Retail Brand Repositioning: An Historical Analysis

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Brand repositioning has become an increasingly popular strategy in mature industries where intense competition and changing consumer preferences erode brand equity and where high risk and escalating costs diminish the appeal of new brand development. Through an historical case analysis of three large American mid-tier retailers, this paper explores the concept of corporate retail brand repositioning. Propositions regarding the antecedents and consequences of brand repositioning are formulated and synthesized into a conceptual framework. It is suggested that the decision to reposition a brand in response to changes in the environment is moderated by a firm's market orientation. Furthermore, consumer brand knowledge is posited to mediate the effects of repositioning on brand performance. Modifications in brand knowledge are in turn affected by the coherence between the various elements of the marketing mix, the consistency of the new positioning with existing brand image, the timeliness of the repositioning, and past repositioning efforts.

The rapid pace of change and intense competitive pressure in today's marketplace demand that brands continuously innovate and reinvent themselves to maintain their relevance and market position. In this context, brand repositioning and other revitalization strategies have become a business imperative for battling brand erosion. The appeal of brand repositioning is further heightened by the rising costs and high risk associated with launching a new brand (Aaker 1991, Wansink 1997).

Brand repositioning has received little attention in the marketing literature and has mostly been treated as a variation of brand positioning. Biel (1993), for example, defined brand positioning as "building (or rebuilding) an image for a brand" (p.77). The goal of positioning and repositioning strategies relates to the management of consumers' perceptions (Ries and Trout 1987). However, positioning focuses on the creation of brand associations – consumers' perceptions of the attributes that differentiate the brand from competitive offers (Keller 1993) – while repositioning also implies managing existing brand associations. The unique challenge of a repositioning strategy thus lies in rejuvenating the brand image to make it relevant in an evolving environment, while honoring the brand equity heritage. Numerous failed attempts at brand repositioning testify to the difficulty of developing and implementing such a tactic. For example, while the soft drink brand Mountain Dew has remained relevant to the youth market through continuous repositioning in its thirty years of existence (Howard 2000), Levis' Jeans has been losing market share to newcomers such as The Gap, despite numerous campaigns designed to reposition the brand as trendy (Voight 1999).

The strategic importance of brand repositioning in preserving and enhancing brand equity, coupled with the mixed results of repositioning attempts, underscores the need to develop a better understanding of the dynamics of brand repositioning. Specifically, questions of whether, when, and how brands should be repositioned need to be addressed. Research into brand repositioning is relevant not only to the development of brand management theory, but also extends to corporate strategy, through an examination of corporate brands.

The purpose of this paper is to develop a propositional inventory that contributes to broadening our understanding of the repositioning concept and that offers direction for future research. In particular, the antecedents and consequences of retail brand repositioning are explored. Two types of retail brands can be distinguished: merchandise brands – or private-labels – and process brands tied to the shopping experience (Davies 1992) – i.e. corporate brands. The focus of this paper is on the latter. An enduring, yet controversial explanation of the evolution of retail brand repositioning strategies has been proposed by the Wheel of Retailing (McNair 1958). The present research reviews and extends this theory. To this end, an historical case analysis approach is used. Historical analysis has been identified as useful for studying strategic issues in marketing (Aaker and Day 1986; Day and Wensley 1983) and for developing propositions that lead to theory building (Eisenhardt 1989; Golder 2000). Indeed, historical analysis "aims specifically at investigating the causal motors that drive change through time" (Smith and Lux 1993, p.595).

The paper is organized in three sections. The first section delineates repositioning through an integration of extant literature in brand management, retail management, and change management. The next section exposes an historical analysis of the positioning strategies of three retailers: Sears Roebuck and Co., Montgomery Ward and J.C. Penney. These retailers, who defined and dominated the American retailing market during the first half of the twentieth century, have been the object of substantial revitalization efforts in the face of adverse environmental forces. Examining their successes and failures offers insight

into the repositioning process. Lastly, a series of propositions is developed and synthesized into a framework. Limitations of the study and directions for future research are also discussed.

LITERATURE OVERVIEW

This section provides a review of the literature that informs the nature, antecedents, elements, and consequences of brand repositioning. First, various views of brand positioning are integrated to develop a definition of brand repositioning. Second, the Wheel of Retailing is reviewed as a potential explanation of retail brand repositioning and alternative antecedents are suggested. The elements of retail brand repositioning are then discussed, followed by an exploration of the consequences and appropriate measures of such strategies.

A Definition of Brand Repositioning

Corstjens and Doyle (1989) define retail brand repositioning as "the conscious effort on the part of the retailer to change its segments and/or differential advantage"(p.171). This definition conceptualizes repositioning as a strategic decision, a view that is similar to the notion of positioning as "selecting those associations which are to be build upon and emphasized and those associations which are to be removed or de-emphasize" (Aaker and Shansby 1982, p.56). However, brand repositioning, like brand positioning, is also a mental construct. Indeed, brand positioning has been defined as both the process and the end result of creating a brand image (Biel 1993), which represents the sum of brand associations in consumers' memory (Keller 1993). Kapferer's (1994) distinction of brand identity and brand image is useful. According to Kapferer, brand identity refers to the meaning of the brand as seen by the firm, while brand image corresponds to the consumer's perception of the brand. This is an important distinction since it captures both the strategic and psychological dimensions of repositioning. It also implies that the success of brand repositioning lies in the alignment between the brand identity – which is under the firm's direct control – and the brand image – a mental construct that may be shaped through the transformation of the brand identity, but that may also be affected by other factors.

