental changes (e.g., an increasing living standard) and inter-institutional conflicts. They mentioned that retailing mix, such as product and service offerings, became complex when retail institutions were challenged by and competed with their competitors and tried to satisfy consumers' expectation, which became higher as a response to rising standards of living.

In the United States by the 1990s, the consumer market had become fragmented into many market segments, each one with unique characteristics. These consumer groups had different individual needs and sought retail services through other, non-store, media as a way to satisfy their diverse needs (Oren, 1989). Personal computers, cable TV, and voice response systems became easier to possess in the 1990s, and consumers started efficiently to use these media for their shopping. To satisfy these consumers, electronic retail institutions have emerged to provide sufficient information and product variety through the retail change generated by this highly advanced technology. Electronic retail institutions have become a new retail institution type by reacting to environmental changes and direct retail institutions and solving existing traditional retail problems.

Combination of Environmental, Cyclical and Conflict Theories

Some researchers proposed a combination of all three retail evolution theories to explain evolutions of retail institution types (Hall, Knapp & Winsten, 1961; Kaynak, 1979; Shaw, 1978). Hall, Knapp and Winsten provided a statistical analysis of census data from the United States, Great Britain, and Canada about the impact of environmental changes on retail structure including retail innovation. They mainly focused on food and clothing industries and the variables included in the analysis were sales per person, changes in number of shops, volume of sales, gross margin, number of establishments, number of employees, and per capita income. This statistical analysis provided insight into changes in gross margin (i.e., Cyclical theory), number of stores within a region (i.e., Conflict theory), and environmental variables (i.e., Environmental theory); however, this study did not clearly state the procedure that institutions followed for retail evolution, as noted in the Cyclical or Conflict theories. In addition, the findings lack the identification of retail innovation within the evolution, as noted in the three primary theories.

Beyond his initial work with the primary Environmental theory, Kaynak (1979) also tried to combine all three retail evolution theories. The researcher mentioned that a new retail institution type was created as a result of competition with competitors (i.e., Conflict theory), and the evolution was influenced by environmental changes (i.e., Environmental theory). As evolution proceeded, a retail institution type became more sophisticated than an original retail institution in terms of its operating methods and offerings (i.e., Cyclical theory). In his conceptual study, retail evolution in the developed Western countries reflected environmental evolution, such as increase in purchasing power, growth of production capacity, development of technology, growth of car ownership, the boom of suburbs, and changes in consumer attitudes. He noted that suppliers and consumers were the most important environmental variables for a retail evolution because a retailer's offerings, such as products, services and prices, highly relied on suppliers, and the success of retail evolution were highly dependent on consumers' acceptance of new retail offerings.

In addition to explaining the procedure of retail evolution, Kaynak proposed a model to explain interaction between retailing system and the environment. The model draws a mechanism of interaction between retail institutions and the environment. In this model,

competition between institution types is under the variable category of environmental influences rather than an independent variable.

Shaw (1978) employed an analytical approach to explain retail evolution. He attempted to analyze changes in operating expenses followed by changes in retail characteristics (e.g., location change), socio-economic variables (e.g., increasing working class demand) and retail competition (e.g., changes in ownership and closures of shop). Studying food retailers and footwear retailers, he tested operation costs, growth rate of population and population density, and density of stores with a multiple regression method. Agergaard, Olsen and Allpass (1970) also supported this combination theory, and added spiral evolution with a qualitative examination of the interaction between retailing and the urban center structure. They stated that a retail institution type could not return to the same level as before the wheel started to turn due to the changes in environments (e.g., improvements in living standards and economic growth) with the passage of time.

Even though McNair's (1958) Wheel of Retailing has been historically identified as a Cyclical theory, he later put an importance on environmental influences including consumers' changes and competitor competition in the retail evolution. In a conceptual work of retail evolution in the United States, McNair and May (1976) mentioned when describing the Wheel of Retailing that the evolution of a retail institution type was the result of the traditional retail institution focusing on a cost reducing innovation (i.e., Cyclical theory), combined with the influences of a new type of retail institution (i.e., Conflict theory) and the environmental changes (i.e., Environmental theory). Thus, this author assumed that succeeding researchers have emphasized the environmental or competition variables in McNair's Wheel of Retailing theory, and environmental and conflict theories were branched from the Wheel of Retailing theory. Because of this explanation of influences, the Wheel of Retailing theory is actually a combination of all three retail evolution theories and is also noted in this section as an example of a combination of environmental, cyclical, and conflict theories.

