REPRESENTATIONS AND INDUSTRY DYNAMICS
An Analytical Framework and Its Application to the Retail Sector
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Representations and Industry Dynamics.
An Analytical Framework and Its Application to the Retail Sector

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Abstract: Adopting an institutional and evolutionary approach, this paper points out how the mental maps and representations of business leaders influence the functioning and dynamics of an entire industry sector. The subjectivity of representations reflects the uncertainty that characterizes the sector as well as the bounded rationality of players. At the industry level, a number of mechanisms combine to homogenize individual representations to form an industry culture whose inertia is likely to weaken their collective ability to adapt to environmental changes. This analysis is applied to the French retail sector based on a survey of professionals’ views on the future of their sector.

Keywords: Representation, Industry Dynamics, Industry Recipes, Sectorial Culture, Retailing.

Mots-clés : Représentations, dynamique sectorielle, culture sectorielle, distribution.

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2 [ed: In keeping with the relaxed approach in the literature, “sector,” “industry,” “industry sector,” and “business sector” are used interchangeably here, with “sector” implying a subset of an “industry” but not necessarily.]
1. INTRODUCTION

“Efforts to understand the functioning of industries and larger systems should come to grips with the fact that highly flexible adaptation to change is not likely to characterize the behavior of individual firms” (Nelson and Winter 1982, 134). Economic history is rife with examples of firms that have not been able to adapt to changes in the conditions governing their activity. Tripsas and Gavetti (2000) point to Polaroid as a case similar to that of IBM, which two decades earlier had faced the advent of the personal computer. Since the early 1980s, Polaroid’s management had made digital issues a priority. They had a prototype ready in 1992 and put it on the market in 1996, but then pulled out of the digital market in the late 1990s. After several restructurings, Polaroid is now just a minor player in the imaging industry.3

The obstacles to business adaptation have featured in many business theories. Evolutionist literature, as well as authors of the “resource-based view” of strategic management, emphasize in particular the rigidity of skills, a consequence of “path dependency” in their change trajectory.4 But the ability to adapt is also hampered by the inertia of the representations, beliefs, and value systems of decision makers . . . and ultimately of corporate cultures5 which color the way that their members see their environment, threats, and opportunities, and the best ways of responding to them. Thus, Tripsas and Gavetti interpret the failure of Polaroid less as an inability to keep up with technological breakthroughs, and more as a delayed consequence of their belief that what makes money isn’t the camera but the film. Lucas and Goh (2009) analyze Kodak’s lost opportunity to take the digital path as a fundamental failure of middle management to buy into “digital thinking,” reflected as a persistent underestimation of the market potential of the new technology.

As in the case of digital photography,6 the difficulty of adapting to a radical and fast transformation of basic sectoral conditions can be seen not

3 For an analysis of cases similar to Kodak, see Lucas and Goh 2009.
5 Schein 1983.
6 See also the case of the French-Swiss clock-making industry facing the quartz revolution in the 1970s (Perrin 1993) or the French sporting goods manufacturing sector...
just at the level of individual companies, but at the level of a sector as a whole. This collective aspect of the difficulty to adapt can, of course, be the consequence of the fact that the same causes produce the same effects at different scales. This interpretation is especially pertinent when a sector is faced with a disruptive technology, associated with a technological paradigm that undermines the skills base of existing firms. But convergence of inertia can also result from the interplay of shared representations that homogenize how environmental changes are interpreted and how best to respond to them. The idea of the existence of a sector culture that can affect the trajectory of an entire industry sector has been developed in particular by Spender (1989) through the notion of “industry recipes.”

This paper investigates the impact of representational inertia on industry dynamics. It has a dual objective. First, we specify a theoretical framework enabling us to conceptualize how players’ representations affect the behavior of businesses and the trajectory of industry change (section 1). Then we apply this analytical grid to firms in the French retail industry, relying in particular on the results of a survey of a sample of players in that sector (section 2). We show that, although the institutionalization of a strong industry culture has hindered big retailers from shifting gears to a new growth regime, this culture has recently redefined itself, opening the door to an acceleration in the structural transformation of the sector.

2. REPRESENTATIONS AND SECTOR DYNAMICS: AN ANALYTICAL FRAMEWORK

Traditional economic analysis sees the behavior of the firm as an optimal response to environmental characteristics with a view to maximizing profit. The firm must therefore adapt to its environment. If it fails, it risks being culled, killed off by competitive forces. This approach underlies the classic view of strategy, whereby the strategist starts with a diagnosis of the environment to identify all the threats and opportunities, which, in the 1980s–1990s, did not notice the market shifting from competition/performance to leisure/fashion (Moati 1989).

Alchian 1950.
the key success factors to which the firm will need to adapt. Strategy is thus, in a way, contained in the characteristics of the environment. The LCAG model (Learned, Christensen, Andrews, and Guth), developed in the United States in the 1960s, follows broadly in the wake of this approach, as does Michael Porter’s in Strategic Choices and Competition.8

Developments in the theory of the firm over the past fifty years, however, have led to a much more complex understanding of strategy. This paper focuses on the approaches that base strategy on how players forge a representation of the characteristics of their environment and the cognitive biases that may intervene in the formation of those representations. After emphasizing the subjective nature of representations of the environment (1.1), we look at the mechanisms that may cause decision makers’ subjectivities to converge in a given sector (1.2). We then focus on how a combination of divergent and convergent forces interact on those representations to form the trajectory of industry change (1.3).

2.1. The Subjectivity of Representations of the Business Environment

The ideal of an objective and complete understanding of the environment and its evolution is a chimera. It is vitiated by uncertainty and by the bounded rationality of decision makers.

2.1.1. The Reign of Uncertainty

Spender (1989, 176) defines uncertainty as “a condition of information deficiency in which the data by themselves neither contain nor determine a conclusion.” Shubik (1954) focuses on two of its dimensions. The first dimension, incompleteness, refers to the incomplete nature of available information, which increases with the complexity of the environment. Reducing incompleteness demands effort to search out information. The marginal principle dictates that this effort would be pursued to the point where the marginal cost of the search equals its expected marginal return.9 This brings us to the problem of evaluating the

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8 Porter 1982.
9 Stigler 1961.
significance of a set of information once we have become aware of it (Kenneth Arrow’s famous information paradox): unless information search costs are very low, there is every chance that strategy will be defined in a context of incomplete information. Indeterminacy, the second dimension of uncertainty highlighted by Shubik, flows from the existence of other players, each with his own action principles, whose behaviors and reactions (particularly to the actions of the firm itself) cannot be anticipated with certainty.

The prospect of dispelling this uncertainty by applying probabilities to the missing information or to possible behaviors\textsuperscript{10} is unrealistic, given the cognitive abilities attributed to decision makers and the difficulty of “probabilizing” the environment. This harkens back to Knight (1921) who drew a distinction, which is now classic, between risk and uncertainty. It is always possible to assign probabilities to the various possible states of a “risk” situation. It is impossible to do so, however, in “uncertain” situations where not all possible cases are known, or where unforeseen configurations can arise. Thus, in terms of the incompleteness of information, uncertainty in Knight’s sense refers to situations where we simply do not know certain characteristics of the environment; in terms of indeterminacy, it means that some stakeholder behaviors simply cannot be anticipated, so much so that they take the decision maker “by surprise.”\textsuperscript{11}

Uncertainty is at its worst when it involves anticipating what will happen or be the case tomorrow. After all, by its very nature, defining a strategy means envisaging the future. Given the time needed for a strategy to come to fruition (to acquire resources, adjust capabilities, etc.), strategic planning is not simply based on the state of the environment at the point that the strategic planning process kicks off, but on an anticipation of that state at the point that the strategy actually comes into effect. Of course, when the environmental context is complex and highly variable, the present state of the environment is a very poor indicator of its future state.