Accordingly, brand repositioning is defined here as the process of modifying both brand identity and brand image.

Recognizing the Need to Reposition

A first possible explanatory model for the need to reposition is suggested by the "Wheel of Retailing". This theory posits that new retail formats tend to emerge as low-margin and low-price strategy operators and to gradually trade up by extending their product offer and enhancing their service levels and establishments. With escalating cost structures and selling prices, these retailers eventually become vulnerable to new market entrants (McNair 1958). Accordingly, the Wheel of Retailing would suggest that retail brands follow a pattern of repositioning towards a more upscale image, characterized by higher prices, more elaborate facilities and merchandising, and higher prices. The Wheel of Retailing has been the object of much debate in the marketing literature and numerous nonconforming examples have been identified (for a discussion of the various challenges to this view see: Brown 1990, Hollander 1960). Notably, the theory fails to provide a compelling explanation for *why* retailers adhere to a 'trading up' repositioning pattern. Various explanations have been suggested for this pattern, ranging from deterioration in management, to a response to development of excess capacity or to changing market segments (Converse 1959, Levy 1947, McNair 1958, McNair and May 1978). Furthermore, the Wheel of Retailing does not account for examples of retailers who do not follow this pattern or enter the market with an upscale positioning. Since it is essentially a post-hoc observation of the evolution of retailing formats, this theory does not address such basic questions of *when* and *how* retail brands should be repositioned.

As a response to a dynamic environment, repositioning can perhaps be better understood under the umbrella of change management. Day (1999) asserts that triggers for change emerge from the opposition of two forces: Internal forces within the firm, that breed an inward focus, and external forces – defined by the evolution of markets, technology and competition – that erode the firm's position. The need for change also occurs when consumers' and marketers' perceptions regarding the brand position differ (Downs and Haynes 1984, Martineau 1958) – i.e. when a discrepancy between brand image and brand identity (Kapferer 1994) arises. When such a gap exists, or when the brand positioning no longer corresponds to the evolution of market forces, the firm's brand equity – the market-based assets tied to consumers' brand awareness and image (Keller 1993; Srivastava, Shervani and Fahey 1998) – is threatened. If not addressed, this situation could contribute to organizational decline. Indeed, failure to recognize the need for redirection or inappropriate response may send the organization through a downward spiral as the situation evolves into a crisis. With little time to respond, the firm will typically adopt an expensive program with an inappropriate short-term orientation (Weitzel and Jonsson 1991). When repositioning occurs at this stage, it is likely to be part of a turnaround strategy aiming to reverse the firm's deteriorated financial situation and to rebuild its activities (Herbert and Deresky 1987). However, early recognition of the need for change enables the firm to take incremental steps toward redirection and to avoid the downward spiral of organizational decline.

Repositioning need not be associated with crisis management and a turnaround strategy. The firm that embraces a market orientation is one that strives to

continuously create superior value for buyers by acting on its understanding of customers, competitors, and broader market conditions, and ensuring interfunctional coordination while adopting a long-term focus (Kohli and Jaworski 1990; Narver and Slater 1990). Such a firm could be expected to consider repositioning its brands to defend its competitive advantage in response to changes in customer preferences and competitive forces. A repositioning strategy could also be deployed to gain a competitive advantage over a rival. For example, Anderson and Shugan (1991) found that poultry producers gained a competitive advantage over beef producers by repositioning their product in reaction to a change in consumer preference for a particular attribute – convenience – an attribute on which poultry producers were actually weaker than their competitor.

In addition to initiating brand repositioning for strategic purposes – to maintain, enhance or regain a competitive advantage – firms may decide to undertake brand repositioning to overcome initial positioning errors (Kotler 1999). This paper focuses exclusively on strategic brand repositioning.

Formulating the Repositioning Strategy

Corstjens and Doyle (1989) identified three types of repositioning strategies: (1) zero repositioning, which is not a repositioning at all since the firm maintains its initial strategy in the face of a changing environment; (2) gradual repositioning, where the firm performs incremental, continuous adjustments to its positioning strategy to reflect the evolution of its environment; and (3) radical repositioning that corresponds to a discontinuous shift towards a new target market and/or a new competitive advantage.

Repositioning is a more difficult task when the new strategy is inconsistent with existing associations (Aaker 1991), as in the case when a firm attempts to reposition its brand into an upscale market – where it may encounter a problem of credibility – or a downscale market – which could tarnish the brand's image (Aaker 1997).

In retailing, brand image is often referred to as retail image. In a seminal article, Martineau (1958) defined retail image as "the way in which the store is defined in the shopper's mind"(p.47). Various lists of functional and psychological attributes composing retail image have been suggested. Lindquist (1974) reviewed several studies and developed an enduring framework of nine attributes for examining retail image: (1) merchandise, (2) service, (3) clientele, (4) physical facilities, (5) convenience of location, (6) promotion, (7) store atmosphere, (8) institutional factors, and (9) post-transaction satisfaction. Other authors have suggested that a retail store's market positioning corresponds to the combination of the four components of the retail marketing mix: merchandise characteristics, customer service, customer communication and trading format. The strength of the store's image is deemed to be closely related to the coherence between these four elements (Helman and de Chernatony 1999). This suggests that retail brand repositioning entails modifying one or several elements of the retail marketing mix.