Additional historical evidence of retail institution type evolution supports the combination of environmental, cyclical, and conflict theories by Coles (1999) in observation of historical data in department stores in Germany. He mentioned that department stores were a creation of a combination between high quality specialty stores and early town center shopping complexes (i.e., arcade). He explained that department stores offered some characteristics of

specialty stores, such as offering quality product, quality shopping environment, and upscale store image, and some characteristics of shopping centers, such as store layout (e.g., floor design by territorial department) and wide product assortment under one roof.

Measurement. Measures used in the review of data for the combined models duplicated the measures used in single theory studies. For example, to explain cyclical retail evolution, Gist (1968) and McNair (1958) measured operating margins over time. In addition, some researchers analyzed changes in operating expenses, which include store operation practices (e.g., mass communication for promotion, electronic checkout system), employee costs (e.g., hourly wage, employee turnover, number of employees), and improvement of store appearance (e.g., merchandise quality, store fixtures, displays, promotional efforts, rest rooms, cart, wide aisles, food court, resting area, delivery, credit) (Ingene, 1983; Ingene & Lush, 1981; Shaw, 1978). Conflict retail evolution was explained by a comparison between retail institution types in terms of fulfillment process, price, trading area, product variety, inventory required, communication medium, delivery time, marketing concept, type of relationship with other channel members, segmentation efficiency, segmentation size, and value of customer (Oren, 1989). Changes in ownership and closures of shop (Shaw) and number of newly open stores (Ingene) were also measured. For environmental influences on retail evolution, socio-economic conditions, technology, legal applications, and consumer changes were included. Socio-economic conditions were measured by per capita income, inflation, employment, consumer expenditure, urban form and population size, density, and rate of growth (Brown, 1987; Ingene). Technology was measured by transportation (e.g., availability of cars, mass transit), mass communication (e.g., telephones), and the availability of computers and refrigerators (Brown; Gist; Ingene; Stevens, 1975). The legal variable was measured by planning regulations and shop hours (Brown). Consumers' product preference change, culture, and demographics (e.g., population, income, household size, age) were included to measure consumer changes (Brown, 1990; Gist; Ingene).

Examples using retail institution types. Explaining the process and reasons for evolution of the department store is often used as an example of the Combined theory. Evidence of each of the three primary theories is noted. Department stores traditionally located in the center business district; however, these stores moved to the suburbs as the market expanded into this area, fueled

by technological changes. Parking problems in downtown department stores and laws and regulations, resulting from resistance of traditional downtown merchants to change, restricted the operation of downtown department stores (i.e., Environmental theory). Intra-firm problems, such as increasing operation costs for trade-up operations (i.e., Wheel of Retailing theory), caused the department stores to enter the vulnerable phase (i.e., Cyclical theory). Downtown department stores became vulnerable to its competitors, new suburban shopping centers (i.e., Conflict theory) (McNair & May, 1978). This new retail institution was created with innovative retail mixes and large department stores as primary anchors in the growing suburban areas. These suburban shopping centers became popular, by providing solutions to previous retail problems for consumers and allowing consumers to remain in suburban areas for shopping. This evolution resulted in the closure of most downtown department stores in many urban areas and contributed to the complete demise of retailing in most U.S. cities and towns.

The evolution of chain stores can be used as another example of Combined theories. This example is supported by Bain (1968) and Carson (1967), using historical data. Chain stores emerged to compete with traditional independent wholesalers and retailers (i.e., Conflict theory). Offering lower prices was favorable to consumers during depression years of the 1930s, and following government restrictions, such as the Robinson-Patman Act, Fair Trade law, Real Price Maintenance (RPM) law, Unfair Practices, and the Minimum Mark-up law, was necessitated by legislation demanded by independent wholesalers (i.e., Environmental theory) (Bain). With the legislated freedom to use a variety of vendors across multiple geographic areas, chain stores emerged, became popular, and expanded their sales as much as 14 times in the period of 1929 to 1954 (Carson). By carrying wider and deeper product lines, chain stores became large-scale general stores in the 1950s and 1960s, and again narrowed their product lines to provide brand identity for the consumer of the 1970s (i.e., Cyclical theory).

Limitations. Brown (1988) noted a limitation of this combination of the three evolution theories. The distinctions among events described by the Cyclical, Conflict and Environmental theories were not clear. In addition, procedures and effects described by any of the three theories can concurrently occur.

