Developing a Framework for Attractiveness and Capability of Chain Stores in Iran

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Abstract: Nowadays, Chain stores as one of the most important institutions of distribution, with share a brand and central management, are trying for supply, distribution and sale of basic commodity. According to peripheral changes in different dimensions of economic, political, social and also with the emergence fundamental paradigm in business such as service businesses, penetration of IT in business like E-commerce, the answer to this question is important “What features should be have chain stores to be attractive and capability from the internal and external dimensions?” The purpose of this study is to extract main indicators for review the internal and external dimensions of chain stores, based on characteristics of the native country of Iran. According to fundamental studies, comprehensive set of criteria and indicators related to attractiveness and capability of chain stores are presented. The data collection method is using the questionnaires. According to opinions of experts and professionals, a collection of the most important factors are selected. Then the opinions of experts have been analyzed. Finally, the results of this study are presented as a model.

Keywords: Attractiveness and capability, chain stores, internal and external factors

INTRODUCTION

Chain stores, as a solution to organize and increase the efficiency of goods distribution system was formed from early this century in industrialized societies. Although the time of birth, forms and growth stages of these stores, depending on the social conditions of countries, very different and sometimes that is associated with fluctuations, Rather in general, expected in the post-industrial societies, chain stores (various forms), not only will be able to maintain its position, but as the most efficient means of delivering goods to the consumption of produce grown. With the introduction of this question is that “What features should be have chain stores to be attractive and capability from the internal and external dimensions?” It is clear that many variables are involved to determine attractive and capability of chain stores and there are many disagreements between the experts in choosing the most important variables, In this study we want to describe the basic variables and indicators related to attractive and capability. Since the chain stores present significant differences compared to the traditional retail stores, store image literature helps us to better understand the significant changes observed in consumer shopping habits concerning the store patronage behaviour.

LITERATURE REVIEW

Definition of chain stores: Chain stores are retail outlets that share a brand and central management and usually have standardized business methods and practices. E. Thomas defines a Multiple Shop, as “is one of a chain of similar shops owned and controlled by a single business firm” (Dhanapal et al., 2004). North et al. (2003) define chain stores as “organization that own and operate several retail store units that sell similar lines of merchandise by a standardised method and function under a centralised from of organizational structure, centralised distribution and standardised store décor and layout (store image)”.

According to the literature, several definitions of domestic and international chain stores are provided. They are made from a different point of views. However, domestic experts and scholars or organizations, the definition of the chain stores system and characteristics generally have the same view. They should be the same as the nature of business, store image of a unified and consistent management system.
The number of stores does not seem clear, after analysis price stability and finally raise the living standards of people (Parsianzafar, 2004).

The people, are the joint mission of chain stores in most countries.

Benefits of chain stores: The primary objectives of these stores are economic interests. Chain Stores were inaugurated due to high profit margins. But gradually this modern distribution institution showed that the addition of profitability (For owners of capital in the private sector), also brings major benefits for the community. This has caused that in the present the governments build more stores and promote the development and in some cases people are encouraged by the government to develop these stores. The main targets of governments in this regard include (Jia, 2008):

- Provide needed goods for Community.
- Eliminating unnecessary middlemen between producer and consumer.
- Guidance, planning and supervision of the government and the economy better and easier.
- Prevent uncontrolled development of commercial units in non-commercial spaces.
- The possibility of sharing operating and advertising costs among multiple units.
- Prevent the sale of non-standard goods.
- Stabilize the price of goods in urban areas according to the price range of goods offered in all branches of the chain units.
- Modification of consumption patterns.
- The relative improvement of urban traffic by eliminating unnecessary travel within the city.
- Reduce costs: In theory, Large stores in the distribution system can play a role that big industries (mass production) in the community who are responsible for production.

