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Configurations of business strategy and marketing channels for e-commerce and traditional retail formats: A Qualitative Comparison Analysis (QCA) in sporting goods retailing

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ABSTRACT

This article applies a configurational approach to study the fit between retail format, business strategy, and multi-channel setup. Its empirical material consists of five case studies, and a data set of 74 sporting goods retailers in Sweden. Our results show that a retailer can create strategic advantages when its multi-channel setup fits with its business strategy, and that retail format is important for explaining differences in growth and profit, the former being assigned to e-commerce and the latter to physical stores. Moreover, the study reveals that to some extent online channels also have positive performance implications for physical store retailers.

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1. Introduction

In the last fifteen years, marketing channel options such as social media, search engines, and price comparison sites have supplemented traditional marketing channels such as sponsoring, print advertising, events and TV commercials (Dholakia et al., 2005; Rangaswamy and Van Bruggen, 2005). This change has led to new types of combinations, and the traditional way of doing business and marketing within the retail sector has met new forms of competition. Indeed, when product features are easily copied, and production costs and margins are constantly under pressure, it is said that well managed and sound multi-channels are a source of competitive edge – to stand out from the rest (Payne and Frow, 2004; Rodríguez-Díaz and Espino-Rodríguez, 2006; Rosenbloom, 2007; Sharma and Mehrotra, 2007).

Keeping pace with the advent of the Internet and e-commerce, streams of research have devoted efforts to investigating, for example, the optimal blend of online and offline channels (Friedman and Furey, 1999; Kumar and Venkatesan, 2005; Rosenbloom, 2007), and how the addition of online channels might offer extra edge to, or hinder, firm performance (Cheng et al., 2007; Webb and Lambe, 2007). Furthermore, the performance implications of retailing online versus offline, as well as differences between generalists and specialist retailers, have been examined thoroughly (Min and Wolfinbarger, 2005). Nevertheless, we believe that the present literature on the link between retailers' strategy, retail format and its marketing channels is somewhat dated (e.g. Kabadayi et al., 2007; Vorhies and Morgan, 2003), and as a consequence the dramatic change in the retail sector towards e-commerce and the use of online marketing channels has not been particularly well captured. Grewal et al. (2004) find no evidence that we can easily apply research on offline retailers to guide online retailing, and we argue that there are still very few studies made after the breakthrough of e-commerce that explore the performance implications of matching (or mis-matching) the multi-channel setup to retailers' strategy and retail format.

This article aims at addressing this gap by applying a configurational approach (Fiss, 2007; Miller, 1996) to fit between important design elements for a retailer. In the article, we develop, and empirically test, viable and less viable combinations of business strategy, retail format and multi-channel setup and how they affect the financial performance of retailers (profit and growth). We develop ideal configurations based on previous literature and from four successful cases and one less successful case in the Swedish sporting goods retail sector. These configurations are then tested on a sample of 74 other Swedish sporting goods retailers. The method used is Boolean algebra and Qualitative Comparison Analysis (QCA) (Fiss, 2007, 2011; Ragin, 1987, 2000), in which we empirically assess whether matching (fit) is beneficial for firm

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performance and which dimensions of the configurations are the most central in explaining performance.

The article proceeds as follows. First, we present an outline of the configuration approach and configuration dimensions used in our model, and how these dimensions are related to the retail sector. Secondly, a study of five retailers in Sweden is used to theorize a set of fit configurations. Thereafter, the QCA findings based on data from 74 other retailers are presented, and related to the case-based expectations. The article concludes with a discussion of our findings and their theoretical and executive implications.

2. Theoretical approach and configuration dimensions

The retailing literature lists innumerable factors that help or harm profit and growth of firms (e.g. Grewal et al., 1999; Campbell and Park, in press), but seems not to have found one general recipe (e.g. Kumar, 1997; Min and Wolfinbarger, 2005). While we respect the robustness of studies showing the plethora of factors enhancing retail performance, we are trying to highlight the often used disclaimer in such research: 'it depends'. In other words, we assume that no single condition facilitates success in isolation, but that the right combination of conditions will (Drazin and Van de Ven, 1985; Kabadayi et al., 2007).