Common Limitations of All Retail Evolution Theories

Many previous researchers have proposed retail evolution theories; however, these theories are described as explaining one or a few retail institution types rather than being universally applicable to all types of retail institutions' evolution patterns. Therefore, previously proposed theories lack evidence of generalizability. Universality is a common limitation among retail evolution theories. Not only universality across retail institution types is a limitation but universality across countries is also questioned (Brown, 1987). A few previous articles and studies attempted to quantify the retail evolution theories (e.g., Ingene, 1983; McNair & May, 1978; Shaw, 1978); however, the validity and measurement of these studies have not been approved by other researchers in this area (e.g., Brown; Gist, 1968; Hirschman, 1979; Kaynak, 1979; Oren, 1989).

Lack of clear distinction between steps in the procedure of retail evolution is another common limitation. Brown (1987) argued that an institution's exact status or position in the Wheel of Retailing theory was often difficult to determine. He concluded that the most important influences on a retailer's time span in each phase were the institutions' managerial ability and willingness to act properly. For example, in examining the cyclical procedure of evolution, distinction among the stages of development (i.e., problem recognition, implementation of problem solutions, and emergence of a new retail institution type) is unclear. These stages can occur in overlapping stages, or altogether without order, so analyzing each stage independently is also difficult. In addition, the procedure of evolution is interlocked with the variables that impact the evolution so that cause and effect are also difficult to ascertain. This intertwining of factors is compounded when examining environmental influences because environmental variables are interconnected with each other, and all could influence a retail institution at the same time. Although the combined theories have contributed additional information about the evolution of retail institution types, these previous works have several limitations that inhibit the applicability of these theories to current and future retail research. In conclusion, retail evolution does not have a regular pattern; therefore, this limitation may continue to be inherent in subsequent theories.

CHAPTER III

RESEARCH METHOD

To examine the evolution of retail institution types in South Korea and to develop a modified model to explain this evolution, a qualitative research design was used. Specifically, a modified grounded theory type of design, with a historical/comparative analysis method, was employed in this study. The objectives of this study are as follows:

1. To review the current retail evolution theories
2. To build a comprehensive, graphical model for retail evolution based on the current retail evolution theories
3. To use this graphical model for a historical/comparative analysis of South Korean retail evolution using qualitative and quantitative measures
4. To propose a revised model based on the anticipated lack of completeness observed in the comparative analysis

Research Design

Qualitative research is defined as “any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification ... some of the data may be quantified as with census data but the analysis itself is a qualitative one” (Strauss & Corbin, 1990, p. 17). In this study, historical data including census and other existing data were analyzed to explain historical evolution of retail institution types in South Korea. The data used are quantitative but the analysis is qualitative; therefore, this study is considered to be qualitative research.

Within qualitative research, several methods, processes, and/or modes of research design exist. Grounded theory is one of those modes of study and is defined as building theory “from data systematically obtained and analyzed through the constant comparative method” (Conrad, 1978, p. 101). The process of a grounded theory approach is inductive, which means that propositions (i.e., hypothesis in quantitative research), abstractions, concepts, and theories are derived from unstructured data, and the meanings of people’s behavior or a phenomenon (e.g., retail evolution in this study) are achieved through data collection and analysis (Atkinson &

Hammersley, 1994). First, a grounded theory was used to develop a graphical representation or model using information from previous research. This new working model was used in the exploration of the retail evolution process in South Korea. After finishing data collection and analysis, the working model was revised or adjusted, based on the facts that were represented in the South Korean data. Thus, this study employed a modified grounded theory using both an inductive and a deductive approach to develop a model to explain retail evolution in South Korea.

Trustworthiness and Reliability of Research Design

Trustworthiness in qualitative research is comparable to validity in quantitative research and addresses the question of whether the research is appropriately designed to achieve the purpose of the study (Babbie, 1999). A grounded theory type of design is needed when previous research and theories seem not to provide sufficient support to explain and understand the meanings of people's action or a social phenomenon, thus a development of a new theory is needed (Hoshmand, 1989; Morse, 1991). As in this study, the current theories of retail evolution were based on Western research about Western retail institutions; therefore, this previous research may or may not be applicable to retail institution types in South Korea. Merriam (1988) stated that in qualitative research, "researchers are concerned primarily with process, rather than outcomes of products" (p. 19-20). This researcher is interested in testing and refining the process of evolution of retail institutions, and interpreting the meaning of the process for future retail evolution.