Assessing Repositioning Success

While it may be tempting to use financial criteria such as sales levels and profit as a benchmark for success, these figures could be misleading since they cannot isolate the effect of the repositioning strategy. Financial performance may well be influenced by external factors – such as changes in the competitive environment – or other internal factors. For example, a turnaround strategy is often characterized by the implementation of rigid cost and efficiency controls (Herbert and Deresky 1987) that could improve a firm's financial performance regardless of the effectiveness of a concurrent repositioning program.

Relying on managers' perception of the success of the repositioning effort is also problematic. Downs and Haynes (1984) found that managers were substantially more perceptive to changes in retail image than were consumers. They also displayed a heightened enthusiasm towards those changes compared to consumers' perceptions.

Since the goal of a repositioning strategy is to modify and enhance consumers' brand associations, it appears that an evaluation of the degree of alignment between the new brand identity and consumers' brand knowledge – defined as a combination of brand awareness and brand image (Keller 1993) – would represent an adequate measure of a repositioning program's success. Indeed, the success of modifications to a firm's marketing strategy requires that consumers display awareness of the change and a positive attitude toward it (Downs and Haynes 1984).

HISTORICAL CASE ANALYSIS OF THREE RETAILERS' REPOSITIONING STRATEGIES

This section examines the evolution of the positioning strategies of three large American retailers – Sears Roebuck, Mongomery Ward, and J.C. Penney – through the twentieth century. The retailing industry offers an interesting ground for conducting research on repositioning since it has been affected by several forces in the last fifty years: (1) social changes and modifications of consumer behavior, such as demographic trends, the development of suburbs, the changing role of women, etc.; (2) competitive pressures created by the emergence of new competitors and new retail formats; (3) fluctuations in economic conditions; and (4) technological innovations. This dynamic environment constantly redefined the critical success factors in the retailing industry, where firms had to invent and reinvent new ways of creating customer value.

1872 – 1945: The Early Years

Sears Roebuck & Co. opened its first retail store in 1925, as an extension to its 37-year old catalogue operation. Montgomery Ward, who preceded Sears in the direct mail business by launching a single sheet catalogue in 1872 and subsequently coined the phrase "Satisfaction Guaranteed or Your Money Back", established its first freestanding retail store in 1926. In comparison, J.C. Penney was an early entrant in the retailing industry. The company's ancestor, a dry goods outlet known as the Golden Rule Store, was opened in 1902 and had blossomed to a 750-store chain by 1927. All three retailers were positioned as providing value to Middle America, although Sears Roebuck and Montgomery Ward emphasized hard goods while J.C. Penney emphasized soft goods.

The first major transformation of Montgomery Ward's positioning came in the 1930s, when Sewell L. Avery was brought in as CEO to redirect the company's operations in the face of an accumulated $8.7 million deficit (*Business Week* 1952). To regain the confidence of consumers who had deserted the store, Avery recruited a fresh top management team that restored the quality of the company's merchandise and customer service. The mail-order business was also given a face-lift when Walter Hoving was hired from Macy's department store to revive the catalog's image. Replacing the established practice of merely displaying merchandise in the catalog, Hoving instituted a policy of presenting at least three selling points for each product, supported by more rotogravure printing, color pages, and attractive photography (*Business Week* 1939a). As positive word-of-mouth spread regarding Montgomery Ward's improvements, the company's financial situation recovered, aided by a tight cost-control program which included the closing of about 70 stores.

Sears also worked to revise its positioning in the late 1930s. The firm adopted a communication strategy that was gaining in popularity among retailers at the time, by emphasizing its humanness rather than the merchandise it sold. For example, when Sears opened a new store in Baltimore, newspaper advertisements read "*We Serve Maryland*", "*Meet the Boss*", and "*Every Man His Own Craftsman*" (*Business Week*, 1939b). This advertising approach, combined with Sears' policy of encouraging its managers to become leading citizens in their community resulted in Sears developing "a warm personality like that of the men who manage it" (*Business Week* 1939a). In 1939, Sears was the nation's leading non-food retailer, followed closely by Montgomery Ward. Lacking the added revenues from a catalogue business, J.C. Penney trailed in fourth position, behind F.W. Woolworth. (*Business Week*, 1949a).

1945 – 1960: The Postwar Period

The strategy adopted by Sears and Montgomery Ward after World War II is a study in contrast. Sewell L. Avery, convinced of an imminent postwar depression, accumulated a large cash reserve and refused to open any new stores between 1941 and the end of his reign in 1955. Montgomery Ward became known as a "bank with a store front", catering exclusively to rural America (*Business Week* 1969). In contrast, at Sears, General Robert Wood adopted an expansion-minded policy, rebuilding, extending, or modernizing practically all its stores. As a result, Sears passed the billion-dollar mark in sales in 1945, a figure that doubled by 1947 (*Business Week* 1949b). The differing strategies adopted at Sears and at Montgomery Ward during this period, as well as their resulting performance, underscores the importance of adequately assessing the market evolution in making strategic choices about a firm's direction. Indeed, Montgomery Ward's stagnation is largely attributable to Avery's misreading of the economic environment. Sears, on the other hand, benefited by developing a strategic response that fitted with current and unfolding market conditions.

