



CENTER FOR RETAILING

WE WILL START IN A FEW MINUTES

CFR EARLY INSIGHT #30

THE PLATFORMIZATION OF RETAILING

Center for Retailing (CFR) at the Stockholm School of Economics has a mission to provide high-level academic education and to conduct world-class research on retailing in close collaboration with the Swedish retail industry. CFR Early Insight is a breakfast seminar series through which CFR faculty members share insights from ongoing research projects. The series provides a platform for employees at our partner companies to meet and discuss current challenges in retailing.

THE NEW RETAIL ECOSYSTEM

Retailing is undergoing rapid changes due to digitalization. These changes profoundly transform the industry as they enable new business models and new actors to become increasingly impactful. Several of our research projects focus on this development. We are exploring how platforms and sharing models might lead to new collaborations and retail offerings, but also how new actors such as influencers, payment providers, technology platforms, and gig workers are entering and transforming the retail ecosystem.

INNOVATIVE RETAIL EXPERIENCES

Digitalization and sustainability are not only reshaping the retail industry, but also the experience offered to consumers. As algorithms are becoming increasingly powerful agents in retail, data-driven decision making* and automation will be a core part of the retail experience. Several of our projects are following this development, both from a customer and employee perspective, and thus contributing novel insights on how innovative retail experiences can be shaped.

** The retail industry has a long tradition of data-driven decision-making. To contribute novel insights on this topic we collaborate with the Center for Data Analytics at SSE on projects related to the use of advanced analytics, where we use prescriptive modeling to guide retail practice and to explain consumer behaviors.*

SUSTAINABLE RETAILING

One of the largest challenges the world is facing is that of sustainability, and the retail sector has a crucial role to play. In several of our research project, we focus on how retailers can change consumer behaviors into more sustainable ones, for example by purchasing products with ethical and/or green labels, reducing carbon emissions and consumption of disposable packaging, and transitioning to more healthy and sustainable protein sources. We also conduct research on how decisions related to environmental and social sustainability are made in organizations and what is needed to enhance them.

THE PEOPLE OF RETAIL

Several of our projects bring the focus back to the people of retail: those on the shop floor, those helping customers, those delivering packages. Our research explores the changes that effect workers in organizations in a changing retail landscape: How does technology affect how people acquire new competences and engage with employees? How do employees engage with each other in ways that effects their commitment to organizations? And what are the new ways that retail organizations can engage with the people (employees, customers, stakeholders) in retail?

MANAGING NEGATIVE EVENTS

Research often focuses on what makes business more successful but understanding and mapping the consequences of negative events is also important. In this research, we collaborate with firms and regulators to provide insight into negative events in customer-firm relationships, such as product recalls, service failures, and product returns. We also investigate how to deal with negative events within an organization, such as unethical employee behavior or crises. Providing firms and regulators with empirically grounded insights contributes to a better understanding of how to manage negative events.

Find out more on www.hhs.se/cfr

The platformization of retailing

Fredrik Lange

Early Insight May 10, 2023

The case of the orange socks



Platforms typically do not have their own inventory, but facilitate exchange while vendors manage their own inventory.

PLATFORMS ARE CHARACTERIZED BY:

- a focus on mediation (“matchmaking”),
 - autonomy of participants,
 - growth via network effects, and
 - a digital infrastructure
-

What do we know about platforms?

“Winner-takes-all” markets: Concentration, powerful players, Keystone organizations

Corporate Scope: What to sell within and across categories?

Customer base heterogeneity: Who are your customers?

Governance: How do you manage the platform?