\textsuperscript{10} Savage 1954.

\textsuperscript{11} The radical indeterminacy of stakeholder behaviors flows fundamentally from the questionable nature of the hypothesis of substantive rationality. If we are not prepared to attribute to other players—their own action principles—to uncertain—substantively rational behaviors (as opposed to the assumptions of game theory), it becomes impossible to anticipate their behavior. (Jacquemin 1985, Arrow 1986).
The processes that govern environmental changes are so complex that ex ante identification of all possible states is an impossible hope. Strategic decisions are therefore necessarily taken in a situation of uncertainty. Hence Edith Penrose’s observation that “expectations and not objective facts are the immediate determinants of a firm’s behavior.” (1959, 41)

2.1.2. Judgment and Procedural Rationality

This uncertainty hampers identification of the optimal strategy that would result from the application of a substantive rationality,\(^{12}\) or even a single analytical approach.\(^{13}\) The content of the strategy flows from the application of a procedural rationality, using more or less formalized heuristics, but also factors like judgment and intuition . . . in brief, the subjectivity of decision makers.\(^{14}\) Strategic decisions are guided less by objective environmental characteristics than by managers’ representations of them.\(^{15}\) These representations are the product of a two-step process: attention, which defines the environmental characteristics that are actually taken into account; and interpretation, which is the meaning given to the data that has crossed the attention threshold.\(^{16}\) The decision-making process consists of determining the actions to take, based on the representations constructed in this way.

Attention and interpretation are cognitive processes. As such, they are highly subjective. These processes invoke “mental maps” (Hayek 1953), “cognitive maps” (Eden 1998; Calori et al. 1994), “organizational schemas” (Walsh 1995; Huff and Huff 2000), and the like.\(^{17}\) In a plethora of complex and ambiguous information, such schemas orient managers’ awareness

\(^{12}\) In the presence of uncertainty, “only God knows what policy truly would be optimal” (Nelson and Winter 1982, 128).

\(^{13}\) Brownlie and Spender 1995.


\(^{15}\) “The environment is treated . . . as an ‘image’ in the entrepreneur’s mind of the possibilities and restrictions with which he is confronted” (Penrose 1959, 5).

\(^{16}\) Abrahamson and Hambrick 1997.

\(^{17}\) “We perceive the world before we react to it, and we react not to what we perceive, but always to what we infer” (Knight 1921, 201).

\(^{18}\) The expressions differ only in nuance. In the rest of this paper, we use the expression “mental map.”
and attention, focusing their environmental observations on a limited number of dimensions, which consciously or unconsciously prevail as being the most pertinent.¹⁹ To the observed data, the decision maker adds “something of himself” (Spender 1989) which is of the order of belief and sentiment, filling in for missing knowledge. To interpret this whole also involves applying a system of beliefs, “judgments.” During the cognitive process, the decision maker's personality, his “nervous system” (Hayek 1978), capabilities, experiences, motivations . . . play a critical role. Finally, the move from a representation of the environment to action does not flow just from analysis; in response to the bounds of rationality, it generally involves rules of action activated more or less consciously.

Hence, as Herbert Simon points out (1982, 290), we cannot predict the decision maker's decision solely on the basis of the objective characteristics of his environment. Decision makers confronted with the same “objective” environment can construct divergent representations that lead to different decisions.²⁰ This brings us to our first proposition: any attempt to anticipate the dynamics of a sector must necessarily take into consideration not only the dynamics of its basic conditions, but also how the representations that players build of their environment form and evolve, and are likely to evolve. These representations orient the strategies implemented; they contribute as part of a feedback loop in defining what will actually become the sector's characteristics.

### 2.1.3. The Importance of Managers’ Profiles

The task of defining a strategy for a business is generally thought to be the responsibility of top management.²¹ The nature of a business strategy thus finds itself partly influenced by management’s “personal qualities” (Penrose 1959, 41) or, as Hambrick and Mason put it (1984), by their “cognitive bases” and their values, from which flow the strategic objectives. The influence of the cognitive base on decision making has been studied much more than the influence of values. It is built up over the course of the

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¹⁹ See the results of the empirical studies cited by Stewart et al. 2008.

²⁰ “Men differ in their capacity by perception and inference to form correct judgments as to the future course of events in the environment” (Knight 1921, 241).

decision maker’s life experience: initial education, operational specializa-
tion, events encountered, past failures and successes, and so on. These
experiences inform judgment and suggest rules of action.

Many empirical studies have set out to identify the effect of managers’
profiles on all or part of the decision-making process. Geletkanycz and
Black (2001) have reviewed a number of works that examine how the func-
tional specialization of top executives influence their representations
of the environment and business issues. Thus, Song (1982) has shown that
chief executives with financial backgrounds have a higher propensity to
observed that managers with a sales or marketing background tend to opt
for growth strategies that rely on winning market share. In France, a
survey of SME executives by Ardenti and Vrain (2000) revealed the influ-
ence of a manager’s professional career on strategic choices (in organiza-
tional terms, in this survey) and on management style.

2.2. Homogeneity and Heterogeneity
of Representations in Industry Sectors

The subjectivity of the decision-making process would lead one to think
that, even though firms in a given sector are a priori confronted with the
same objective environment, it is very probable that their managers form
differing representations of it. Not only do they have differing percep-
tions of environmental threats and opportunities, and differing anticipa-
tions of how the environment will evolve, they have heterogeneous skills
bases (which define the realm of the possibility for each firm) for driving
differing strategies, even when the managers’ objectives are identical.

Despite that, a more or less pronounced homogeneity of representations
of the environment and modes of thinking among firms in a given indus-
try sector has been noted on multiple occasions, in monographs and

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22 These two studies are cited by Geletkanycz and Black 2001.
23 See the studies cited by Abrahamson and Hambrick 1997.
24 Spender (1989) for the smelting sector, forklift rental sector, and dairy industry; Moati (1989) for the sporting goods sector and Moati (1992) for publishing; Salais and Storper (1993) for the arms industry . . .
cross-sectoral econometric studies. Spender (1989) forged the notion of “industry recipes” to mean such “supra-individual” “cognitive structures” defined at industry level. More precisely, industry recipes are

... a set of beliefs and assumptions ... shared by the top managers of organizations within the same industry. An industry’s recipe then comprises a set of axioms which establishes what the industry generally regards as the questions that management must address if they are to have a viable company. It also melds into a comprehensive meaning system with which managers can make sense of their experiences and interpret the actions of others. (Brownlie and Spender 1995, 42–43)

We recognize here a notion similar to that of “paradigm” as developed by Hans Kuhn for the study of the development of scientific knowledge and applied to technological development by evolutionary economists. In our own work, we will use the expressions “microcosmic culture” or “industry culture” to mean not only the shared representations in a given sector, but also the values and standards of behavior that govern its players. This perspective abandons the view of a sector as a set of firms making decisions independently, connected only by competitive forces, in favor of an institutional approach that emphasizes the social context in which the firms are “embedded,” that connects the players through more than just market and competitive relationships, shapes them into communities regulated by formal and informal institutions channeling their modes of thinking and action. The sector to which they belong thus constitutes a social structure that interferes in individuals’ decision-making processes. Under certain conditions, physical or geographical context can play a similar role, particularly when it generates “cultural

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25 For example, Sutcliffe and Huber (1998) surveyed 307 managers of 58 companies in 19 business sectors, to canvass their descriptions of the environment in which their companies operate. It showed that 40% of the difference in individual perceptions depended on which company the manager belonged to and which sector the company belonged to. In other words, individuals’ perceptions are significantly similar within a given firm as well as within a given sector.