The post-war period was also one of growth for J.C. Penney, despite its narrow focus on soft goods, its avoidance of consumer credit, and a concentration of its activities in the West, where only a third of U.S. business was done. This strong presence in its western birthplace contributed to widespread awareness and acceptance of the retailer among consumers. Articles relate managers' accounts of parents sending their children to the store with a blank check and a note asking that they be outfitted for school, or lumberjacks leaving their earnings for months at a time with managers they did not know but trusted simply because they were a Penney employee (*Fortune* 1950).

During the 1939-1948 period, sales at Sears and J.C. Penney increased respectively by 272% and 214%, while Montgomery Ward grew at a slower pace with a total sales increase of 155%. J.C. Penney moved to become the third non-food retailer and narrowed the gap with Montgomery Ward, while Sears increased its advance as leading retailer (*Business Week* 1949a).

In the 1950s, general merchandisers were confronted with the emergence of a new rival – the discount house – which competed aggressively on price. While this concept had its origins in the Great Depression (1930s), discount stores grew mostly in the period following World War II (Burns and Dale 1995). When Theodore V. Houser began his term as CEO at Sears in 1954, company executives admitted that discount houses were eroding the firm's market share in such areas as appliances. To sustain a competitive advantage in the face of this new competitor, incumbent firms had to redefine their value proposition. Thus, having already established a nationwide presence, Sears turned its attention to store modernization. This was also a period of change at Montgomery Ward. Following several acrimonious disputes among board members, Sewell L. Avery was ousted in 1955 and replaced by John Barr, whose mandate was to stir the company from the stagnation caused by his predecessor's cautious management style. The revitalization program he developed

was therefore not only motivated by the changing competitive environment, but was also designed to overcome an inappropriate initial positioning. Between 1957 and 1961, Barr spent $154 million to expand and modernize outlets, opened 58 new stores, installed boutiques within stores, closed old units, and gave the company its first downtown location in Chicago, where Sears had been present for over 25 years. Despite these improvements in the company's infrastructure, Barr was unable to substantially enhance the company's image, mostly because the merchandise's poor quality and lack of style was incompatible with the changes in store displays and locations (*Business Week* 1969). This suggests that inconsistency between various store attributes impedes effective repositioning.

In 1956, the three largest nonfood American retailers departed from their traditional communication strategy and began to advertise in national magazines. While they had traditionally emphasized advertising in local newspapers, the three retail chains recognized that advertising alongside prestigious brands in national media represented an opportunity to position themselves and their private labels as quality alternatives in an increasingly competitive environment characterized by low-priced discount houses on one side and high-end department store on the other (*Business Week* 1956). At the time, private labels represented 90% of sales at Sears (*Business Week* 1954) and around 40% at Montgomery Ward (*Business Week* 1969).

1960 - 1970: Repositioning Closer to Competitors

The late 1950s saw the emergence of the concept of store personality (*Business Week* 1958). In a seminal article, Martineau (1958) asserted that retailers could not successfully compete by providing a generic offer and that they ought to create a unique image in consumers' minds through their stores layout, color schemes, advertising and salespeople. This advice was apparently ignored by mid-tier retailers.

In 1957, J.C. Penney's vice-president William M. Batten, who would later become chairman, undertook an important marketing research project. This 'merchandise character study' was intended to assess Penney's competitive position in merchandise, forecast market opportunities, and map out the direction to be adopted in filling market voids. A report ensued two years later, in which Batten argued that J.C. Penney should attempt to attract the entire family with new lines such as hard goods, thus changing its traditional focus on soft goods and female consumers. Penney also decided to leap into shopping centers, develop a credit system, enter the catalog business and add several new services to its retail activities (*Business Week* 1964). While J.C. Penney surpassed Montgomery Ward to become the nation's second largest nonfood retailer and achieved sales of over $2 billion by 1964, it should be noted that the repositioning effort – centered around an objective of "completeness" (*Business Week* 1963) – transformed the retailer into a Sears look-alike instead of promoting its uniqueness. The results of this strategy were equivocal: catalog sales soared in the following decade, but hard goods sales stagnated, representing a dismal 5% of the firm's sales volume by 1976 (*Business Week* 1978).

A similar phenomenon could be observed at Sears. In an analysis of consumers' perceptions of various retail outlets in Chicago, Martineau (1958) concluded that Sears was considered the friendliest and most comfortable department store, a family store with a stronghold in hard goods and children's wear. However, seeking further expansion through the theme "*Sears has everything*", the company attempted to modify the strong male orientation that came with its dominance in hard goods by developing a better reputation in soft goods and fashion. To this end, Sears terminated the agreements whereby its clothing departments were leased to concessionaires, and began to alter store displays and merchandise assortments to appeal to women (*Business Week* 1968).

Meanwhile, the redirection of Montgomery Ward's activities, initiated by John Barr's infrastructure expansion and modernization program, was completed by Robert E. Brooker, who became chairman in 1961. Brooker, a former Sears' merchandising vice-president, raided Sears and other competitors of close to 150 top executives and hundreds of managers. The retailer's repositioning was articulated around better quality, more fashionable merchandise and a more aggressive private label program. Seeking to appeal to women and younger people, Montgomery Ward emphasized soft goods over the hard lines it was better known for, and built a more stylish image by appointing a fashion advisory board. This strategy was deemed a great success when the company announced that its performance in 1968 was the best in fifteen years and that earnings had doubled over the previous year (*Business Week* 1969).