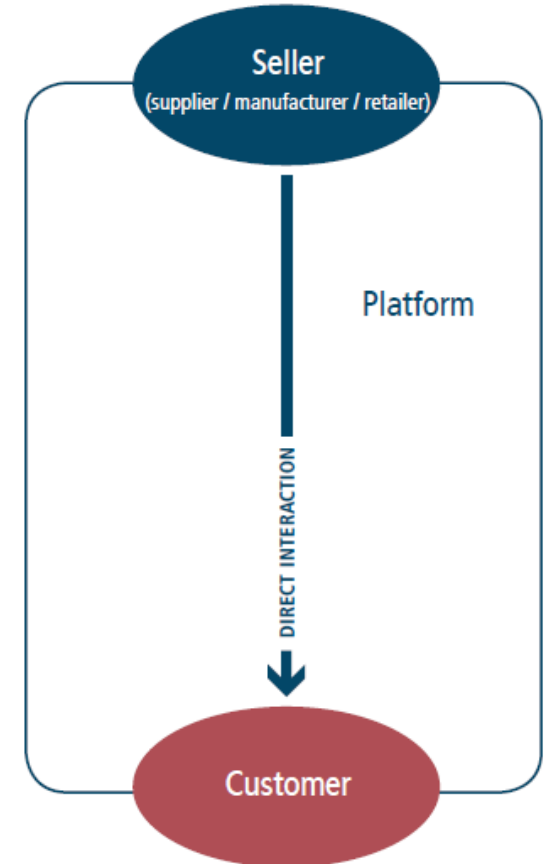
Rietveld & Schilling (2021)

Pipelines, platforms, and hybrids (Reinartz et al 2020)

PIPELINE BUSINESS MODEL



PLATFORM BUSINESS MODEL



The Amazon effect

Before: The “Amazon is coming...” retail events theme

2021-2022 news items

Amazon impact overexaggerated

Tough start for Amazon

April 2023

Amazon growing in Sweden despite e-commerce struggles

What do we know from research

“7 years to takeoff”, innovations can take time

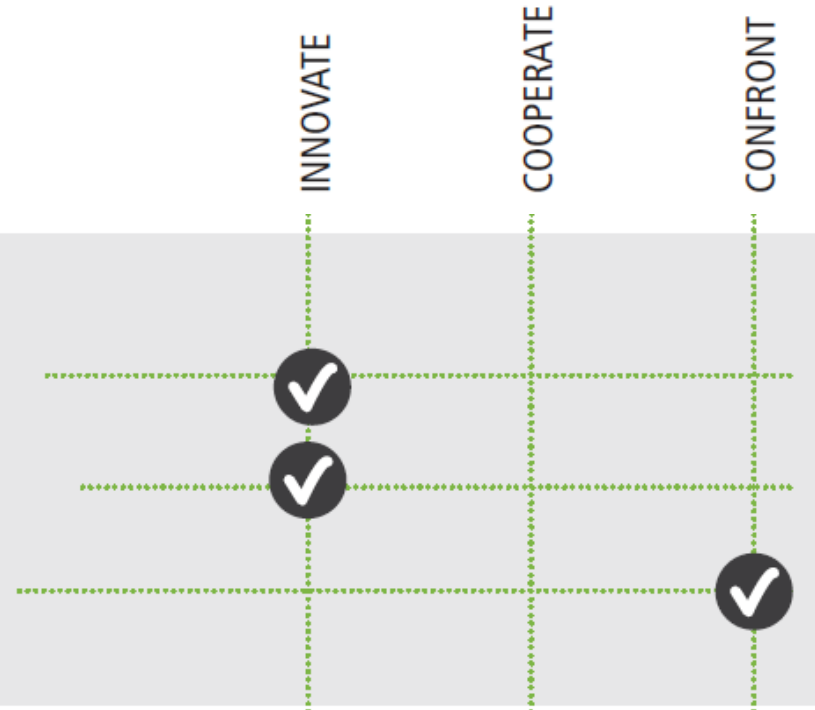
Suggestions for retailers



Build a platform brand.

Leverage your installed base.

Build (on) a strong brand.



