

# The place is the promotion. The emerging role of selling places and spaces\*

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## Abstract

**Purpose of the paper:** *The purpose of this paper is to analyse the strategic and integrated use of communication and distribution.*

**Methodology:** *The selection of case studies and the analytical procedure rest on grounded theory methodology.*

**Findings:** *The analysis of three case studies shows a gradual shift in consumer goods industries from traditional marketing communication to in-store marketing, including digital stores. The success of the companies that have experienced the integrated communication and distribution strategy seems to rely on leveraging on distribution channels as means of communication and not only of selling.*

**Research limits:** *This contribution has limitations. In particular, we relied on a qualitative analysis based on three case studies, so we can only support an analytical generalization of our findings.*

**Practical implications:** *The analysed companies have developed strong brand value and a proactive approach to innovation, changing traditional market rules and applying an innovative integration between communication and distribution. They have been able to create a new distribution and communication model based on the intersection between the following three marketing drivers: ambient (store), people and the web.*

**Originality of the paper:** *The investment and financial consequences are discussed.*

*Key words: marketing; communication; distribution; store*

## 1. Introduction

The aim of this article is to provide a framework regarding the strategic and integrated use of two core dimensions in a company's marketing processes, namely communication and distribution. This research objective derives from the

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observation of an apparent paradox in the marketing activity of some successful firms. On the one hand, it is generally recognised that the strategic role of communication is continually growing (Invernizzi and Romenti, 2010), on the other hand, some companies - though belonging to industries with average to high communication spending- show little or no investment in marketing communication, which is one of the key areas where communication budgets are committed. Moreover, the success of these companies seems to rely on leveraging distribution channels as a means of communication and not only of selling.

The evolution of the role of distribution channels can be viewed as a response of firms to changes in the external environment and as a new way of exploiting the inter-relationships between different business activities. The theoretical background of this research is rooted in the experiential marketing literature (Schmitt, 1999; Ferraresi and Schmitt, 2006) and in the CEM (customer experience management) approach.

This paper aims at exploring two related issues: first, distinguishing the drivers and the dimensions of the emerging integration between communication and distribution, and second, how this synergic blend contributes to the growth of intangible assets such as corporate reputation, brand awareness and developing customer relationships base through bi-directional knowledge flows. Although the contribution of distribution in general to the development of corporate intangible assets is widely recognised in literature (Pellegrini, 1999), we identify a specific research gap in the understanding and theorisation of the emerging phenomenon of the integrated role of marketing communication and distribution, and more specifically in the way in which investments in distributions may be a substitute for investments in communication. Even if the role of the so-called Ex-Pros (experience providers) is acknowledged in the experiential marketing literature (Schmitt, 2010), much remains to be said about the quickly evolving nature of the store, including the digital store (Fossati, 2010), and how it represents an effective vehicle for communication. Moreover, the investment (financial) consequences of this evolution have not been analysed yet, although a systemic view aimed at corporating phenomena and decisions suggests a holistic approach to marketing strategising (Golinelli and Barile, 2003).

## **2. Theoretical frame**

The seminal work of Borden (1964) on 12 Ps provided a tool for understanding the variables of the marketing mix. In marketing courses the traditional marketing mix paradigm (McCarthy, 1964), based on the 4Ps is usually adopted. Apart from being an easy toolkit to memorise and to apply, the 4Ps paradigm has also played a role in the evolution of marketing management science as a fundamental concept of commercialisation philosophy (Rafiq and Ahmed, 1995; Constantinides, 2006). Throughout the years the marketing mix paradigm has been subjected to growing criticism (Vignali and Davies, 1994; Yudelson, 1999) and to re-conceptualisations

(for a survey, see Constantinides, 2006). It goes beyond the scope of this paper to comment on the role and evolution of this paradigm: what matters in the present context is to highlight how some key marketing processes have evolved recently, changing their nature and exploiting synergies between different marketing management domains. Irrespective of how many and which dimensions the marketers should consider in designing marketing decisions, choices regarding the product, its pricing and how to communicate and deliver the value proposition to the customer, continue to be of the utmost importance. In this contribution we adopt the terminology about services marketing suggested by Doyle (1994), who invited scholars to replace the terms “Place” and “Promotion” in the marketing mix with the more appropriate terms such as “Distribution” and “Communication”. This terminology is at the base of the key constructs needed for our study and it is appropriate for the scope of this research, in that it permits us to identify these two activities as channels (object) and as processes (activity), coherently with the general theoretical frame presented in the introduction. Originally, product and pricing policies represented the “core business” of the mix paradigm, while promotion (from now on communication) and place (from now on distribution) were viewed as channels, for communicating and delivering (as separate processes) the value proposition embedded in the product by the customer. The former processes (marketing communication) relied predominantly on active and passive media, the latter processes (delivery) relied on various distribution channels. The commercial and knowledge flow was typically unidirectional (from the company to the generic market). Nowadays, the information flow is bi-directional and - moreover - it tends to imply the active role of the customer, as happens in cases of user-generated contents. In addition to this, distribution and communication may somehow “merge”, thanks to an innovative use of traditional distribution places (for example, shops), and to the emergence of virtual selling places (e-commerce), where it is easier to re-configure and merge otherwise distinct channels in the marketing mix. Finally, the role of “people” (in our case, customers) in designing and co-creating the value proposition is supported not only by new technologies, but also by the oldest communication (and selling) means, represented by the people-to people (consumer to consumer) one. A good example is represented by the academics’ and marketers’ surge in interest in word of mouth communication, which has been very enhanced nowadays by word of mouse communication via blogs and social networks.