The article thus implements a more holistic, and perhaps intricate, approach to fit between design choices made by retailers than in traditional retail research (e.g. Grewal et al., 1999) and traditional structural contingency theory that presupposes independent, linear and often simple pairwise associations (Doty and Glick, 1994; Drazin and Van de Ven, 1985; Miller, 1996). Rather than independence and dependence, a configurational approach is interested in the interrelatedness between dimensions that form certain configurations (Drazin and Van de Ven, 1985). It is assumed that firms do not adjust their management and marketing constantly and continuously but rather they stay within and move beyond more distinct alternatives (Miller and Friesen, 1984). Furthermore, the configuration reasoning accounts for the complex bonds between conditions, and it recognizes that a favorable profile is dependent on fit between multiple conditions to anticipate an outcome (Fiss, 2007). It is also assumed and argued that there is causal asymmetry related to performance (Fiss, 2011): it is not necessarily the same conditions that lead to low and high performance, which is the logic that underpins traditional covariance-based theorizing and analyses. The latter also means that we contribute to existing configuration studies within strategy, structure and marketing fit that often mix configuration theory with traditional covariance-based statistical methods (e.g. Kabadayi et al., 2007). As will be further developed below, a promising avenue for testing configurational propositions is to use set-theory and Boolean algebra (Qualitative Comparative Analysis) rather than covariance-based statistics (e.g. profile deviation and regression analysis).

Below, we explain and develop the configurational dimension that we focus on in this study: retail format, business strategy, offline/online marketing channels, and interaction/transaction marketing channels.

2.1. Retail format and business strategy combinations

Retailers today face the intricate question of having or not having e-commerce as part of the retail package. The choice of retailing format in deciding on whether to have a virtual or a physical store is of high strategic importance for the competitive advantage of a firm (Chang et al., 2003). They represent two different approaches to sale that demand quite different knowledge and skills. On the one hand, a combination may be fruitful as e-commerce and stores can cross-fertilize one another (Rosenbloom, 2007) and attract more consumer segment (Venkatesan et al., 2007; Wilson et al., 2008) and a larger share of wallet among existent ones (Kumar and Venkatesan, 2005). Nonetheless, on the other hand, a combination of retailing formats adds additional costs, and demands different competence and more complex inventory management; also, the two might foster revenue cannibalization (Deleersnyder et al., 2002) or 'free-riding' behavior (van Baal and Dach, 2005).

Apart from deciding upon the brick versus click retail format, another important aspect is to decide upon how to position oneself on the market to attract and retain customers. From a competitive advantage perspective (Porter, 1980, 1985), a firm is said to have two main choices to position itself on the market: either compete by offering lower prices than competitors or differentiate its offerings so that they can earn premium income that exceeds the cost of the differentiation.

2.2. Multi-channel setup

Having decided upon retail format and business strategy, the multi-channel design obviously becomes important for implementing one's strategy and more actively trying to attract customers. An interaction-focused marketing approach is particularly marked by an individual-to-individual communication that fosters a customized and continuous dialog with social overtones (e.g., Coviello et al., 1997, 2000). The intention from a seller's perspective is to establish, develop and facilitate a win-win and mutually adaptive relationship with the buyer (may be short- or long-term). An interaction approach stands in contrast to a more traditional transaction marketing approach where impersonal messages are proclaimed widely to a 'mass-market' or a targeted collective segment aimed at attracting customers, which ultimately leads to an economic transaction (although exchange can be repeated over time) (Coviello et al., 1997, 2000). A retailer's multi-channel setup can contain channels that foster interpersonal dialog such as social media, chat rooms, telephones, addressed customized mailings, trade shows, and cooperative events in the local community, but it can also contain impersonal marketing channels created for unidirectional mass-communication such as TV and radio commercials, newspaper ads, unaddressed mailing, billboards, and online banners. In the latter category of transaction-focused marketing channels, we must also include search engine positioning, bought search terms and other impersonal ways to ensure visibility.

In principle and in practice, both interpersonal interaction-fostering channels and impersonal transaction-fostering channels can be found online as well as offline. From the perspective of multi-channel setup in isolation, we see no reason to expect any individual combination to be superior. It is in combination with retailing format and business strategy that more or less viable combinations seem plausible. This is what we turn to next.

3. Observations from major firms and expectations about fit configurations

In this section, we develop expectations about fit and unfit configurations among the investigated configuration dimensions based on observations from five major sporting goods retailers in Sweden (two of the most successful retail chains with physical stores, two of the most successful online-stores, and one former market leader that is now a less successful retail chain). These observations are based on interviews (90–140 min per interview) with leading representatives from the firms, as well as media

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archive material and annual reports. We summarize the findings from the observations in Table 1 below. The approach of predicting well-aligned combinations from successful (top-performers), and/or less successful, empirical cases has been employed in past classic works constructing ideal profiles and predictions about fit configurations, often with the argument that the topic at hand is novel and complex (e.g. Miller and Friesen, 1984; Miles and Snow, 1983; Mintzberg, 1983). Similarly, we find this explorative and more inductive approach to constructing expectations about fit and unfit configurations appropriate since there have been few studies, either theoretical or empirical, on how to combine e-commerce and online marketing channels with business strategy, and how these new forms co-exist and compete with traditional retail formats and marketing channels.