1970 - 1990: Repositioning in Upscale and Downscale Markets

Over the 1970s, Sears attempted to pursue its growth by reaching beyond its traditional middle-class audience. Managers first undertook to reinvent Sears as an upscale, fashion-oriented department store for higher-income consumers. (*Business Week* 1972). The strategy was defeated by consumers' lack of acceptance and a recession. Management abandoned the program when the company's earnings eroded from $680 million in 1973 to $511 million in 1974 (*Business Week* 1978). Sears then opted to reposition itself at the other end of the spectrum, opening "Budget Shops" within stores and adopting a very aggressive price-cutting strategy. This plan only exacerbated consumers' price sensitivity. When Edward R. Telling became chairman in 1978, he inherited a firm where inconsistent repositioning efforts had resulted in a blurred

image and diminished profits. There seemed to be little alternative but to "try to be Sears again" (*Business Week* 1979). Going back to its roots, the company renewed with a value-oriented strategy, offering middle-class consumers staple goods and emphasizing product service. Sears' financial situation deteriorated through the following decade as its operating costs soared and its sales stagnated, despite the 1983 "*Store of the Future*" program that was intended to revamp the full-line stores. (*Business Week* 1987). Ignoring its recent experience, Sears tried to reposition itself in the value segment once again in 1989 with an "everyday low prices" policy. This short-lived attempt died in the face of intense retaliation from competitors and skeptical consumer reaction, further damaging the company's financial situation (Thackray 1990).

In a move that mimicked Sears' earlier attempt, J.C. Penney deployed a repositioning strategy aimed at creating a more upscale image. Following extensive market research, the firm launched its "fashion pilot project" in 1977. In a bid to transform itself into a fashion-oriented, moderate-price department store, J.C. Penney redesigned its outlets and upgraded its merchandise – especially in apparel. The repositioning was also supported by an increased advertising budget and an acclaimed campaign that focused on the fashion theme (*Business Week* 1978). The transformation process was slow and difficult but by 1988, J.C. Penney had truly reinvented itself as a fashionable apparel retailer (*Business Week* 1989). Why did J.C. Penney succeed where Sears had failed? While no conclusive statement can be inferred from the data, several differences in the firms' respective strategy should be noted. First, J.C. Penney's repositioning was coherent with its traditional core competency in soft goods, while Sears' new fashion-oriented image departed from its strength in hard lines. Second, J.C. Penney's transition towards a more upscale market was a moderate one. In contrast, Sears' repositioning was more drastic and directed towards a different market segment. Third, J.C. Penney's repositioning was gradual, unfolding over a ten-year period. Sears, on the other hand, attempted to quickly overhaul its image and, when confronted with disappointing results, rapidly repositioned downmarket. Finally, Sears' repositioning was negatively influenced by adverse economic conditions.

Montgomery Ward also went through a successful revival in the mid-1980s, after experimenting severe losses for two consecutive years. Contrary to J.C. Penney, Montgomery Ward moved its brand to the value segment, repositioning itself as a "value-driven specialty store" by paring down to its most profitable product lines and emphasizing lower price points (*The Economist* 1993).

1990 – 2000: Death and Revival

The 1990s represented an era of restructuring and repositioning at Sears. In 1992, Wal-Mart replaced Sears as the leading American retailer. That same year, two anti-management shareholder initiatives spurred executives to action: the money-losing catalog business was unloaded and Arthur Martinez was brought over from Saks Fifth Avenue to lead the Merchandise Group (England 1994). Despite the growing consensus among analysts that the department store format was a dinosaur (Loomis 1993), Martinez devised an ambitious program aimed at erasing Sears' traditional male orientation and making it relevant to women. His goal was to build on the firm's tradition:

> Within Sears are bedrock franchises – appliances, electronics, hardware, and home improvement – that distinguish us with the consumer. Our very "Sears-ness", our unique combination of merchandise categories under one roof, and the relationship with our customer in all of those categories was a very solid foundation for our future. (Martinez 1997).

The new strategy, which defined Sears as a moderate-price department store retailer and emphasized fashion-conscious apparel lines, was supported by the stylish "*Come see the softer side of Sears*" campaign. This represented a move away from Sears' traditional strength in hard goods and positioned the retailer head-to-head with J.C. Penney. While Sears' financial position subsequently improved – with record earnings of $1.8 billion in 1995 (Dolbow 2000) – and while this revitalization program is often cited as an example of successful repositioning (Aaker 1997, Day 1999, Delano 1999), the effectiveness of the repositioning strategy must be assessed against other factors. First, the repositioning strategy was only a facet of a larger turnaround program that involved divesting the catalog business, closing over 110 unprofitable stores and eliminating more than 50,000 jobs (England 1994). These actions undoubtedly contributed to enhancing the firm's short-term profitability independently from the effectiveness of its repositioning effort. Second, more than half of Sears' earnings at the time came from its credit card business, not retailing (Laing 1997). In just three years, the company recruited 18 million new cardholders. Looking at Sears' increasing reserves for credit-card delinquencies, some analysts debated whether the turnaround really came from the retailers' revamped image or a more relaxed credit policy. (Chandler 1996, Weimer 1997). Finally, results from the 1996 Chicago Female Fashion Research Project – a survey that examined women's attitudes toward various retail stores – cast some doubt on the success of this repositioning in changing consumers' brand knowledge. Over a quarter of the women interviewed had shopped at Sears recently, but only 3% of respondents were primary shoppers of Sears for apparel (*Chain Store Age* 1996b). When comparing the results of this study to a previous one conducted in 1987, it was noted that Sears had become perceived as weaker in both value and fashion dimensions (*Chain Store Age* 1996a).