As a consequence, a deep change is occurring in the building blocks of both distribution and communication processes: this change is related to a convergence of these building blocks into a common basic ontology. In our paper we claim that the three constitutive elements of both sides of the market access issue (distribution and communication) are: people (active role of consumers as vehicles of both distribution and communication), the web (role of internet-based technologies in selling and communicating), and “ambient” (new role of physical places/channels in selling and communicating).

The portrayed frame has roots in the development of the marketing mix paradigm that has occurred in the relationship marketing literature (Gronroos, 1994; Gummesson, 1994; Healy *et al.* 2001), which highlighted the new role of customers and market relationships. Relationships marketing academics are critical as to the academic and practical value of the 4Ps paradigm and their conceptualisations are more customer centred and driven by relationships. We propose to maintain distribution and communication processes as key business activities and areas of decision making, while benefiting from the contribution of the relationship marketing literature in exploring new ways of conceiving their interactions.

Figure 1 depicts the proposed frame, which we adopted in analysing the case studies in order to test the appropriateness of our ontology and to understand how these elements interact and how they drive firm success in the market.

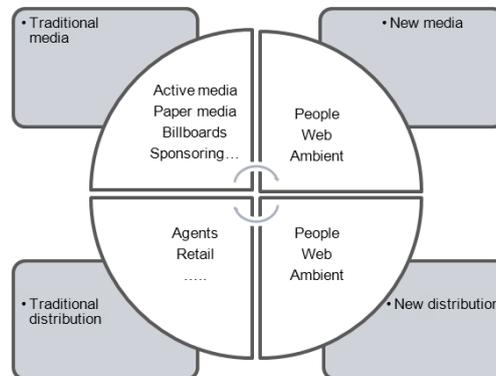
The figure provocatively suggests that people are included in “new” channels: what is really new is its strategic use and the exploitation of all the synergies between the people’s sentiments and behaviour and the other dimensions of the channels space. The figure thus suggests that what is emerging lately is a “channels” space with a unified ontology, based on the three inter-acting elements represented by people, the web and ambient. The channels serve both distribution and communication objectives in an integrated manner. It is important to notice that “new media” and “new distribution” do not exclude traditional ones: on the contrary, they leverage the latter, but in new ways and with a common ontology, exploiting all the possible intersections and inter-actions.

A few examples may help in the understanding of the proposed frame. Marques de Riscal (a winery close to Bilbao) has an internet web site, which provides a customer experience as well as a selling platform. At the same time, the “real” winery is the ambient where a unique customer experience is provided, as a visit to the premises (project of the architect Frank Gehry), accommodation in the hotel, wine tasting tours etc.

The word of mouth and word of mouse generated by both the visit to the web site and the real visit to the place is a powerful communication and selling tool. This example not only suggests a way of using the proposed frame from a company viewpoint, but it also highlights possible connections with the experiential marketing stream (Schmitt, 1999; Pine and Gilmore, 2000). At the same time, we identify relevant connections with the services marketing literature, in that it does not only highlight relationships, similarly to the relationship marketing stream, but also underlines the fact that HOW a service is performed is as important as WHAT is performed (Booms and Bitner, 1981, English, 2000). The literature about the customer experience management based on the above mentioned experiential marketing approach is also particularly relevant to our research. In particular, CEM identifies a framework on which we partially built our work (Schmitt, 2010; Meyer, Schwager, 2007). Its application to retailing has been the object of a number of studies (Grewal *et al.*, 2009). The novelty in our contribution is represented by an

approach to CEM based on the interplay of three key drivers (people, ambient and the web).

*Fig. 1: The channels space: the common ontology for communication and distribution processes*



Source: Authors' elaboration

Black Socks is a small Swiss company that sells high quality socks (originally only black) on subscription to busy professionals only through its e-commerce web site. The firm only has a few employees, limited resources, and makes almost no investments in communication apart from the web site, leveraging word of mouth and word of mouse potential. The firm cannot rely on a physical shopping experience like in the previous case, but it achieved excellence in delivering creative packages with small surprises inside, along with very timely logistics and good product quality. In all the mentioned cases, attention to customer management primarily involves listening and incorporating the consumer view in the strategic design of the firm.