First, we assume that all 2×2 combinations of retailing format and business strategy are viable combinations. For example, Sportamore and Addnature (see Table 1) are both pure click retailers but have adopted quite different strategies, where Sportamore has a pronounced low-cost strategy and Addnature a differentiation strategy. Both firms record rapid expansion. Likewise, we observed that traditional brick and mortar retailers are successful with a cost leadership strategy (XXL and Stadium); and we have no doubts that there are physical stores, for example among the hundreds of ski or bike specialist, that can operationalize a differentiation strategy into positive outcomes. We also know that four out of five of the examples above had complemented their main retail format with e-commerce or physical stores, respectively, at later developmental stages without slowing down the expansion. Furthermore, we assume that all 2×2 possible multi-channel setups can help foster growth and profit margins.

The division into fit and unfit configurations seems to be visible at first when business-level strategic positions are pairwise linked to a corresponding position in the multi-channel setup vector space. Among the major firms, we observed, not surprisingly, that the rapidly growing pure click firms (Sportamore and Addnature) mainly use online channels, while XXL and Stadium, which are heavily weighted towards the physical store retail format, mainly emphasize the use of offline channels such as TV commercials and billboards. Therefore, we assume that offline retailing best matches predominantly offline marketing channels, and online retailing best matches the online channels. Any obvious mismatch between these conditions is expected to lead to negative performance consequences.

Moreover, from the major firms, we also record a connection between business strategy and an interactive versus transactional type of marketing. Again, Sportamore and Addnature are each other's opposites. The former has adopted a cost-leader strategy and focuses heavily on one-way communication via Google search engines. The latter has adopted a differentiation strategy and a relationship-creating multi-channel setup focusing on content marketing and dialog in social media and on its own website, event marketing online and offline, and personal involvement in the outdoor sport communities both online and offline in order to create brand recognition and long-term familiarization. Thus, we expect a cost leadership strategy to be related to transactional marketing activities and a differentiation strategy to be related to interaction marketing activities. These pairwise linkages are further supported in the observations, where XXL and Stadium combine cost leadership strategies with transactional channels, whereas Intersport, which has been less successful in recent decades, seemingly mismatches differentiation strategy with mainly transactional mass-communication.

Table 2 summarizes the configurations of retail format, business strategy and multi-channel setup we focus on in this article in two separate 2×2 tables. In the table, we also list the configurations (named Alpha to Delta) we expect to be fit for the two

Table 1
Case reports from five market leaders.

	Retail Format	**Business Strategy**	**Multi-Channel Setup**		**Performance**
	Most of the turnover comes from …	*Of Porter's generic strategies, it resembles …*	*Transaction or Interaction Focused Marketing Channels?*	*Online or Offline Marketing Channels?*	*Performance in the last decade.*
Stadium	Physical stores	Cost leader strategy	More Transactional than Interactive	More Offline than Online	The market share leader showed solid annual growth, and positive net margins in nine out of the last ten years.
XXL	Physical stores	Cost leader strategy	More Transactional than Interactive	More Offline than Online	Established in Sweden in 2010, XXL makes solid profit and grows faster than the main rivals.
Sportamore	E-commerce	Cost leader strategy	More Transactional than Interactive	More Online than Offline	The fastest growing e-commerce firm in the sector (est. 2010). Negative profit margin, but was predicted to break even in 2015.
AddNature	E-commerce	Differentiation strategy	More Interactive than Transactional	More Online than Offline	Established in 2001. High average growth rate, and positive profit margins.
Intersport	Physical stores	Differentiation strategy	More Transactional than Interactive	More Offline than Online	The former market share leader has had a hard time with a shrinking market share and negative profit margins.

Table 2
Configurations of retail format, business strategy and multi-channel setup.

	Retail format and strategy				Multi-channel setup	
	Pure click	Brick and mortar			Online marketing channels	Offline marketing channels
Cost leadership	A	B		Transactional focus	E	F
Differentiation	C	D		Interaction focus	G	H
Expected fit configurations:		*Alpha*	*Beta*	*Gamma*	*Delta*	
		A+E	B+F	C+G	D+H	

parallel modes of retail format (pure click versus brick and mortar) observed in the case analysis.