In 1997, one year after the completion of Sears' turnaround program, Arthur Martinez announced yet another transformation plan. This time, however, he intended to move away from the idea of repositioning the store in terms of traditional retail models and to turn Sears into a consumer-brands and services company. The firm's new focus was articulated around its strong brands – Sears itself, but also private brands such as Craftsman, Kenmore and DieHard. To bring these brands to consumers, the company would open several outlets, some of which would not even bear the Sears' name (Sellers 1997). For example, The Great Indoors debuted in 1998 as an off-the-mall chain concept offering home improvement products, housewares, appliances and a full line of services. The chain's sustained growth has made it a star in Sears' portfolio. Martinez contends that the key to The Great Indoors' success is that "we liberated the team from the old Sears baggage. We designed a store without regard for Sears" (Sloan 2000).

In 1999, Sears abandoned the "Softer side" strategy in favor of a value-oriented, fact-based promotional campaign characterized by the tagline "*The good life at a great price. Guaranteed*". This marked another reversal in the company's positioning strategy. Sears developed a program that renewed its traditional strengths in hard goods by shedding numerous apparel lines – which only represented around 20% of sales (Tatge 2000) – to devote more retail space to categories such as appliances and tools. Continuing to lose ground to discounters, Sears is now planning a new prototype similar to big box retailers, including shopping carts and a centralized checkout space (Gallanis 2000).

J.C. Penney did not diverge from its focus on soft goods and fashion in the 1990s. The retailer worked on reinforcing the relationship with its customers, with the 1997 "*J.C. Penney, I love your style*" advertising campaign that presented the retailer's merchandise as an important part of the customer's lifestyle (Reda 1997). To this day, however, Penney is still attempting to fight off competitors such as Kohl's, which are often perceived as offering a more appealing image and store environment (Dolbow 2000). J.C. Penney might have to reposition itself once again in a powerful manner. Steve Farley, J.C. Penney's marketing chief, summed up consumers' perception of the retailer's image by saying that the consumer "is not angry with us. She is more or less indifferent. We have fallen off her radar screen" (Forseter 2000).

The past decade witnessed Montgomery Ward fighting for survival, a battle the company ultimately lost as it announced it was going out of business on December 29, 2000. In order to escape the fierce competition in the value segment, Montgomery Ward attempted to replicate the strategy that worked for J.C. Penney and Kmart. The retailer repositioned itself through a revamped merchandising program and an advertising campaign that featured numerous celebrities promoting the theme "*Things are changing at Montgomery Ward*" (Underwood 1993). The retailers' efforts were unsuccessful in restoring its competitiveness and, after sales plunged more than 25%, Montgomery Ward filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code in 1997. The company's restructuring plan included repositioning the retail brand as a hybrid of a mass merchant and an upscale department stores focusing on lifestyle appeal. To reinforce its updated image, the retailer changed its name to Wards and launched an advertising campaign based on the theme "*Shop Smart, Live Well. Wards.*" (Stankevich 1997; Wilson 1998). The turnaround also involved closing over 100 retail stores and divesting outlet centers. Montgomery Ward was acquired by GE Capital in 1999 and emerged from Chapter 11. Eighteen months later, amidst a difficult retail environment and weak holiday sales, the company announced it was closing its doors after 128 years of operation.

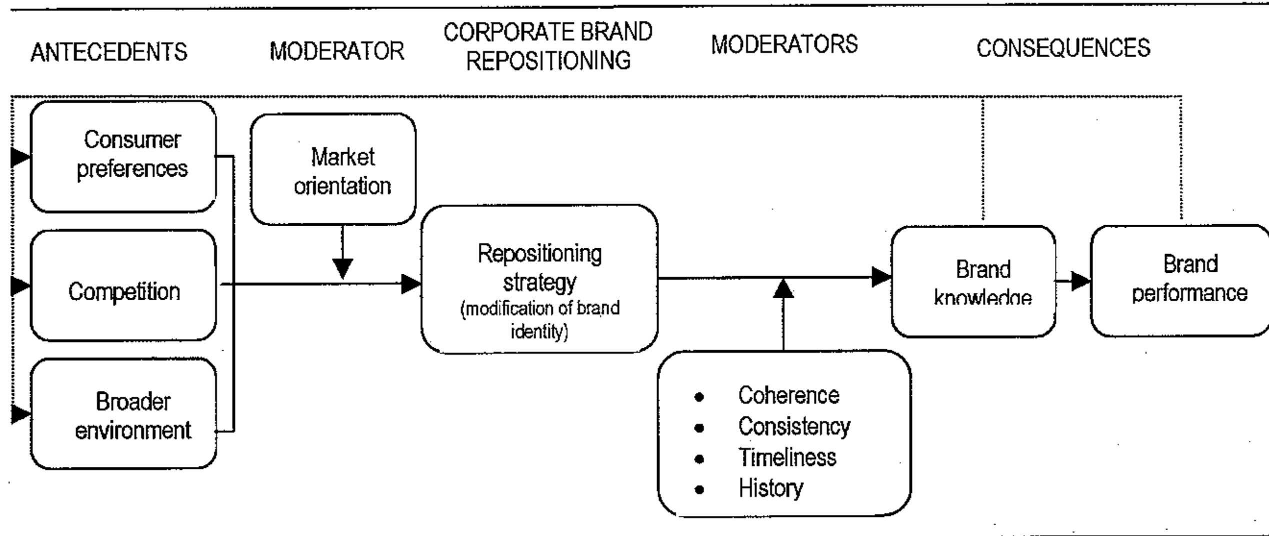
TOWARDS A MODEL OF BRAND REPOSITIONING

This section integrates extant literature and insights from the previous historical case analysis to develop a series of propositions regarding the antecedents and consequences of repositioning. These propositions are synthesized in a framework presented in Figure 1.