27 Moati 1996.

proximity” that imposes conventions and customs.\textsuperscript{29} Thus, the mental maps on which managers base their representations are not only the product of their personal characteristics or the characteristics of their firms, but also of socially situated learning from being immersed in a group that is a purveyor of knowledge and norms.\textsuperscript{30}

In line with this perspective, Di Maggio and Powell (1983) produced a comprehensive analytical matrix of the mechanisms leading to convergence of the representations within an industry sector (a special case of what they call mimetic isomorphism). These authors identify three diffusion mechanisms of shared views:

- A coercive mechanism. This is the set of formal rules unequivocally imposed on all firms in the sector by laws and regulations, norms and rules dictated by professional bodies, agreements between social partners, etc.

- A mimetic mechanism. This is the mechanism at work when firms strive to imitate the winning strategies of their competitors. In some oligopolistic industries, follow-the-leader is a mode of coordination that can curb the effects of destructive rivalry. This mimetic mechanism can also act more indirectly—for example, through movements of personnel between the firms in the sector, through the intervention of consultants, etc.

- A normative mechanism. This acts directly on the mental maps of decision makers through a socialization process that works at sector level. Professional associations, training and educational institutions, as well as the specialist press, trade fairs, seminars, and conferences and conventions that bring together the decision makers of the firms in the industry, encourage the sharing of experience, expose them to the same information and analyses, sometimes to the same “recipes” (through educational courses, good practices, role models, etc.), and can play a determining role in the formation of a widely shared industry culture.


\textsuperscript{30} The “tacit and subconscious knowledge” (Hayek 1960) that the players absorb day-in and day-out via social interactions (see Arena and Festré 2001).
The adoption of industry recipes by decision makers is constrained by the institutional framework, is encouraged by strategic attitudes, and spreads partly subconsciously through people being immersed in a microcosm. Spender (1989) adds that the adoption of industry recipes is also a response by managers to uncertainty, which leads them to search for a reference framework of collective norms and guidelines within which to exercise their judgment. DiMaggio and Powell (1983), as well as Porac et al. (1989), argue that strategic imitation can be a way for decision makers to garner legitimacy to facilitate access to the resources that the firm needs (to attract customers, the trust of suppliers and potential partners, access to financing, public subsidies, public acceptance, etc.). Isomorphism is therefore not just the consequence of sheep-like behavior. Other studies have shown that firms that adopt strategies close to those of their rivals (at least up to a point) end up performing better.

We can therefore formulate our second proposition as follows: although the representations on which strategic decisions are based are necessarily subjective, the industry sector in which they operate is a purveyor of “industry recipes” that channel subjectivity and ensure a certain degree of homogeneity of the representations adopted by the decision makers in a given sector.

2.3. Subjectivity of Representations and Sector Dynamics

The balance between the divergent and convergent forces of representations varies from sector to sector. DiMaggio and Powell (1983), following Cyert and March (1963), argue that mimetic isomorphism strengthens as uncertainty increases: confronted with his own ignorance, every decision maker is inclined to assume that others have information that he does not, and that his most rational option is to conform to their way of seeing and doing things. Furthermore, it is undoubtedly more comforting to have gotten things wrong along with everyone else, than to stand out as being the only one to have done so. Unfortunately, there is a shortage of empirical studies to identify precisely the sectoral determinants of the degree

32 See Deephouse 1999 and the references cited in the paper.
33 See the studies cited by Abrahamson and Hambrick 1997.
of representational convergence. Abrahamson and Hambrick (1997) highlighted the negative effect, on the convergence of fields that attract managers’ attention, of freedom of action in their sector.34

A certain consensus reigns over the idea that the degree of convergence is stronger in sectors associated with an environment that is stable or changing only slowly (even when that type of environment exhibits less uncertainty). A number of arguments support this proposition. Environmental stability ensures continuity of the learning process, gradually reducing uncertainty, enhancing the acuity of representations, and causing representations to converge in the direction of the actual state of the environment. Environmental stability also encourages training and the consolidation of industry recipes, which, by being thus institutionalized, gain influencing power. Lastly, in a stable environment, firms that are underperforming their rivals are, more than ever, incentivized to imitate the industry leaders.

2.3.1. The Inertia of Representations

What happens when the environment undergoes profound change? A number of inertial factors prevent representations from adapting quickly, prior to any strategic change. The main factor is the accumulated dynamic that presides over the formation of mental maps which, to the extent that they are not called into question, tend to grow stronger over time.35 A long period of stability in a given sector is therefore likely to lead to an inflexibility of mental maps, indeed the longer the decision maker has been in the firm, sector, or role, or all three.36 We have seen that these mental maps act like a filter in the acquisition and interpretation of signals sent by the environment. The most important information in terms of the prevailing mental maps is information that has the most chance of attracting attention; other information and facts risk remaining

34 This freedom of action, room for strategic maneuver that managers have, depends on certain sector characteristics: the intensity of regulatory constraints, structural concentration (the extent to which the firms are strategically interdependent), the bargaining power of stakeholders, product differentiability, market growth, and instability of demand.

35 Cyert and March 1963.

unnoticed, even assuming that the decision maker is actually exposed to it.\textsuperscript{37} Even when they are noticed, the prevailing mental maps can lead to them being wrongly interpreted.\textsuperscript{38} The acquisition of new information is thus biased in favor of facts that confirm the prevailing representations.

Many writers emphasize that the risk of rigidification of environmental representations is particularly high in firms that have a long history of success.\textsuperscript{39} The examples mentioned earlier, of IBM, Polaroid, and Kodak, are a remarkable illustration of the cognitive inertia that is a threat to leaders who have dominated their sector for too long. Part of the explanation lies in the fact that success reinforces the confidence that decision makers attribute to their beliefs and judgments. The perception of information that undermines those beliefs causes cognitive dissonance, which—we know from Festinger (1957)—activates defense mechanisms to protect the prevailing representations. By “refutation,” the decision maker tends to deny the dissonant information, or at least minimize its impact; and by “rationalization,” he strives to modify its content or its significance so as to make it compatible with his way of thinking.