Characteristics of a healthy business ecosystem

Productivity

Robustness

Niche Creation



BENGANS

Threats to the ecosystem

Productivity – from record stores to online streaming

Robustness - Spotify, Universal records changed to Universal music group

Niche Creation – artist agencies



Different type of platforms (Jacobides et al, 2016)

Generic – “no vested interest to align and act as a group”

Price-based platforms, generalists or specialists

Edgeworth - joint production/consumption enhances value or there are increasing returns of consumption and dynamic effects in production

Value-based platforms, complement-based



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Nike Hyperdunk+ Sensor



Nike+ FuelBand



Nike+ SportBand

Nike+ Sportwatch



Nike+ GPS



NikeFuel

The brand aggregation platform model

Brand aggregation

Transaction facilitator and mediator

Cross-category

Narrow activities

Online-born

Platformized retailer

External inventory

Standardized user experience



Flagship stores

The brand flagship platform model

Brand flagship

Multiple goals (customer relationships, loyalty, community building, guidance, inspiration)

Within-category specialist

Broad activities

Offline-born product brand

Internal inventory

Individualized user experience

Brand flagship platforms: Goals and building blocks (from Wichmann et al, 2022)

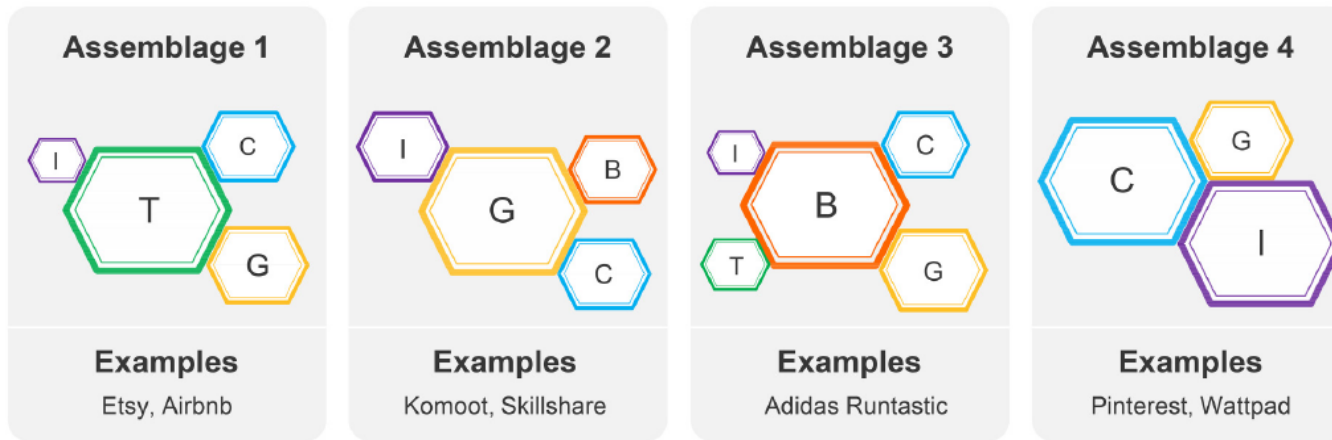
Table 2. Key Consumer Goals and Platform Building Blocks.