4. Data and method

With generous assistance from the sporting goods retailing association *Svenskt Sportforum* and the sector's own magazine *Sportfack*, 310 independent sporting goods where identified. As far as we know, they are an almost complete set of independent retailers in the Swedish sector. They are autonomous sporting goods retailers and are free to choose their strategy and marketing channels. In other respects, they face similar environments such as competition from the giants, type of suppliers and national legislations. Thus, in this study, we find it defensible to exclude the wider environmental context as explanatory configuration dimensions affecting strategy to marketing fit (Kabadayi et al., 2007) since the environmental context is limited in variation by sampling design.

After sorting out some misclassified companies, 292 retailers (CEO or other managing director) were approached by email with an appeal to contribute to the study and to answer a questionnaire. After two reminders, 88 retailers (30%) agreed to participate by completing a web-based survey. From that sample, 14 cases had to be excluded (corporate legal statutes that do not require public reporting (8 cases), not yet reported its first full year (4 cases), or the firm spans multiple sectors where the financial results from sporting goods retailing are not possible to separate out (2 cases)). Data from the remaining 74 cases, collected in 2014, are used for this study. For the analyses of growth, we used data from 65 of these cases, as 9 cases were too newly established to provide a multi-year trend. Secondary (archival) data concerning financial performance were obtained from the national business database *Retriever Bolagsfakta*.

4.1. Explanatory measures

Retail format was measured by asking how large a share of the turnover comes from online sales. The variable is coded as one (full membership), a 'pure click firm', if more than 75% percent of the turnover comes from online sales, and zero (full non-membership), i.e. being mainly a 'brick and mortar' firm, if online sales accounts for 25% or less of the turnaround. Cases falling in between these extremes are, according to a fuzzy set logic, regarded as being neither fully in nor fully out with respect to the two extremes and are given rescaled measures in the range between 0 and 1 in respect to degree of membership. Considering set membership, 50% sales from e-commerce represent the crossover point of maximum ambiguity.

The two business strategy types of cost leadership and differentiation were measured with questions from Spanos and Lioukas (2001) (sales context) and Porter's (1980) original definitions. The individual strategy constructs showed good reliability and internal consistency as the Cronbach's alpha for Low Cost was 0.73 and for Differentiation 0.83. It is well known from the strategy literature that firms tend to focus not solely on one of them – at least not when answering questionnaires – and that the taxonomies of strategies are often not as pure as their typologies (e.g. Miller, 1996). For that reason, we are interested in the relative strategic focus of the firm rather than on the intensity of each focus. The variable capturing which strategic focus is predominant for the firm was created by setting the mean score of differentiation strategy to the mean score of cost leader strategy, and coding it 1 (full membership) if differentiation > cost leadership by one unit difference (scale 1–7) and 0 (full non-membership) when the converse exists. For cases falling within the one unit difference, they are, according to a fuzzy set logic, classified as partly members in both extremes.

Multi-channel setup consists of two configuration dimensions of marketing channel activities. The first dimension captures the extent to which marketing is made online or offline and the other dimension separates between a transactional and an interactive approach. To measure these dimensions, 15 questions were posed about how much time and resources was devoted to certain marketing channels related to the online-offline and transactional-interactive dimensions. All items are presented in Appendix A.

The two multi-channel setup conditions are constructed and calibrated in the same manner as with business strategy. The mean value of online (E+G) versus offline (F+H) and interaction-fostering (G+H) versus transaction-fostering (E+F) marketing channels was used as a denominator for positioning the empirical cases. Retailers that are mostly focused on online channels are coded as 1 (full member) if E+G > F+H by one unit difference (scale 1–7), and coded 0 (full non-member) whereas the converse exists by the same margin. Retailers that are mostly focused on interaction-fostering channels are coded as 1 (full member) if G+H > E+F by one unit difference (scale 1–7), and coded 0 (full non-member) for the opposite. The distribution of this coding is shown in Table 3 (the 'truth table' in the QCA analysis). Since the items regarding the marketing channels forms the multi-channel setup (they are not reflectors), reliability statistics are meaningless and are not reported (Jarvis et al., 2003).