Also chain stores have many advantages for consumers and customers. The most important of these advantages are as follows (Jia, 2008; Bell, 2006):

- The ability to buy on favorable and competitive conditions.
- The freedom to experiment in one selling unit without risk to the whole operation and more freedom to choice with respect to commodity diversification.
- Established standards of quality regarding products and services.
- Supply of goods in one place and thus saving the time to purchase their requirements.
- Reduced costs of transportation and car rental and depreciation of personal car.
- Enjoy the various facilities such as parking and toilet, which can buy with peace of mind.
- Use of credit cards and bank checks and prevent the movement of money;
- Supply of goods with fixed prices and products information such as weight, production and expiration date, etc.
- Reduce the time between production to distribution and distribution to consumption.
- And reduced distribution level.

It should be noted that great variety of goods in chain stores, may create false need for customers and

<table>
<thead>
<tr>
<th>Scholar or organizations</th>
<th>Number of stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chih-Yao et al. (2011)</td>
<td></td>
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<tr>
<td>Schewe and Smith (1993)</td>
<td>2 or more</td>
</tr>
<tr>
<td>Chain Development Association in Taiwan (1999)</td>
<td>7 or more</td>
</tr>
<tr>
<td>Japan Franchise Association (JFA) (2000)</td>
<td>10 or more</td>
</tr>
<tr>
<td>International Franchise Association (IFA) (2000)</td>
<td>11 or more</td>
</tr>
</tbody>
</table>

Chih-Yao et al. (2011)
the result is that increased consumption and rising household costs.

EVALUATION THE INDICATORS RELATED TO ATTRACTIVE AND CAPABILITY OF CHAIN STORES

Although in determining attractive and capability of chain stores, many variables are involved and there are many disagreements between the experts in choosing the most important variables, in the following described the basic variables and indicators related to attractive and capability and then described the measurement method of each indicator:

Internal factors (Business capability):

- **Business strength according to economic indicators and financial ratios**: One of the factors influencing the strength of business is check the status of the company’s financial statements including balance sheet and profit and loss statements. Use of financial ratios and analyze them in chain stores allows to assess the capability of business. Therefore, the financial performance indicators can be appropriate criteria to measure the ability of organization in the economic indicators. The most important financial indicators are the following:
  - **Liquidity ratios**: Liquidity is the ability of an asset to be converted into cash quickly and without any price discount. The stores that excess spread are likely to be faced with bankruptcy and liquidation. It should be noted, this ratio should be considered in conjunction with other variables to help organization in determine future policy.
  - **Financial leverage**: Financial leverage is the ratio of debt to total equity. Debt and equity are the principle sources of funding for a business. The proportional distribution of these two sources of funding depends on how a firm decides to divide its cash flow between the broad categories: a fixed component which is utilized for obligations toward debt capital and a residual component which belongs to equity shareholders. Therefore a firm’s financial leverage affects the firms value (Sharma, 2006).
  - **Activity ratio**: This ratio shows that how rapidly a firm converts various accounts into cash or sales.
  - **Analysis of profit (profitability ratio)**: One of the important objectives of chain stores is profitability. Chain stores to achieve this goal and determine how it should be tried.
  - **Growth ratio**: With this ratio the economic ability of company in the economic system and growing industry can be calculated (David, 2010).

The final cost of products compared to competitors:

- **Human resources management**: To measure this factor, the indicators such as level of education, age, salary rates, employee job satisfaction, skills and etc are required that this is achieved through enterprise data and questionnaires.
- **Quality of service to customer**: To measure this factor, the following parameters should be evaluated. Indicators such as beauty, performance and durability, store cleanliness, decoration and layout, facilities and transportation in the store and appropriate accountability of employees to customers, the apparent adornment of staff and special services.
- **Technology and infrastructure**: To measure this factor, the following parameters should be evaluated: The rate of use the comprehensive integration information systems and computer equipment in comparison with competitors.
- **Research and development**: To measure this factor, the following parameters should be evaluated: The number of important and strategic research projects, the number and variety of research groups, the rate of R&D budget to the total organization budget.
- **Other internal factors**: Other indicators that create capabilities in the retail industry are as follows:
  - Number of products in store
  - The variety of products in store
  - The number of branches of chain stores
  - Management System
  - The number of employees
  - The size and extent of the chain stores

External factors (Industry and market attractiveness):

- **Market size**: Estimate market size is one of the most important deciding factors. Variables that can help estimate the market size are: Geographical features, population and economic features. For example, if the population increases, demand for goods and services will increase and the market size will increase.