People can be active players not only in the communication dimension but also in the distribution one: a good example is represented by E-Bay, where consumers sell products to other customers: this “secondary” market is monitored by companies in order to understand buying behaviour, brand awareness etc. E-Bay integrates people-to people potential together with internet technologies potential and has thus realised a successful venture, imitated by many other players. A different example of consumer- managed markets is provided by the Italian “Gruppi di acquisto solidale”, a network of local associations of consumers, which uses internet technologies to network, inform, communicate and organise sales and purchases. The members agree to buy certain goods (usually food and beverages) for a certain period of time, and the Group management contacts the firms, organises purchases and delivery to members. This allows individual citizens to buy directly from manufacturers and farmers at discounted prices (thanks to collective orders and to the avoidance of traditional distribution channels). These groups usually privilege small producers

and organic businesses, thus representing an innovative (low cost) selling and communication platform to small and local firms.

In this contribution we cannot explore all the possible inter-actions among the different variables of the holistic blend of communication and selling processes. We have thus selected the case of exploiting the synergic intersection between distribution and communication channels.

In particular we would like to highlight successful companies which have little or no communication budgets as a consequence of their decision to leverage stores as a communication channel. In these cases we intend to explore the inter-relationships among people, web and ambient (in this case, the shop) and to test the proposed conceptualisation. We also aim at exploring the consequences of these decisions at the assets management level and the consequences of this approach on vertical integration strategies.

### **3. Methodology**

The analysis of emerging business practices is the starting point of this work, through which the general theoretical frame above will be tested and refined and research hypotheses defined. The firms have been selected for their potential interest for the topic on the basis of official information that is available (company web sites, press releases). The selection of target cases has been preceded by a search through Company Report databases such as the Lexis Nexis one, in order to generate a list of potential candidates responding to our key words search. The final selection has been determined by the richness of data available and driven the theoretical sampling canon prescribed in grounded theory (Glaser and Strauss, 1967; Strauss and Corbin, 1990), based on selecting the organisations which best fit the previously defined phenomenon (and not based on characteristics of the organisation in terms of size, industry etc.). The above mentioned approach is based on collecting data from very different sources ranging from newspapers to company reports, interviews and observations. In developing the research we adhered to the grounded theory protocol (Strauss and Corbin, 1990) throughout its different steps and we tried to develop and refine our theoretical model along with data collection and analysis.

The selected cases are Abercrombie & Fitch, Zara and Amazon. They represent three large companies which have experienced high growth rates in the last two decades and permit the analysis of good managerial practices in distribution processes and the use of distribution as a communication channel.

### **4. Case studies and findings**

The in-store experience progressively became a leading factor in the buying process, especially for fast moving consumer goods.

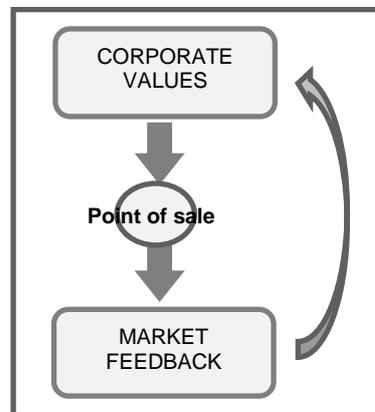
In particular, the replacement of “traditional” advertising and marketing investments with new communication and distribution forms (see figure 1) seems

more and more customary in order to promote brand awareness and corporate reputation, concentrating efforts especially in the distribution channel. The latter could therefore be an important substitute for investments in communication.

The companies selected for this contribution are all successful enterprises with little or no communication budgets but high investments in the distribution channel, in very different ways.

Our study intends to empirically highlight this trend: the point of sales viewed as a locus of customer experience, the store's (marketplace) transformation and in some cases dematerialization (marketspace). Far from its function as a mere container of goods, the selling point emerges as the centre of a bi-directional flow of information between company and customer. Beyond the store, the synergic role of the internet-based selling and communication channel and the active role of customers as buying experience advocates all generate a powerful CEM context of action for companies.

*Fig. 2: The emerging approach: Integrated communication and distribution system*



Source: Authors' elaboration

The main idea emerging from the analysis of the proposed case studies (shown in Figure 2), is that the point of sale is the implementation of the company's corporate values. The company proposes itself to the market through an image that reflects these values and receives a series of quantifiable feedback from the market. Corporate identity provides the basis for the communication and distribution strategy. The store emphasizes the company's corporate values, and if they are well implemented and perceived by the customers, it will all result in a dramatic impact on the market.

The system is not a static one: the market feedback reiteratively redefines the corporate identity and its competitive model.

The basic thesis is that, in the search for a new strategic centre of gravity, companies find sources for a new form of value in stores management and in the underlying vertical relationships.