4.2. Performance measures

The performance conditions, profit and growth, were measured as the average of each subject firm's performance over the last four years (2010–2013). We included two versions of each performance variable and each measure is binary coded:

- Profit as profit margin (EBIT) above zero.
- High profit as profit margin (EBIT) above median in the data set.
- Growth as growth above zero.
- Rapid growth as growth above median in the data set.

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4.3. Analytical procedure

In order to analyze empirically whether the four highlighted conditions combine to enhance an outcome, the analytical method *Qualitative Comparative Analysis* (QCA), developed by Ragin (1987, 2000), is used to cross-compare these 74 cases. QCA enables researchers to perform logical analysis rather than traditional statistical variable-centered analysis (Kent and Argouslidis, 2005). The fundamental aim of QCA is to reveal possible links between explanatory conditions and a criterion condition. Cases are understood as configurations of multiple conditions when cross-comparing cases using QCA; cases are understood as configurations of attributes. The Boolean logic is based on cross-case agreement, and differences allow one to strip away conditions that are unrelated to the criterion condition being sought (e.g. growth). In short, QCA building on Boolean algebra focuses the set-to-subset relation between a combination of explanatory conditions and an outcome by logically reducing complex configurations to sufficient solutions that lead to the criterion condition in question (Rihoux and Ragin, 2009). The advantages and disadvantages of using QCA compared to other quantitative methods have been covered in the literature (Fiss, 2007, 2011; Kent and Argouslidis, 2005; Rihoux and Ragin, 2009).

5. Analysis

We use fuzzy-set QCA and it runs in three steps (for a more detailed description see e.g. Ragin, 2006). The first step in cross-comparing configurations that is sufficient for the criterion conditions to occur is the creation of a matrix called a truth table (Table 3) covering all the 16 possible configurations (2^4), where each row represents a configuration.

In a second step, we produce two rules for the separation of the irrelevant configurations from the relevant configurations: 1) the frequency threshold and 2) the consistency threshold. As we have a relatively small sample, we use a frequency threshold of 1, meaning that three unrepresented configurations are excluded (Table 3). The other 13 configurations have representation and remain in the analysis. In QCA, consistency means the proportion of cases in a configuration which is a subset of the criterion condition being sought. As we use fuzzy-set QCA in this study, empirical cases may have partial membership in several archetypical configurations. If a configuration is linked to the criterion condition, for instance high profit, the consistency frequency must be high. For each test, we use the recommended threshold of $>75\%$ (Ragin, 2006). This means that only configurations above the 75% threshold are treated as subsets of the criterion condition under investigation.

The third step is to reduce complexity in configurations to the sufficient solutions for growth and profit, respectively. These operations are completed using the fs/QCA software based on a truth table algorithm using Boolean algebra described by Ragin (2008). The algorithm makes a distinction between intermediate and parsimonious solutions, where the latter reduces the solution terms further, also including *possibly* redundant conditions that might be dropped.

The outputs of four separate tests are displayed in Appendix A (Tests 1–4) and show the measures of coverage and consistency for each separate solution term, and for each test the total coverage and consistency for all the sufficient solutions combined.

In Boolean terms * is used for AND, + is used for OR and ~ is used for NOT. When not ~ is present, it means the presence of the opposite. For example, ~DIFF means cost leadership and ~ECOM means 'brick and mortar'. OR is not exclusive to 'either or'; instead, OR represents (1) one, (2) the other, or (3) both.

5.1. QCA results for criterion condition 'Profit margin'

Out of multiple configurations with relatively high consistency, Test 1 reveals that two main algebraic functions related to a positive profit margin stand out:

$$\sim DIFF^{*}\sim ECOM + \sim ECOM^{*}ONLINE -> \text{Profit margin}$$

Firms having a combination of cost leadership strategy and physical 'brick and mortar' stores stand out as a solution that is present for a positive profit margin. The second solution state that physical stores that mainly use online channels also have favorable odds of succeeding.

With regard to achieving a high profit margin (Test 2a), and not just a positive one, no configurations in our population were found above or near the recommended consistency cutoff point ($>75\%$; see Table 3). However, an alternative Test 2b for configurations related to the *absence* of high profit margins ($<25\%$ consistency

Table 3
Truth table.