Although environmental stability tends to encourage the convergence of mental maps within a sector while also leading to their rigidification, we know that it is not just isolated firms that can become the victims of representational inertia but the industry sector as a whole.\textsuperscript{40} Hence our third proposition: \textit{the shared representations in a given industry sector are a source of behavioral inertia and a brake on sectoral adaptation to environmental changes.}

\textbf{2.3.2. The Evolution of Representations}

Are representations rigid to the point that they really cannot take into account changes happening in the environment, condemning the firms to

\begin{itemize}
  \item Huff and Huff 1980.
  \item Saldago et al. 2002.
  \item Of course, the rigidity of representations and ways of thinking is rarely the sole cause. Environmental changes generally provoke a profound strategic change involving the mobilization by existing firms of new competencies that can prove to be very difficult to acquire or create.
\end{itemize}
fatal inadaptation? Evidently not, as individuals—like organizations—have the ability to learn new representations as their mental maps evolve. The literature surrounding the theory of the firm generally adopts an approach similar to that developed by Piaget in child psychology. Representations and ways of thinking adjust to environmental changes by a process of both “assimilation” and “accommodation.” Assimilation consists of interpreting new information based on existing mental maps, and—if the information proves incompatible with the prevailing representations—ends up being refuted or rationalized. However, when cognitive dissonance (Piaget calls it “cognitive conflict”) becomes too strong, the accommodation mechanism comes into play. The decision maker tends to adjust his cognitive structures to incorporate the new information into his world view. This type of approach was applied to the study of organizations, notably by Argyris and Schön (1978), who draw a distinction between organizational “single-loop” learning, which, when faced with dissonant information, consists of marginal corrections to what they call the “theories in use” in the organization, and “double-loop” learning which leads to their revision.41

A decision maker’s ability to question representations—and even more, a firm’s ability to do so—involves a whole set of factors. The radicality of environmental changes—the number, diversity, and recurrence of dissonant information—encourage the learning of new representations, which are also encouraged by continuing underperformance in relation to targets. Conversely, the degree to which industry recipes are institutionalized constitutes a brake on revision. Within the firm, the profiles of its managers, as well as the characteristics of the organization, the effectiveness of mechanisms implemented to understand the environment (industry watch, market intelligence, etc.), the ease with which information circulates vertically and horizontally, and generally its “absorptive capacity”42 and its “dynamic capabilities,”43 act on their ability to break the inertia of existing ways of thinking and to engage the necessary adaptive effort. The nature of the factors at work makes the ability to question and adapt

41 We also find, in the literature, a contrast between “adaptive learning” and “generative learning” (see, for example, Santos-Vijande et al. 2005), or between “accretion” and “tuning” mechanisms (Rumelhart and Norman 1978).

42 Cohen and Levinthal 1990.

highly idiosyncratic and thus constitutes an additional source of intrasectoral diversity.

2.3.3. Evolution of Representations and Sector Dynamics

The unequal abilities of individuals and firms to notice changes happening in the environment for a long time has been identified as a factor influencing structural dynamics. Austrian School economists, despite their differences, agree that individuals do not all have the same ability to identify potentialities in their environment.44 Ludwig von Mises ([1949] 1985) thus distinguishes between “ordinary people” and “promoters,” the latter enjoying “a quicker eye than the crowd.” “These are the pioneers who push and advance economic progress” (169). Schumpeter ([1919] 1951) distinguishes “leaders” from “imitators.” Leaders are characterized by an “instinctive need for domination” and “excess energy” (15 and 34 respectively). Such leaders are the actors in innovation. For Kirzner (1979), individuals are unequal in their ability to sense, anticipate, guess, and to channel that ability into economic action. Some people have greater “entrepreneurial vigilance” which allows them to identify opportunities in the environment not perceived by others. We should note in passing that this ability to perceive what others do not, can occur more often among players outside the sector and whose representations are therefore not influenced by its “industry recipes.” This, of course, brings to mind entrepreneurs starting up businesses, but also foreign companies in the same industry,45 or companies who started off in other sectors but are looking to diversify or redeploy.

Certain players would therefore be able to perceive opportunities in the environment to implement new behaviors that could bring selective advantage. They introduce novelty into the sector. The sector dynamic thus becomes a process of diffusion of the new things perceived as pertinent. Austrian writers emphasize in particular the role of imitative behavior. Thus, von Mises’s “ordinary people,” naturally inclined to follow routine, decide to follow “promoters” once they have proven successful.

44 Arena and Festré 2002.
45 If the market is not totally integrated, it is very likely that industry recipes will be different. Furthermore, many studies have highlighted the influence of national culture on the cognition of economic decision makers (see Geletkanycz and Black 2001 and the references cited in the paper).
Schumpeter’s “imitators,” as the word suggests, imitate successful innovations by “leaders” and contribute to the institutionalization of new representations. For Spender (1989), the probability in any given sector of the diffusion of innovative representations and behaviors is mainly linked to the reputation, within the sector, of the players driving them. Although innovative behavior can pass unnoticed if introduced by a new entrant, it can quickly become a new ingredient of “industry recipes” if introduced by a leader or by a firm in a sector enjoying strong legitimacy.

2.3.4. A Model of Sector Dynamics with Heterogeneous Firms

The evolutionary approach to economic change introduced by Nelson and Winter (1982) provides a theoretical framework for taking into account the way in which the heterogeneity of firms acts on the dynamics of a business sector. We use this framework to investigate how representations influence sector dynamics.

Let us start with a hypothetical sector that has just emerged, populated by new firms with no histories. This collection of firms does not yet constitute a “community.” Decision makers, who cannot count on industry recipes to guide them, build their representations of the environment and define the most opportune strategies based on their judgment, fueled by the information they perceive. The subjectivity of the cognitive processes at work leads to a diversity of representations within the sector, which fuels the diversity of strategies implemented.\footnote{In order to focus on the question of representations, we accept that the implementation of strategies is not constrained by the need to mobilize competencies.}

The actual characteristics of the environment combined with the behaviors adopted, define the characteristics of the competitive system within which the various strategies succeed or fail, based on their degree of adaptation to the characteristics of the environment.

Thus, firms led by managers with the most-accurate perceptions, on which they are able to develop the most appropriate strategies,\footnote{Still on the assumption that strategy is defined directly in terms of what the perception of the environment considers preferable, without factoring in the limitations that the company’s skills (or lack of) may place on the feasibility of strategic options.} post
the best results in terms of profitability and growth. Those whose strategies are based on particularly erroneous perceptions are penalized: they fail to achieve their objectives, and may even find their unprofitability threatening their very existence. The success of our first group tends to reinforce their managers’ confidence in their own representations. Their mental maps consolidate. The problems faced by our second group are an invitation to their managers to revise theirs. Some of them focus on deepening their observations and analysis of the environment to come up with revised representations. Others try to imitate the strategies of the successful firms. Thus, due to the expanding footprint of the market leaders, the implementation of imitative strategies, the progressive correction of errors in environmental analysis, and indeed the disappearance of firms that did not manage to revise their strategies, the representations adopted by firms tend towards homogeneity. Over time, the events experienced in common at sector level, the mobility of personnel, the proliferation of interpersonal relationships between the managers of the various firms, training by professional bodies, and the creation of a specialist press, tend to institutionalize these representations which then become a common sector-wide understanding, or “industry recipe.”