Reliability in qualitative research, as with quantitative research, is concerned with the potential adequate replication and repeatability of the research. Meeting the following three criteria can enhance reliability: (a) transparency; (b) consistency-coherence; and (c) communicability (Rubin & Rubin, 1995). These criteria can be met when the process of the research is clear and accurate, and all specific concepts needed for the study are consistent throughout the process and understandable to future researchers. Also, all concepts should be examined consistently and measured accurately. Definitions of retail performance measures or metrics were explained through the literature, were used as generally accepted in the operation of retail institution types, and were identified as significant in previous research (e.g., Brown, 1987; Oren, 1989).

Reliability of historical/comparative research relies on what types of data the researcher uses to examine the subject matter and how clearly the researcher states the process of data collection. This study used publicly available data from trade associations and trade publications, and data from governmental census of business operations, economy, and consumer income and expenditures. (Further information on data reliability is discussed in the next section.)

Trustworthiness and Reliability of Data

All sources of data, previously reported, which provide proper information regarding the subject matter of the study, can be used in historical/comparative research. Sources may vary depending on the topics of the study and interests of the researcher. Researchers have used newspapers, magazines, popular periodicals, and official government documents (Babbie, 1999). Existing statistics are appropriate for historical/comparative research. Sometimes historical analysts use chronological data, such as data on population, income, or automobile ownership, to trace changing social and business environmental conditions and interpret meanings of these changes. In previous research, many variables were proven to have significant influence on retail evolution in Western countries. Several of these metrics were selected for the study of retail evolution in South Korea.

One trustworthiness issue of data in qualitative research is whether the data cover exactly what the researcher wants to examine. Because the potential pool of data is limited to what currently exists, sometimes all desired data for the research do not exist. For this study, the variables for metrics were limited to those that are available from government data or are in the public domain, and the data are limited in time to post 1980. To increase trustworthiness of findings from existing data, replication (or triangulation) and logical reasoning methods are suggested by Babbie (1999). Replication is a general method for evaluating trustworthiness, which uses a variety of sources for the same information to increase confidence in the data. If possible, data from several points of view are recommended. If the same information is found in multiple, unrelated, and independent sources, the data are considered to have high reliability. Reasoning is the process of logical thinking based on the data to draw a conclusion. If the found data seems logical, similar to other data, and appropriate to previous and subsequent data, these

data are considered to have a higher level of reliability than data that “does not fit” within the logical pattern of expectation.

In this study, the researcher revealed the source of data, method of data collection, and other data available on the same subject. The research also used multiple sources to determine triangulation of data and examined the data for consistency and logical presentation. Data points that could not be triangulated or seem illogical were noted. For example, reasoning or logic results in the researcher’s opinion that the limitation of no government data prior to 1980 should be minor because limited change existed in South Korean retailing before the 1980. Data used for triangulation that seemed illogical for data analysis were removed and listed in Appendix A.

A general reliability issue is accuracy of data. Sometimes government statistics, which are believed to be highly reliable, are not accurate. Babbie (1999) suggested that to increase reliability, a researcher should be aware that potential problems might exist within data sets. He suggested that researchers use a variety of methods to increase reliability, such as presenting the source and collection method of the data. Babbie also recommends that the researcher prejudge the degree of reliability so that he/she can decide whether the data will be used, or may state the potential impact on the result. This process of observation was also performed in data collection.

Limitations

Several limitations exist because of the uniqueness of qualitative research, and additional limitations exist specific to each study. A primary limitation and strength of qualitative research is the interpretation process enacted by the researcher. Data themselves do not directly explain the influences on retail institution evolution. In this study, the researcher interpreted the data through a comparative analysis and deductive reasoning to explain the retail institution evolution in South Korea. During this process, analysis totally depended on the researcher’s ability of logical thinking and organizational skills. This researcher brought several skill sets to this analysis, which were beneficial to the study. The researcher has work experience in the South Korean apparel industry and has first hand knowledge of the retail changes that have occurred in the past 12 years. The researcher also has training in qualitative research methods and course work in retail and marketing areas. In addition, the researcher had the language skills to use

documents written in Korean in addition to English sources of information, and therefore was able to use many primary data sources.

Other limitations in this qualitative study are unique to the specific study and data type. By using historical data from a variety of sources, the trustworthiness and reliability of data depended on the collection methods of other researchers and on this researcher's judgment of whether or not the data were reliable and usable. In addition, limitations of data included the following: government restrictions on availability of data, lack of data prior to 1980, and lack of multiple sources for triangulation for some variables and years.