	Retail format and strategy		Multi-channel Setup		Cases[a]		Performance consistency (criterion condition present)			
	Diff. Strategy	E-commerce	Inter-active	Online	n1	n2	Profit Absolute	Profit Median	Growth Absolute	Growth Median
Delta	1	0	1	0	17	15	71%	44%	68%	50%
Epsilon	1	0	0	0	17	14	73%	43%	63%	34%
Beta	0	0	0	0	11	10	**84%**	61%	65%	40%
Zeta	1	0	1	1	8	7	**76%**	53%	**79%**	57%
Eta	0	0	1	0	5	4	**77%**	40%	62%	38%
Theta	0	1	1	1	4	3	70%	60%	**100%**	**96%**
Iota	1	0	0	1	3	3	**80%**	43%	**76%**	52%
Gamma	1	1	1	1	1	1	61%	49%	**100%**	**87%**
Kappa	1	1	1	0	1	1	67%	60%	**100%**	**100%**
Lambda	1	1	0	1	1	1	43%	25%	**100%**	**94%**
Mu	0	1	1	0	1	1	29%	23%	**100%**	**100%**
Nu	0	0	1	1	1	1	**81%**	34%	71%	53%
Xi	0	0	0	1	1	1	**78%**	40%	71%	33%
Alpha	0	1	0	1	0	0				
Omicron	0	1	0	0	0	0				
Pi	1	1	0	0	0	0				

Gray color indicates configurations that were addressed as possible fit configurations based on the initial case studies (see Table 1).

[a] 74 cases are included in the analyses where Profit is the outcome (n1). 65 cases are included in the analyses where Growth is the outcome (n2). 3 cases are at the cross-over point representing maximum ambiguity for one condition each, and hence not sorted into any row in the matrix.

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for the positive outcome; see Table 3) reveals the following parsimonious solution terms:

ECOM*~INTER + ~DIFF*ECOM*~ONLINE –> ~High profit margin

In this test for absence of the sought criterion condition, it is obvious that e-commerce is risky business in terms of profit-seeking. In this test, the firms that face low odds of success are those that predominantly do business online and prefer to use transaction-fostering channels over interaction-fostering channels. Low probability of achieving high profit also applies to firms that rely mainly on e-commerce in combination with a cost leadership strategy and prefer to use offline channels for marketing purposes. A more conservative interpretation (the intermediate solution terms; see Appendix A, Test 2b) is that at least differentiated pure click retailers that focus on direct transaction-fostering channels online, and firms that combine a high degree of e-commerce with cost leadership strategy and interactive dialog in offline channels are mismatched for high profit.

5.2. QCA results for criterion condition 'Growth'

If we turn to the structure for explaining growth, we can summarize Test 3, solutions that are sufficiently tied to growth, as follows (intermediate solution terms):

ECOM*INTER + DIFF*ONLINE –> Growth

This analysis reveals that the highest likelihood of growth (85.2% consistency in our data set) is to be found in firms with a high degree of e-commerce sales that prefer interactive-fostering channels, and firms that have a differentiation strategy and prefer online channels for marketing activities. The test can further specify that the e-commerce condition alone, regardless of which configuration it is present in, in this population might have a predicted 100% success rate. However, as noted in the previous section, the parsimonious solution terms reduce conditions if we lack evidence in the data set that they are a necessary part of the solution. In this case, our data show that e-commerce AND interaction-seeking marketing channel types are well aligned with growth, but we lack evidence as to whether e-commerce would not also does so separately. According to this test, a high share of e-commerce in the multi-channel mix is very likely a sufficient condition for growth, at least in combination with a multi-channel setup that emphasizes interactive marketing channels.

For rapid growth (above median growth in the data set) to be present, we can summarize Test 4 as follows:

ECOM*INTER + DIFF*ECOM*ONLINE –> Rapid growth

In this test, two clear alternatives appear, having e-commerce as the common denominator. E-commerce firms that prefer interactive marketing channels and differentiated e-commerce firms that predominantly use online channels are both consistently related to relatively rapid growth. From this test, we cannot tell whether interactive marketing channels, as well as differentiation strategy and online channels, respectively, are necessary parts of the sufficient solutions, or whether e-commerce alone fosters rapid growth. However, the test reveals that a predominant share of e-commerce is a core condition for rapid growth as that condition is part of both the intermediate and the parsimonious solutions.

6. Discussion and conclusion

6.1. Discussion of results

The truth table (Table 3) shows that 29 out of 74 cases (39%) have configurations that are equal to three of the four we assumed to be fit configurations. Consequently, the other 45 cases are spread over 12 alternative configurations. The one profile from Table 2 that we cannot observe in the sample is configuration *Alpha*, a pure click cost leader with transactional online marketing. All in all, this means that there is quite good fit in the population as it is and that the configurations predicted from the case analysis to be fit are frequently present in the population, indicating fit by market selection (Drazin and Van de Ven, 1985). According to Miller (1996), configurations close to ideal profiles occur at a notable rate in a data set, and are likely overrepresented in a randomized data set because unfit configuration might already have been demoted by selection mechanisms. This means that there are 'natural limits' to variation being able to explain performance differences in our setting.