However, sometimes considered an indicator alone may be misleading. For example, if only considered to the large population and not considered to other indicators, select this Market may be failed.

- **Space competition**: The number of competitors, competitive position and quality of goods in a particular market will determine the amount of profitability of the company and capability to entering a particular market. This must be specifies
that there is already strong competition or not. Also likelihood of future competition should be considered.

- **Market homogeneity:** Market homogeneity refers to the degree to which the consumers are alike in their tastes, desires, needs, preferences and other characteristics. In such homogeneous markets, a strategy of undifferentiated marketing is appropriate. On the other hand if market is heterogeneous, either concentrated or differentiated marketing strategy works well, because segmentation of market is required when the customer preferences differ from group to group (Jain, 2010). The main reason for companies interested to invest in similar markets is minimize risk in situations of uncertainty. Moreover, the same marketing strategy can be used in various markets. Thereby the marketing costs are also reduced.

- **Political and legal conditions:** Foreign governments and government organizations are among the main organizations and institutions that can formulate or eliminate some regulations. Thus, political and legal conditions come on as opportunities and threats for small and large companies. The most important external forces affecting on industries and organizations that rely on government contracts or government subsidies are political factors (David, 2010).

Political and legal conditions are include export and import laws of industrial and consumer products, health and safety standards and laws relating to packing, marking and advertising.

- **Prediction of potential sales:** Predict of potential sales depends on activities of competitors and potential activities on products, pricing, incentives and promotion policies and policies are distributed. It should be noted that some organizations in this index, use of other criteria. For example, pay attention to short-term benefits is one of the traditional features of British companies (Baker et al., 1988). Conversely, studies related to the position of Japanese companies, represents that Japanese Companies focus on market growth in the long run (Doyle, 1995).

- **Barriers to entry and market presence:** One of the most important external factors is barriers to entry and market presence and most important of these factors are as follows:
  - **Investment levels:** Especially in industries that the returns to scale are very important. In other words, in some industries only if the scale is very high, the investment is cost effective.
  - **Government regulation**
  - **Pricing strategy:** Sometimes companies try to adopt a pricing strategy with the intensive competition in the market and try to prevent the entry of new investors in the market.

- **Customer loyalty:** Sometimes customers just want to buy a particular product and did not show willingness to purchase new products.

- **Advertising:** In some cases, severe advertising may to prevent the entry of new products to market.

- **Supply and distribution agreements:** In some cases, supply and distribution agreements in some firms may be occurs that entering and working simply in this field not possible.

**MATERIALS AND METHODS**

Statistical community of this study is including the experts and professionals in the field of chain stores, such as: chain stores managers, operational managers of chain stores with more than 10 years experiences, book authors and researchers, who have expertise in this area. Number of key company executives and experts from is over 70. This will be used for the random sampling. This will be used for the random sampling. We should use this formula for calculating efficient samples quantity:

\[
n = \frac{z^2 \times \rho (1 - \rho)}{e^2}
\]

If the above formula to calculate the sample size is less than 5% of the sample used is calculated as follows and as otherwise we should use follow formula:

\[
n' = \frac{n}{1 + \frac{n}{N}}
\]

**Data collection:** Collecting data needed for research, the methods of collecting primary data and secondary data collected is used to. This study uses primary data from questionnaire and interview key executives and experts will gather. The study of secondary data available in the industry, chain stores, the Internet, books, magazines, Conferences, organizations and agencies related to the topic will be used. The general methods and tools for collecting data and information will be used: Questionnaires, documents and reports in various parts of the chain stores, interviews with experts in the areas of strategy, industry statistics and chain stores. The main tool is a questionnaire for collecting data in this study. Before the questionnaires were distributed and used by experts has been amended and revised. According to experts and professors and experts in this field, validity has been reviewed and approved. Also questions extracted for the questionnaire are based on the fundamental studies.