Data Collection

Data were collected from a variety of sources. Known sources of data in South Korea include government offices, trade and industry associations, public libraries, and websites on the Internet. The specific government offices in South Korea that collect retail and consumer data are the Korea National Statistical Office, The Administration, and The Korea Chamber of Commerce and Industry. Data from these sources were created from data that were collected by government offices from industry associations, trade research institutes, and government surveys. The data that were collected were primarily from *Monthly Statistics of Korea*, *Changes of Korean Society and Economy in 50 years*, *Korea Seen by Statistics*, *The Statistic Resource of Distribution Industry*, *The Report for Retail Operation and Trend*, and *Monthly Report on the Wholesale and Retail Sales Index*. The data from these sources were available in text and website format.

The data were also collected from statistical publications published by trade and industry associations. The trade and industry associations that collect data are The Korea International Trade Association, Korea Chain Store Association, and Korea Department Store Association. The major publications for these data were *Main Trade Indicators* and *The Yearbook of Distribution Industry*. These data were available in text format.

The data available in public libraries in South Korea were from textbooks in the areas of marketing, retailing, and consumer behavior, and theses and dissertations, which showed statistics of South Korean retail and consumers and discussed their changes. The data available on the Internet were from government websites (e.g., Korea National Statistical Office) and retail

magazines (e.g., *Discount Merchandiser*). These sources were reviewed to eliminate those that were only secondary sources of previously found data.

In addition, the researcher sought data sources in consultation with the university reference librarians at Virginia Tech, for the Colleges of Business and Human Sciences and Education. Additional searches were made through the on-line databases at Virginia Tech, and trade organizations in the United States and in South Korea. As with many qualitative research projects, the collection of data was a “snowball” process, and additional sources were investigated when they were noted while searching the known sources.

The most commonly occurring data types in the literature and those that were known to be available in the data sets were the following: consumer demographics (Gist, 1968; Ingene, 1983; Sheth, 1983), indicators of technology (Ingene & Lush, 1981; Kaynak, 1979; Takeuchi & Buklin, 1977), retail establishments in retail institution type (Gist; Oren, 1989), store operation (Gist; Hollander, 1960; Ingene), and store attributes (Hollander, 1960; McNair & May, 1978). As commonly found in qualitative research, the exact set of variables to be included may change within the reiterative process of data collection and analysis (Beach, 1999; Strauss & Corbin, 1990); however, the researcher intended to and did use variables that have been identified as significant in retail evolution in previous research and have been readily accepted as basic measures of successful retail operations.

Data analysis

In a grounded theory, data analysis is “a search for general statements about relationships among categories of data” to build a theory (Marshall & Rossman, 1995, p. 111). To complete Objectives 1 and 2, the researcher reviewed both conceptual and empirical work about the three, most commonly used, retail evolution theories, which are the Environmental theory, the Cyclical theory, and the Conflict theory. Then, a Combined Retail Evolution model was built from these retail evolution theories. The model synthesized aspects of these evolution theories for a better fit to all types of retail evolution and showed retail institution types in a change process.

The constant comparative method for content analysis was conducted to build the model. The constant comparative method is “the process of taking information from data collection and comparing it to the domains [i.e., categories] that were identified when looking at the ideas,

concepts, and statements [i.e., relationships of the concepts] of each theory” (Beach, 1999, p. 49). The steps of the constant comparative method suggested by Creamer (2002) in a qualitative research method class are as follows: (a) develop, define, and refine codes; (b) develop propositions/ theory about the role of the category and their relationship; and (c) refine propositions/theory to major themes or factors. Coding is employed for data analysis. Coding is “the operations by which data are broken down, conceptualized, and put back together in new ways” (Strauss & Corbin, 1990, p. 57). In grounded theory, coding is composed of three types (i.e., open coding, axial coding, selective coding) and follows in order. The first step of the constant comparative method suggested by Creamer is comparable to open coding by Straus and Corbin, the second step with axial coding, and the third with selective coding.

As a first step, open coding is the “process of breaking down, examining, comparing, conceptualizing, and categorizing data” (Strauss & Corbin, 1990, p. 61) and is “a procedure for developing categories of information” (Creswell, 1998, p150) to find “salient categories of information supported by the text” (Strauss & Corbin, 1990, p. 150). This procedure is continued until “the new information obtained does not further provide insight into category” (Strauss & Corbin, p. 151). After coding, codes, which were under a common concept, were grouped into a category, and categories were defined based on the codes.