Nevertheless, our results show that retail format is important for explaining differences in the two performance measures (profit and growth); pure click retailers are overrepresented in configurations leading to growth, and brick and mortars is the common denominator for cases having profit. Pure clicks are often less mature businesses, and e-commerce is the type of retailing that is growing in market share, which is why they more often also focus on growth rather than profit. Few businesses, however, can survive on growth alone and eventually the pure click retailers also have to appear in configurations that lead to profit if they are to compete with the more established brick and mortars.

Besides being a brick and mortar, the most common denominator leading to profit is in combination with a cost leadership strategy. The multi-channel setup is of no importance in this case. The other solution leading to profit is physical stores in combination with online channels. a combination that we did not expect to do well. If we instead turn to explaining absence of high profit, the multi-channel setup is of importance. First, e-commerce membership is present in both these unfit configurations. Since this is an explanation of the reverse of having good performance, it is interesting to note that one of the configurations consists of elements that deviate from the configurations expected to be fit: an e-commerce firm with a cost leader strategy that uses mainly offline marketing. The other unfit solution is a high degree of e-commerce in combination with transaction-fostering channels. This relates back to retail research in two main ways. First, it shows the importance of causal asymmetry in research (Fiss, 2007, 2011). It is not necessarily the opposite of observing profit which also explains not having (high) profit, but totally other combinations of elements. Second, it shows that transaction-fostering channels such as advertising and online search-term positioning, as well as offline channels for firms with a cost leadership strategy, may not be appropriate (high profit) for e-commerce firms, but that online channels may be effective (enough) also for brick and mortars. The claim that pure click retailers using a cost-leadership strategy have problems reaching high profit today is also supported by our initial case study with the major firms: even though Sportamore had grown explosively, they have still not earned money.

Turning to growth, it is interesting to note that it is not cost leaders but differentiators that excel in this respect. For growth in general, this is true for both types of retail format if in combination with online channels. In the case of high growth, this holds only for pure click retailers. The other configuration leading to growth consists of pure click retailers with an interactive multi-channel focus.

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Our predictions on the relationship between business strategy and multi-channel focus gain mild support in this study. Even though our interviews with the five major firms in Sweden clearly speak to the importance of strategy-marketing channel fit and 29 out of 74 cases in our data set are arranged according to this pattern (differentiation*interactive and cost leader*transactional), these patterns do not emerge as important for explaining profit or growth in the cross-comparison tests. Instead, it is strategy and multi-channel setup alone or in combination with retail format that seemingly is important here. In that respect, our results contradict the importance of market organization-strategy fit found in other settings (Kabadayi et al., 2007; Vorhies and Morgan, 2003).

6.2. Conclusions and limitations

Our investigation points out the importance of finding certain niches and of choosing appropriate marketing channels to be profitable. For brick and mortars, it is not the retail format on its own that is important for being profitable, but how a firm within this category positions itself on the market or which marketing channels it chooses. The same logic applies to pure click retailers' growth. Furthermore, and contrary to our expectations, it seems that online types of marketing have also become an important (effective) marketing channel for traditional businesses with physical stores. These results contribute to retail research and should also be informative as guidelines for retailers as they seek to develop their business in terms of linking their retail format and chosen strategy with appropriate marketing channels. Our results indicate that it is important for managers to choose the right type of channels based on the kind of retail firm that is to be marketed, and that there is no single right solution of channels suiting all retailers. Rather, the appropriate choice of marketing channels and retail format is largely a consequence of the business strategy and the retail firm's priority objectives, growth or profit.

Our research is not without limitations. First, it is limited by the general weakness of survey research relying on 'subjective' information given by one respondent. Although we include several central configuration dimensions, our model is not complete, and there may be other factors, not included in the study, that would have contributed to a deeper understanding of the whole design complex that a retailer faces. Our method, QCA, does not allow one to draw statistical inference to a population and thus to generalize beyond the cases. Our results are bound to the population we study. On the other hand, QCA contributes by looking differently at a number of weaknesses with traditional covariance-based methods.

Appendix A. Solution terms

See Tests 1–4.

Differentiation strategy is abbreviated DIFF.