Provided the environment is relatively stable, the sector thus settles into a growth regime. A growth regime can be defined as an “order,” by which we mean a relatively coherent sector-wide operating mode, reflected in the continuity of its main characteristics: its structures, forms of competition from which flow “key success factors” imposed on firms, the type of resources and capabilities required to prosper in the sector, the characteristics of the economic model(s) applied by the firms, the most prevalent organizational modes, etc. The growth regime thus defines a framework of relationships within which the firms do business and compete. Associated with this growth regime is a set of shared representations about questions ranging from the nature of customer expectations, product design, technological development priorities, skill sets, and qualifications for workers, the most appropriate organizational structure for the nature of the activity, and so on.

However, representational convergence among the firms in the sector is only relative. Despite some common foundations for exercising their judgment, decision makers continue to rely on subjectivity when it comes to strategic decisions. If the barriers to entry are not insurmountable, new
players penetrate the sector, sometimes with unique representations. Some existing firms prefer adaptation strategies based more on innovation than imitation. Moreover, the environment is never static. Even without experiencing major disruptions, it is constantly evolving: underlying conditions have their own dynamic (changing customer expectations, developing technologies, supplier sector dynamics, etc.) and the competitive environment is continuously redefined by the implementation of adaptation strategies and the arrival of new entrants. The changes happening in the environment are an invitation to continually adjust representations, which firms manage to do more or less successfully depending on how rigid their mental maps are. Thus, even in the context of a stable growth regime, sector structures are never totally inert due to the dynamics created by the repeating cycle of strategic heterogeneity $\Rightarrow$ selection $\Rightarrow$ adaptation $\Rightarrow$ strategic heterogeneity . . .

The sector’s growth regime can be destabilized by environmental changes: technological breakthrough, a major change in the regulatory environment, a profound change on the customer side, the entry of a competitor bringing disruptive innovation, and the like. The recipes lose their effectiveness; firms begin to underperform. The sector shifts into a transition to a new growth regime. This shift can encounter resistance. The inertia of individual representations, fueled by the institutionalization of industry recipes, stands in opposition to a realistic appraisal of the necessary adaptations. The existing firms may have great difficulty in assessing the depth of the changes underway, and may try to preserve their mental maps, leading them to underestimate the scope of the changes or analyze them incorrectly. The quickest to correctly assess the changes, to revise their mental maps, and to adopt the required adaptation strategies enjoy a selective advantage. The others see their performance degrade and face the threat of being driven out. New entrants, unburdened by a cognitive heritage, penetrate the sector and contest the positions of the existing firms . . .

The problems that firms may encounter in their attempts to adapt are, of course, considerably heightened when environmental changes call for new strategies that demand competencies that the firms in the sector do not have and cannot readily access. The cognitive inertia factors in play thus go beyond solely environmental representations and extend to the problem of learning new skills and know-how.
When faced with adaptation problems, firms try to resolve the dissonance between their routine behaviors and the new strategic representations by blocking the competitive process and diverting the course of change. To do so, firms have a vast repertoire of actions, from predatory pricing to nip new innovative entrants in the bud, to collective action (especially via professional associations) aimed at influencing the regulatory framework or at promoting the adoption of self-serving standards. As a general rule, if at least some competition exists in the sector and if entry barriers are not insurmountable, the sector eventually shifts to a new growth regime, after a period of crisis that has more or less profoundly destabilized it structurally and led to the renewal of its population of firms. New collective representations become institutionalized in redefined industry recipes.

This leads us to our fourth and final proposition: episodes of structural change—of transition from one sectoral growth regime to another—go hand in hand with a revision of shared representations in a process that, once the inertia has broken, accelerates the transition.

### 3. APPLICATION TO THE RETAIL SECTOR

The French retail sector, dominated by big-box players, has long been associated with a strong sector culture (2.1) that has held back the adaptation of growth strategies to environmental changes (2.2). However, in recent years the sector has been engaged in a thorough revision of thinking that has accelerated sector dynamics (2.3). A major survey of players in the sector confirms that a new industry culture is now in place, which should speed up change in the sector (2.4).

#### 3.1. A Strong Sector Culture Combined with an Extensive Growth Regime

The commercial revolution that sprang up in the late 1950s touted “mass distribution” as the dominant form of business. In focusing on growth through extending its scope and footprint, the sector adopted a view of
growth as an extensive process. This view of growth is based on the primacy of the discount retail model. In broad terms, discounting consists of a value proposition focused on lowest price, supported by back-office tactics to exploit economies of scale at all levels, to achieve profitability by turning over capital as fast as possible. The primacy of this economic model naturally leads to other sector characteristics associated with an extensive growth regime: the development of big-box selling concepts, stores moving to out-of-town locations, supplier/retailer conflicts . . .

The mechanisms underlying an extensive growth regime create and spread a sector culture that influences the representations and behaviors of its retailers. Although the “inventors of modern retailing” have heterogeneous personal backgrounds, most of them are connected by an invisible thread from which springs its sector culture: the fascination with the retail model in full swing in postwar America. This fascination would lead them to participate in productivity initiatives organized by France’s General Planning Commissioner to observe American field methods. Some time later, they resurfaced in the famous seminars given by Bernardo Trujillo at the National Cash Register Company. Chatriot and Chessel report that of the 13,000 people who attended Trujillo’s seminars between 1957 and 1966, 2,347 were French, most of whom went on to become major retailers in France. They diligently applied the key principles hammered home by the guru, and made them the basis of a nascent sectoral culture: self-service, low prices, parking, and showmanship.

These lessons were then passed on by training bodies. Chatriot and Chessel emphasize the role of internships organized in the 1970s by the French national management training institute FNEGE (Fondation nationale pour l’enseignement de la gestion des entreprises), and the arrival of a specialist press focused on retailing. Libre Service Actualités (LSA)—which eventually became a veritable industry institution—was created in 1958. This publication (and others later) served as a sounding box to the success of the pioneers in the retail revolution, mostly self-taught coming from nowhere, some of whom would go on to found empires. For a long time, the culture

49 Thil 1966.
50 Chatriot and Chessel 2006.
of the sector was fueled by personal experiences and successes. In 1966, Étienne Thil, a journalist before joining Carrefour Group, very close to Bernardo Trujillo, published *Les inventeurs du commerce moderne*, which glorified the pioneers of modern retailing and highlighted the principles underlying their success. Other similar works followed sharing views of successful retailing, focusing less on economic models and the characteristics of the age, and more on the visionary talents of great entrepreneurs and their adherence to founding principles, among which was the idea that lowest-pricing was the basis of modern retailing.

The sector culture combined with an extensive growth regime is also very strongly permeated with the “Wheel of Retailing” model developed by Malcom McNair and popularized in France among professionals by Étienne Thil. The simplicity of this model and its seeming relevance on a historical overview of retailing undoubtedly explain its success. It is regularly mentioned in professional circles, explicitly or implicitly, in business training courses and management literature. It reinforces the legitimacy of representations and invites brand managers to respond to deteriorating results by exercising more rigor in applying the model.

This actually illustrates our second proposition: the early success achieved by pioneers in large retailing quickly leads to the formation of shared representations, which are consolidated as this young business sector becomes institutionalized. Formed around a “discount” model, the sector culture arising from these representations was a major component of the extensive growth regime that marked this sector since its creation in the late 1980s.

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51 Among recent works we include *Les grandes voix du commerce*, a collection of interviews published in 1997 by Claude Sordet, and *La Saga du commerce français* by Frédéric Carluer-Loussouarn and Olivier Dauvers in 2004. The key personalities in the birth of mass retailing have also often put pen to paper to recount their adventures.