**Questionnaire validity and reliability:** In this study, to ensure the validity of the experts has been used, the
Table 2: Summarizes the operation

<table>
<thead>
<tr>
<th>Variable</th>
<th>Concept</th>
<th>Amount</th>
<th>Explain</th>
</tr>
</thead>
<tbody>
<tr>
<td>P</td>
<td>Population success ratio</td>
<td>0.5</td>
<td>Maximum of success is obtained</td>
</tr>
<tr>
<td>α1</td>
<td>Estimate Level</td>
<td>0.95</td>
<td>According to the researchers considered</td>
</tr>
<tr>
<td>n</td>
<td>Prototype samples number</td>
<td>150</td>
<td>Calculated by the formula obtained</td>
</tr>
<tr>
<td>n'/N</td>
<td>Prototype samples number than total</td>
<td>2.14</td>
<td>The needs of compared to the prototype samples are adjusted according</td>
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<tr>
<td>n'</td>
<td>Samples with adjusted</td>
<td>48</td>
<td>Samples with adjusted is obtained</td>
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Table 3: The internal and external parameters and variables influencing on attractive and capability of chain stores

<table>
<thead>
<tr>
<th>Attractiveness and Capability's Factors</th>
<th>References</th>
<th>Indicators for each factor</th>
</tr>
</thead>
</table>
| Business Strength according to economic indicators and financial ratios | (Bandyopadhyay et al., 2009; Jamal, 2005; Seock, 2009; Simkin and Dibb, 2009; Perrott, 2011; Sheng and Mullien, 2011; Damoiscaeu et al., 2011) | • Liquidity Ratio  
• Activity Ratio  
• Analysis of profit (Profitability Ratio)  
• Growth Ratio  
• Costs of transport  
• Prices compared with competitors  
• Costs of distribution network  |
| The final cost of products compared to competitors | (Hubner and Kuhn, 2012; Bandyopadhyay et al., 2009; Seock, 2009; Simkin and Dibb, 2009; Wigley, 2011; Amin et al., 2011; Manteghi and Zohrabi, 2011; Varma, 2008) | |
| Human Resources Management | Given the importance of this factor, it can be introduce as suggestion. | • level of education  
• Age  
• Salary rates  
• Employee job satisfaction  
• Skills  
• Brand  
• Beauty, performance and durability  
• Store cleanliness  
• Decoration and layout  
• Facilities and transportation in the store  
• Appropriate accountability of employees to customers  
• The apparent adornment of staff  
• Special services  |
| Quality of service to customer | (Bandyopadhyay et al., 2009; Jamal, 2005; Seock, 2009; Gonzalez-Benito et al., 2005; Amin et al., 2011; Manteghi and Zohrabi, 2011) | |
| Technology and infrastructure | (Hubner and Kuhn, 2012; Seock, 2009; Gonzalez-Benito et al., 2005; Perrott, 2011; Sheng and Mullien, 2011; Wigley, 2011; Amin et al., 2011; Manteghi and Zohrabi, 2011; Varma, 2008; Gaston-Breton and Martin, 2011) | • The rate of use the comprehensive integration information systems and computer equipment in comparison with competitors  |
| Research and Development | Simkin and Dibb, 2009; Damoscaeu et al., 2011; Gaston-Breton and Martin, 2011 | |
| Other internal factors | (Jamal, 2005) | • Number of products in store  
• The variety of products in store  
• The number of employees  
• The number of branches of chain stores  
• Management System  
• The size and extent of the chain stores  |
| Market Size | (Hubner and Kuhn, 2012; Simkin and Dibb, 2009; Sheng and Mullien, 2011; Damoscaeu et al., 2011; Wigley, 2011; Gaston-Breton and Martin, 2011) | • The number of important and strategic research projects  
• The number and variety of research groups  
• The rate of R&D budget to the total organization budget  
• The number of employees  
• The variety of products in store  
• The number of branches of chain stores  
• Management System  
• The size and extent of the chain stores  
• Market growth rate  |
| Space Competition | (Hubner and Kuhn, 2012; Bandyopadhyay et al., 2009; Jamal, 2005; Seock, 2009; Gonzalez-Benito et al., 2005; Simkin and Dibb, 2009; Wigley, 2011; Perrott, 2011; Kraus et al., 2011; Meng and Layton, 2011) | • The number of competitors  
• Competitive position  
• Quality of goods in a particular market  |
| Market Homogeneity | (Bandyopadhyay et al., 2009; Seock, 2009; Gonzalez-Benito et al., 2005) | • The similar transport  
• Similar pattern of consumption  
• Similar needs, interests and characteristics of consumers  
• Similar services from other competing chain stores  
• Export and import laws of industrial and consumer products  
• Health and safety standards  
• Laws relating to packing, marking and advertising  
• Targeted subsidy plan  
• Sanctions  
• Pay attention to short-term benefits  
• Pay attention to long-term benefits  
• Investment levels  
• Government regulation  
• Pricing strategy  
• Customer loyalty  
• Advertising  
• Supply and distribution agreements |
questionnaire used in each stage of distribution among the members of several of the experts, there are many ways to test the reliability of Cronbach's alpha was used in this study. The method for calculating the internal consistency of measurement tools such as questionnaires or tests are. Calculating Cronbach's alpha for this study, a questionnaire pre-tested. Data obtained from questionnaires through SPSS statistical analysis software were used to calculate Cronbach's alpha.