The case studies want to illustrate the general trend that sees companies involved in an attempt to move their *strategic center of gravity* downstream, even at the cost of reducing more common advertising investments in favour of retailing investments.

#### 4.1 Zara case study

Inditex is one of the world's largest fashion retailers: formally incorporated in 1985, as a fashion distribution group it was established ten years earlier (1975) when the founder, Amancio Ortega, opened the first Zara store in La Coruna, Spain.

Currently, it has eight retail formats (Zara, Massimo Dutti, Pull & Bear, Bershka, Stradivarius, Oysho, Zarahome, Uterque) that share the same vision of the fashion business and are characterized by a strong customer orientation (Badia, 2011).

The group is involved in all stages of the fashion process, from design to sales within its own stores.

Zara, the most internationalized of Inditex's retail chain, with 8,938 million euro (64.8% contribution to the group's total sales) by the end of Fiscal Year 2011, should be the most representative example of a company that, in fact, it reached success on an international level in a few years, despite investing very little in marketing communication - 0,3% of total revenues, significantly less than their competitors who spend an average of 3-4% of their total revenues on similar expenditures (<http://www.uniquebusinessstrategies.co.uk>, June 2012).

In Table 1 some of Zara's financial data (in million euro) and information regarding its retail activity are shown:

Tab. 1: Zara's key figures

Billions of Euros	2011	2010	Chg %
Net Sales	8.9	8.1	10%
EBIT Margin	1.7	1.5	12%
ROCE	32%	34%	2%
<b>Total selling area</b>	1,824,753	1,687,949	8%
<b>Total stores</b>	1,830	1,723	6%

Source: Company's public data, Annual Report, 2011

Zara's unprecedented industrial approach is customer-driven (daily in-store feedback allows constant renewal of collections) rather than price-oriented: creativity, quality design and a rapid turnaround to adjust to changing market demands, fuelled the international company's expansion (Badia, 2011). By the end of 2011, Zara operated 1.830 stores around the world.

The vertical integration that characterizes Zara's business model supported the company in successfully designing a strong merchandising strategy by creating a climate of scarcity and opportunity as well as a fast-fashion system. Such a climate

also promotes the frequency and rapidity which characterises customers' visits to the stores and their purchase of products. People know that new goods are introduced in stores every two weeks and most likely will not be available after that .

Zara's unique approach to advertising and marketing is one of the factors within its business model that explains its success.

Zara maintains a cost advantage over its competitors in marketing communication activities, but it cannot really be argued that Zara is not investing in this field. More precisely, Zara focuses on investments in the *walls* (the stores) rather than in traditional media.

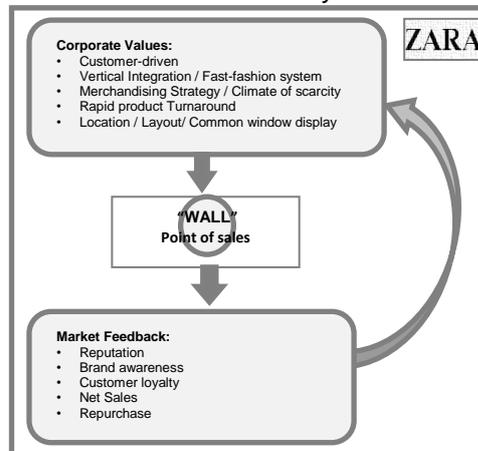
Zara uses store location, store layout and short life cycle products as its marketing tools to reach consumers. Zara strategically locates all its shops in prime retail districts and heavily invests in their layouts. They have a testing facility near their headquarter where different types of store layouts are tested; every shop is renewed every five years in order to keep up with current trends.

Most shops are owned by the Company (87%), except where local legislation limits foreign - owned business: only in these cases are the stores franchised (13% of total Zara's stores).

The Company mainly focuses on stores to project its image, and thus created a department devoted exclusively to acquiring global prime real estate location. The latest large investment of 230 million euro was the purchase of a store on 666 Fifth Avenue, New York. In addition, this department is responsible for the refurbishing of store layouts, as well as the creation of a common window display for Zara (Craig *et al.*, 2004).

Zara does not invest much in traditional marketing tools (active media, paper media, sponsoring, etc.), although many efforts in brand marketing are made to attract a loyal customer base.

Fig. 3: Integrated communication and distribution system: Zara's approach



Source: Authors' elaboration

As a consequence, the argument that Zara does not invest in marketing communication finds no sustaining evidence at all. Zara does not invest in traditional media communication because the advertising ideas overflowing its stores persuasively guarantee both brand recognition and good economic performance. Intentionally or not, the message is directly fed by the stream of people passing in front of the stores, and is conveyed primarily by the size and variety of windows displays and, secondly by the shop as a whole.

#### 4.2 Abercrombie & Fitch case study

Another company that leverages its stores to build a brand image is Abercrombie & Fitch Co. By the end of Fiscal Year 2011, the Company operated 1045 stores worldwide (mainly in USA) with about \$ 4.2 billion of net sales (81% USA, 12% Europe, 5% Other).