52 McNair 1931 and 1958).

53 There too, Étienne Thil has greatly helped to spread this theory in professional circles. The Wheel of Retailing theory still has its staunch advocates today, who continue to give it a certain audience in the microcosm. See in particular the writings (and speeches) of specialist journalist Olivier Dauvers (www.olivierdauvers.fr, Dauvers 2003).
3.2. The Rigidity of the Sector Culture

The extensive growth regime, however, exhibited its first signs of running out of steam in the late 1980s, which led to it entering a crisis. Two sets of factors were behind this change. The first, endogenous to the sector, was the gradual saturation of growth potential based on winning market shares in the traditional retail. The second involved changes in the economic and social environment that bounded the retail sector. On both the economic level (the Crisis of Fordism and the emergence of a post-Fordist economy) and the social level (excesses of modernity emblematic of the postwar boom years), in the late 1960s this environment entered a period of profound change that led to the redefinition of a number of underlying conditions of retailing, thereby impacting its growth regime. The discount model and the dominant characteristics of the retailing mechanism that came out of it seemed to be increasingly out of sync with an economic and social environment that invited a revamping of how to sell goods and satisfy consumer needs.

However, the road to a new growth regime proved to be long and hard going. One reason was structural concentration in the sector, reinforced by mergers and acquisitions. In contrast, in the early 1960s, the sector was composed of a myriad of family structures, with no market power or real adaptive capacity. Moreover, although globalization forced many sectors into restructuring, retailing managed to resist internationalization for a long time. It has only grown in about the last 15 years, and its openness to internationalization remains limited. This unique characteristic, which is partly due to the differences in national regulations and partly to the persistence of significant differences in consumer habits, has maintained the oligopolistic nature of the sector and thus contributes to slowing any change in the sector.

This relative structural stability has contributed to sector culture being relatively solidified. The permanence of professional bodies, the long careers of many managers in a single sector, a human resource management model that paid lip service to upward mobility while managers

54 For an in-depth analysis of the factors that precipitated the crisis in the extensive growth regime, see Moati 2001 and 2011.
recruited each other from the same microcosm, specialized journalists and consultants moving into corporate careers in the very same sector . . . are all factors that actively participated in this rigid way of thinking. It is this rigidification—heightened by financial performance that for a long time was very comfortable—that explains why firms in the sector so often responded to the first signs of questioning the extensive growth regime by appeals to orthodoxy in the application of the model that had ensured their success. Thus, the disruptive event that was the penetration of hard discount since the late 1980s tended to be analyzed as a new turn of the Wheel of Retailing. This was facilitated by the increasing vulnerability of mass retailing, now “gentrified,” which, due to its dominant position, became increasingly removed from price-cutting origins. This belief in the Wheel of Retailing contributed to encouraging retailers, from the mid-1990s to the mid-2000s, to focus their strategic energies on blocking their clientele from escaping to hard discount operators, by making their brands price competitive again and/or creating new sales concepts firmly based on low prices.

In general, firms in the sector tended to respond to increasingly clear limits to the extensive growth regime by attempting to extend it.\(^{55}\) Finding it difficult to kiss goodbye to rapid growth, their energy was for a long time focused on searching out new growth levers. And they found them—more or less happily—in the diversification into other categories of products and services, external growth operations, and, above all, internationalization (preferably oriented towards countries with lagging retail development). The saturation of growth potential in the domestic market, however, intensified over time with the proliferation of sales outlets and an increasingly stringent regulatory climate discouraging the opening of new stores. The advent—in the form of the Internet—of a new distribution channel with very marked distinctive advantages was clearly an aggravating factor.

The period stretching from the late 1980s to the mid-2000s thus illustrates our third proposition: the inertia of the sector culture acts as a brake on structural change in the sector.

\(^{55}\) Moati 2001.
3.3. Signs of Revision of the Sector Culture

It seems, however, that the impulse to revise the shared representations in the sector has speeded up since the turn of the century, although it is difficult to identify precisely the factors driving this evolution. The acceleration of internationalization,\textsuperscript{56} the surge in distance selling with the advent of the e-commerce, and deepening economic and social changes seem to have come together to accelerate awareness of the need to adapt to the start of a new growth regime. The overhaul rejuvenation of major retailers’ senior management teams, and the arrival of managers from outside the sector, also helped to revise the content of the sector culture and question established models.

It was gradually and increasingly accepted that the forms of retailing inherited from the previous commercial revolution were not able to adapt sufficiently to environmental changes, in particular to changes in consumer behavior. This diagnosis focused on two points: (1) the hypermarket crisis and, generally, the declining attractiveness of out-of-town big-box stores in favor of in-town shopping; (2) awareness of the need to go beyond a product culture and embrace a customer-focused approach. These representational transformations can be seen both in discourses among players in the sector and themes in the professional literature, as well as in the actions of firms in the sector. We can create a picture of this as an impressionist painter would.

In terms of discourse, the specialist press began by echoing the problems of hypermarkets in the early 2000s, mainly as a reaction to the publication of the first statistics showing that the retailing format was starting to run out of steam. Thus, in May 2002 LSA ran an article entitled “Hypermarkets: A Model Losing Momentum” (“Hypermarché: le modèle s’essouffle”). Official French statistics,\textsuperscript{57} as well as those issued by the French trade and retail federation\textsuperscript{58} market research organizations Nielsen and SECODIP, confirmed that hypermarkets were losing ground. An analysis

\textsuperscript{56} Note that the most thorough restructuring has often been in retail subsectors that have had to face the entry of innovative foreign rivals, such as Ikea in furniture, and Zara and H\&M in clothing . . .

\textsuperscript{57} INSEE, the French National Statistical and Economic Research Institute

\textsuperscript{58} Fédération du Commerce et de la Distribution
of the phenomenon was offered in 2003 as LSA celebrated 40 years of the hypermarket concept. Its feature led with: “Despite the uncertainties weighing on this now-mature format in France . . . [the major players in this success story] remain unperturbed.” Two factors were put forward to explain hypermarkets’ declining market shares. In keeping with the Wheel of Retailing, the first was the increase in margins which reduced the price-competitive advantage of hypermarkets over rival formats. Thus, Gérard Mulliez, the founding owner of Auchan, declared: “Hypermarkets in 1963 were a bit like the hard discount stores of today, and today’s hypermarkets in some respects resemble the big stores of the 1970s.” A degree of “consumer weariness” was pointed to as the second factor in hypermarkets’ loss of momentum.

But on the whole, the managers interviewed by LSA were reassuring. Thus: “Who’s really a threat to hypermarkets today?” retorted Michel-Édouard Leclerc, co-president of E. Leclerc:

It’s the best-performing and most-frequented retailing format there is. Yes, it’s true that this format is being nibbled away at the fringes, that the really big megastores have less appeal to some customers, and hard discount operators are returning in force. But what hypermarkets are losing are the market shares that don’t belong to them anyway, aspects of their success that they weren’t built for. Selling yoghurts one pot at a time isn’t really their main business! As for losing market share to local in-town shopping, this will let hypermarkets return to their initial vocation as big distributors offering attractive prices in big market segments.

And the owner of the group went on to announce ambitious growth targets . . .