RESULTS AND DISCUSSION

In the first stage the most important factors influencing the chain stores were identified. According to fundamental studies, all internal and external factors affecting all chain stores were identified and introduced. Then comprehensive set of indicators for each factor that related to attractiveness and capability of chain stores was introduced. These factors and indicators with references that mentioned to each factors are in the Table 2:

Given the Table 3, a complete set of attractiveness and capability factors for chain stores was determined that given the limitations of the study, the most important of these factors should be selected. Each organization has some restrictions. So the chain stores are not exempt from this rule. Therefore, if the most important indicators are chosen by professionals and experts in the chain stores, by using these indexes, efficiency of chain stores, can be greatly increased. Therefore, according to the criteria listed above, a questionnaire was prepared. And were asked a set of experts and professionals in the field of chain stores to rate the attractiveness and capability impact of each indicator and determine the most important of them. Then the weight of each index were determined and most important of them were selected. In the next section, these indicators have been introduced on the model proposed in this study.

CONCEPTUAL MODEL

According to research findings, based on the above description in the previous section, the proposed model is offered: According to this model, the internal and external variables influencing on Efficiency of Chain

![Conceptual Model](image-url)

Fig. 1: The conceptual model: The internal and external variables influencing on efficiency of chain stores

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Stores are shown. Since these factors have been selected according to the opinions of experts and professors, if the managers of chain stores pay attention to these factors, this can lead to organizational effectiveness. And finally will lead to efficiency in the chain stores (Fig. 1).

CONCLUSION

In the present study, according to fundamental studies, comprehensive set of internal and external factors related to chain stores are selected. After the use of questionnaires and interviews with experts, the most important factors are identified and analyzed. Based on survey results, the most important indicators selected for to attractiveness of chain stores are: Business growth rate, Number of competitors, A similar pattern of consumption, Similar services from other competing chain stores, Given the long-term profits, Amount of investments, Government regulations, Customer loyalty and Advertise. Also the most important indicators selected for capability of chain stores are: Liquidity ratios, Efficiency of distribution network, Leadership and management, Brand, Aesthetic and performance and durable goods supplied, Cleaning stores, Ventilation inside the store, Decoration and Layout and etc. Despite the apparent differences in chain stores, all of them have a specific mission. So if stores use the indicators presented in this final model, they will be achieve their ultimate goal such as: optimize the distribution network, lower commodity prices and profitability.

REFERENCES