E-commerce strategy (i.e. more 'Clicks' than 'Bricks') is abbreviated ECOM.

Test 1
Average profit margin 2010–2013 above 0%.

Frequency cutoff: 1			
Consistency cutoff: 75%			
Intermediate solution terms	Raw coverage	Unique coverage	Consistency
~DIFF * ~ECOM	29.9%	21.9%	84.4%
~ECOM * ONLINE	23.5%	15.5%	78.9%
Solution coverage: 45.4%			
Solution consistency: 82.3%			
Parsimonious solution is the same as Intermediate solution.			

Test 2
Average profit margin 2010–2013 above median in data set.

2a: POSITIVE OUTCOMES (profit above median)			
No solutions near or above Consistency cutoff (75%)			
2b: NEGATIVE OUTCOMES (~profit above median)			
Frequency cutoff: 1			
Consistency cutoff: 75%			
Intermediate solution terms	Raw coverage	Unique coverage	Consistency
~DIFF * ECOM * INTER * ~ONLINE	3.4%	2.7%	77.0%
DIFF * ECOM * ~INTER * ONLINE	4.6%	3.9%	74.6%
Solution coverage: 7.3%			
Solution consistency: 76.1%			
Parsimonious solution terms	Raw coverage	Unique coverage	Consistency
ECOM * ~INTER	6.2%	5.6%	71.7%
~DIFF * ECOM * ~ONLINE	3.4%	2.7%	77.0%
Solution coverage: 8.9%			
Solution consistency: 78.4%			

Test 3
Average growth rate 2010–2013 above 0%.

Frequency cutoff: 1			
Consistency cutoff: 75%			
Intermediate solution terms	Raw coverage	Unique coverage	Consistency
ECOM * INTER	13.7%	7.2%	100.0%
DIFF * ONLINE	28.1%	21.6%	82.1%
Solution coverage: 35.3%			
Solution consistency: 85.2%			
Parsimonious solution terms	Raw coverage	Unique coverage	Consistency
ECOM	17.7%	9.7%	100.0%
DIFF * ONLINE	28.1%	20.1%	82.1%
Solution coverage: 37.8%			
Solution consistency: 86.1%			

Test 4
Average growth rate 2010–2013 above median in data set.

Frequency cutoff: 1			
Consistency cutoff: 75%			
Intermediate solution terms	Raw coverage	Unique coverage	Consistency
ECOM * INTER	18.6%	10.4%	93.6%
DIFF * ECOM * ONLINE	10.3%	2.2%	88.8%
Solution coverage: 20.8%			
Solution consistency: 94.1%			
Parsimonious solution terms	Raw coverage	Unique coverage	Consistency
ECOM	23.3%	23.3%	90.6%
Solution coverage: 23.3%			
Solution consistency: 90.6%			

More emphasis on Interaction than Transaction in multi-channel is abbreviated INTER.

More emphasis on Online than Offline channels in multi-channel is abbreviated ONLINE.

Appendix B. Strategy and multi-channel setup items

Business Strategy (graded importance, 1–7)

Differentiation strategy

To have the latest products.

To be ahead of competitors with novel products.

To attend expos in order to identify unique products.

To allocate resources for an attractive product range.

To allocate resources for marketing.

To emphasis a well-trained sales force with high product knowledge.

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Cost leadership strategy

To have modern and automatized sales and procurement systems.

To have high sales volume.

To keep inventory costs low and to have efficient logistics.

To always use scale and volume to pressure suppliers.

To have products with comparatively low prices.

Multi-Channel Setup (graded resource allocation, 1-7)

Interaction-fostering Online Channels

Social media interactions.

Supporting bloggers to get positive mentions online through a third party.

E-mailing (addressed direct mail online).

Interactive real time communication online (e.g. chat, Skype, web-based seminars).

Transaction-fostering Offline Channels

Print advertising (unaddressed; e.g. ads in newspapers, flyers, billboards, etc.).

Traditional PR work (press releases, make contacts with journalists).

Storefront presentations in physical stores.

TV and/or Radio commercials.

Interaction-fostering Offline Channels

Addressed direct mail (printed).

Talking in telephone with present and potential customers.

Bonding with local sport communities (e.g. sponsorship, discounts and themed evenings).

"Face-to-face" interactions (e.g., fairs, seminars, presentations).

Transaction-fostering Online Channels

Search engine marketing.

Online advertising on webpages ('banners', etc.).

Advertising in games/music/video services online (e.g. Youtube videos and Spotify ads).

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