In table 5 the Group's key financial data are presented.

Tab. 2: Abercrombie & Fitch Co.'s key figures

<b>Billion \$</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Net Sales</b>	4.2	3.5	3.0
<b>Cost of Merchandise</b>	(1.6)	(1.3)	(1.1)
<b>Gross Margin</b>	2.5	2.2	1.9
<b>EBITDA</b>	0.2	0.5	0.1
<b>EBIT</b>	0.2	0.4	0.1
<b>Net Income</b>	0.1	0.2	0.0
<b>Current Assets</b>	1.5	1.2	1.0
<b>Cash and cash equivalent</b>	0.6	0.7	0.5
<b>Non-Current Assets</b>	0.1	0.1	0.2
<b>Current Liabilities</b>	0.7	0.5	0.4
<b>Non-Current Liabilities</b>	0.5	0.5	0.6
<b>Equity</b>	1.8	1.8	1.8

Source: Abercrombie & Fitch Co.'s public data, Annual Report, 2011

Abercrombie & Fitch (A&F from now on) is the most representative of the four brands (Abercrombie & Fitch, Abercrombie Kids, Hollister and Gilly Hicks) owned by the group, accounting for 40% (\$ 1.7 billion) of the group's net sales and operating 294 stores around the world (USA, Europe and Japan).

The huge group's marketing communication investments made in the home country (10,5% of net sales in 2011 for marketing, general and administrative expenses<sup>1</sup>), were not made when the company planned their entry in the Italian market.

<sup>1</sup> Marketing, general and administrative expenses include photography and media ads; store marketing; home office pay roll except for departments included in stores and distribution expense; information technology; outside services such us legal and consultancy services;

The opening of an A&F flagship store in Italy was primarily based on word of mouth and word of mouse communication.

Three years after its opening, what makes the brand recognizable is certainly the long queue that may be seen every day in front of the point of sale, the unmistakable A&F perfume, which can be smelled meters away and the stalwart salesmen / models at store entrances. A&F represents the essence of privilege and casual luxury: a sort of combination of classic and sexy creates an atmosphere that is confident and provocative at the same time.

This company's features are well represented in their flagship stores and in their structure, which is the same all over the world, characterized by dark spaces, dance music and models that recall the American style (Clifford and Alderman, 2011).

The company views the customer's in-store experience as the primary vehicle for communicating the brand's spirit. At the same time, the consumer's visit and shopping behavior provides vital information for further improvement of corporate strategy. For this reason the Group's capital expenditure for new store construction and store refurbishments accounted for 121 million (2,8% of the net sales) for Fiscal Year 2011.

A&F displays merchandise uniformly to ensure a memorable store experience, regardless of location.

The ambience and - even more - the staff, alert all the senses through the visual presentation of products and salesmen/saleswomen, music and fragrances, in order to reinforce the aspirational lifestyles represented by the brand. The store design, fixtures, furniture, music, fragrance and staff are all carefully planned and coordinated to create a unique shopping experience.

In foreign markets especially, the company considers in-store experience to be its primary marketing tool, reaching excellent results without investing in traditional marketing communication.

In particular, A&F's flagship stores represent the pinnacle of the company's in-store branding efforts, they attract a huge international customer base and have significantly contributed to the worldwide diffusion of the American company's iconic brand.

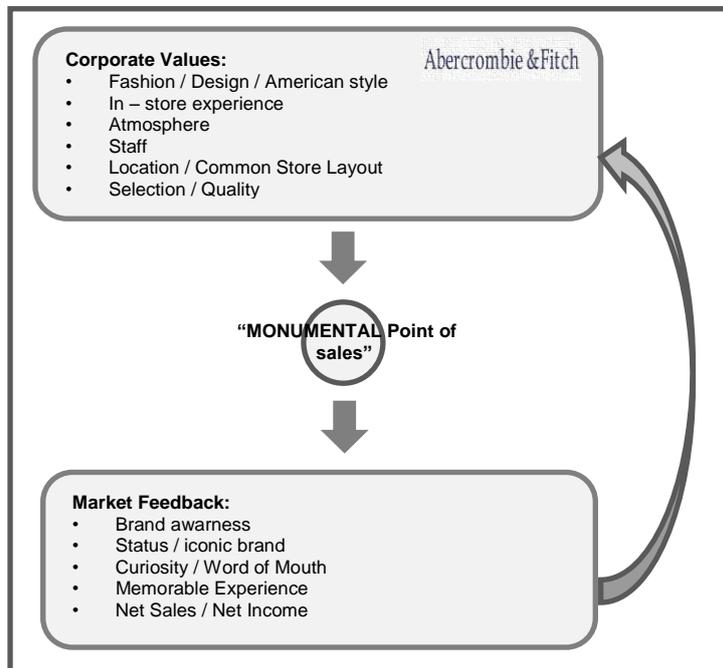
The marketing strategy is accurately designed: the same shop layout around the world which is easily recognizable, very few points of sale outside the mother country (only 3 in Europe and 2 in Asia) in order to make a big event out of every opening, relying on word of mouth/mouse communication to spread information and share store experience. Recently, the company has been closing stores in the USA, concentrating its efforts in flagship stores around the world and investing in the growing e-commerce platform.