The second step is axial coding, which is “a set of procedures whereby data are put back together in new ways after open coding by making connections between categories” (Strauss & Corbin, 1990, p. 96). Axial coding helps to group categories and find connections among categories in the model in this study. Connections between categories are predetermined by the proposed model. If new categories were added or predetermined categories were removed, connections in the proposed model will be revised. All possible connections were shown in the model at this stage.

The third step is selective coding, which is “the process of selecting the core category, systematically relating it to other categories, validating those relationships, and filling in categories that need further refinement and development” (Strauss & Corbin, 1990, p. 116). Selective coding helps to identify the relationships of the categories to develop and refine the proposed model. Based on the proposed model, the core categories and their relationships were selected in order of the number of references using the categories. However, in this study, even

in cases when only one reference mentioned and agreed to a relationship, this relationship was added and suggested for future research to examine further validation.

To meet Objective 3, the information about retail institution types in South Korea was reviewed to show the patterns of retail evolution. The historical/comparative analysis method was used. This method is used when researchers are “interested in tracing the development of social forms over time and comparing those developmental processes across cultures” (Babbie, 1999, p. 301). In the analysis of historical data, no systematic analytical technique is generally accepted as the primary form of analysis rather it is a general understanding of the data by the researcher. Weber (as cited in Babbie, 1999) mentioned that understanding is an essence of the analysis of social research, and researchers must be able to appropriately interpret views and feelings of the circumstances that are studied.

As a technique often used by analysts, conceptual models, which Weber called ideal types, are proposed to find patterns from enormous data. This ideal type or a conceptual model must portray, with the researcher’s interpretation, the essential characteristics of the subject matter of the study. Sometimes researchers replicate previous research and conceptual models to apply to new environmental circumstances (Babbie, 1999). Using the graphical model developed in Objectives 1 and 2 and the data collected about South Korean retail and consumer environments, the pattern of data changes was traced, and data were presented with tables or graphics to show the trend of changes. The pattern of data changes was analyzed using the graphical model that was built on studies of Western retailing.

For Objective 4, from the data analysis, the findings of this study were compared to those of previous research to determine whether retail evolution in South Korea was similar to those in Western countries or if any uniqueness was found. The working, graphical model, built from previous research (i.e., Objective 2) was evaluated for whether the model accurately explains the evolution of retail institution types in South Korea. Through the constant comparative analysis, the model was refined with changes such as adding categories (i.e., variables), which were absent in the model, or deemphasizing or eliminating relationships between categories, which did not exist when compared to historical data.

The researcher evaluated the final model based on the criteria set by previous researchers. Strauss and Corbin (1990) discussed the criteria for evaluation of qualitative research and mentioned that “a well-constructed grounded theory will meet four central criteria

for judging the applicability of theory to a phenomenon: fit, understanding, generality, and control” (p. 23). Fit is measured by whether the theory is “faithful to the everyday reality of the substantive area and carefully induced from diverse data (Strauss & Corbin, p. 23).

Understanding is measured by whether the theory is comprehensible and understandable to users, who are experts in this area and/or may have studied the topic. Generality is whether the theory is abstract enough to apply to “a variety of contexts related to that phenomenon” (Strauss & Corbin, p. 23). Control is a criterion such that “the theory should provide control with regard to action toward the phenomenon” (Strauss & Corbin, p. 23). As another criteria set, Lieber and Stiegel (1971, 1990) proposed four categories to evaluate a theory: (a) the purpose of the theory, (b) the credibility of the theory, (c) the utility of the theory, and (d) theoretical development. Beach (1999) proposed four questions to operationalize the Lieber and Stiegel list: (a) “How well did the model serve the purpose of science?” (p. 54), (b) Is the theory proved or supported by repetitive tests? (c) “How useful is the theory?” (p. 54), and (d) How can the theory be advanced further?

Beach (1999), in her grounded theory study, further integrated the criteria of Strauss and Corbin, and Lieber and Stiegel. She developed the following questions, which were used in this study, to evaluate the final model:

1. Is the model understandable and does it serve the purposes of theory—that is, does it organize and clarify observations, explain the phenomena as it was identified in the data, provide understanding of the subject matter, and generate new ideas and research?
2. Is the model credible, and does it provide control with regard to action toward the phenomena being studied?
3. Is the model useful, and is it abstract enough to apply to a variety of contexts related to the phenomena that is studied?
4. How can the model be improved or further developed? (p. 57)