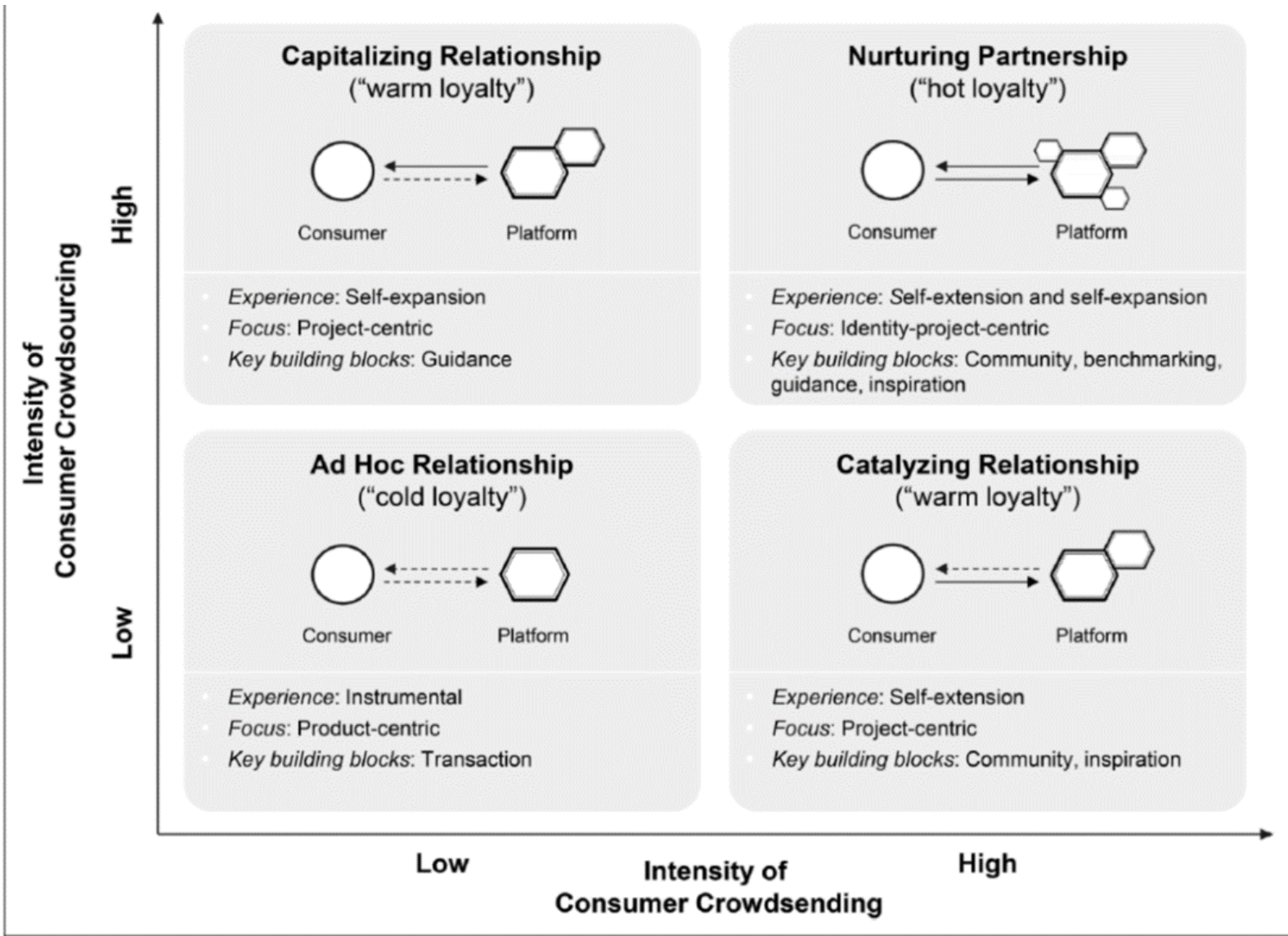
Consumer			Platform		
Nature of the Consumer Goal	Definition of the Consumer Goal	Literature Example	Building Block	Related Features	Literature Example
Commercial exchange	Finding the best- matching offering or exchange partner	Perren and Kozinets (2018)	Transaction block	Product/service marketplace, complaint handling	Hagiu and Wright (2015)
Social exchange	Engaging in social interaction	Schau, Muñiz, and Arnould (2009)	Community block	Community forums, social sharing	Ramaswamy and Ozcan (2016)
Self-improvement	Competing and comparing to live up to one's full potential	Ramaswamy and Ozcan (2018)	Benchmarking block	Tracking, measurement, benchmarking	Labrecque et al. (2013)
Epistemic empowerment	Spreading and gaining knowledge to make informed decisions	Kozinets, Ferreira, and Chimenti (2021)	Guidance block	Peer-to-peer route planning, "how-to" videos, customer feedback	Kozinets, Ferreira, and Chimenti (2021)
Creative empowerment	Inspiring or being inspired by something new or curious	Albuquerque et al. (2012)	Inspiration block	Decoration videos, tools for exploration and experimentation	Füller, Matzler, and Hoppe (2008)

Platform Building Blocks



Platform Assemblages (Exemplary)







Retailer roles in platformization

1. Retailers are highly competitive for generic complements
2. Retailers can become sellers of products within platform ecosystems
3. Retailers may experiment with their own platform ecosystems due to, for instance, lower cost of distribution or building strong multidimensional customer relationships



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Thoughts, comments, ideas:
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