We can summarize A&F's approach to the market in the scheme described in the introduction, where the marketplace becomes a monument that guarantees the memorable acquiring experience theorized by Pine and Gilmore (2000).

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re location as well as recruiting; samples and travel expenses. (Abercrombie & Fitch Annual Report, 2011).

Fig. 4: Integrated communication and distribution system:  
Abercrombie & Fitch's emerging approach



Source: Authors' elaboration

#### 4.3 Amazon.com case study

The Amazon.com case study is probably one of the most representative examples of the aforementioned convergence of distribution and communication represented by the three elements - people, the web and ambience.

Amazon.com, a Fortune 500 company, is a US-based multinational electronic commerce company, now the world's largest online retail. It opened its virtual doors to the World Wide Web in July 1995 thanks to Jeff Bezos when the company started as an online bookstore.

The founder and CEO of the company broke the rules of the business by using a new and unexplored "ambience" - Internet - rather than conventional distribution channels.

Amazon.com's self-proclaimed mission statement is: "we seek to be Earth's most customer-centric company, to build a place where customers can come to find and discover anything they might want to buy online", offering its customers the lowest possible prices through a user-friendly platform.

The company has grown from a book seller into a real shopping center selling a wide range of products: Books, music CDs, DVDs, software, office products, electronics, toys, games, food, health products and so on (Amazon.com, Inc., 2012).

The company's history tells us that the Amazon's innovative business model was - and still is - a great success. The financial data confirm company growth at a very high rate with revenue rising from about US \$ 150 million in 1997 to US \$ 48 billion in 2011, with 55% of the net sales coming from North America and 45% from other countries (Amazon.com, Inc., 2012).

*Tab. 3: Amazon's key figures*

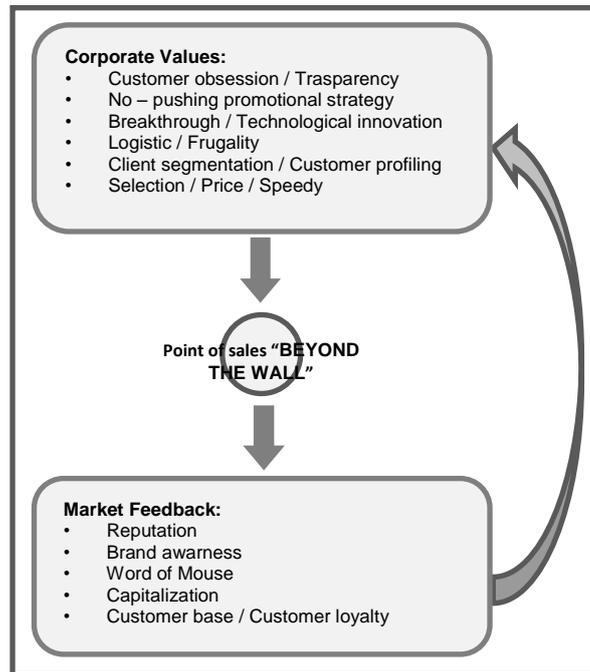
<i>Billions \$</i>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Net Sales</b>	48.0	34.2	24.5
<b>Cost of Merchandise</b>	(37.3)	(26.6)	(19.0)
<b>Gross Margin</b>	10.7	7.6	5.5
<b>EBITDA</b>	1.2	1.5	0.9
<b>EBIT</b>	0.9	1.4	0.7
<b>Net Income</b>	0.6	1.1	0.6
<b>Current Assets</b>	17.5	13.7	9.8
<b>Cash and cash equivalent</b>	5.3	3.8	3.5
<b>Non-Current Assets</b>	7.8	5.0	4.0
<b>Current Liabilities</b>	14.9	10.4	7.4
<b>Non-Current Liabilities</b>	2.6	1.6	1.2
<b>Equity</b>	7.7	6.9	5.3

Source: Company's public data (2011)

The company's main competitive advantage has certainly been the fact that it was the first to move advantage in the e-commerce business, together with its use of the long tail and an unlimited catalogue. However, the most innovative aspect of this start-up has been the dematerialization of its distributive channel - thus fostering the birth of the "one - click- shopping"- linked with a "customer - centric" business model, a breakthrough for the sector. Word of mouse, the continual innovation of this distributive channel and its strategic usage all boosted the success of this company.