Antecedents to a Repositioning Strategy

Changes in a firm's environment – consumer preferences, competition, and the broader context (economic conditions, technology, etc.) – erode the appeal of its brand image. When this occurs, the firm must revitalize the brand image in order to sustain its brand equity. The decision to undertake a brand revitalization program and the nature of the chosen repositioning strategy appear to be related to the firm's market orientation, i.e. the degree to which the firm generates, disseminates, and responds to market intelligence (Kohli and Jaworski 1990). As a reflection of the firm's market orientation, repositioning could follow a market-driven or a driving-market approach (Jaworski, Kohli, and Sahay 2000). The market-driven approach to repositioning results from an analysis of consumer perceptions, competitors, and the broader environment, and takes place within a given market structure. In contrast, a firm pursuing a driving-market approach would reposition its brand in a way that modifies the market structure and/or market behavior. In both cases, the goal of the repositioning strategy is to create or sustain a competitive advantage. In the retailing industry, the driving-market approach seems to often be associated with the emergence of new retail formats, typically developed by new competitors. This was apparent when Montgomery Ward and Sears developed their initial positioning as mail-order businesses in the late 19th century, offering the rural population an attractive alternative to general stores. The subsequent arrival of five and dime stores, discount stores and category killers represent other examples of driving-market initiatives that transformed the market structure. Wal-Mart constitutes a more recent example of a retailer

FIGURE 1
ANTECEDENTS AND CONSEQUENCES OF CORPORATE BRAND REPOSITIONING



adopting a driving-market strategy. Arnold, Handelman and Tigert (1998) coined the term "market spoiler" effect to describe the modification in consumers' store choice attributes resulting from Wal-Mart's entry into new markets. However, a market-driven approach to repositioning was more common among the repositioning strategies of the three retailers studied here. Indicative of this approach was J.C. Penney's repositioning in the late 1950s, following its 2-year "merchandise character study", as well as the retailers' subsequent transformation in 1977.

This conceptualization of the antecedents to brand repositioning constitutes a potential extension of the explanation provided by the Wheel of Retailing. The Wheel of Retailing adopts a deterministic stance in positing that new retail formats emerge by exploiting market opportunities created by the high-cost structure of large organization and gradually reposition themselves towards a more upscale, high-price position. In contrast, the proposed model suggests that the driving-market positioning strategy typically adopted by new entrants may modify the market structure and/or market behavior which, in turn, weakens incumbents' market position. In order to maintain or regain their competitive advantage, existing firms must then reposition their brands to reflect the changes in market structure and/or market behavior.

Without a strong marketing orientation, a firm fails to recognize and/or act upon changes in its environment. As signs of the firm's deteriorating position arise – diminishing market share, financial difficulties, etc. – repositioning becomes a necessity to restore the firm's competitive advantage. Sears' experience reflects such a lack of sensitivity to the environment. For example, Sears did not include Wal-Mart in its competitor analysis until late in the 1980s (Loomis 1993). By the time Sears undertook its dramatic turnaround in 1993, it had already lost its leading position in retailing to Wal-Mart. Industry observers often attribute the demise of mid-tier retailers to an absence of a marketing orientation – their inability to "keep up with the times" (Dolbow 2000; Loomis 1993; Stankevich 2000; Thackray 1990). This lack of vision is generally attributed to the company's large size and its bureaucracy, the complacency that comes with past successes, and a tradition of life-long employment within a single organization (Caminiti 1991; Forseter 2000; Stankevich 2000).

> *Proposition 1*: Repositioning can represent an adaptive strategy whereby the firm transforms its brand image to reflect changes in consumer preferences, competition, and the broader environment. Repositioning can also be a proactive strategy when the organization repositions its brand in a manner that modifies the market structure and/or behavior.

> *Proposition 2*: Market orientation moderates a firm's decision to reposition its brands. An organization with a strong market orientation will tend to reposition its brand more promptly and in a manner that reflects more accurately the changes in the environment that affect its brand image.

> *Proposition 3*: The objective of a repositioning strategy is to modify consumers' brand knowledge in order to create, maintain, or regain a competitive advantage.

Consequences of a Repositioning Strategy

The immediate consequence of a repositioning strategy should be a modification in consumer brand knowledge, which first requires that consumers be aware of the repositioning. A successful brand repositioning also

modifies the brand image – consumers' brand associations – in a manner that is consistent with the new brand identity – the attributes the company intended to bestow upon the brand through repositioning. In turn, the modified brand knowledge should alter consumer response and, ultimately, affect brand performance. J.C. Penney followed this path in its repositioning effort of the late 1970s. Through a modification of the retail marketing mix, the company created a new image for itself in consumers' minds – a more upscale and fashionable image. This contributed to J.C. Penney's increased sales of higher-margin apparel as well as enhancing its profitability.