It was only gradually that the prevailing representation shifted to a picture of hypermarkets in profound crisis that only an in-depth revision of the model would be able to counter. This acceleration in the revision of beliefs came in approximately the mid-2000s. Interviews in 2006 with

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senior executives of big food retailers revealed the extent to which representations were being revised. In particular, it was now admitted that hypermarkets were a concept that had reached an advanced stage of its life cycle. The concept was having structural difficulties adapting to its environment, persistently depressing earnings. A book published by GS1 in 2008, largely reporting interviews with chief executives of volume retailers, offered a valuable insight into the representations dominating the sectoral microcosm at the time. It was clear that the “French model” had had its day. For Serge Papin, president and CEO of Système U, “the hypermarket model, the megastore model, has reached maturity.” “The frequency of visits and the number of superstores visited are declining. It’s an underlying phenomenon,” adds Jean-François Cherrid, marketing director at Auchan. The limits of the discount model are clearly known. “You can’t stand out simply through prices and promotions. You need to bring something more to the table,” says Gérard Lavinay, director of organization, systems, and supply chain at Carrefour. In a section of their work entitled, significantly, “Room for differentiation,” the authors summarize the statements of the managers interviewed and identify four strategic lines of thought as structuring the evolution of the sector for the ten upcoming years: “The role of the superstore as a brand, the obvious success of the intermediate format, the proliferation of specialist stores, and lastly the development of services to serve consumers.” It is now clearly established that the hypermarket crisis is not simply a consequence of “gentrification” destroying the price-competitiveness format.

Representations can also be seen evolving at the strategic planning level. In the first half of the 2000s, food retailing groups focused on how to contain the flight of customers to hard discount outlets. Then, the observed plateau in the development of hard-discount retailing added to the room for maneuver won as a result of the phased reforms of the “Galland Law”

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60 Crédoc 2006.
61 Georget et al. 2008.
63 Ibid., 20.
64 Ibid., 23.
65 Ibid., 35.
66 [ed: essentially against predatory pricing]
to encourage retailers to gradually shift the center of gravity of their strategies to find ways of making hypermarkets competitive beyond merely aggressive pricing. Significantly, while Wal-Mart and German hard-discounters were held up as models, eyes were turning increasingly to Tesco, the leading British food retailer which bases its formidable growth on growing its customers and relationship marketing.

The groups overhauled their senior staff, and brought in younger managers with other professional backgrounds (manufacturers, foreign distributors, etc.). Each in their own way, the big-box firms set about rethinking in depth how to relaunch the dynamism of the format, and began experimenting. For example, in 2009 Carrefour launched a transformation plan called “Reinventing the hypermarket to charm our customers,” with a five-pronged focus: change the shopping experience from painful to pleasant, enhance service delivery, develop a range of fresh products, enliven points of sale, and become a specialist in every product category handled. This plan was rolled out in August 2010 as an experimental “Carrefour Planet” concept in two hypermarkets in the Lyon region. Other big-box names were also thinking along the same lines. To “re-enchant the hypermarket,” Auchan defined a fourteen-point “brand commitment” as the focus of efforts to reaffirm its brand identity and meet customers’ expectations while differentiating itself.

The translation of these actions into an evolution of representations can also be seen not only at brand level but at group level, as a rebalancing of priorities among the various formats used. Thus, recent years have been rife with new concepts, at small and medium outlets generally referred to as “local,” “quick-stop,” or “express” such as (in France) Monop, Chez Jean, U Express, Carrefour City, and others. The players who launched the previous retailing revolution today deploy a major part of their innovation and development capacity on formats that just a little while ago had been discarded. Managers, in their anticipations of the future of retailing, increasingly incorporate the changes happening in the societal environment. These include the aging of the population and the trend to smaller families, the increasing cost of car travel, consumers’ changing relationship with time, values changing to favor social links, growing public awareness of sustainable development issues—these and similar factors thought to be diminishing the attractiveness of hypermarkets (and generally of the out-of-town big-box experience) and rehabilitating local
shopping. Long reluctant to accept that e-commerce could significantly penetrate food retailing, starting at around 2010, distributors began deploying “drives-in” and introducing the multichannel approach into the sector culture.

The repositioning of the hypermarket and the deployment of new commercial concepts also illustrate a transformation in their representations of consumer expectations. Despite competition from hard-discount formats and generally lackluster purchasing power, it now seems accepted that customers’ expectations extend beyond simply low prices. Consumers are perceived as increasingly heterogeneous with complex expectations that require the development of new tools and skills to understand them and respond to them. Often neglected in favor of purchasing, marketing is becoming central in the organizational structure of major retail groups. It is up to marketing to target the clientele, to differentiate the brand, and to build customer relationships that create and retain loyalty. The customer is increasingly used in management discussions and professional literature, thus following—with some lag—the general trend in contemporary capitalism. Simultaneously, emphasis is often placed on the notion that the product offering, in addition to being competitively priced, must be enriched with services: convenience, accessibility, time savings, relevance to the customer’s problem, etc.

Recent years thus illustrate our fourth proposition: an accumulation of change factors in the sectoral growth regime has overwhelmed representational inertia and seems to have led to a revision of the sector culture. A two-pronged question, however, remains: how profoundly have the representations associated with the extensive growth regime been called into question? Are the “new” representations sufficiently shared among industry players to lead to their institutionalization and to make them the purveyor of “industry recipes” associated with a new growth regime?

3.4. Players’ Vision of the Retailing of Tomorrow

To answer these questions, we conducted a survey of 160 players in the French retail industry, a sample consisting of managers of food and

67 Moati and Volle 2010 and 2011.
non-food distributors, managers of professional bodies, and researchers and consultants specializing in retailing. The purpose of the questionnaire was to understand how they thought the retailing world would look in ten years’ time, in 2020. Due to space limitations, we present only the main results of that survey here.

Invited first to express their thoughts on the intensity of the changes that the retail sector is likely to see over the next ten years, the respondents were nearly unanimous (92%) in expecting change to accelerate compared to the previous ten years, and a third expected a real commercial revolution. There was thus full acceptance of the reality of a structural change.

Technology on the one hand and changing consumer behavior linked to societal changes on the other were widely identified as the main factors leading to those strong changes. Technological developments were identified as boosting e-commerce, its market share expected to reach 24% on average by 2020 (from about 4% at the time of the survey). It would also encourage more thoughtful consumer behavior thus reinforcing consumer power. This would be expressed as increasingly individualized requests, with the expectation of more personalized commercial relationships.

Respondents thought these change factors would lead to a much more competitive environment inviting retailers to respond to the e-commerce offensive (by multichannel strategies, exploitation of the comparative advantages of physical points of sale) and demonstrating that they were listening to customer expectations by developing services, personalizing the relationship, offering solutions, enhancing convenience, and, for some respondents, commitment to CSR initiatives.

Asked about the growth prospects of the various point-of-sale formats and the different forms of commercial outlets, the professionals and experts expressed their visions of the future as a break from the trends of recent

68 The survey was conducted in summer 2010. The sample consisted of 114 “professionals” and 46 “experts.” Access to the managers of distribution networks was facilitated by professional retail associations. The questionnaire, administered online, included a vast set of open questions that allowed respondents to explain their vision in detail.