All the above described mission drivers allowed the organization to achieve excellent results in terms of capitalization and to earn a huge market share (presently, 45 million customers shop at Amazon.com) through a totally new way of doing business both for the industry and for consumers in little more than a decade.

*Fig. 5: Integrated communication and distribution system:  
Amazon.com's emerging approach*



Source: Authors' elaboration

We can't really argue that Amazon is a zero communication budget company because its marketing investment accounts for 3,4% of 2011 net sales.

In the virtual world of the Internet, advertising is selectively implemented with greater efficiency (Amazon has entered into a long-term contract with AOL to gain access to its 8,5 million customers, spending \$ 19 million), developing a two-way form of communication, personalizing messages, interacting with customers, promoting word of mouse and the development of virtual communities around the brand.

Much of Amazon's communication marketing is subtle or indirect, relying on wily online ploys, strong partner relations and a constant declaration of quality to market itself.

Even if the store is dematerialized, assistance in the purchase and the attention to the logistics for the execution of the delivery to buyers, is managed with great care because the company is aware that the customer experience has an on line and later an off line dimension, and both matter for the overall service entity evaluation.

Attention to the customer in a virtual shop is also achieved thanks to the customization of the web page, a market space individually built for every single client. The customers' base is profiled according to their habits and tastes, thus

allowing the company to implement a policy of not pushing but rather presenting itself as the guarantor of the customers' preferences.

The real breakthrough implemented by Amazon - thanks to proprietary software - allows it to put a filter between customers and brands, thus bypassing the brands themselves. Amazon provides a specific offer in line with the needs and habits of consumers regardless of the offered brand, but based solely on prior knowledge of the shopping habits of end users.

The company works hard to achieve value-added differentiation, it freely offers products and services using an user friendly interface. Amazon.com spends millions of dollars and hundreds of man-hours to identify problems, develop solutions, and further enhance the customer's online experience precisely because people play a central part in Amazon.com's business role.

No single aspect of Amazon.com's business model is sufficient to guarantee a long-term success. It is the synergistic combination of all its mission drivers that creates value for both customer and company.

Amazon's competitive advantage mainly depends on its capacity to maintain and increase its customer base by knowing and serving it better than its competitors and providing a unique purchase experience.

## 5. Discussion and conclusions

The three analysed case studies show how leading companies have successfully achieved growth and global competitiveness by developing a very strong brand value through a proactive approach to marketing innovation. By breaking the traditional rules of their businesses, they attained very good economic performance.

*Tab. 4: Economic multipliers*

2011	ZARA	A&F	Amazon.com
Capitalization/Sales	2.9	1.1	1.7
Capitalization/EBITDA	12.4	23	68.3

Source: Companies' public data (2011)

These case studies permit the refinement of the theoretical framework of the emerging integration between communication and distribution. This convergence nurtures the growth of intangible assets, such as corporate reputation, brand awareness and customer relationships. In accordance with such a theoretical framework, the organizations we studied have been able to create a new distribution model, based on people, web and ambient. They also show how this distribution model is customer centred and supports a bi-directional flow of information between company and customer. At the same time, these companies leverage the word of mouse potential embedded in the shopping experience they provide: the internet

buzz around it, is actually used as a powerful source of information by these firms and enables a continual monitoring of their brand image.

These three cases enable us to shed more light on the use of point of sales as a communication vehicle and to better understand the resulting changes of business models (and notably of cost and investment structure) and sales performance.

The relevant characteristic of Zara's organization is that - although investing only 0,3% in traditional advertisement - it has introduced a new business model in one of the most traditional businesses ever. It is based on the creation of a fast-fashion concept as well as of a climate of scarcity and opportunity, on vertical integration with a strong control of stores in terms of location, inside fitting and layout.

Abercrombie&Fitch bases its international strategy on flagship stores that guarantee a memorable shopping experience, evoking the classical American style. A&F stores are able to create a unique atmosphere. At the same time, their e-commerce sales are growing, highlighting the synergic interplay of the web and physical locations.

Amazon.com's business model "goes beyond the walls" and transforms the market place into a digital market space specifically profiled and customized for the customer. The company chooses the reality that the client desires according to their individual preferences and habits.

Tab. 5: Companies' concept driver Sum - up

DRIVER	ZARA	Abercrombie & Fitch	amazon.com
<b>Distribution and communication values</b>	<b>Fast Fashion</b> Scarcity Atmosphere	<b>Atmosphere</b> Style Experience Monumental	<b>No-push strategy</b> Personalization Transparency
<b>Marketing Place</b>	<b>Opportunity</b> Deal Curiosity	<b>Public Relation</b> Disco - style	<b>Confidence</b> Security
<b>Customer Needs</b>	<b>Design</b> Price <b>Fast Fashion</b>	<b>Style</b> Trendy Cool	<b>"Comfort"</b> Customization Profilation
<b>Assets</b>	<b>Real Estate</b> Location Wall	<b>In- side Mood</b> Fitting Atmosphere	<b>Piattaform</b> Software Technological innovation
<b>Customer Experience</b>	<b>Functionality</b>	<b>Senses</b>	<b>Easiness</b>

Source: Authors' elaboration

The cases' analysis highlights many different strategic implications, some of which we chose to stress .