Hence, brand knowledge is posited as a mediating variable between the repositioning strategy and brand performance. Improvements in performance indicators such as sales, market share, profitability, and loyalty are the expression of a modification in consumer brand knowledge that resulted from the repositioning. As discussed earlier, it is possible that brand performance is enhanced without changes in consumer brand knowledge. This might occur, for example, when the repositioning is part of a turnaround strategy where cost control programs or divestments improve profitability. In this instance, though, the evolution of the firm's financial situation cannot be attributed to the brand repositioning. This was illustrated previously in the analysis of Sears' "Softer side" repositioning.

As illustrated in Figure 1, the modified consumer brand knowledge and resulting brand performance may affect consumer preferences, the competitive structure and behavior, as well as elements of the broader environment.

> *Proposition 4*: Brand knowledge – the combination of brand awareness and brand image – mediates the effects of brand repositioning on brand performance. As such, an evaluation of the modifications in brand knowledge represents the most immediate measure of the impact of repositioning.

What are the factors that contribute to creating a new brand image that is congruent with the intended brand identity? The various repositioning strategies adopted by Sears, Montgomery Ward and J.C. Penney reinforce certain ideas exposed in the extant literature and suggest additional elements one should consider. First, just as the coherence between the components of the marketing mix influences the strength of a brand image (Helman and de Chernatony 1999), sending a unified message is also central to the success of a repositioning. A failure to establish such coherence contributed to the demise of several repositioning efforts among retailers. For example, the repositioning program designed to revive Montgomery Ward between 1957 and 1961 failed partly because the upgraded image was transmitted mostly through a modernized infrastructure while the merchandise still lacked the corresponding quality and style.

Second, the case analysis confirms that it is more difficult to reposition a brand when the new associations are inconsistent with existing brand image and the firm's core competencies. Indeed, the retailers were unable to truly establish an image that diverged from the type of merchandise they were traditionally associated with: J.C. Penney never became a strong player in hard goods and Sears' emphasis on apparel did not overcome its reputation as a seller of hard goods. Furthermore, the firms were more successful in moving slightly more upscale or downscale than in their attempt to reposition at either end of the market.

Third, timeliness of repositioning – defined here as the time elapsed between market changes and the repositioning – affects the options available to the firm. As discussed earlier, a lack of market orientation often delays the firm's reaction to the evolution its environment. In this situation, repositioning is likely to be more difficult to execute, since the brand image was allowed to decay.

Finally, the brand's history of past repositioning appears to bear on the success of a current repositioning strategy. The experience of the three retailers examined here indicates that attempting several consecutive repositioning, especially when the strategies are drastically divergent, blurs the brand image and stimulates consumer skepticism.

> *Proposition 5*: The extent of the changes in consumer brand knowledge is affected by (a) the coherence between the various elements of the marketing mix, (b) the consistency of the new positioning with existing brand image and the firm's core competencies, (c) the timeliness of the repositioning, and (d) the brand's repositioning history.

LIMITATIONS AND FUTURE RESEARCH

The historical case analysis method adopted in this paper allows longitudinal observations of the antecedents and consequences of repositioning while the inclusion of three firms multiplies the point of views on the phenomenon. Examining a single industry, however, impairs the generalizability of the results. Consequently, further research is needed to understand the nature of repositioning across various sectors.

The proposed model is not purported to be comprehensive. It represents a series of propositions that are offered as direction for future research. The propositions were developed following an analysis that was performed using strictly secondary data. Field research would undoubtedly provide a richer information to further develop the proposed model. In addition to empirical investigation of the proposed model, contingencies affecting brand repositioning should also be explored. Furthermore, future research to enhance our understanding of repositioning should address the following questions:

What are the characteristics of a good candidate for repositioning? Some authors (Aaker 1991, Wansink 1997) assert that not all brands can be revitalized. Yet, the

attributes that predispose a brand to successful repositioning are not well understood. For example, it appears that brand heritage is sometimes a liability for brand development. Commenting on the success of The Great Outdoor retail outlets, Sears' managers admit that freedom from the Sears' name was a key factor.

How do media influence repositioning? While further attention should be given to how components of the repositioning strategy itself affect its success in changing consumer brand knowledge, it is important to recognize that external factors, outside the firm's control, also influence consumer perceptions. The impact of media coverage seems particularly interesting. For example, when repositioning takes place within a turnaround program, the message of revival that is created and communicated through the firm's marketing mix often competes with a story of decline and troubled times told to the public through the media.

CONCLUSION

In a turbulent environment where the costs and risks associated with launching a new brand are high, leveraging existing brands through revitalization strategies, such as repositioning, is an appealing proposition. The extant marketing literature offers relatively little insight into the concept of repositioning. Existing conceptualization such as the Wheel of Retailing, for example, do not address important questions of when and how retail brands should be repositioned. The purpose of this paper was to explore the antecedents and consequences of repositioning strategies and to develop a series of propositions to stimulate future research. A historical analysis of three large American retailers suggests that market orientation moderates the firm's decision to reposition its brand as a response to a changing environment. It was also proposed that consumer brand knowledge mediates the effect of repositioning on brand performance. In turn, brand knowledge appears to be affected by the coherence between the various elements of the marketing mix, the consistency of the new positioning with existing brand image, the timeliness of the repositioning, and past repositioning efforts.

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