69 For the results in greater detail, see Moati et al. 2010.
decades. The future would clearly be “proximity” . . . A large majority of respondents (69%) expected the proportion of small local outlets to grow over the next ten years, and nearly three-quarters of respondents expected the market share of hypermarkets to shrink.

We asked the interviewees to choose which of three scenarios was closest to their own vision of the future of retailing. Only a small minority of respondents (18%) chose the “price-cutting” scenario inspired by the Wheel of Retailing theory. The others were split relatively evenly between the “precision retailing” scenario (which recognizes the diversity of consumer expectations and applies a segmentation-differentiation strategy) and the “service retailing” scenario (which goes beyond seeing retailing as simply buying for resale, and more as being purveyor of useful effects and solutions for your customers).

Lastly, nearly three-quarters of interviewees thought that their company would have to make proactive efforts to adapt to the future. Offered a range of adaptations and asked to prioritize them, most respondents chose “the ability to create a deeper and richer relationship with customers” (50%), followed by “develop a multichannel approach” (55%), “the ability to create a differentiating offering” (54%), and to a lesser extent “a better ability to understand customer expectations” (34%) and “develop a services offering” (23%). The items relating to cost control and the affirmation of price-competitiveness—key aspects of the extensive growth regime—were selected only by a small minority of respondents.

In total, the results of the survey reveal a major overhaul of players’ representations. Expectations are often diametrically opposed to the central characteristics of the volume retailing model in an intensive growth regime. In accordance with our fourth proposition, disruptive representations are spreading while the sector is entering a new growth regime.

Despite uncertainties still surrounding the characteristics of this new growth regime, there is a high degree of convergence among individual representations, both in terms of the intensity of the changes under way and in terms of their causes and consequences. On the whole, there seems to be little difference between the assessments by the “professionals” and those by “experts,” apart from the latter being slightly more radical in their visions of the changing future. The points of consensus, upon which
The type of changes expected in the retail sector over the next 10 years

**“Briefly describe how retailing ten years from now will be significantly different from retailing today.”**

<table>
<thead>
<tr>
<th>Changes in Retailing</th>
<th>% of Respondents who Selected One or More Options from the Focus List</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Professionals</td>
</tr>
<tr>
<td>E-commerce</td>
<td>33%</td>
</tr>
<tr>
<td>Multichannel</td>
<td>28%</td>
</tr>
<tr>
<td>Use of ICT</td>
<td>28%</td>
</tr>
<tr>
<td>FOCUS E-commerce/ICT/multichannel</td>
<td>64%</td>
</tr>
<tr>
<td>Service(s)</td>
<td>26%</td>
</tr>
<tr>
<td>Personalization of the relationship</td>
<td>23%</td>
</tr>
<tr>
<td>Advice, solutions</td>
<td>12%</td>
</tr>
<tr>
<td>FOCUS Services/personalization/advice</td>
<td>45%</td>
</tr>
<tr>
<td>Proximity</td>
<td>26%</td>
</tr>
<tr>
<td>Convenience</td>
<td>9%</td>
</tr>
<tr>
<td>FOCUS Proximity/convenience</td>
<td>32%</td>
</tr>
<tr>
<td>Reinforcement of level of expectations</td>
<td>26%</td>
</tr>
<tr>
<td>Segmentation/differentiation</td>
<td>22%</td>
</tr>
<tr>
<td>Specialization of the offering</td>
<td>7%</td>
</tr>
<tr>
<td>FOCUS Segmentation/specialization</td>
<td>26%</td>
</tr>
<tr>
<td>Sustainable development</td>
<td>11%</td>
</tr>
<tr>
<td>Healthier eating</td>
<td>7%</td>
</tr>
<tr>
<td>Commitment, responsibility</td>
<td>8%</td>
</tr>
<tr>
<td>FOCUS CSR</td>
<td>18%</td>
</tr>
<tr>
<td>Consumer mobility</td>
<td>4%</td>
</tr>
<tr>
<td>Distributor brands</td>
<td>5%</td>
</tr>
<tr>
<td>Low price, low cost</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Moati et al. 2010
all respondents agree, are sufficiently numerous and important that we can advance the hypothesis of the emergence of a new sector culture. At the very least, in terms of representations, the players in the industry are turning their backs on mass-discount retailing. The 2020 business that they anticipate is resolutely “customer focused” and competitiveness will depend above all on the ability to listen to and satisfy customer expectations, in all their diversity. The acceleration of adaptation strategies seen in recent years is reflected in a profound transformation of the industry culture, which has finally convinced the players in the sector that a big change is under way and has given them references to orient their adaptation strategies. This supports our first proposition underlining the importance of how representations evolve, in the dynamics of a sector’s growth regime.

4. CONCLUSION

This paper follows an institutionalist and evolutionary approach, emphasizing the role that business leaders’ representations and mental maps play in the functioning and dynamics of business sectors. The subjectivity of representations is a consequence of the uncertainty that characterizes the sector environment as well as the bounded rationality of the players. At the sector level, a number of mechanisms combine to homogenize representations as part of an interplay with the sector culture. The inertia of individual and collective representations is a factor reducing companies’ ability to adapt, and can slow down and introduce bias in the change trajectory of industries faced with a changing environment, which, in extreme cases, can threaten the survival of existing players.

We have applied this analytical framework to the retail sector. The spectacular development of mass retailing since the early 1960s has been supported by the formation and consolidation of a strong sector culture based on the discount model. Faced with environmental changes questioning the relevance of that model, the rigidity of the sector culture has fueled behavioral inertia slowing the process of adaptation to the new reality. The early years of the twenty-first century entered a phase of questioning the prevailing representations. The survey conducted in 2010 among a sample of players in the sector reveals the installation of a new, resolutely
“customer focused,” sector culture. The structural characteristics of the sector (concentration, entry barriers, etc.) have ensured—despite the slowness of the cultural adjustment in the sector—that its dynamics have not been accompanied (at least not yet) by a widespread repopulation of businesses.

To the extent that representations contribute to defining strategies, the renewal of the sector culture fuels expectations of an acceleration of the changes initiated in the retail sector in recent years. What remains to be evaluated, however, is, on the one hand, how firmly rooted the new representations revealed by the survey are and how sensitive they are to general economic conditions, and, on the other hand, the degree of inertia among retailers, in terms of internal organization and competencies, to succeed in profoundly reforming how they function so as to adapt to their vision of the retailing of tomorrow. The changes at the top of Carrefour in 2002, leading to the return of a management team from the inner circle, its sights set firmly on renewal using a price-based attack strategy, can be seen as an indicator of the fragility of the new representations.

The volume-food-retailing sector thus supports the propositions based on the theoretical framework we have outlined. Individual representations in a sector tend to be homogenized as part of an interplay with a sector culture. The inertia of that culture can be a brake on collective adaptation to transformations in the sector’s growth regime. But the intensity of those transformations, as well as destabilizations caused by the persistent degradation of performance or the entry of new direct or indirect competitors, culminates in a revision of the representations. The survey conducted among the players in the sector indicates that a new sector culture now seems to be in place that can accelerate a shift into a new growth regime. The interplay of representations would thus appear to be a major component of sector dynamics.


CARLUER-LOUSSOUARN, Frédéric, and Olivier DAUVERS. 2004. La Saga du commerce français. Rennes: Dauphins.