*Territory matters.* The analyzed process outlines a sort of commercial revolution: beyond the factory, companies definitely see their value moving from traditional

media to the point of sale. Value creation moves downstream to the distribution channel, focusing on stores as a core places for data analytics, as well as the site where business occurs, enhancing the flow of incoming and outgoing information from the stores (bottom - up approach) rather than on the basis of planning and desk analysis (top - down approach). Geographic location choices become vital when the shop is physical, CRM choices and delivery processes are vital when the shop is on line (the digital territory).

*Media Mix Concentration.* The emerging trend is the convergence of marketing investments on a single media instead of spreading them across multiple traditional media. Firms tend to reduce dispersion by seeking forms of investment that can reinforce the idea of enhancement of the brand right in the places of consumption.

New media, where efforts are concentrated, is the store itself (including on line stores), and are no longer conceived as a mere container of goods, but also as the key place where communication occurs.

*From promise to proposal.* Traditional advertisement promises, the point of sale proposes. Promises are made tangible, services can be experienced and the products' value becomes visible. Therefore, the store is not only the place where the company sells its goods and services, but also the organization's manifesto. The shop is seen as a fact, as an event.

*Developing milestones.* The store is the company's prime marketing tool for gaining brand awareness and reputation, and this is especially evident in the effort to enter the market of a foreign country. International development is approached through milestones, with few but investment-intensive flagship stores, rather than through a massive development of stores within new markets supported by huge investments in advertisements. Such financial efforts are relevant for the organization but at the same time they create business assets, thus transforming a cost into an investment. For e-commerce based companies, a parallel key investment is devoted to developing a customized customer interface and a full range of services.

*Ownership.* The downstream shift of company value in the distribution channel generates a rethinking of how to control information entering and exiting the store, and now to manage contracts and rules in the supply chain.

The new approach requires very attentive management and control of the points of sale, at higher financial risk because the stores are mostly proprietary. These companies increasingly invest in real estate, often acquiring the properties of the buildings - sometimes through the creation of real estate companies.

*Channel Equity Value.* One of the consequences of the downstream shifting of firm value, is the growing role of investments aimed at controlling the marketing chains, that replace traditional sources of company value such as research (product)

and advertising (brand) in some cases, thus creating a new form of value that can be defined as *channel equity* (Pellegrini, 2001).

Companies are reducing their budget in traditional marketing in favor of increasing investments in different fields, like real estate. By doing this, they also pursue the aim of gaining from the increased value of assets over the time, or from the increased value generated from the creation of a crowd in front of the store.

*Cash Flow Monitoring.* The place - promotion strategy also has implications on the company's financials. It requires significant investments and a higher risk concentration than traditional communication strategies. For these reasons, the "*wager and reinvest on yourself*" approach is not good for everyone. Vertical integration is moving from upstream to downstream: distribution is subtracting capitals from production.

Furthermore, investments allocated to the distribution channel consist in financial cash flow disbursements anticipated in view of store openings. However, the subsequent marketing communication investments are lower compared to the traditional advertising strategy based on variable costs.

These reflections direct attention to the central role of retailing in the process of value creation. As to managerial implications, all three examples highlight a gradual shift of the companies' strategic centre of gravity towards the point of sale. Our study contributes to extant literature on CEM, in that we analyse both physical and on line store experience and - secondly - we frame strategic leverages through the people-web-ambient model. The latter represents the emerging nexus and locus where key strategic information is generated and shared. An additional contribution to extant literature consists in the attention to the company as a whole, including investment and financing decisions deriving from the mentioned store and customer experience - centred approach.

As shown in Table 6, these novel strategic dynamics results in a new managerial model mainly focused on reducing the risks associated with desk analysis and centered on the reliability of the information flowing directly from the market, risk diversification and the resilience of cash flow.

This contribution has limitations. In particular, we relied on a qualitative analysis based on three case studies, so we can only support an analytical generalization of our findings. In order to provide statistical generalization we should run a quantitative survey, which may represent our next research step.

Tab. 6: Managerial model: towards new paradigms

STRATEGIC IMPLICATIONS	GAINED IMPLICATION		NEW PARADIGMS
1. Territory relevance	Desk Approach	➡	Field Approach
2. Media mix concentration	Media planning		Doors Focus
3. From promise to purpose	Needs		Purchases
4. Developing milestones	Planning		Coring
5. Ownership	Growth		Risk Control
6. Channel Equity Value	Product / Brand		Retailing
7. Cash flow monitoring	ROS / ROI		Resilience

Source: Authors' elaboration

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### Web Sites

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